Consolidated Financial report

Judo Capital Holdings Limited and its controlled entities

ABN: 71 612 862 727

For the year ended 30 June 2019

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JUDO CAPITAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
ABN: 71 612 862 727

DIRECTORS' REPORT

The general overview of affairs and operations together with the financial report of the Group, being Judo Capital Holdings Limited ("the Company") and its controlled entities, is for the year ended 30 June 2019 and auditor's report thereon.

Directors names

The names of the Directors in office at any time during or since the end of the year are:

Peter Hodgson	(Chairman)
Abdul Khalil Bin Ali	
Fiona Bendall	(Resigned 11 April 2019)
Bruce Billson	
David Fite	
John Fraser	(Appointed 1 October 2018)
Joseph Healy	(Resigned 17 April 2019)
David Hornery	(Resigned 17 April 2019)
Stanislav Kolenc	
Geoffrey Lord	
Mette Schepers	(Appointed 17 April 2019)
Manda Trautwein	(Appointed 17 April 2019)
Haijin (Robert) Zhang	

The Directors have been in office since the start of the year to the date of this report unless otherwise stated.

Company Secretary

The names of the Secretaries in office at any time during or since the end of the year are:

Malcolm Hiscock	
Jason Maletic	(Resigned 10 May 2019)
Andrew Gibson	(Appointed 30 April 2019)
Yien Hong	(Appointed 10 September 2019)

The Secretaries have been in office since the start of the period to the date of this report unless otherwise stated.

Information on directors

Peter Hodgson

Chairman

Peter is a senior international financier with extensive experience in global banking. He has a strong business track record and is a proven strategic thinker with in-depth management experience in large complex financial institutions and industry.

Peter held senior corporate and advisory roles with Bank of America Ltd and Barclays De Zoete Wedd before moving back to Australia and to ANZ Bank in 1997. At ANZ he served as Managing Director Corporate and Structured Finance (1997 – 2004), Chief Risk Officer (2004 – 2007) and then as Group Managing Director Institutional (2007 – 2008). Most recently, Peter was Chief Executive Officer and Managing Director of Myer Family Investments, a privately held investment and wealth management business a position he held from 2009 – 2016.

Peter is an experienced Director and Chairman. He is currently holding a number of board positions in addition to Judo Capital: Chairman of Paranta Biosciences Ltd, Greengate Partnerships Pty Ltd and Save the Children Australia, a Director of Save the Children International and a member of Trinity College Investment Management Committee. Peter has a Masters in Law from Cambridge University.

Abdul Khalil Bin Ali

Non-Executive Director

Khalil is the Chief Investment Officer of the Abu Dhabi Capital Group (‘ADCG’). Khalil has been with the Group for nearly a decade and has considerable experience in managing multiple asset classes, investing in mainly listed equities, fixed income and hedge funds globally. In addition, Khalil oversees investment in a portfolio of private equity funds and co-investments.
Khalil sits on the boards of several portfolio companies under the umbrella of ADCG. He is a member of the strategic advisory board for Blackstone Strategic Capital Holdings, a private equity fund investing in minority stakes of hedge-fund managers, private equity firms and other financial services related institutions. Khalil is also the Alternate advisory board member in Ares Commercial Finance, an asset-backed direct lending fund in the mid-market space. Khalil has recently been appointed as a board observer in Equa Bank, a challenger bank in the Czech Republic.

Khalil has developed a robust investment strategy on in the technology space for ADCG. The approach has been disciplined in terms of having a good understanding of what is the addressable market, monetisation of the technology and how technology companies can make a difference in the lives of everyday people. Some of the notable investments Khalil made in the transport sector include promising start-ups like BOOM and Virgin Hyperloop early on, and late stage companies like Uber and Didi Chuxing.

Khalil qualified as a Charter Financial Analyst in 1992 and graduated from the National University of Singapore in 1988 with a Bachelor of Arts, majoring in Economics and Political Science.

Information on directors (Continued)

The Hon Bruce Billson

Non-Executive Independent Director

The Hon Bruce Billson joins the Judo Board with the reputation of being a 'champion of small business' and 'Australia's best Minister for Small Business'.

As a Cabinet Minister, Bruce spearheaded that Abbott Government's SME agenda to 'energise enterprise' leading the formulation of the 2015 Federal Budget's Jobs and Small Business package to boost entrepreneurship and reforms to competition policy and law, unfair contract terms, employee share schemes, crowd-sourced equity funding and industry codes for franchising and food and grocery supply.

After 20 years in public life and having owned his own small retail and gallery business with his wife Kate, Bruce is dedicated to working to support the success of other small businesses as founder/principal of strategic advisory firm, Agile Advisory; and chair of the Deakin University/IPA SME Research Centre advisory council. Bruce has a Masters degree in Business Leadership, Graduate Diploma of Management and a Bachelor of Business. He is a graduate of the AICD's Company Directors Course.

David Fite

Non-Executive Director

David is an international investor focused on financial services and credit exposures. He has significant operating experience in financial services and turnarounds including roles at Shinsei Bank (formerly known as The Long-Term Credit Bank of Japan) and Westpac Banking Corporation. David joined Shinsei at the time of its acquisition from the Japanese Government by a private equity consortium. As the Senior Corporate Executive Officer, Chief Financial Officer, and member of the Board, David was the most senior non-Japanese member of management during Shinsei's recovery. At Westpac David served as Treasurer and Assistant Chief Financial Officer, MD of Westpac Financial and Group Executive responsible for all retail and business banking product businesses in Australia. Prior to this David was at Bain & Company, in Boston and London, focused on the manufacturing and consumer products industries.

David has served as a Board Director, or Chairman, of both financial services and fast-growing technology companies in numerous countries. David has led investment rounds in several of Australia's leading fin-tech and emerging financial services companies.

David attended Harvard College where he graduated magna cum laude. David also holds an MBA as an Arjay Miller Scholar and a Masters in Economics from Stanford University.

John Fraser

Non-Executive Independent Director

John was Treasury Secretary from January 2015 through to July 2018.

In his capacity as Treasury Secretary, John was a member of the Board of the Reserve Bank of Australia; a member of the Australian Council of Financial Regulators; and Chair of the G20 Global Infrastructure Hub.

John was Chair of the Advisory Board of the Australian Office of Financial Management from 2015 to 2016.

Based in London, John was Chairman and CEO of UBS Global Asset Management from late 2001 to 2013. During this time, John was also a member of the UBS Group Executive Board and Chairman of UBS Saudi Arabia.

Information on directors (Continued)

In 2014, John remained as Chairman of UBS Global Asset Management, Chairman of UBS Saudi Arabia and Chairman of UBS Grocon Real Estate.

Prior to joining UBS and its predecessor organisations in 1993, John served for over twenty years with the Australian Treasury including appointment as Deputy Secretary (Economic) from 1990-1993 and postings at the International Monetary Fund (1978-1980) and as Minister (Economic) at the Australian Embassy in Washington DC (1985-1988).

In 1996, John was a member of the Australian Government's Audit Commission into public sector finances.

John was a Board member of the Australian Stock Exchange and a member of their Audit Committee (1997-2003). He was also on the Board of Marymount International School, UK from 2007 to 2013 and on the Investment Advisory Board to the Ferrero Family, Monaco 2014.

John graduated from Monash University, Melbourne, in 1972 with a first-class honours degree in economics and, in 2013, was awarded an honorary Doctorate of Laws by the University. He is an Honorary Professor at Durham University (UK).

John was awarded a Centenary medal by the Commonwealth Government in 2001 for service to Australian society through business and economics.

John has been a Board member of AMP since September 2018 and a Guardian of the Future Fund since December 2018.

Stanislav Kolenc

Non-Executive Director

Stan is Managing Director, Head of APAC of OPTrust, one of Canada's largest pension funds with over 92,000 members and retirees. Stan is responsible for all of OPTrust's activities in the APAC region. Stan has been with OPTrust for over 12 years and has considerable experience in managing multiple asset classes, investing in mainly private equity and infrastructure. Stan is a member of the Private Markets Investment Committee which oversees all of OPTrust's private market investing. Stan is also a CFA® charter holder.

Stan sits on the boards of several portfolio companies that are directly owned by OPTrust. He is a non-executive member of the board of directors of a number of companies including Australian companies Globalvia, SkyBus, Ararat Wind Farm, Aviator Group and Flow Power.

Stan studied engineering at the University of Western Ontario where he graduated with distinction.

Geoffrey Lord

Non-Executive Independent Director

Geoff's career started in 1965 with the Ford Motor Company. In 1973 he joined Henry Jones IXL and in 1978 was promoted to the Board. Geoff was a Director of several companies associated with the Elders Group until 1992 including Elders IXL and Foster's Brewing. In 1985 Geoff started a new public company known as Elders Resources Limited and was appointed Chief Executive and Deputy Chairman.

In 1990 Geoff retired from Elders Resources going into business for himself creating the Belgravia Group, a privately-owned investment group. Belgravia employs some 10,000 people today. Geoff is also Chairman or Director of several public listed companies including Ex-Chairman and Founder of UXC Limited – Australia's largest IT Services Company. Geoff was Director/Chairman of Hawthorn Football Club from 1986-1994 (Life Member – 4 Premierships) and Founder & Chairman of Melbourne Victory 2004-2010 (Life Member - 2 Premierships).

Information on directors (Continued)

Owner of Belgravia Health and Leisure Group, including Belgravia Leisure (60+ centres); Genesis Fitness Gyms (70 +gyms), The Fitness Generation, Belgravia Technologies (exclusive provider of Sports Apps for Cricket Australia, Tennis Australia, Netball, Rowing and Basketball).

Education: MBA (Distinction) (Melbourne), BEc (Hons) (Monash), FIDA, ASIA.

Mette Schepers

Non-Executive Independent Director

Mette is an experienced international financial and professional services executive with extensive experience of working in, and with, highly regulated companies. She has an extensive background in growing consumer and small business financial services.

Mette has held senior executive, board and advisory positions in large, small and global financial institutions and other non-financial entities. Prior positions have included leadership of the client relationship and development teams at Mercer, Consumer MD of FleetPartners and Strategy Principal at the Nous Group. Prior to this Mette was General Manager of Small business and Corporate leasing at ANZ, Head of strategy for its Retail Bank and Head of Planning and Performance for the ANZ Group. Before joining ANZ Mette worked with PwC in Australia and The Netherlands.

She is a Chartered Accountant and holds a Bachelor of Commerce from the University of Melbourne, Associate Degree in Design (Furniture) from RMIT and a Graduate Diploma in Applied Finance and Investment from FINSIA. Mette is a graduate of the AICD.

Manda Trautwein

Non-Executive Independent Director

Manda Trautwein is a Chartered Accountant and CPA who has worked in public practice with a specific focus on advising SME businesses for the past twenty years. She started her career with PwC in their Middle Market division and for the past ten years has been a Director of leading accounting firm, William Buck.

She has extensive experience advising SME clients with strong growth aspirations including in the areas of business valuations, mergers and acquisitions, capital raisings and ASX listings.

Manda is the National Chair of Chartered Accountants ANZ’s Business Valuation Community, comprising more than 10,000 members, and is an Adjunct Fellow at Macquarie University where she lectures to postgraduate students in Applied Business Valuations

She holds Bachelor of Commerce and Master of Applied Finance degrees from Macquarie University and a Master of Applied Taxation degree from the University of New South Wales.

Information on directors (Continued)

Haijin (Robert) Zhang

Non-Executive Director

Robert is a businessman who has found success after immigrating to Australia in 1990 from China. Hailing from a scientific research background in chemical engineering, Robert graduated from Zhe Jiang University in China before moving to Australia to engage in a Masters and PhD program at Monash University under a double scholarship.

After having a role in research at the CSIRO, Robert set up various businesses in information technology, imports and exports. As well as engaging in the wholesale and retail industry for the past 20 years, Robert has involved himself in the property market dealing with land banking and subdivision projects in Victoria.

Robert is a shareholder and advisor to Zhong Yi Group, which is a group of professional investors whose members have investments in mining, property development and health products.

Meetings of directors

Directors	Directors' meetings		Audit committee meetings		Risk committee meetings		Remuneration committee meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Peter Hodgson	12	12	4	3	9	7	3	3
Abdul Khalil Bin Ali	12	9	1	1	-	-	3	3
Fiona Bendall	8	4	-	-	6	2	2	-
Bruce Billson	12	12	4	4	7	6	3	3
David Fite	12	12	-	-	9	8	-	-
John Fraser	9	8	-	-	5	5	1	1
Joseph Healy	12	12	4	3	9	9	3	2
David Hornery	12	12	4	4	9	7	3	3
Stanislav Kolenc	11	10	3	-	-	-	1	1
Geoffrey Lord	12	10	4	2	7	3	-	-
Mette Schepers	3	3	-	-	2	2	-	-
Manda Trautwein	3	3	-	-	2	1	-	-
Haijin (Robert) Zhang	12	7	-	-	-	-	3	2

DIRECTORS' REPORT

Review of operations and results

The loss of the Group for the year after providing for income tax amounted to $27,966,050 (2018: $16,291,173).

The operating result for the period reflects the activities undertaken by the Group during the period. This includes the first full year of operations as a lender, launching deposit taking activities, further investment in systems and processes to support the planned growth of the business and further equity raising activities, including the completion of the Round 1 equity raising and receiving the first tranche of proceeds from the Round 2 Equity raising.

Significant changes in state of affairs

Significant changes in the state of affairs of the Group during the financial year, were as follows:

On 24 April 2019 Judo Bank Pty Ltd was granted an authority to carry on a banking business in Australia by the Australian Prudential Regulation Authority (APRA). Judo Capital Holdings Limited was granted an authority to be a NOHC (Non-Operating Holding Company) by APRA. There were no other significant changes in the group's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

Principal activities

The principal activity of the Group is the operation of a banking business, specifically focused on providing finance to small to medium sized companies (SME's) in Australia, offering the following key products:

- Asset Finance
- Business Loans
- Lines of Credit
- Residential Mortgages (for business loan customers)

The Group operated as a Non-Banking Financial Institution (NBFI) for most of the year until it was granted an authority to carry on a banking business by APRA on 24 April 2019. Once the Group became a bank it was able to take deposits, with wholesale term deposits being the first deposit product to be launched in May 2019.

To date the Group has funded its lending activity through a variety of sources that optimise its cost of funds and liquidity preferences including equity, senior debt, securitisation programmes and later in the year wholesale deposits. The Group will continue to diversify its sources of funding, in accordance with its funding plan, and has launched Retail deposits to the public in September 2019.

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

After balance date events

Particulars of matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years are as follows:

- Further settlement under the Company's Round 2 Equity Raising of $182 million;
- The launch of Retail term deposits in September 2019; and
- Continued strong growth in the SME loan book.

Likely developments

The Group expects to maintain the present status and level of operations.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends paid, recommended and declared

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Options

Except as set out below, no options over unissued shares or interests in the Group were granted during, or since the end of, the period.

a) Convertible Notes

During the financial year all Convertible Notes were either converted to shares or repaid.

b) Warrants

A total of 16,685,000 Warrants have been issued to investors who were holders of Convertible Notes. Warrants are exercisable at $1.00 per A Class Share at any time prior to 8 August 2025.

c) Option agreements

In the current year the Company made a change to the existing option letter agreement with Geoff Lord (Non-Executive Director). Specifically, for valuable consideration, the expiry date for the option to subscribe for $2,000,000 in fully paid A Class Shares in the Company at $1.00 per A Class Share was changed from 31 December 2019 to 31 December 2020.

Options (Continued)

d) Obligations to issue shares

As set out in Note 18 to the attached financial statements, the Company has obligations under contracts with employees to issue performance rights over the remaining 529 B Class Shares that may be issued under the Management Incentive Scheme.

Indemnification of officers

During or since the end of the year, the Group has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the Directors of the Group against all liabilities to another person that may arise from their position as Directors of the Company and its controlled entity except where the liability arises out of conduct involving a lack of good faith.

Further disclosure required under section 300(9) of the corporations law is prohibited under the terms of the contract.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Group.

Proceedings on behalf of the Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial year is provided with this report.

Rounding of amounts

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed on behalf of the board of directors.

Director: ______________________ Peter Hodgson

Director: ______________________ John Fraser

Dated this 24th day of October 2019

Auditor's Independence Declaration

As lead auditor for the audit of Judo Capital Holdings Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Judo Capital Holdings Limited and the entities it controlled during the period.

CJ Heath
Partner
PricewaterhouseCoopers

Melbourne
24 October 2019

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JUDO CAPITAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
ABN: 71 612 862 727

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $ '000	2018 $ '000
Interest income	4	6,303	103
Interest expense	4	(5,404)	(1,721)
Net interest revenue	4	**899**	**(1,618)**
Other operating income		498	13
Net banking operating income		**1,397**	**(1,605)**
Consultants and contractors expense		(918)	(873)
Depreciation and amortisation expense	5	(494)	(128)
Employee benefits expense	5	(15,531)	(9,379)
Information technology expense		(3,674)	(2,164)
Legal expenses		(990)	(253)
Marketing expense		(974)	(170)
Occupancy expense		(836)	(539)
Outsourced lending costs		(173)	(69)
Professional fees		(1,291)	(489)
Recruitment costs		(797)	-
Travel expenses		(766)	(279)
Other expenses		(1,003)	(294)
		(27,447)	(14,637)
Net operating loss before impairment		(26,050)	(16,242)
Impairment on loans and advances		(1,916)	(49)
Net loss before income tax		(27,966)	(16,291)
Income tax expense	7	-	-
Loss from continuing operations		(27,966)	(16,291)
Total comprehensive loss		(27,966)	(16,291)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $ '000	2018 $ '000
Assets			
Cash and cash equivalents	8	92,407	38,437
Loans and advances at amortised cost	9	236,308	10,487
Investments	10	58,846	-
Plant and equipment	11	1,040	1,061
Intangible assets	12	2,490	719
Other assets	13	1,605	859
Total assets		392,696	51,563
Liabilities			
Deposits	14	104,649	-
Accounts payable and other liabilities	15	4,698	3,751
Borrowings	16	85,143	18,536
Provisions	17	742	323
Total liabilities		195,232	22,610
Net assets / (deficiency)		197,464	28,953
Equity			
Share capital	18	248,847	52,081
Reserves	19	53	342
Accumulated losses	20	(51,436)	(23,470)
Total equity		197,464	28,953

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Share capital $ '000	Reserves $ '000	Accumulated losses $ '000	Total equity $ '000
Consolidated				
Balance as at 1 July 2017	-	-	(7,179)	(7,179)
Loss for the year	-	-	(16,291)	(16,291)
Share options granted	-	342	-	342
Total comprehensive income for the year	-	342	(16,291)	(15,949)
Transactions with owners in their capacity as owners:				
Issued share capital	55,500	-	-	55,500
Equity raising costs	(3,419)	-	-	(3,419)
Total transactions with owners in their capacity as owners	52,081	-	-	52,081
Balance as at 30 June 2018	52,081	342	(23,470)	28,953
Balance as at 1 July 2018	52,081	342	(23,470)	28,953
Loss for the period	-	-	(27,966)	(27,966)
Share options granted	-	51	-	51
Total comprehensive income for the year	-	51	(27,966)	(27,915)
Transactions with owners in their capacity as owners:				
Issued share capital	180,791	-	-	180,791
Conversion of convertible notes to share capital	18,374	-	-	18,374
Equity raising costs	(2,399)	-	-	(2,399)
Share options converted to capital	-	(340)	-	(340)
Total transactions with owners in their capacity as owners	196,766	(340)	-	196,426
Balance as at 30 June 2019	248,847	53	(51,436)	197,464

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $ '000	2018 $ '000
Cash flow from operating activities			
Receipts from customers		48	1
Payments to suppliers and employees		(25,841)	(12,658)
Interest received		6,317	103
Finance costs		-	(150)
Interest Paid		(5,103)	(19)
Net movement in loans and advances		(227,737)	(10,318)
Net movement in term deposits		104,649	-
Net cash (used in) operating activities	21(b)	(147,667)	(23,041)
Cash flow from investing activities			
Payment for property, plant and equipment		(321)	(573)
Payment for investments		(58,846)	-
Payment for intangible assets		(1,924)	(588)
Net cash (used in) investing activities		(61,091)	(1,161)
Cash flow from financing activities			
Proceeds from share issue		180,463	55,500
Proceeds from borrowings		85,142	-
Proceeds (payments) from convertible notes		(479)	7,485
Convertible note transaction costs		-	(96)
Capital raising transaction costs		(2,398)	(2,445)
Net cash provided by financing activities		262,728	60,444
Reconciliation of cash			
Cash at beginning of the financial year		38,437	2,195
Net increase in cash held		53,970	36,242
Cash at end of financial year	21(a)	92,407	38,437

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers Judo Capital Holdings Limited and its consolidated entities. Judo Capital Holdings Limited is a Company limited by shares, incorporated and domiciled in Australia. Judo Capital Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the Directors' report.

The following are the significant accounting policies adopted by the Group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Compliance with IFRS

The financial report also complies with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

Presentation Format

The financial statements have been prepared in order of liquidity.

(b) Going concern

The financial report has been prepared on a going concern basis.

As at 30 June 2019, the consolidated entity had a net asset position of $197,463,971 and cash and cash equivalents of $92,406,751. The increase in net assets from the prior year predominately is the result of completion of the Round 1 Equity Raising totalling $64,500,000, the first receipts from the Round 2 Equity Raising of $115,335,398 being received prior to 30 June 2019 and the majority of the convertible notes converting to equity during the year. These have been offset by transaction costs associated with equity raising and the current year operating losses. Subsequent to year end further settlements under the Round 2 Equity Raising were received.

The consolidated entity expects, whilst the Group builds scale, that net cash inflows from operating activities will continue to be negative in the short to medium term. The Directors are confident that the Group will have sufficient funds to cover the expected short term operating deficiency having regard to the current net asset position, the awarding of an authority to carry on a banking business by APRA during the year, post balance date capital raisings and the senior debt warehouses that are in place.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going concern (Continued)

As a result of the above matters, the directors are of the view that the consolidated entity will continue as a going concern and, therefore, will realise its assets and liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The directors remain confident about the successful achievement of projected targets and therefore no adjustments have been made to these financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and the entity the parent controls. The Group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The financial statements of the subsidiary are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-recognised from the date that control ceases.

(d) Foreign currency translations and balances

Functional and presentation currency

The financial statements of each entity within the consolidated entity are measured using the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Except for certain foreign currency hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Loan interest revenue is calculated on the daily loan balance outstanding and charged in arrears to the customer's loan account. Loan interest revenue is recognised as it accrues in accordance with the effective interest method which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset.

Interest income on equipment loans is recognised on a time proportion basis using the effective interest method.

Interest income on Investments is recognised using their effective interest rates.

Fees and commissions are recognised on an accrual basis once a right to receive consideration has been attained or when service to the customer has been rendered.

All revenue is measured net of the amount of goods and services tax (GST).

(f) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences at the applicable tax rates when the assets are expected to be recovered or liabilities are settled. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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 amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

Judo Capital Holdings Limited and its controlled entities have implemented the tax consolidation legislation and have formed a tax-consolidated group. The Group have entered into a tax funding agreement such that each entity in the tax-consolidated group recognises the assets, liabilities, expenses and revenues in relation to its own transactions, events and balances only. This means that:

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Income tax (Continued)

- the parent entity recognises all current and deferred tax amounts relating to its own transactions, events and balances only;
- the controlled entities recognise current or deferred tax amounts arising in respect of their own transactions, events and balances;
- current tax liabilities and deferred tax assets arising in respect of tax losses, are transferred from the controlled entity to the head entity as inter-company payables or receivables.

The tax-consolidated group also has a tax sharing agreement in place to limit the liability of the controlled entities in the tax-consolidated group arising under the joint and several liability requirements of the tax consolidation system, in the event of default by the parent entity to meet its payment obligations.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call, other short-term and 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.

(h) Financial instruments

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- Those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. See note 10 for details about each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial instruments (Continued)

expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

All financial liabilities, including deposits and borrowings, are recognised by the Group initially at fair value net of any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Investments

Subsequent measurement of debt investments is at amortised cost. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost, and is not part of a hedging relationship, is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

(iii) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk. For trade receivables only, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(i) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes measured at amortised cost using the effective interest method. Interest related to the financial liability is recognised in profit or loss. On conversion the financial liability is reclassified as equity and no gain or loss is recognised. Convertible notes are wholly recognised as financial liabilities due to the fair value of the shares available on conversion of the notes on the date of issue of the convertible notes determined to be $NIL.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

(j) Plant and equipment

Each class of plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured at cost, less accumulated depreciation and any accumulated impairment losses.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Plant and equipment (Continued)

Depreciation

The depreciable amount of plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements at cost	22.2%	Straight line
Office equipment at cost	66.7%	Diminishing value
Furniture, fixtures and fittings at cost	20.0%	Diminishing value

(k) Intangible assets

Intangible asset development costs are capitalised when the Group can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development costs are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to capitalised development costs is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, capitalised development costs are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Other development expenditure is recognised as an expense when incurred.

Amortisation of intangible assets

Patents, trademarks and licenses are not amortised.

Capitalised information technology costs are not amortised throughout the development stage. Once software under development is ready for use management will determine a suitable amortisation rate between 2 and 5 years.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets

Intangible assets not yet ready for use and intangible assets with indefinite useful lives are not subject to amortisation and are therefore tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For impairment assessment purposes, assets are generally grouped at the lowest levels for which there are largely independent cash flows ('cash generating units'). Accordingly, most assets are tested for impairment at the cash-generating unit level. Because it does not generate cash flows independently of other assets or groups of assets, goodwill is allocated to the cash generating unit or units that are expected to benefit from the synergies arising from the business combination that gave rise to the goodwill.

Assets other than goodwill, intangible assets not yet ready for use and intangible assets with indefinite useful lives are assessed for impairment whenever events or circumstances arise that indicate the asset may be impaired.

An impairment loss is recognised when the carrying amount of an asset or cash generating unit exceeds the asset's or cash generating unit's recoverable amount. The recoverable amount of an asset or cash generating unit is defined as the higher of its fair value less costs to sell and value in use.

Impairment losses in respect of individual assets are recognised immediately in profit or loss unless the asset is carried at a revalued amount such as property, plant and equipment, in which case the impairment loss is treated as a revaluation decrease. Impairment losses in respect of cash generating units are allocated first against the carrying amount of any goodwill attributed to the cash generating unit with any remaining impairment loss allocated on a pro rata basis to the other assets comprising the relevant cash generating unit.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

The equity-based compensation record is recorded as part of the share based payments reserve and is calculated as the value of equity benefits provided to employees as part of their remuneration. The calculation is based on independent valuation in line with AASB 2.

Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

(iii) Retirement benefit obligations

Defined contribution superannuation plan

The Group makes superannuation contributions to the employee's defined contribution superannuation plan of choice in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period when the related employee services are received. The Group's obligation with respect to employee's defined contributions entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the consolidated statement of financial position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method, finance charges in respect of finance leases, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

(o) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(q) Rounding of amounts

The parent entity and the consolidated entity have applied the relief available under ASIC Corporations (Rounding in Financial/Directors' report) Instrument 2016/191 and accordingly, the amounts in the consolidated financial statements and in the directors' report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar (where indicated).

NOTE 2: ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

(a) Right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:

   i. investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-of-use asset; or

   ii. property, plant or equipment, the lessee can elect to apply the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-of-use assets that relate to that class of property, plant and equipment; and

(b) Lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

The Group will adopt AASB 16 for the financial year ending 30 June 2020.

The Group is continuing the process of identifying leases and evaluating the quantitative impact of AASB 16. The various transition options are also being assessed. The Group is currently reviewing processes and considering control changes, system requirements and future disclosure requirements.

NOTE 3: FINANCIAL RISK MANAGEMENT

The Group is exposed to the following financial risks in respect to the financial instruments that it held at the end of the reporting period:

(a) Interest rate risk
(b) Credit risk
(c) Liquidity risk
(d) Fair values compared with carrying amounts

The board of directors have overall responsibility for identifying and managing operational and financial risks.

The Group holds the following financial instruments:

	2019 $ '000	2018 $ '000
Financial assets		
Amortised cost		
- Cash and cash equivalents	92,407	38,437
- Loans and advances	236,308	10,487
- Investments	58,846	-
	387,561	48,924
Financial liabilities		
Amortised cost		
- Trade creditors	909	1,064
- Borrowings	85,143	18,536
- Customer deposits	104,649	-
	190,701	19,600

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Interest rate risk

The Group is exposed to interest rate risk in relation to its borrowings. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group manages it interest rate risk by maintaining a mix of variable rate and fixed rate borrowings.

Although the Group does not operate a securities trading book, the business is exposed to interest rate risk due to a gap in the repricing dates for assets (predominantly loans and liquid assets held to satisfy regulatory liquidity holdings requirements) and liabilities (predominantly customer deposits and debt with other financial institutions). Because of the proportion of equity funding, the Group runs a net-asset interest rate exposed position (i.e. Balance of interest rate sensitive assets exceeds the balance of interest rate sensitive liabilities). Where exposure approaches limits, the Group intends to manage this risk through the use of hedging instruments such as interest rate swaps.

The Group's policy is to manage Interest Rate Risk in the Banking Book which is set at a level reflective of the Group's current size and complexity. The Group has a low appetite for this risk and risk appetite limits for net interest income at risk and economic value sensitivity have been developed consistent with the Group's size and complexity.

Sensitivity

If interest rates were to increase/decrease by 100 basis points from the rates prevailing at the reporting date, assuming all other variables remain constant, then the impact on the loss for the year and equity would be as follows:

+ / - 100 basis points	**2019** **$ '000**	**2018** **$ '000**
Impact on loss after tax	859	445
Impact on equity	859	445

(b) Credit risk

Credit Risk is the risk of loss arising from a customer or counterparty failing to meet their obligations in accordance with the agreed terms of credit. The Group actively seeks credit risk to generate net interest income within the constraints of acceptable risk and appropriate return in accordance with the Group's risk appetite statement and credit risk policy.

The Group takes a responsible approach to the origination of credit risk for customers and considers their character and capacity to repay. The Group only take credit risks that are transparent, well understood and appropriately assessed. The Group seeks to diversify credit risk to minimise customer and portfolio concentrations. The Group records, regularly monitors, understands and manages credit risks, including regular engagement with customers to understand their circumstances.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Adherence to these credit risk principles supported by a credit risk management framework, lending guidelines and a delegated lending authority framework support a medium risk appetite. Key metrics such as Probability of Default, Loss Given Default and Exposure at Default are used to measure the Group's credit risk is within appetite.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in consolidated statement of financial position and notes to financial statements.

The Group holds collateral against loans and advances to customers in the form over mortgagee interest over real property, other registered securities over assets and guarantees. To mitigate Credit risk, the Group can take possession of the collateral held against the loans and advances as a result of customer default. To ensure reduced exposure to losses, the collateral held by the Group as mortgagee in possession is realised promptly.

The Group does not have any material credit risk exposure to any single counterparty or group of counterparties under financial instruments entered into by the Group.

For financial assets, the following credit risk modelling applies:

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower’s ability to meet its obligations;
- Actual or expected significant changes in the operating results of the borrower;
- Significant increases in credit risk on other financial instruments of the same borrower;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal methodology.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the customer is:

- Considered unlikely to pay their credit obligations in full without recourse actions such as realising security; and/or
- The customer is at least 90 days past due on their credit obligations.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

For credit risk management purposes, the Group applies credit risk rating grades to its financial assets. The credit risk rating grade is the Group's rating of credit risk based on the risk of a default occurring on the financial instrument.

The Group's credit risk rating grades are outlined in the following table:

Credit risk rating grade	Criteria applied by the Group	Basis of recognising allowance for credit losses
Low risk/performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows or have not had a significant increase in credit risk since initial recognition.	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Increasing risk	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.	Lifetime expected losses.
High risk	Customer meets Judo's definition of default including when Interest and/or principal repayments are 90 days past due.	Lifetime expected losses.
Severe financial difficulty	There is no reasonable expectation of recovery.	Asset is written off.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Over the term of the loans, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers the amortisation profile of the exposure, the customers probability of default adjusted and the facility level collateral coverage both adjusted for forward looking macroeconomic conditions. Adjustment for forward looking macro economic conditions is based on expert judgement after considering current economic conditions which include but are not limited to the following economic indicators:

- Credit Growth;
- Gross Domestic Product ("GDP");
- Interest Rates;
- House Price Index; and
- Unemployment rate.

The following table outlines the Group's exposure to credit risk, by credit risk rating grade, arising from the Group's financial assets.

Group internal credit rating	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default $ '000	Impairment provision $ '000	Fair value of collateral $ '000	Basis for calculation of interest revenue
Performing - Stage 1	12 month expected losses	232,691	932	253,275	Gross carrying amount
Underperforming - Stage 2	Lifetime expected losses	5,613	1,033	-	Gross carrying amount
Non-performing - Stage 3	Lifetime expected losses	-	-	-	Amortised cost carrying amount (net of credit allowance)
Write-off	Asset is written off through P&L to the extent of expected losses	-	-	-	None
		238,304	1,965	253,275	

The fair value of collateral disclosed above is just the value of real property. It does not include the value of equipment, motor vehicles or general security agreements which are also forms of collateral.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The following table outlines the Group's remaining contractual maturities for non-derivative financial instruments. The amounts presented in the table are the undiscounted contractual cash flows of the financial liabilities, allocated to time bands based on the earliest date on which the Group can be required to pay.

Year ended 30 June 2019	**< 6 months**	**6-12 months**	**1-5 years**	**> 5 years**	**Carrying amount**
	$ '000	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Cash and cash equivalents	92,407	-	-	-	92,407
Loans and advances	13,441	12,427	161,737	48,703	236,308
Investments	14,996	-	43,850	-	58,846
Other assets	1,606	-	-	-	1,606
Deposits	(61,674)	(36,361)	(6,614)	-	(104,649)
Accounts payable and other liabilities	(4,698)	-	-	-	(4,698)
Borrowings	(51,254)	(1,008)	(27,718)	(5,163)	(85,143)
Net maturities	4,824	(24,942)	171,255	43,540	194,677
Year ended 30 June 2018					
Cash and cash equivalents	38,437	-	-	-	38,437
Loans and advances	583	606	7,982	1,316	10,487
Accounts payable and other liabilities	(3,751)	-	-	-	(3,751)
Borrowings	(13,906)	-	(4,630)	-	(18,536)
Net maturities	21,363	606	3,352	1,316	26,637

(d) Fair values compared with carrying amounts

Except as outlined in the following table, the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair value as at the reporting date.

NOTE 3: FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair values compared with carrying amounts (Continued)

	2019		2018	
	Net carrying amount $ '000	Net fair value $ '000	Net carrying amount $ '000	Net fair value $ '000
Financial assets				
Treasury investments	58,846	58,966	-	-
Total financial assets	58,846	58,966	-	-

	2019 $ '000	2018 $ '000
NOTE 4: NET INTEREST REVENUE		
Interest from cash and cash equivalents	846	70
Interest on loans and advances	5,175	33
Other interest income	282	-
	6,303	103
Interest expense on borrowings	(5,136)	(1,721)
Interest expense on deposits	(268)	-
Net interest revenue	899	(1,618)

	Average balance $ '000	Interest $ '000	Average interest %
Interest revenue 2019			
Cash and cash equivalents	56,945	846	1.49
Loans and advances	82,879	5,175	6.24
Treasury investments	12,227	282	2.31
	152,051	6,303	
Interest expense 2019			
Customer deposits	8,939	268	3.00
Borrowings	55,615	5,136	9.24
	64,554	5,404	
Net interest revenue 2019	87,497	899	
Interest revenue 2018			
Cash and cash equivalents	6,181	70	1.14
Loans and advances	430	32	7.42
	6,611	102	
Interest expense 2018			
Borrowings	14,871	1,529	10.27
	14,871	1,529	
Net interest revenue 2018	(8,260)	(1,427)	

The weighted effective interest for business loans/ homes loans/ line of credits is based on the daily balance. The weighted effective interest rate is 6.02%.

The weighted effective interest for asset finance is calculated based on the average of the closing balance of the prior month, in line with the recognition of revenue.

	2019 $ '000	2018 $ '000
NOTE 5: OPERATING LOSS		
Loss before income tax has been determined after:		
Depreciation and amortisation		
- Amortisation	155	8
- Depreciation	339	120
	494	128
Foreign currency translation gains / (losses)	(10)	9
Employee benefits:		
- Share based payments	51	2
- Superannuation guarantee contributions	1,123	553
- Other employee benefits	14,357	8,824
	15,531	9,379

The total value of share based payments to employees for the 2019 financial year is $51,295 (2018: $1,982).

	2019 $	2018 $
Remuneration of auditors for:		
PricewaterhouseCoopers Australia is the external auditor for the year ended 30 June 2019. During the year the following fees were paid or payable for the services provided by the auditor of the Company.		
- Audit or review of the financial report	242,000	77,000
- Other regulatory and audit services	104,709	-
- Other non-audit services	516,115	-
	862,824	77,000

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

	2019 $	2018 $
Compensation received by key management personnel of the group		
- short-term employee benefits	3,102,567	2,663,073
- post-employment benefits	148,586	94,267
	3,251,153	2,757,340
Compensation received by non-executive directors of the group		
- short-term employee benefits	329,578	22,500
- post-employment benefits	22,428	2,138
	352,006	24,638
	3,603,159	2,781,978

NOTE 7: INCOME TAX

(a) Prima facie tax payable

	2019 $ '000	2018 $ '000
The prima facie tax payable on loss before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax payable on loss before income tax at 27.5% (27.5% prior year)	(7,691)	(4,480)
Add tax effect of:		
Permanent differences	(82)	139
Timing differences not brought to account	924	188
Carried forward tax losses not brought to account	6,849	4,153
	7,691	4,480
Income tax expense attributable to loss	-	-

(b) Deferred tax assets not brought to account

The following deferred tax balances have not been brought to account due to the group currently being in a start up phase of operations. When it is probable that future taxable amounts will be available to utilise those temporary differences and losses, management intend to bring deferred tax balances to account.

	2019 $ '000	2018 $ '000
Temporary differences	1,394	471
Operating tax losses	12,871	6,021
	14,265	6,492

	2019 $ '000	2018 $ '000
NOTE 8: CASH AND CASH EQUIVALENTS		
Cash at bank	80,263	38,417
Cash on deposit	12,144	20
	92,407	38,437
NOTE 9: LOANS AND ADVANCES		
Business loans	183,471	4,314
Allowance for credit losses	(1,776)	(49)
	181,695	4,265
Equipment loans	22,027	5,257
Allowance for credit losses	(111)	-
	21,916	5,257
Line of credit	10,822	965
Allowance for credit losses	(66)	-
	10,756	965
Home loans	21,953	-
Allowance for credit losses	(12)	-
	21,941	-
	236,308	10,487

The following table provides a reconciliation from the opening balance to the closing balance of the loss allowance for loans and advances and other receivables:

	Stage 1 Collectively assessed '000 $ '000	Stage 2 Collectively assessed '000 $ '000	Stage 3 Collectively assessed '000 $ '000	Specific provision '000 $ '000	Total $ '000
Loss allowance at 1 July 2018	49	-	-	-	49
Net transfer between stages	(4)	4	-	-	-
Net re-measurement on transfers between stages	-	27	-	-	27
Net movement in provision due to new financial assets	913	1,002	-	-	1,915
Write-offs of provisions no longer required	(26)	-	-	-	(26)
Loss allowance at 30 June 2019	932	1,033	-	-	1,965

NOTE 9: LOANS AND ADVANCES (CONTINUED)

Loss allowance at 1 July 2017	-	-	-	-	-
Net transfer between stages	-	-	-	-	-
Net re-measurement on transfers between stages	-	-	-	-	-
Net movement in provision due to new financial assets	49	-	-	-	49
Write-offs	-	-	-	-	-
Loss allowance at 30 June 2018	49	-	-	-	49

The following table provides information about the risk profile of loans and advances using a provision matrix. The information in the below table does not distinguish between customer or product types as the Group's historical credit loss experience does not show different patterns for different customer or product types.

	12-month expected credit losses					
	Days past due					
	Not past due $ '000	< 30 $ '000	30 - 90 $ '000	90 - 180 $ '000	> 180 $ '000	Total $ '000
2019						
Estimated total gross carrying amount at default	237,859	-	413	-	-	238,272
Expected credit loss rate	0.81 %	0.00 %	7.00 %	0.00 %	0.00 %	
Expected credit loss	1,936	-	29	-	-	1,965
2018						
Estimated total gross carrying amount at default	10,535	-	-	-	-	10,535
Expected credit loss rate	0.46 %	0.00 %	0.00 %	0.00 %	0.00 %	
Expected credit loss	49	-	-	-	-	49

Receivables written off during the year

The gross carrying amount of a receivable balance is written off (i.e., reduced directly) when the counterparty is in severe financial difficulty and the Group has no realistic expectation of recovery of the outstanding balance. The receivable written off remains subject to enforcement action by the Group.

The contractual amount outstanding on receivables that were written off during the year, and are still subject to enforcement action by the Group, is $NIL (2018: $NIL).

	2019 $ '000	2018 $ '000

NOTE 10: INVESTMENTS

	2019 $ '000	2018 $ '000
Financial assets measured at amortised cost		
Floating rate notes	43,850	-
Negotiable certificates of deposit	14,996	-
Total financial assets measured at amortised cost	58,846	-

NOTE 11: PLANT AND EQUIPMENT

	2019 $ '000	2018 $ '000
Leasehold improvements		
At cost	975	897
Accumulated depreciation	(261)	(52)
	714	845
Plant and equipment		
Office equipment at cost	382	187
Accumulated depreciation	(197)	(94)
	185	93
Furniture, fixtures and fittings at cost	176	130
Accumulated depreciation	(35)	(7)
	141	123
Total plant and equipment	1,040	1,061

(a) Reconciliations

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year

	2019 $ '000	2018 $ '000
Leasehold improvements		
Opening carrying amount	845	-
Additions	78	897
Depreciation expense	(209)	(52)
Closing carrying amount	714	845
Office equipment		
Opening carrying amount	93	84
Additions	197	71
Disposals	(2)	-
Depreciation expense	(103)	(62)
Closing carrying amount	185	93

	2019 $ '000	2018 $ '000

NOTE 11: PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations (Continued)

	2019 $ '000	2018 $ '000
Furniture, fixtures and fittings		
Opening carrying amount	123	4
Additions	46	125
Depreciation expense	(28)	(6)
Closing carrying amount	141	123

NOTE 12: INTANGIBLE ASSETS

	2019 $ '000	2018 $ '000
Patents, trademarks and licences at cost	9	6
Capitalised information technology	2,643	721
Accumulated amortisation and impairment	(162)	(8)
	2,481	713
Total intangible assets	2,490	719

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

	2019 $ '000	2018 $ '000
Patents, trademarks and licences at cost		
Opening balance	6	4
Additions	3	2
Closing balance	9	6
Capitalised information technology - development and configuration - at cost		
Opening balance	714	429
Additions	1,921	586
Amortisation	(154)	(8)
Writedowns	-	(294)
Closing balance	2,481	713

	2019 $ '000	2018 $ '000
NOTE 13: OTHER ASSETS		
Prepayments	701	540
Other receivables	476	1
Security deposit	428	318
	1,605	859
NOTE 14: DEPOSITS		
Term deposits	104,649	-
NOTE 15: ACCOUNTS PAYABLE AND OTHER LIABILTIES		
Unsecured liabilities		
Trade creditors	909	1,148
Lease liability	391	476
Amounts payable to:		
- Directors	-	15
- Bonus and wages accrual	811	501
- Sundry creditors and accruals	2,587	1,611
	4,698	3,751
NOTE 16: BORROWINGS		
Unsecured liabilities		
Convertible notes	-	18,574
Transaction costs	-	(38)
Corporate debt	50,088	-
Borrowing costs	(592)	-
	49,496	18,536
Secured liabilities		
Secured loan facility	37,734	-
Borrowing costs	(2,087)	-
	35,647	-
	85,143	18,536

(a) Terms and conditions of borrowings

Corporate Debt

The Corporate Debt is a fully drawn unsecured term debt facility which is repayable in November 2019.

NOTE 16: BORROWINGS (CONTINUED)

(a) Terms and conditions of borrowings (Continued)

Secured loan facilities

The secured loan facilities represent borrowings under the Group's Warehouse Securitisation program, which currently comprises the Judo Capital Securitisation Trust 2018-1, Judo Capital Securitisation Trust 2018-2 and Judo Capital Securitisation Trust 2018-3 entities. Facility limits are in place for each trust agreed with the relevant Financier, with the borrowings in each trust secured by individual receivables owned by the trust (which comprise of Business Loans, Equipment loans and Home loans). Borrowings are to be repaid in accordance with the cash flow waterfall defined for each trust.

	Note	2019 $ '000	2018 $ '000
NOTE 17: PROVISIONS			
Annual leave		544	254
Long service leave		198	69
		742	323

NOTE 18: SHARE CAPITAL

	Note	2019 $ '000	2018 $ '000
Issued and paid-up capital			
223,894,306 - A Class Shares paid in full	(a)	254,665	55,500
14,471 - $1.00 B Class Shares paid to $0.01	(b)	-	-
Equity raising costs		(5,818)	(3,419)
		248,847	52,081

NOTE 18: SHARE CAPITAL (CONTINUED)

(a) $1.00 A Class Shares paid in full

	2019 Number	2019 $ '000	2018 Number	2018 $ '000
Consolidated				
Opening balance	55,500,002	52,080	2	-
4 April 2018	-	-	18,000,000	18,000
29 June 2018	-	-	37,500,000	37,500
2 July 2018	5,000,000	5,000	-	-
20 August 2018	59,500,000	59,500	-	-
4 October 2018 *	9,310,463	8,413	-	-
9 October 2018 *	1,313,524	1,186	-	-
18 October 2018 *	4,571,191	4,114	-	-
4 February 2019 *	1,194,973	1,007	-	-
7 June 2019	54,107,424	75,750	-	-
11 June 2019	1,098,217	1,538	-	-
14 June 2019	400,000	560	-	-
19 June 2019	20,714,286	29,000	-	-
23 June 2019	6,062,500	8,488	-	-
28 June 2019 *	5,121,726	4,610	-	-
Transaction costs relating to shares issued, net of tax	-	(2,399)	-	(3,419)
At reporting date	223,894,306	248,847	55,500,002	52,081

*Part or all of these share issues related to the conversion of Convertible Notes. Refer to Note 18 (c) for a full reconciliation of the conversions.

(b) $1.00 B Class Shares paid to $0.01

	2019 Number	2019 $ '000	2018 Number	2018 $ '000
Consolidated				
Opening balance	13,403	-	13,403	-
28 June 2019	1,068	-	-	-
At reporting date	14,471	-	13,403	-

NOTE 18: SHARE CAPITAL (CONTINUED)

	2019 $ '000
(c) Convertible note reconciliation	
Opening balance	(18,574)
Convertible note transactions	
Transaction costs	38
Interest expense	(317)
Cash repayments	479
Conversion to equity	18,374
Closing balance	-
Timing of conversion to equity	
4 October 2018	8,074
9 October 2018	1,147
18 October 2018	4,114
4 February 2019	429
28 June 2019	4,610
Total converted to equity	18,374

Rights attaching to A Class Shares and B Class Shares

A new Constitution of the Company was adopted on 11 April 2019 varying the rights attaching to A Class Shares and B Class Shares as a requirement to the grant of the ADI Licence by The Australian Prudential Regulation Authority (**APRA**) on 24 April 2019.

The Company has two classes of ordinary shares on issue:

- Class A Shares – which have been issued to third party investors and which qualify for treatment as Common Equity Tier 1 regulatory capital under Prudential Standard APS 111 Capital Adequacy: Measurement of Capital (**CET1**); and
- Class B Shares – which are held by a trustee under the Judo Employee Share Trust(s) to satisfy the exercise of Performance Rights issued under the Company's Management Incentive Plan(s) and which do not qualify and are excluded from regulatory capital for reporting to APRA.

The full terms of the A Class Shares and B Class Shares are set out in Schedules 1 to 2 of the new Constitution and summarised below.

Conversion

On the Conversion Date, being the earlier of 5 years after the grant of the ADI Licence (24 April 2024) a time and date determined by the Board to give effect to the implementation of an Exit Event which includes an IPO, Share Sale or Asset Sale (or change of control transaction which the Board and shareholders determine in accordance with the Shareholders Deed is in substance an Exit Event), A Class

NOTE 18: SHARE CAPITAL (CONTINUED)

Rights attaching to A Class Shares and B Class Shares (Continued)

Shares and B Class Shares automatically convert into unclassed ordinary shares which rank pari passu thereafter:

- each A Class Share converts into one unclassified ordinary share on the Conversion Date; and
- the number of unclassed ordinary shares that each B Class Shares will convert into on the Conversion Date is determined by the Conversion Ratio which, in aggregate, will not exceed 15% of the total number of unclassed ordinary shares on issue immediately following conversion. The maximum 15% conversion will be adjusted downwards if the Vested Proportion, being the percentage of Performance Rights that have Vested by the Conversion Date, is less than 100%.

Dividends

All dividends paid in respect of A Class Shares or B Class Shares are paid at the absolute discretion of the Directors of the Company.

Voting Rights

Through to the Conversion Date, the A Class Shares in aggregate will carry 85% (and the B Class Shares in aggregate will carry 15%) of the voting rights attached to the shares in the Company.

Under the Management Incentive Plan Rules voting rights attaching to the B Class Shares will be controlled by the Management Representatives (initially being the Cofounders Mr Joseph Healy and Mr David Hornery who have each been appointed proxies by the Trustee in respect of 50% of the B Class Shares voting rights).

Maximum Number of B Class Shares

The Company may not issue any B Class Shares if the total number of B Class Shares that would be on issue, when aggregated with the number of B Class Shares already on issue, would exceed 15,000 B Class Shares.

Amount to be Paid Up at Issue

Each A Class may be issued as fully paid or partly paid. Each B Class Share issued by the Company will be issued as partly paid, paid up to $0.01 per B Class Share.

Capital management

The Group's capital management strategy is focused on adequacy, efficiency and flexibility.

- The capital adequacy objective seeks to ensure sufficient capital is held in excess of internal risk-based required capital assessments and regulatory requirements and is within the Group's balance sheet risk appetite.
- The efficiency objective seeks to ensure capital is deployed as efficiently as possible and surplus is kept to a minimum.

NOTE 18: SHARE CAPITAL (CONTINUED)

Capital management (Continued)

- The flexibility objective ensures the Group is able to adapt the capital structure to the environment the Group is operating in, including in response to changing Risk Weighted Asset profiles and prudential capital ratio requirements.

During 2019, no dividends were paid.

Management Incentive Plan

The Management Incentive Plan (MIP) is a long term incentive plan administered by the Board of the Company and has been put in place to strongly align long term remuneration of CoFounders, Senior Management, NonExecutive Directors and other employees with value creation for all shareholders.

The Management Incentive Plan represents contingent interests in 15% of the Company's issued capital from inception through to the Conversion Date being a time and date determined by the Board to give effect to the implementation of an Exit Event which includes an IPO, Share Sale or Asset Sale.

The Management Incentive Plan is represented by the issue of B Class Shares not to exceed 15,000 which are held by One Managed Investment Funds Limited being the Trustee of the Judo Employee Share Trust (Trust). Performance Rights equal to the number of B Class Shares issued to the Judo Employee Share Trustee have been issued to Participants for no consideration. Performance Rights represent contingent interests in B Class Shares. They are not transferrable and not able to be exercised by Participants unless the vesting conditions are satisfied (or waived by the Board).

Vested Performance Rights are not able to be exercised except during an Exercise Period which is defined as:

- A period specified by the Board when a Participant can exercise Vested Performance Rights prior to an Exit Event (e.g., IPO, Share Sale, Asset Sale or another transaction); or
- Any time after the Board notifies Participants of the satisfaction of the Performance Targets in respect of fifth and final Vesting Period.

Any forfeited Performance Rights will be available to be allocated for the benefit of existing or future employees of the Company as determined by the Board.

Performance Rights Granted

As at 30 June 2019 a total of 14,471 B Class Shares and Performance Rights over B Class Shares had been issued to the Trustee and issued to employees and nonexecutive directors under the MIP and a New Mirror Management Incentive Plan that was established in the current financial year. These were issued for $NIL consideration with an exercise price of $1.00 per underlying B Class Share based upon independent valuations commissioned by the Company. The Company has committed to a number of new employees to issue further performance rights over B Class Shares which will take the total B Class shares to the 15,000 limit in the next financial year.

During the financial year ended 30 June 2019, for accounting purposes, a total of 629 Performance Rights were granted to employees in the Group. The value of Performance Rights granted during the financial year was based upon independent valuations commissioned by the Group as at the relevant grant dates.

Vesting Conditions – Employees and Non-Executive Directors

Half of Employee Performance Rights will vest on a Service / Tenure basis and the other half will vest on

NOTE 18: SHARE CAPITAL (CONTINUED)

Management Incentive Plan (Continued)

a Performance basis subject to meeting specified financial performance targets by reference to the annual budgets and the Group's business plan or other measures specified from time to time by the Board. Customary carryover and catchup provisions apply during the five year vesting period and catchup provisions also apply in the case of an Exit Event.

The first annual Vesting Period is in respect of the financial year ended 30 June 2019 and the fifth and final Vesting Period will be in respect of the financial year ended 30 June 2023 (Last Vesting Date). The Board retains discretion under the MIP Rules to determine Performance Targets or to waive vesting conditions.

Non-Executive Director Performance Rights will vest upon an Exit Event provided they are a director of the Company at the time of the Exit Event or under other circumstances described in the plan.

Leaver Provisions

The Management Incentive Plan contains customary Good Leaver retention of Performance Rights provisions and Bad Leaver forfeiture of any unexercised Performance Rights provisions. Good Leavers and Bad Leavers are defined in the MIP Rules and impact how impact the rights of participants when a termination occurs.

Equity Warrants

Settlements under the June 2018 equity capital raise triggered the right to an award of equity warrants to convertible note holders equal in number to the principal drawn on the note at issuance divided by the weighted average issue price paid by external investors under the Round 1 Equity Raising (being $1.00 per A Class Share). At the time of capital raising, the equity warrants awarded were valued at $NIL based on the conditions of the warrants and the position of the Group at the dates at which the warrants were awarded. The Warrant Terms are set out in a Warrant Deed Poll and are summarized below:

- Non-transferable;
- Each warrant exercisable into a fully paid A Class Share upon payment of $1.00 exercise price;
- Exercisable at any time before 8 August 2025, after which time any unexercised warrants will lapse;
- Customary acceleration on Exit Events (warrant holders have 20 business days to exercise the warrants after which time any unexercised warrants will lapse); and
- Warrant holder must accede to the Shareholders Deed in place at the time of exercise.

	2019 $ '000	2018 $ '000

NOTE 19: RESERVES

	2019 $ '000	2018 $ '000
Share based payments reserve - employees	53	2
Share based payments reserve - consultants	-	340
	53	342

Share based payments reserve - employees

The assessed fair value at grant date of Performance Rights granted during the year ended 30 June 2019 was $293,388 (2018: $39,636). The fair value at grant date for each performance right granted was determined by an independent valuation.

The charge to profit and loss relating to Performance Rights issued in the current year and last year was $51,295 (2018: $1,982), amortising monthly over 5 years with a corresponding amount being recorded in the Share Based Payments Reserve.

NOTE 20: ACCUMULATED LOSSES

	2019 $ '000	2018 $ '000
Accumulated losses at beginning of period	(23,470)	(7,179)
Net loss	(27,966)	(16,291)
	(51,436)	(23,470)

NOTE 21: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position is as follows:

	2019 $ '000	2018 $ '000
Cash at bank	80,263	38,417
At call deposits with financial institutions	12,144	20
	92,407	38,437

(b) Reconciliation of cash flow from operations with loss after income tax

	2019 $ '000	2018 $ '000
Loss from ordinary activities after income tax	(27,966)	(16,291)
Adjustments and non-cash items		
Amortisation	155	8
Depreciation	339	120
Charges to provision for impairment	1,916	49
Writedown of intangible assets	-	293
Capitalised convertible note coupon interest	320	1,552
Transfer of prepaid capital raising costs to equity	-	(635)
Leasehold improvements received through lease incentives	-	(521)
Performance Rights granted	39	2
Changes in operating assets and liabilities		
(Increase) in receivables	(227,737)	(10,318)
(Increase) in other assets	(747)	(35)
Increase in customer deposits	104,649	-
Increase in payables	1,031	2,053
Increase / (decrease) in other liabilities	(85)	476
Increase in provisions	419	206
Cash flows from operating activities	(147,667)	(23,041)

	2019 $	2018 $
NOTE 22: RELATED PARTY TRANSACTIONS		

(a) Transactions with key management personnel of the Group and their personally related entities

Key management personnel are considered to comprise the Management Board of the Group, some of which were Directors of the Group.

(i) Balance Sheet transactions		
Convertible notes subscribed for (outstanding balance at 30 June 2019 $0)	-	1,451,274
Convertible notes repaid in cash	126,385	-
A class shares issued on conversion of convertible notes	3,886,367	-
A class shares subscribed for and issued	-	1,000,000
Loans and advances made (to David Hornery, $862,980 receivable at 30 June 2019)	54,141	808,938

(ii) Profit or loss transactions		
Interest paid on convertible notes	41,514	226,657
Interest charged on loans and advances	54,141	8,938

(b) Transactions with non-executive directors

(i) Balance sheet transactions		
Convertible notes subscribed for (outstanding balance at 30 June 2019 $0)	-	102,796
A class shares issued on conversion of convertible notes	2,223,499	-
A class shares issued for services provided by Directors in prior year	150,000	-
A class shares subscribed for and issued	86,563,977	37,000,000
Loans and advances made to Director related entities	2,303,511	-

(ii) Profit or loss transactions		
Interest paid on convertible notes	17,570	137,162
Interest charged on loans and advances	30,736	-
Payments for suppliers	14,190	2,200

(c) Additional related party transactions

In the prior year Geoffrey Lord for valuable consideration acquired an option expiring on 31 December 2019 to subscribe $2,000,000 in Fully paid A Class Shares in the Company at $1.00 per A Class Share. In the current year the Company made a change to the existing option letter agreement with Geoffrey Lord (NonExecutive Director). Specifically, for valuable consideration, the expiry date for the option was changed from 31 December 2019 to 31 December 2020.

NOTE 23: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

The following are the Group's significant subsidiaries:

Subsidiaries of Judo Capital Holdings Limited:	Country of incorporation	Ownership interest held by the group 2019	2018
		%	%
Judo Bank Pty Ltd	Australia	100	100
Judo Capital Securitisation Trust 2018 - 1	Australia	100	100
Judo Capital Securitisation Trust 2018 - 2	Australia	100	-
Judo Capital Securitisation Trust 2018 - 3	Australia	100	-

NOTE 24: PARENT ENTITY DETAILS

Summarised presentation of the parent entity, Judo Capital Holdings Limited, financial statements:

	2019 $ '000	2018 $ '000
(a) Summarised statement of financial position		
Assets		
Total assets	247,593	63,669
Liabilities		
Total liabilities	1,267	11,088
Net assets / (asset deficiency)	246,326	52,581
Equity		
Share capital	248,847	54,328
Accumulated losses	(2,574)	(2,089)
Reserves		
Share based payments reserve	53	342
Total equity	246,326	52,581
(b) Summarised statement of profit or loss and other comprehensive income		
Loss for the year	(485)	(1,658)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(485)	(1,658)

	2019 $ '000	2018 $ '000

NOTE 25: CAPITAL AND LEASING COMMITMENTS

(a) Operating lease commitments

	2019 $ '000	2018 $ '000
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	405	360
- later than one year and not later than five years	1,040	1,317
- later than five years	-	-
	1,445	1,677

(b) Customer funding commitments

	2019 $ '000	2018 $ '000
Undrawn line of credit facilities	10,549	2,560
Approved but not settled loans and advances	112,792	-
	123,341	2,560

In the normal course of business, the Group makes commitments to extend credit to its customers. Most commitments either expire if not taken up within 3 months from approval. Credit risk is accounted for as part of the expected loss calculation in note 3. The credit risks of such facilities are similar to the credit risks of loans and advances.

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

Particulars of matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years are as follows:

- Further settlement under the Company's Round 2 Equity Raising of $182 million;
- The launch of Retail term deposits in September 2019; and
- Continued strong growth in the SME loan book.

NOTE 27: ENTITY DETAILS

The registered office of the Group is:

Judo Capital Holdings Limited
Level 3, 40 City Road
Southbank VIC 3006

NOTE 28: CONTINGENT LIABILITIES

As at 30 June 2019, the Group does not have any contingent liabilities.

JUDO CAPITAL HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES
ABN: 71 612 862 727

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. In the directors opinion, the financial statements and notes thereto, as set out on pages 11 - 51, are in accordance with the *Corporations Act 2001*, including:

   (a) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

   (b) as stated in Note 1, the consolidated financial statements also comply with *International Financial Reporting Standards*; and

   (c) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and its performance for the 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: ______________________________
John Fraser

Director: ______________________________
Peter Hodgson

Dated this 24th day of October 2019

Independent auditor's report

To the members of Judo Capital Holdings Limited

Our opinion

In our opinion:

The accompanying financial report of Judo Capital Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, 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 that we 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 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 have 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

CJ Heath

CJ Heath
Partner

Melbourne
24 October 2019