judobank™

Judo Capital Holdings Limited and its controlled entities

Annual financial report
For the year ended 30 June 2021

ABN 71 612 862 727

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Annual financial report - 30 June 2021

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Directors' report

The Directors present their report on the consolidated entity consisting of Judo Capital Holdings Limited and its controlled entities (collectively, 'the Group') for the year ended 30 June 2021.

Directors and company secretary

Directors

The following persons were Directors of Judo Capital Holdings Limited and its controlled entities during the whole of the financial year and up to the date of this report:

Peter Hodgson
David Fite
John Fraser
Stanislav Kolenc
Geoffrey Lord
Mette Schepers
Manda Trautwein
Hui (Tony) Diao
Malcolm McHutchison

Jennifer Douglas was appointed as a Director on 23 August 2021 and continues in office at the date of this report.

The Hon Bruce Billson was a Director from the beginning of the financial year until his resignation on 26 February 2021.

Company secretaries

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

Liam Williams
David McNabb
Yien Hong

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

Meetings of directors

The numbers of meetings of the company's board of Directors and of each board committee held during the year ended 30 June 2021, and the numbers of meetings attended by each Director were:

	Directors' meetings		Meetings of committees					
			Audit		Risk		Remuneration	
	A	B	A	B	A	B	A	B
Peter Hodgson	12	12	4	4	6	6	4	4
The Hon Bruce Billson	8	7	2	2	3	3	2	2
David Fite	12	12	-	-	6	6	-	-
John Fraser	12	12	-	-	6	6	4	4
Stanislav Kolenc	12	11	-	-	-	-	4	3
Geoffrey Lord	12	12	1	-	-	-	-	-
Mette Schepers	12	12	3	3	6	6	4	4
Manda Trautwein	12	12	4	4	6	6	-	-
Hui (Tony) Diao	12	12	-	-	-	-	4	4
Malcolm McHutchison	12	12	-	-	-	-	-	-
Jennifer Douglas	-	-	-	-	-	-	-	-

A= Number of meetings held during the time the Director held office or was a member of the committee during the year

B= Number of meetings attended

It is noted that Manda Trautwein's attendance at Risk Committee meetings was in the capacity of an observer, and not an official member.

Review of operations

We are one of Australia's leading providers of financial services focusing on the small to medium sized enterprises (SME's) operating throughout Australia. The profit of the Group for the year after providing for income tax amounted to $28.8 million (2020 loss: $50.8 million).

The operating result for the period reflects the activities undertaken by the Group during the period. This includes our third full year of operations as a lender to the SME market, further investment in systems and processes to support the significant growth and scale of the business, further equity raising activities and our first issuance of Tier-2 capital subordinated notes.

Impact of COVID-19

During the financial year the Group has been impacted by the COVID-19 pandemic, with the depth and duration of an economic downturn dependent on the effectiveness of containment measures and the Government, prudential and industry response and support measures. The Group has responded to this by proactively contacting a substantial number of customers, including all customers with large exposures or within Covid-19 related high risk industries, to ascertain their position and determine if assistance was required. Various types of assistance have been provided to customers during this period, including payment deferrals, capitalisation of interest and conversion of Principal & Interest loans to Interest Only loans for a period. In addition, the Group has undertaken a full review of the loan book, including scenario analysis and stress testing to project potential future credit losses which may result from ongoing economic impacts. This review has informed the level of provisioning held as allowances for expected credit losses in the 2021 year. The Group has put in place a system to track, monitor and manage its customer base going forward, during this period of uncertainty.

Significant changes in the state of affairs

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

- Changes to the Board as outlined in Directors and company secretary.
- COVID-19 related impairment provisions as outlined in Note 20(b).
- During the financial year, the Group participated in the RBA's Term Fund Facility (TFF) scheme to access long-term funding to help support Australian businesses during this unprecedented time. The TFF is a three-year facility with a fixed interest rate of 0.10% per annum.

  As at 30 June 2021, the Group has drawn $2.86 billion of its total available TFF allocation of $8.65 billion, composed of $0.03 billion initial allowance, $0.04 billion supplementary allowance and $8.58 billion of additional allowance. Of this $2.86 billion, $0.70 billion was secured by Aaa-rated self-securitisation notes and $2.20 billion by repo eligible treasury assets (predominantly Commonwealth and State Government debt securities) in anticipation of the Group's continued strong origination profile and future self-securitisation note uplift. The availability to access the TFF for additional drawdowns expired on 30 June 2021.

Other than the changes outlined above and discussed in this Annual Report, there have been no other significant changes in the state of affairs during the financial year.

Principal activities

During the year the principal continuing activities of the Group consisted of the operation of a banking business, specifically focused on providing finance to SME's throughout Australia, offering the following key products:

(a) Asset finance

(b) Business loans

(c) Lines of credit

(d) Residential mortgages (for business loan customers)

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, subordinated debt, securitisation programmes, utilisation of the RBA’s TFF, and retail and wholesale deposits. The Group will continue to diversify its sources of funding in accordance with its funding plan.

Events since the end of the financial year

The Group completed a capital raise in June 2021, with a portion of the capital raised being received subsequent to balance date totalling $19.6 million due to regulatory approvals required by the relevant investors.

In July 2021, the Board dispatched a shareholder circular resolution seeking approval to pursue a potential Initial Public Offering of the Group, which has since passed. At the date of this report, a final decision on any Initial Public Offering remains uncertain, and is subject to market conditions, as well as Board and regulatory approvals.

There are no other items, transactions or events of a material or unusual nature that have arisen in the period between 30 June 2021 and the date of this report, other than those separately disclosed in 'Impact of COVID-19' above, that, in the opinion of the directors, have 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 years.

Likely developments and expected results of operations

Likely developments in the operations of the Group, and the expected results of those operations in future financial years, have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

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

No dividends have been paid during the financial year. The Directors do not recommend that a dividend be paid in respect of the financial year (2020: $nil).

Shares under option

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) ***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.

(b) ***Option agreements***

An option letter agreement is in place with Geoffrey Lord (Non-Executive Director) to subscribe for $2,000,000 in fully paid A Class Shares in the Company at $1.00 per A Class Share. This option expires on 31 December 2022.

(c) ***Obligations to issue shares***

The Company has no obligations to issue shares.

Insurance of officers and indemnities

(a) ***Insurance 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 entities except where the liability arises out of conduct involving lack of good faith.

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

(b) ***Indemnity 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 to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to 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 part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.

Peter Hodgson
Director

2 September 2021

Manda Trautwein
Director

2 September 2021

Auditor's Independence Declaration

As lead auditor for the audit of Judo Capital Holdings Limited for the year ended 30 June 2021, 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
2 September 2021

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated statement of profit or loss and other comprehensive income

	Notes	**2021 $'000**	2020 $'000
Effective interest income	2	**126,380**	52,389
Interest expense	2	**(41,927)**	(24,549)
Net interest income		**84,453**	27,840
Other operating income	3	**5,343**	416
Net banking income		**89,796**	28,256
Employee benefits expense	4	**(50,924)**	(35,504)
Other operating expenses	4	**(29,542)**	(17,470)
Depreciation and amortisation expense	4	**(3,653)**	(2,622)
Total operating expenses		**(84,119)**	(55,596)
Net operating profit/(loss) before impairment		**5,677**	(27,340)
Impairment on loans and advances, and treasury investments	9	**(9,983)**	(23,504)
Net loss before income tax		**(4,306)**	(50,844)
Income tax benefit	6	**33,114**	-
Profit/(loss) after income tax		**28,808**	(50,844)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Gain/(loss) on revaluation of cash flow hedge	20(e)	**2,329**	(100)
Other comprehensive income for the period, net of tax		**2,329**	(100)
Total comprehensive profit/(loss) for the period		**31,137**	(50,944)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

	Notes	**2021 $'000**	2020 $'000
ASSETS			
Cash and cash equivalents	7	**344,045**	210,147
Investments	8	**3,259,735**	452,879
Loans and advances	9	**3,482,172**	1,763,199
Derivative assets	20	**3,185**	-
Property, plant and equipment	10	**1,665**	2,197
Right-of-use assets	11	**2,574**	3,647
Intangible assets	12	**16,018**	5,383
Deferred tax assets	6	**32,158**	-
Other assets	13	**34,646**	4,199
Total assets		**7,176,198**	2,441,651
LIABILITIES			
Accounts payable and other liabilities	14	**17,394**	11,389
Derivative liabilities	20	**-**	100
Deposits	15	**2,547,653**	1,386,281
Borrowings	16	**3,528,575**	494,875
Lease liabilities	11	**2,935**	4,055
Provisions	17	**3,749**	1,933
Total liabilities		**6,100,306**	1,898,633
Net assets		**1,075,892**	543,018
EQUITY			
Share capital	18	**1,146,321**	644,884
Other reserves	18	**3,044**	415
Accumulated losses		**(73,473)**	(102,281)
Total equity		**1,075,892**	543,018

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

	Share capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2019	248,847	53	(51,437)	197,463
Loss for the period	-	-	(50,844)	(50,844)
Share options granted	-	462	-	462
Other comprehensive income	-	(100)	-	(100)
Total comprehensive income for the period	**-**	**362**	**(50,844)**	**(50,482)**
Transactions with owners in their capacity as owners:				
Issued share capital	398,465	-	-	398,465
Equity raising costs	(2,428)	-	-	(2,428)
	396,037	-	-	396,037
Balance at 30 June 2020	**644,884**	**415**	**(102,281)**	**543,018**

	Share capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2020	644,884	415	(102,281)	543,018
Profit for the period	-	-	28,808	28,808
Share options granted	-	1,660	-	1,660
Cash payments on performance rights settled	-	(1,360)	-	(1,360)
Other comprehensive income	-	2,329	-	2,329
Total comprehensive income for the period	**-**	**2,629**	**28,808**	**31,437**
Transactions with owners in their capacity as owners:				
Issued share capital	502,349	-	-	502,349
Equity raising costs	(912)	-	-	(912)
	501,437	-	-	501,437
Balance at 30 June 2021	**1,146,321**	**3,044**	**(73,473)**	**1,075,892**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

	Notes	**2021 $'000**	2020 $'000
Cash flows from operating activities			
Payments to suppliers and employees		**(69,626)**	(52,762)
Interest received		**126,059**	51,041
Interest paid		**(39,278)**	(16,814)
Net movement in loans and advances		**(1,728,642)**	(1,550,423)
Net movement in term deposits		**1,161,372**	1,281,866
Net cash (outflow) from operating activities	19	**(550,115)**	(287,092)
Cash flows from investing activities			
Payments for property, plant and equipment		**(134)**	(1,917)
Proceeds from sale of property, plant and equipment		**5**	60
Payment for investments		**(2,835,967)**	(394,283)
Payment for intangible assets		**(12,548)**	(3,960)
Net cash (outflow) from investing activities		**(2,848,644)**	(400,100)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	18(a)(i)	**502,349**	398,465
Proceeds from borrowings		**3,033,700**	409,904
Payments for vesting of performance rights		**(1,360)**	-
Capital raising transaction costs	18(a)(i)	**(912)**	(2,428)
Principal portion of lease payments		**(1,120)**	(944)
Net cash inflow from financing activities		**3,532,657**	804,997
Net increase in cash and cash equivalents		**133,898**	117,805
Cash and cash equivalents at the beginning of the financial year	7	**210,147**	92,342
Cash and cash equivalents at end of year	7	**344,045**	210,147

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Judo Capital Holdings Limited and its controlled entities.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Judo Capital Holdings Limited and its controlled entities is a for-profit entity for the purpose of preparing the financial statements.

Judo Capital Holdings Limited is a Company limited by shares, incorporated and domiciled in Australia.

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

(i) Compliance with IFRS

The consolidated financial statements of the Judo Capital Holdings Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(iii) Presentation format

The consolidated financial statements have been prepared in order of liquidity.

(iv) Critical accounting judgements and estimates

In the process of applying the Group’s accounting policies, management have made a number of judgements and assumptions and applied estimates of future events. Some of these areas include:

- impairment charges on loans and advances
- determination of income tax.

Impact of COVID-19

COVID-19 is a respiratory illness caused by the novel coronavirus and was declared a worldwide pandemic by the World Health Organisation in March 2020. COVID-19 and related measures to slow the spread of the virus, have since had a significant impact on the Australian and global economy, supply chains and financial markets. The Group has carefully considered the impacts of COVID-19 and related market volatility in preparing these financial statements. Principally this has resulted in updates to the Group’s economic assumptions used in determining expected credit losses (ECL).

The IASB has published IFRS 9 and Covid-19, a document identifying the requirements within IFRS 9 Financial Instruments as they are relevant to the impact of Covid-19 on the recognition of expected credit losses. The guidance provided re-emphasises that IFRS 9 does not provide a mechanistic approach in accounting for impairment provisions.

(a) Basis of preparation (continued)

(iv) Critical accounting judgements and estimates

The Group's assessment of forecast conditions incorporates the effects of COVID-19 and government support measures on a reasonable and supportable basis. The AASB 9 impairment methodology, and the definition of default remains consistent with prior periods. A range of plausible economic and industry stress factors are taken into account in order to determine any forward looking adjustments, including the impacts of government and industry assistance packages, including loan repayment deferral arrangements. A review of every credit file has been undertaken throughout the financial year including stress testing scenarios to inform the level of provisioning required as the situation evolves. The circumstances are unique in that most of the deferral loans were performing prior to the onset of COVID-19, and either continue to perform, or have genuine prospects of recovery once government restrictions are eased and lockdowns discontinued. The terms and conditions related to the deferrals were considered to be non-substantial modifications and accounted for as a continuation of the existing loan agreements. No material modification gains or losses have been recognised in respect of loans on deferral.

Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(b) New standards and amendments – applicable 1 January 2020

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2020:

Title	Key requirements	Effective Date *
AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material [AASB 101 and AASB 108]*	The AASB has made amendments to AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the *Conceptual Framework for Financial Reporting*, clarify when information is material and incorporate some of the guidance in AASB 101 about immaterial information. In particular, the amendments clarify: ● that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and ● the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	1 January 2020
AASB 2019-3 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - [AASB 7, AASB 9 and AASB 139]*	The amendments made to AASB 7 *Financial Instruments: Disclosures*, AASB 9 *Financial Instruments* and AASB 139 *Financial Instruments: Recognition and Measurement* provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	1 January 2020

(b) New standards and amendments – applicable 1 January 2020 (continued)

AASB 2019-5 *Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia [AASB 1054]*	The standard amends AASB 1054 by adding a new requirement for entities to disclose the potential impact of IFRSs that have not yet been issued by the AASB. This disclosure is necessary for entities that wish to state compliance with IFRS, but not required for entities reporting under tier 2 of the reduced disclosure regime. The disclosure is an extension of the requirement in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the current period and on foreseeable future transactions. It applies where there are any international standards or interpretations (or amendments thereof) that have not yet been endorsed by the AASB at the time of the completion of the entities' financial statements.	1 January 2020
AASB 2020-4 *Amendments to Australian Accounting Standards - Covid-19 -Related Rent Concessions*	AASB 2020-4 amends AASB 16 *Leases* to provide an optional practical expedient to lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all the following conditions are met: ● the change in lease payments results in revised consideration for the lease that is substantially the same, or less than, the consideration for the lease immediately preceding the change; ● any reduction in lease payments affects only payments due on or before 30 June 2021; and ● there is no substantive change to other terms and conditions of the lease. AASB 2020-4 mandatorily applies to annual reporting periods commencing on or after 1 June 2020.	1 June 2020

* applicable to reporting periods commencing on or after the given date

(c) Accounting standards issued but not yet effective

AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2

AASB 2020-8 aims to provide financial statement users with useful information about the effects of the interest rate benchmark reform on those entities financial statements. As a result of the amendments, an entity:

- will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- will not have to discontinue hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

AASB 2020-8 mandatorily applies to annual reporting periods commencing on or after 1 January 2021 and is available for earlier application. It will be applied by the Group in the financial year commencing 1 July 2021. This accounting standard is not expected to have a material impact on the financial statements of the Group.

(c) Accounting standards issued but not yet effective (continued)

AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates

AASB 2021-2 amends AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 134 *Interim Financial Reporting* and AASB Practice Statement 2 *Making Materiality Judgements* to make narrow scope amendments to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates.

AASB 2021-2 mandatorily applies to annual reporting periods commencing on or after 1 January 2023 and will be first applied by the Group in the financial year commencing 1 July 2023.

(d) Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

(e) Principles of consolidation and equity accounting

The consolidated financial statements are those of the consolidated entity ("the Group"), comprising the financial statements of the parent entity and the entities 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 entity 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.

(f) Effective interest income

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 cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset. For financial assets classified within Stage 1 and 2 of Expected Credit Loss Provisions, interest income is calculated by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets in Stage 3 is recognised by applying the effective interest rate to the gross carrying amount net of provisions for impairment.

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

Interest income on investments, along with all interest expenses are recognised using their effective interest rates.

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

(g) Other operating income

Fees and commissions are recognised typically upon execution of a contract with a customer, at the point where the performance obligation relating to the contract has been met.

Gains/(losses) on the disposal of property, plant and equipment are determined through the difference between the carrying value of the asset and the proceeds received.

Realised gains/(losses) on investments measured at amortised cost are recognised in the period in which they are crystalised.

(h) Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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 income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) 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:

- 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.

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, bank overdrafts, and funds held in trust by third party service providers for the purposes of fulfilling loan settlements. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(j) Investments and other financial assets

(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 OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, 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 (FVOCI).

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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are 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 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 effective interest income recognised using the effective interest rate method.

(iii) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 20(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 20(b) for further details.

(k) Property, 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.

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	20% - 50%	Straight line & diminishing value
Office equipment at cost	20% - 50%	Straight line & diminishing value
Furniture, fixtures and fittings at cost	10% - 20%	Straight line & diminishing value

The residual value and the useful life of an asset is reviewed at least at the end of each annual reporting period and, if expectations differ from previous estimates, the change(s) are accounted for as a change in an accounting estimate in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

(l) Intangible assets

Intangible assets are identifiable non-tangible, non-monetary assets. They are recognised when the Group can demonstrate its intention to complete the development for use, use the asset to generate future economic benefits and the costs of the development can be reliably measured. IT software development costs that can be reliably measured and where control can be established are recognised as an intangible asset.

IT software development costs incurred are categorised into buckets, being either research, which may include discovery activities, formulation and design of new systems, and development, which may include construction, coding and testing. Research costs are expensed as incurred, whereas development costs are capitalised as an intangible asset where control has been established. All other development costs that cannot be reliably measured or where control cannot be established are expensed as incurred.

Software as a Service (SaaS)

Configuration and customisation costs of a SaaS arrangement are expensed when incurred when control has not been established. Development costs are capitalised where control of an asset in relation to a SaaS arrangement has been established. Under this arrangement, configuration and customisation costs have been capitalised where control has been established, otherwise costs are recognised as a prepaid service and amortised over the life of the contract - or in certain instances are immediately expensed as incurred.

Consideration has also been given to the recent interpretation released by IFRIC during the year, where an agenda decision was tabled regarding *Configuration or Customisation Costs in a Cloud Computing Arrangement*. In this regard, the Group has ensured that criteria emphasising the control and identifiability of an asset has been satisfied in relation to costs incurred on IT software development projects. The Group has assessed costs incurred in previous reporting periods and no material impact was identified, and consequently no restatement was required.

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.

(m) Impairment of 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.

Assets other than 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.

(n) Leases

At the commencement date of a lease (other than leases of 12-months or less and leases of low value assets), the Group recognises a lease asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

(i) *Lease assets*

Lease assets are initially recognised at cost, comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease, less any lease incentives received, any initial direct costs incurred by the Group, and an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequent to initial recognition, lease assets are measured at cost (adjusted for any remeasurement of the associated lease liability), less accumulated depreciation and any accumulated impairment loss.

Lease assets are depreciated over the shorter of the lease term and the estimated useful life of the underlying asset, consistent with the estimated consumption of the economic benefits embodied in the underlying asset.

(ii) *Lease liabilities*

Lease liabilities are initially recognised at the present value of the future lease payments (i.e. the lease payments that are unpaid at the commencement date of the lease). These lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Group’s incremental borrowing rate.

Subsequent to initial recognition, lease liabilities are measured at the present value of the remaining lease payments (i.e. the lease payments that are unpaid at the reporting date). Interest expense on lease liabilities is recognised in profit or loss (presented as a component of finance costs). Lease liabilities are remeasured to reflect changes to lease terms, changes to lease payments and any lease modifications not accounted for as separate leases.

Variable lease payments not included in the measurement of lease liabilities are recognised as an expense when incurred.

(n) Leases (continued)

(iii) *Leases of 12-months or less and leases of low value assets*

Lease payments made in relation to leases of 12-months or less and leases of low value assets (for which a lease asset and a lease liability has not been recognised) are recognised as an expense on a straight-line basis over the lease term.

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

To the extent that these instruments do not qualify for hedge accounting, the movements in fair value are recognised through profit & loss.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 21. Movements in the hedging reserve in shareholders' equity are shown in note 20(e)

(i) Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

(ii) Other 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.

(iii) Share-based payments

The Group operates share-based payment employee share schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. In respect of share-based payments that are dependent on the satisfaction of performance conditions, the number of shares expected to vest is reviewed and adjusted at each reporting date. See note 18 for further details.

(iv) 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.

(r) Borrowing costs

Borrowing costs include interest expense calculated using the effective interest method and finance charges in respect of finance leases.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) Rounding of amounts

The company complies with ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(u) Comparatives

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

2 Net interest income

	2021 $'000	2020 $'000
Interest on cash and cash equivalents	**815**	1,121
Interest on treasury investments	**4,923**	3,441
Interest on loans and advances	**120,642**	47,827
	126,380	52,389
Interest expense on derivative financial instruments	**(337)**	(7)
Interest expense on deposits	**(27,910)**	(17,374)
Interest expense on borrowings	**(13,546)**	(7,011)
Interest expense on lease liabilities	**(134)**	(157)
	(41,927)	(24,549)
Net interest income	**84,453**	27,840

(a) Average balances and related interest

The tables below are products of Profit & Loss and Balance Sheet financial statement areas. These detail the key assets responsible for deriving interest income and interest-bearing liabilities, along with their respective interest earned or paid and subsequent average interest rate. The averages listed are primarily daily averages.

	Average balance $'000	Interest $'000	Average interest %
Interest income 2021			
Cash and cash equivalents	**150,461**	**815**	**0.54**
Treasury investments	**1,209,360**	**4,923**	**0.41**
Loans and advances	**2,552,917**	**120,642**	**4.73**
	3,912,738	**126,380**	**3.23**
Interest expense 2021			
Customer deposits	**1,954,302**	**27,910**	**1.43**
Borrowings	**1,204,671**	**13,546**	**1.12**
	3,158,973	**41,456**	**1.31**

(a) Average balances and related interest (continued)

	Average balance $'000	Interest $'000	Average interest %
Interest income 2020			
Cash and cash equivalents	132,290	1,121	0.85
Treasury investments	265,810	3,441	1.29
Loans and advances	947,239	47,827	5.05
	1,345,339	52,389	3.89
Interest expense 2020			
Customer deposits	821,482	17,374	2.11
Borrowings	134,969	7,011	5.19
	956,451	24,385	2.55

3 Other income

	2021 $'000	2020 $'000
Other operating income		
Realised gains on sale of investments	**4,317**	17
Fees and commissions	**619**	116
Other income	**407**	283
	5,343	416

4 Operating expenses

	2021 $'000	2020 $'000
Depreciation and amortisation		
Amortisation	**1,874**	691
Depreciation	**1,779**	1,931
	3,653	2,622
Employee benefits		
Salary and wages	**40,429**	28,793
Share based payments	**1,660**	462
Superannuation guarantee contributions	**3,571**	2,593
Other employee benefits	**5,264**	3,656
	50,924	35,504

Operating expenses

	2021 $'000	2020 $'000
Other operating expenses		
Consultants expense	**1,071**	587
Information technology expense	**12,662**	5,911
Marketing expense	**4,412**	3,023
Occupancy expense	**1,225**	959
Professional fees	**1,978**	1,536
Travel expenses	**1,636**	1,637
Other expenses	**6,558**	3,817
	29,542	17,470

	2021 $	2020 $
Remuneration of auditors for:		
PricewaterhouseCoopers Australia is the external auditor for the year ended 30 June 2021. 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	**650,228**	432,195
Other regulatory and audit services	**129,996**	223,686
Other non-audit services	**127,935**	102,211
	908,159	758,092

5 Key management personnel compensation

	2021	2020
	$	$
Compensation received by key management personnel of the group		
Short-term employee benefits	**3,062,583**	4,374,386
Post-employment benefits	**135,589**	212,816
	3,198,172	4,587,202
Compensation received by non-executive directors of the group		
Short-term employee benefits	**530,264**	503,667
Post-employment benefits	**22,998**	32,381
Share-based payments	**1,359,891**	-
	1,913,153	536,048
	5,111,325	5,123,250

Key Management Personnel are reassessed every period, and changes to those included within this disclosure can occur from time to time.

6 Income tax expense

(a) Income tax expense

	2021
	$'000
Deferred income tax	
Decrease/(increase) in deferred tax assets	**(33,154)**
(Decrease)/increase in deferred tax liabilities	**40**
Total deferred tax benefit	**(33,114)**
Income tax benefit	**(33,114)**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2021 **$'000**	2020 $'000
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Loss from operations before income tax expense	**(4,306)**	(50,844)
Tax at the Australian tax rate of 30% (2020 - 30%)	**(1,292)**	(15,253)
Add tax effect of:		
Share based payments	**498**	-
Entertainment	**82**	-
Net deferred tax assets first brought to account	**(30,881)**	-
Other permanent differences	**(1,521)**	(396)
Timing differences not brought to account	**-**	7,432
Carried forward tax losses not brought to account	**-**	8,217
Income tax expense	**(33,114)**	-

(c) First time recognition of deferred tax assets

The following deferred tax balances have been brought to account as at 30 June 2021 and are reflected in the Profit and Loss statement as an income tax benefit. The Group has generated its first taxable profits in the current financial year and is satisfied that it is probable that future taxable amounts will be available to utilise the temporary differences and losses. This view is further evidenced by the financial forecasts for FY22 to FY23 which indicate that the tax losses will be fully utilised within a reasonable time period.

Key assumptions underpinning the expected future taxable amounts include, but are not limited to, anticipated growth on the lending book, funding channels and lower cost of funds, returns on the treasury liquids portfolio, economic outlook with regards to expected credit loss performance, and an increasing cost base albeit in a disciplined and controlled manner to support the Group's expanding operations.

Key assumptions underpinning the financial outlook are reviewed on a periodic basis. Further consideration has been given to the Group’s satisfaction of the Business Continuity Test, a legal requirement that must be satisfied in order to utilise prior year tax losses. In this respect management have engaged 3rd party consultants to perform a review of the Group’s operations and material business activities across the relevant loss period which has concluded that the requirements of the Business Continuity Test have been met for the current financial year ended, and that the outlook of the Group’s operations would not change this opinion. As a proportion of the tax losses will be utilised across future reporting periods, satisfaction of the Business Continuity Test will be re-assessed at regular intervals, until at which point all tax losses have been utilised.

The deferred tax assets recognised are in relation to all tax losses available to the Group, dating back to the commencement of its operations.

(c) First time recognition of deferred tax assets (continued)

	2021 $'000	2020 $'000
Deferred tax assets		
Tax losses	**19,387**	-
Loss allowances for financial assets	**10,636**	-
Employee benefits	**1,125**	-
Plant and equipment	**991**	-
Other	**1,015**	-
Total deferred tax assets	**33,154**	-
Deferred tax liabilities		
Cash flow hedges	**(956)**	-
Other	**(40)**	-
Total deferred tax liabilities	**(996)**	-
Net deferred tax assets	**32,158**	-

(d) Deferred tax assets previously not brought to account

The following deferred tax balances have previously not been brought to account due to the Group being in a start up phase of operations. As disclosed in note 6(c) above, these deferred tax balances have now been brought to account at 30 June 2021.

	Notes	2021 $'000	2020 $'000
Temporary differences		**-**	8,826
Operating tax losses		**-**	21,088
		-	29,914

(e) Amounts recognised directly in equity

	2021 $'000	2020 $'000
Aggregate deferred tax arising in the reporting period and recognised directly against other comprehensive income		
Increase in deferred tax liabilities	**(956)**	-

7 Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank	**311,884**	194,583
Cash on deposit	**10,907**	110
Funds in trust pre-settlement	**21,254**	15,454
	344,045	210,147

The cash and cash equivalents disclosed above and in the statements of cash flows include $21,253,308 which are held in trust by third party service providers for the purposes of fulfilling loan settlements. These deposits are therefore not available for general use by Judo Capital Holdings Limited or its controlled entities.

8 Investments

	2021 $'000	2020 $'000
Financial assets measured at amortised cost		
Floating rate notes (Corporate and State or Federal Government)	**214,890**	336,252
Bonds (Corporate and State or Federal Government)	**2,855,540**	116,702
Residential mortgage backed securities	**64,848**	-
Negotiable certificates of deposit	**124,846**	-
	3,260,124	452,954
Allowance for credit losses	**(389)**	(75)
	3,259,735	452,879

9 Loans and advances

	2021 $'000	2020 $'000
Business loans	**2,720,231**	1,436,375
Equipment loans (net of unearned income)	**194,291**	90,247
Line of credit	**241,984**	110,144
Home loans	**360,729**	151,827
	3,517,235	1,788,593
Allowance for credit losses	**(35,063)**	(25,394)
	3,482,172	1,763,199

Loans and advances

Maturity at 30 June 2021

	Maturing 1 year or less $'000	Maturing between 1 and 5 years $'000	Maturing after 5 years $'000	Total $'000
Business loans	295,281	1,835,223	589,727	2,720,231
Equipment loans (net of unearned income)	3,033	184,231	7,027	194,291
Line of credit	239,199	2,785	-	241,984
Home loans	2,536	22,126	336,067	360,729
Gross loans and advances	540,049	2,044,365	932,821	3,517,235

Maturity at 30 June 2020

	Maturing 1 year or less $'000	Maturing between 1 and 5 years $'000	Maturing after 5 years $'000	Total $'000
Business loans	82,091	986,169	368,115	1,436,375
Equipment loans (net of unearned income)	472	70,664	19,111	90,247
Line of credit	106,012	4,132	-	110,144
Home loans	3,105	7,174	141,548	151,827
Gross loans and advances	191,680	1,068,139	528,774	1,788,593

(a) Allowance for credit losses

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	Stage 2 collectively assessed $'000	Stage 3 collectively assessed $'000	Specific provision $'000	Total $'000
Loss allowance at 1 July 2020	**10,917**	**12,379**	**980**	**1,118**	**25,394**
Net transfer between stages	**1,557**	**(1,189)**	**(81)**	**(287)**	**-**
Net re-measurement on transfers between stages	**(2,367)**	**4,550**	**44**	**2,877**	**5,104**
Net movement in provision due to new financial assets	**8,378**	**5,524**	**1,252**	**2,337**	**17,491**
Movement due to risk parameters and other changes	**(2,203)**	**(6,133)**	**(99)**	**(237)**	**(8,672)**
Other movements	**(671)**	**297**	**-**	**-**	**(374)**
Additional collective overlay provision	**(3,880)**	**-**	**-**	**-**	**(3,880)**
Loan impairment expense for the year	**814**	**3,049**	**1,116**	**4,690**	**9,669**
Write-offs	**-**	**-**	**-**	**-**	**-**
Loss allowance at 30 June 2021	**11,731**	**15,428**	**2,096**	**5,808**	**35,063**
Reconciliation of impairment expense to statement of profit or loss and other comprehensive income					
Loan impairment expense for the year	**814**	**3,049**	**1,116**	**4,690**	**9,669**
Treasury investments impairment expense for the year	**314**	**-**	**-**	**-**	**314**
Total impairment expense for the year	**1,128**	**3,049**	**1,116**	**4,690**	**9,983**
Loss allowance at 1 July 2019	932	1,033	-	-	1,965
Net transfer between stages	(160)	158	2	-	-
Net re-measurement on transfers between stages	(2)	1,420	309	-	1,727
Net movement in provision due to new financial assets	4,157	10,172	791	1,118	16,238
Movement due to risk parameters and other changes	(448)	(404)	-	-	(852)
Other movements	-	-	(122)	-	(122)
Additional collective overlay provision	6,438	-	-	-	6,438
Loan impairment expense for the year	9,985	11,346	980	1,118	23,429
Write-offs	-	-	-	-	-
Loss allowance at 30 June 2020	10,917	12,379	980	1,118	25,394
Reconciliation of impairment expense to statement of profit or loss and other comprehensive income					
Loan impairment expense for the year	9,985	11,346	980	1,118	23,429
Treasury investments impairment expense for the year	75	-	-	-	75
Total impairment expense for the year	10,060	11,346	980	1,118	23,504

(a) Allowance for credit losses (continued)

The collectively assessed overlay above has been determined as appropriate given the uncertainty that exists as to the impacts of COVID-19 on customers. The Group has undertaken a full review of the loan book to project potential future credit losses which may result from ongoing economic impacts. Based on this review the customers have been classified as either Performing, Close Monitoring, Watch or Impaired.

A file identified as requiring Close Monitoring is where early warning signs indicate possible future concerns and current contract loan terms (including any Health Indicators) are insufficient to mitigate/manage those concerns. These loans require closer attention than Performing loans due to the issues/difficulties they are experiencing, but which are not expected to be long-term and as such they are still predominately treated as Stage 1 exposures. In some instances they have been provided support including payment deferrals. Customers that are performing but are exhibiting substantial signs of distress are classified as Watch loans and treated as stage 2 exposures for the purposes of the expected loss calculation. Where the customer is considered in default they are classified as impaired and a specific provision assessment performed.

At 30 June 2021 the exposure to Close Monitoring customers was $108 million. While most of these customers are expected to remain performing, the overlay has been determined based on a management estimate of the proportion of these customers that are expected to become non-performing. The proportion has been determined as 10% across New South Wales and Victoria, resulting in an additional collective overlay provision of $0.6 million. In the prior year, this proportion was assumed to be 18%, resulting in an additional collective overlay provision of $6.4 million, hence representing a reduction of $5.8 million across FY21.

At 30 June 2021 the final expected loss number also includes a component to deal with the concentration risk of larger exposures in the portfolio. As at the end of June, this equated to $1.9 million (2020: $nil) and was included as part of the Stage 1 overlay. Methodology approach for Large Exposure Concentration Risk will remain in place until the concentration risk is disseminated as the loan book continues to grow.

	2021	2020
	%	%
Provision ratios		
Total provisions for impaired assets as a % of gross impaired assets	**47.90**	28.40
Total provisions for impairment losses as a % of gross loans and advances	**1.00**	1.40

Gross impaired assets include non-performing facilities, restructured facilities and facilities 90 days or more past due.

10 Property, plant and equipment

	Furniture, fittings and equipment $'000	Office equipment $'000	Leasehold improvements $'000	Total $'000
At 1 July 2019				
Cost or fair value	176	382	975	1,533
Accumulated depreciation	(35)	(197)	(261)	(493)
Net book amount	141	185	714	1,040
Year ended 30 June 2020				
Opening net book amount	141	185	714	1,040
Additions	299	199	1,419	1,917
Disposals	-	(165)	-	(165)
Depreciation charge	(48)	(93)	(454)	(595)
Closing net book amount	392	126	1,679	2,197
At 30 June 2020				
Cost or fair value	474	213	2,394	3,081
Accumulated depreciation	(82)	(87)	(715)	(884)
Net book amount	392	126	1,679	2,197
Year ended 30 June 2021				
Opening net book amount	392	126	1,679	2,197
Additions	10	92	32	134
Depreciation charge	(53)	(63)	(550)	(666)
Closing net book amount	349	155	1,161	1,665
At 30 June 2021				
Cost or fair value	484	305	2,426	3,215
Accumulated depreciation and impairment	(135)	(150)	(1,265)	(1,550)
Net book amount	349	155	1,161	1,665

11 Leases

(a) Right of use assets

	2021 $'000	2020 $'000
Property leases	**4,608**	4,608
Accumulated depreciation	**(2,034)**	(961)
Total carrying amount of right of use assets	**2,574**	3,647

Reconciliation of the carrying amount of lease assets at the beginning and end of the financial year

	Properties $'000	**Total $'000**
Carrying amount at 1 July 2019	**-**	**-**
Additions	**4,608**	**4,608**
Depreciation	**(961)**	**(961)**
Carrying amount at 30 June 2020	**3,647**	**3,647**
Carrying amount at 1 July 2020	**3,647**	**3,647**
Additions	**-**	**-**
Depreciation	**(1,073)**	**(1,073)**
Carrying amount at 30 June 2021	**2,574**	**2,574**

(b) Lease liabilities

	2021 $'000	2020 $'000
Property leases	**2,935**	4,055
Total carrying amount of lease liabilities	**2,935**	4,055

(c) Lease expenses and cashflows

	2021 $'000	2020 $'000
Lease expenses		
Depreciation expense on right-of-use assets	**1,074**	961
Interest expense on lease liabilities	**134**	157
Expense relating to lease payments made for leases of low value assets (for which a lease asset and a lease liability has not been recognised)	**701**	230
	1,909	1,348
Total cashflow in relation to leases	**1,955**	1,331

12 Intangible assets

	Patents, trademarks and other rights $'000	Capitalised information technology $'000	Total $'000
At 1 July 2019			
Cost	9	2,643	2,652
Accumulated amortisation and impairment	-	(162)	(162)
Net book amount	9	2,481	2,490
Year ended 30 June 2020			
Opening net book amount	9	2,481	2,490
Additions	-	3,960	3,960
Amortisation charge	-	(1,067)	(1,067)
Closing net book amount	9	5,374	5,383
At 30 June 2020			
Cost	9	6,603	6,612
Accumulated amortisation and impairment	-	(1,229)	(1,229)
Net book amount	9	5,374	5,383
Year ended 30 June 2021			
Opening net book amount	9	5,374	5,383
Additions	-	12,548	12,548
Amortisation charge	-	(1,913)	(1,913)
Closing net book amount	9	16,009	16,018
At 30 June 2021			
Cost	9	19,151	19,160
Accumulated amortisation and impairment	-	(3,142)	(3,142)
Net book amount	9	16,009	16,018

Capitalised information technology includes costs incurred in the development of software that supports the Group's core banking operations and risk management processes. Development costs incurred under a Software as a Service (SaaS) arrangement including configuration and customisation costs are capitalised where control of the underlying software is established in accordance with AASB 138 *Intangible Assets*. In the event control cannot be established, costs are either recognised as a prepaid service and amortised over the life of the contract, or expensed directly to the Profit and Loss (refer to Note 13).

13 Other assets

	2021 $'000	2020 $'000
Prepayments	**678**	397
Prepayments - IT Licensing	**1,738**	885
Prepayments - Software development costs	**301**	-
Accrued interest receivable	**30,713**	1,595
Other receivables	**1,216**	1,322
	34,646	4,199

14 Accounts payable and other liabilities

	2021 $'000	2020 $'000
Unsecured liabilities		
Accrued interest payable	**10,761**	8,112
Trade creditors and accruals	**6,633**	3,277
	17,394	11,389

15 Deposits

	2021 $'000	2020 $'000
Retail term deposits	**1,381,056**	707,232
Wholesale term deposits	**1,166,597**	679,049
	2,547,653	1,386,281

	2021 $'000	2020 $'000
Deposits by state		
New South Wales	**1,014,996**	603,884
Victoria	**677,520**	344,907
Queensland	**373,999**	194,009
Western Australia	**233,831**	113,774
South Australia	**179,102**	93,886
Australian Capital Territory	**35,061**	17,051
Tasmania	**28,845**	14,342
Northern Territory	**4,299**	4,428
Total deposits	**2,547,653**	1,386,281

16 Borrowings

	2021 $'000	2020 $'000
Secured		
Debt warehouse	**621,705**	410,104
Repurchase agreements	**2,860,101**	88,503
Establishment costs	**(2,417)**	(3,732)
	3,479,389	494,875
Unsecured		
Subordinated notes	**50,000**	-
Establishment costs	**(814)**	-
	49,186	-
Total borrowings	**3,528,575**	494,875

(a) Terms and conditions of borrowings

Secured loan facilities

The secured loan facilities represent borrowings under the Group's warehouse securitisation programs, which currently includes the Judo Capital Securitisation Trust 2018-2, Judo Capital Securitisation Trust 2018-3, Judo Securitisation Warehouse Trust 2020-1 and Judo Securitisation Trust 2020-2 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 Group-originated Business Loans, Lines of Credit, Equipment loans and Home loans). Since these loans have been securitised but retained by the Group, the assets remain on the balance sheet. Borrowings are to be repaid in accordance with the Trust agreement, calculated by the Trustee using the cash flow waterfall calculation specific to each trust.

In March 2020, the Reserve Bank of Australia (RBA) announced the establishment of the Term Funding Facility (TFF), a three-year facility with a fixed interest rate of 0.10% per annum. The TFF was introduced by the RBA to reinforce the benefits to the economy of a lower cash rate and to encourage ADI's to support businesses during a difficult period.

As at 30 June 2021, the Group's drawdown on the TFF totalled $2.86 billion. The Group had been assigned an available drawing balance under the TFF of $8.6 billion, which expired on 30 June 2021.

The drawdown is secured by RBA eligible collateral including the Group's Aaa-rated self-securitisation notes and Australian Commonwealth Government Securities (ACGS) and Semi Government Securities.

Unsecured loan facilities

In June 2021, the Group issued Floating Rate Subordinated Notes to support the Group's capital management. The Notes constitute direct and unsecured subordinated obligations of the Group. These notes constitute Tier 2 Capital of the Group as defined by APRA.

As at 30 June 2021, the Group's Subordinated Notes totalled $50 million.

17 Provisions

	2021 $'000	2020 $'000
Annual leave	**3,091**	1,496
Long service leave	**658**	437
	3,749	1,933

Annual Leave provisions are expected to be settled within 12 months, whilst Long Service Leave provisions are currently expected to be settled after 12 months.

18 Share capital, equity and reserves

Capital adequacy

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's shareholders equity includes issued ordinary shares, retained earnings and reserves.

Regulatory capital is divided into Common Equity Tier 1 (CET1), Additional Tier 1 Capital and Tier 2 Capital. CET1 primarily consists of shareholder's equity, less deferred tax assets and other prescribed adjustments. Additional Tier 1 Capital is comprised of high quality capital providing a permanent and unrestricted commitment of funds, is freely available to absorb losses, ranks behind the claims of depositors and other more senior creditors and provided for fully discretionary capital distributions. Tier 1 capital is the aggregate of CET1 and Additional Tier 1 Capital. Tier 2 Capital is hybrid and debt instruments that fall short of necessary conditions to quality as Additional Tier 1 to APRA. Total Capital is the aggregate of Tier 1 and Tier 2 Capital.

Capital adequacy is measured by means of risk based capital ratios. The capital ratios reflect capital (CET 1, Additional Tier 1, Tier2 and Total Capital) as a percentage of total Risk Weighted Assets (RWA). RWA represents an allocation of risks associated with the Group's assets and other related exposures. The Group's capital provision is monitored on a continuous basis and reported monthly to the Management Board, Asset and Liability Committee and the Board.

The Group's capital ratios throughout the year were in compliance with both APRA minimum capital adequacy requirements and the Board approved minimums. The Group is required to inform APRA immediately of any breach or potentially breach of its minimum prudential capital adequacy requirements, including details of remedial action taken or planned to be taken.

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.
- 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.

(a) Share capital

	Notes	**2021 Shares**	2020 Shares	**2021 $'000**	2020 $'000
Ordinary shares					
A Class Shares paid in full	18(a)(i)	**801,375,657**	505,580,784	**1,155,479**	653,130
B Class Shares paid to $0.01	18(a)(ii)	**15,000**	15,000	**-**	-
Equity raising costs		**-**	-	**(9,158)**	(8,246)
Total share capital		**801,390,657**	505,595,784	**1,146,321**	644,884

(i) A Class Shares paid in full

Details	**Notes**	**Number of shares (thousands)**	**Total $'000**
Opening balance 1 July 2019		223,894	248,847
Issue of new shares		281,686	398,465
Less: Transaction costs arising on share issues		-	(2,428)
Balance 30 June 2020		505,580	644,884
Issue of new shares		295,795	502,349
Less: Transaction costs arising on share issues		-	(912)
Balance 30 June 2021		801,376	1,146,321

(ii) B Class Shares paid to $0.01

Details	**Notes**	**Number of shares (thousands)**	**Total $'000**
Opening balance 1 July 2019		14	-
Rights issue		1	-
Balance 30 June 2020		15	-
Opening balance 1 July 2020		15	-
Balance 30 June 2021		15	-

Rights attaching to A Class Shares and B Class Shares

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

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

- 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.

During the 2021 financial year, no dividends were paid.

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.

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 Co-Founders, Senior Management, Non-Executive Directors and other employees with value creation for all shareholders.

The MIP 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 MIP 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 transferable 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.

Management incentive plan (continued)

Performance Rights Granted

As at 30 June 2021 a total of 15,000 B Class Shares and Performance Rights over B Class Shares had been issued to the Trustee and issued to employees and non-executive directors under the MIP and Mirror Management Incentive Plan. 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.

During the financial year ended 30 June 2021, for accounting purposes, a total of 327 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 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 carry-over and catch-up 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 was 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 summarised 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.

Loan capital

As at 30 June 2021, the Group had A$50m in Tier 2 Capital securities issued in the form of subordinated notes. These securities qualify as Tier 2 Capital of the Bank under the Basel III requirements as implemented by APRA.

(b) Reserves

	2021 $'000	2020 $'000
Cash flow hedges (net of tax)	**2,229**	(100)
Share-based payments	**815**	515
	3,044	415

Share based payments reserve

Management Incentive Plan
The nature of the Management Incentive Plan is described in detail above. The assessed fair value at grant date of Performance Rights granted under the Management Incentive Plan during the year ended 30 June 2021 was $995,026 (2020: $86,609). The fair value at grant date for each performance right granted was determined by an independent valuation.

The charge to profit or loss relating to Performance Rights on issue was $574,195 (2020: $196,779), amortising monthly over the estimated vesting period with a corresponding amount being recorded in the Share Based Payments Reserve. The estimated vesting period was revised during the year and brought forward by 12 months to 30 June 2022 which resulted in an acceleration of the charge to the profit or loss to the value of $188,151.

During the year ended 30 June 2021 a payment was made to a participant in the plan who the Board agreed to treat as a good leaver. The amount of this payment was $1,359,891 and was recorded in the Share Based Payments Reserve.

Long Term Incentive Plan
The Company established a Long Term Incentive Plan (LTIP) in the year ended 30 June 2020 as a means of promoting the long term success of the Company, providing a strategic value based reward to participants and to align management interests with interests of its shareholders. The options issued under the LTIP are subject to rules set out in the Long Term Incentive Plan Rules agreement and vest over a period based on service and performance hurdles.

In the year ended 30 June 2021 further options were granted under this plan on 29 October 2020, 1 March 2021 and 10 May 2021 with an assessed fair value at grant date of $1,274,380 (2020: $1,743,406). The charge to profit or loss relating to the options issued was $1,085,440 (2020: $264,825), amortising monthly over the estimated vesting period with a corresponding amount being recorded in the Share-Based Payments Reserve.

The estimated vesting period for a specified number of options was revised during the year and brought forward by 12 months to 30 June 2022 which resulted in an acceleration of the charge to the profit or loss to the value of $403,478.

(c) Accumulated losses

	2021 $'000	2020 $'000
Accumulated losses at beginning of period	**(102,281)**	(51,437)
Net profit/(loss)	**28,808**	(50,844)
	(73,473)	(102,281)

19 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

	Notes	**2021 $'000**	2020 $'000
Profit/(loss) for the period		**28,808**	(50,844)
Adjustments for:			
Depreciation and amortisation	4	**3,653**	2,622
Charges for impairment on financial assets held at amortised cost	9(a)	**9,983**	23,504
Performance Rights granted		**1,660**	462
Accrued interest income		**(321)**	(1,271)
Accrued interest expense		**2,648**	7,707
(Gain) / loss on sale of non-current assets		**(5)**	105
Changes in operating assets and liabilities:			
Increase in loans and advances		**(1,728,642)**	(1,550,423)
(Increase) in other assets		**(1,328)**	(984)
Decrease/(increase) in deferred tax assets		**(33,114)**	-
Increase in customer deposits		**1,161,372**	1,281,866
Increase / (decrease) in payables		**3,355**	(1,027)
Increase in provisions		**1,816**	1,191
Net cash outflow from operating activities		**(550,115)**	(287,092)

20 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:

- Interest rate risk
- Credit risk
- Liquidity risk
- Fair values compared with carrying amounts
- Derivatives

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

The Group holds the following financial instruments:

	2021 $'000	2020 $'000
Financial assets		
Amortised cost		
Cash and cash equivalents	**344,045**	210,147
Loans and advances	**3,482,172**	1,763,199
Investments	**3,259,735**	452,879
Other assets	**34,646**	4,199
	7,120,598	2,430,424
Financial liabilities		
Amortised cost		
Accounts payable and other liabilities	**17,394**	11,389
Borrowings	**3,528,575**	494,875
Deposits	**2,547,653**	1,386,281
Lease liabilities	**2,935**	4,055
	6,096,557	1,896,600
Derivative financial instruments designated as hedging instruments		
Derivative financial assets (measured at fair value)		
Interest rate swap contracts - cash flow hedges	**3,185**	-
	3,185	-
Derivative financial liabilities (measured at fair value)		
Interest rate swap contracts - cash flow hedges	**-**	100
	-	100

(a) Interest rate risk

The Group is exposed to interest rate risk in relation to its lending assets, treasury portfolio and 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 its 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 holding requirements) and liabilities (predominantly customer deposits and debt with other financial institutions). Across the financial year, the Group ran a net asset interest rate exposed position where the balance of interest rate-sensitive assets exceeded the balance of interest rate-sensitive liabilities. Where exposure approaches limits, the Group manages 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.

(a) Interest rate risk (continued)

Sensitivity

The figures in the following table represent the potential changes to the Group's after tax profits due to changes in interest rates to which the Group's Balance Sheet is exposed. As the official cash rate in Australia was 0.10% as at 30 June 2021, a downward shift in interest rates of 0.50% would imply a 0.40% negative interest rate. As a significant majority of the Group's lending book and external borrowings are on floating rates with a zero floor of 0.00%, the below analysis has factored in these conditions, however does not take into account management actions that may be taken to mitigate the unfavourable impact of falling interest rates.

	2021 $'000	2020 $'000
Increase of 50 basis points		
Impact on profit after tax	**5,258**	2,719
Impact on equity	**5,258**	2,719
Decrease of 50 basis points		
Impact on profit after tax	**(111)**	(911)
Impact on equity	**(111)**	(911)

(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.

Adherence to these credit risk principles supported by our credit risk management framework, lending guidelines and a delegated lending authority framework support an expansionary 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 of 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.

(b) Credit risk (continued)

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 changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet it's 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 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.

Following the emergence of the COVID-19 pandemic and the government response in relation to the pandemic, we have performed a review of our loan book to assess each facility for a potential significant increase in credit risk. This has been used to inform the calculation of our expected credit losses in accordance with our methodology or to inform our estimation of a credit overlay.

During the Global Pandemic, Judo actively assisted its customers with payment deferrals of up to 10 months with all forms of support finalised in terms of regulatory guidance by the 31st of March 2021.

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

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.

The Group's policy is for financial assets to be written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. If loans or receivables were to be written off, the Group would continue to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss. In the current financial year, there have been no write-offs.

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 within the next 12 months.

(b) Credit risk (continued)

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
Performing (Stage 1)	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 (Stage 2)	Loans for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due.	Lifetime expected losses.
High risk (Stage 3)	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.

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 and the facility level collateral coverage. Both the probability of default and loss given default are 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");
- Government Support (fiscal stimulus) in response to the pandemic;
- Interest Rates;
- House Price Index;
- Unemployment rate; and
- State-based political dysfunction (border closures).

(b) Credit risk (continued)

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	2021 Estimated gross carrying amount at default $'000	2021 Impairment provision $'000	2020 Estimated gross carrying amount at default $'000	2020 Impairment provision $'000	Basis for calculation of interest revenue
Performing - Stage 1	12 month expected losses	2,792,438	11,731	1,580,663	10,917	Gross carrying amount
Underperforming - Stage 2	Lifetime expected losses	687,229	15,428	199,905	12,379	Gross carrying amount
Non-performing - Stage 3	Lifetime expected losses	37,567	7,904	8,224	2,098	Amortised cost carrying amount (net of credit allowance)
Write-off	Asset is written off through P&L to the extent of expected losses	-	-	-	-	None
		3,517,234	35,063	1,788,792	25,394	

Estimated gross carrying amount at default include loans and advances outstanding at balance date as disclosed in note (8). The Group's maximum credit risk exposure includes loans and advances outstanding at balance date plus loans in the pipeline that have not yet settled at balance date.

Collateral held against loans and advances

The following disclosure provides the proportion of total credit risk exposure of the Group falling within each classification of collateral held:

	2021 $m	**2021 %**	2020 $m	2020 %
Maximum exposure	**3,921**	**100.00**	2,128	100.00
Collateral classification:				
Fully secured	**2,127**	**54.25**	1,091	51.27
Partially secured	**1,064**	**27.14**	575	27.02
Unsecured	**730**	**18.62**	463	21.76

Impact of COVID-19

With the rapid onset of COVID-19 in March 2020, the Group found itself in a situation where some of its customers required some form of financial assistance. Given the Group’s relationship model and size during the 2021 financial year, it has been able to proactively contact a substantial number of customers to ascertain their position and determine if assistance was required. The Group has provided various types of assistance to customers during this period, including payment deferrals, capitalisation of interest and conversion of Principal & Interest loans to Interest Only loans for a period. The Group has put in place a system to track, monitor and manage its customer base going forward, during the period of uncertainty with oversight of expected credit loss adequacy provided every month by an Overlay approval and every quarter by the Expected Loss Governance forum.

(b) Credit risk (continued)

In March 2020 an overlay was approved bringing the Group's overall expected credit loss value to $25m. This was later increased to $34m as at the end of August 2020, due to the worsening situation in Victoria and the closure of the New South Wales/Victorian border.

Periods of initial support provided to our customers were generally for three months with several accounts availing of a second deferral period. In some cases in Victoria, files were repatriated but then returned for a second round of support on the back of the 2nd wave of the virus in Victoria.

As at the end of June, Overlay specific to the impact of COVID-19 has been reduced to $560,227.

Repayment deferrals provided to customers

The following disclosure provides the value of repayment deferrals granted at year end, by classification of collateral held:

	Fully secured $'000	Partially secured $'000	Unsecured $'000
Repayment deferrals at 30 June 2021			
Performing - Stage 1	-	-	-
Underperforming - Stage 2	-	-	-
Non-performing - Stage 3	-	-	-
Write-off	-	-	-
Total	-	-	-

As at 30 June 2021, there were no COVID-related repayment deferrals outstanding, with all relevant deferral agreements dealt with by 31 March 2021 in line with APRA requirements.

	Fully secured $'000	Partially secured $'000	Unsecured $'000
Repayment deferrals at 30 June 2020			
Performing - Stage 1	**74,024**	**87,542**	**17,791**
Underperforming - Stage 2	**41,473**	**21,431**	**24,314**
Non-performing - Stage 3	**1,724**	**1,331**	**496**
Write-off	**-**	**-**	**-**
Total	**117,221**	**110,304**	**42,601**

(c) Liquidity risk

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

(i) Maturities of financial instruments

The tables below analyse the Group's financial instruments into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows, allocated to time bands based on the earliest date on which the Group can be required to pay. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial instruments at 30 June 2021	**Less than 6 months $'000**	**6 - 12 months $'000**	**Between 1 and 5 years $'000**	**Over 5 years $'000**	**Carrying amount (assets)/ liabilities $'000**
Non-derivatives					
Cash and cash equivalents	**344,045**	**-**	**-**	**-**	**344,045**
Investments	**276,440**	**315,003**	**2,419,454**	**248,838**	**3,259,735**
Loans and advances	**244,518**	**292,637**	**2,015,181**	**929,836**	**3,482,172**
Other assets	**34,646**	**-**	**-**	**-**	**34,646**
Deposits	**(1,549,715)**	**(609,382)**	**(388,251)**	**(304)**	**(2,547,653)**
Accounts payable and other liabilities	**(17,394)**	**-**	**-**	**-**	**(17,394)**
Borrowings	**(20,460)**	**(71,622)**	**(3,231,979)**	**(204,514)**	**(3,528,575)**
Lease liabilities	**(598)**	**(621)**	**(1,717)**	**-**	**(2,935)**
Total non-derivatives	**(688,518)**	**(73,985)**	**812,688**	**973,856**	**1,024,041**
Derivatives					
Interest rate swaps	**-**	**-**	**1,113**	**2,071**	**3,185**
Total derivatives	**-**	**-**	**1,113**	**2,071**	**3,185**
30 June 2020					
Non-derivatives					
Cash and cash equivalents	210,147	-	-	-	210,147
Investments	32,162	20,309	400,408	-	452,879
Loans and advances	72,026	104,889	1,098,672	487,612	1,763,199
Other assets	4,199	-	-	-	4,199
Deposits	(909,511)	(274,763)	(202,007)	-	(1,386,281)
Accounts payable and other liabilities	(11,389)	-	-	-	(11,389)
Borrowings	(119,394)	(13,459)	(362,022)	-	(494,875)
Lease liabilities	(549)	(571)	(2,935)	-	(4,055)
Total non-derivatives	(722,309)	(163,595)	932,116	487,612	533,824
Derivatives					
Interest rate swaps	(10)	(10)	(80)	-	(100)
Total derivatives	(10)	(10)	(80)	-	(100)

(c) Liquidity risk (continued)

(i) Maturities of financial instruments (continued)

The Group accepts some risk in the nature of the maturity transformation process of banking. While deposit markets remain traditionally short term and lending remains a longer term asset base, the differential of maturity timings will continue with the growth of the Balance Sheet. The Group has already completed derivative swaps to align some current maturity mismatching and will continue to manage within acceptable limits set by the Board.

In relation to the RBA's Term Fund Facility (TFF), as detailed previously in Note 16, the following key factors are to be considered in relation to the associated liquidity risk:

- Participants may terminate any TFF Repo before its maturity date.
- The Group updates its 3 year funding strategy and contingency funding plan annually, which outlines the base case and contingency plans for funding the Group's balance sheet for the period FY2022 to FY2024, including the approach for refinancing its existing liabilities which includes the TFF.

(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. Treasury investments are carried on the Balance Sheet as held to maturity.

	2021 $'000	2020 $'000
Net carrying amount		
Financial assets		
Treasury investments	**3,259,735**	452,879
	3,259,735	452,879
Net fair value		
Financial assets		
Treasury investments	**3,271,698**	456,490
	3,271,698	456,490

(e) Derivatives

The Group has the following derivative financial instruments in the following line items in the consolidated statement of financial position:

	2021 $'000	2020 $'000
Hedging derivative assets		
Interest rate swap contracts - cash flow hedges	**3,185**	-
	3,185	-
Hedging derivative liabilities		
Interest rate swap contracts - cash flow hedges	**-**	100
	-	100

(e) Derivatives (continued)

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss.

The Group's accounting policy for its cash flow hedges is set out in note 1(o). Further information about the derivatives used by the Group is provided in note below.

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives refer to note 21

(iii) Hedging reserves

The Group's hedging reserves disclosed in note 18 relate to the following hedging instruments:

	Cash flow hedge reserve	
	Notional value $'000	**Fair value recognised through OCI $'000**
Opening balance at 1 July 2019	-	-
Interest Rate Swaps	(23,330)	(100)
Closing balance at 30 June 2020	**(23,330)**	**(100)**
Opening balance at 1 July 2020	(23,330)	(100)
Interest Rate Swaps	(155,046)	2,329
Closing balance at 30 June 2021	**(178,376)**	**2,229**

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument and that the critical terms are matched. At the same time a hedging ratio is established by matching the notional of the derivatives with the principal of the financial instruments being hedged, in most cases the ratio is 100%.

Retrospective testing for each reporting period uses a regression model, which compares the change in the fair value of the hedged item and the change in the fair value of the hedging instrument. For a hedge to be deemed effective, the change in fair values should be within 80% to 125% of each other. Should the result fall outside this range, the hedge would be deemed ineffective and recognised immediately through the Profit & Loss.

Current hedging relationships are related to fixed assets where there is not a natural offsetting hedge in the banking book. These assets are hedged back to floating to align more closely with the overall portfolio and reduce risk associated with a change in rates.

The Group performs hedging to protect net interest income losses arising from adverse interest rate movements. The Group applies hedging to current positions in the balance sheet at inception. Over time, as the balance sheet grows, these positions remain effective as the underlying notional position of the balance sheet remains or has increased. To ensure proper mitigation against the risk of future losses, the Group will continue to engage in hedging activities as appropriate to balance sheet growth and as approved by the Board.

(e) Derivatives (continued)

Interest rate benchmark reform

For annual periods beginning on or after 1 January 2020, entities are required to consider the effect of cash flows due to the change in Inter-Bank Offered Rates (IBORs) and IBOR replacement rates.

Reliefs have been provided by the IASB under amendments to IFRS 9, IAS 39 and IFRS 7 in connection to the interest rate benchmark reform, in which an entity assumes the cash flows on a hedged item, hedged instrument or hedged risk are based are not altered by IBOR reform.

21 Fair value measurements

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements **At 30 June 2021**	**Notes**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets					
Hedging derivatives – interest rate swaps	20(e)	**-**	**3,185**	**-**	**3,185**
Total financial assets		**-**	**3,185**	**-**	**3,185**

Recurring fair value measurements At 30 June 2020	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial Liabilities				
Hedging derivatives - interest rate swaps	-	(100)	-	(100)
Total financial liabilities	-	(100)	-	(100)

There were no transfers between levels for recurring fair value measurements during the year.

The Group's policy is to recognise any transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. The Group does not hold any Level 3 investments.

(b) Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

- for interest rate swaps - the present value of the estimated future cash flows based on observable yield curves

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.

(i) Balance sheet transactions

	2021 **$**	2020 $
A Class shares subscribed for and issued	**3,914,609**	2,606,393
Loans and advances made	**2,249,537**	793,766

Loans and advances provided to Key Management Personnel are on commercial terms and are provided in the normal course of business. As at 30 June 2021 there was no specific loss allowance allocated to these loans. The closing balance of loans and advances outstanding at year-end with Key Management Personnel is $3,780,871 (2020:$1,485,272).

(ii) Profit or loss transactions

	2021 **$**	2020 $
Interest charged on loans and advances	**128,750**	52,247

(b) Transactions with non-executive directors

(i) Balance sheet transactions

	2021 **$**	2020 $
A Class shares subscribed for and issued	**115,650,133**	267,731,035
Loans and advances made to Director related entities	**-**	6,751,176

Loans and advances provided to Non-Executive Directors or Director related entities are on commercial terms and are provided in the normal course of business. As at 30 June 2021 there was no specific loss allowance allocated to these loans. The closing balance of loans and advances outstanding at year-end with Non-Executive Directors is $8,068,246 (2020: $10,548,807).

(ii) Profit or loss transactions

	2021 **$**	2020 $
Interest charged on loans and advances	**495,370**	165,334
Establishment fees charged on loans and advances	**-**	40,500
Payments for suppliers	**69,954**	316,587

(c) Additional related party transactions

In 2018 Geoffrey Lord (Non-Executive Director), 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 2019, the Company made a change to the existing option letter agreement with Mr Lord that extended the expiry date for the option from 31 December 2019 to 31 December 2020. In the current financial year, the Board approved a further extension of this option to 31 December 2022, the consideration for which is Mr Lord forgoing all Director fees payable to him through to 31 December 2022.

23 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 30 June 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Country of incorporation	Ownership interest held by the group	
		2021	2020
		%	%
Judo Bank Pty Ltd	Australia	**100**	100
Judo Capital Securitisation Trust 2018 - 1	Australia	**100**	100
Judo Capital Securitisation Trust 2018 - 2	Australia	**100**	100
Judo Capital Securitisation Trust 2018 - 3	Australia	**100**	100
Judo Securitisation Warehouse Trust 2020 - 1	Australia	**100**	100
Judo Securitisation Trust 2020 - 2	Australia	**100**	100
Judo Securitisation Trust 1R	Australia	**100**	-

24 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity, Judo Capital Holdings Limited, show the following aggregate amounts:

(i) Statement of financial position

	2021	2020
	$'000	$'000
Net assets		
Total assets	**1,144,090**	642,398
Total liabilities	**(15)**	(15)
Net assets	**1,144,075**	642,383
Shareholders' equity		
Issued capital	**1,146,321**	644,884
Reserves		
Share-based payments	**815**	515
Retained earnings	**(3,061)**	(3,015)
Total equity	**1,144,075**	642,384

(ii) Statement of profit or loss and other comprehensive income

Loss for the year	**(45)**	(441)

25 Commitments

(a) Customer funding commitments

	2021 $'000	2020 $'000
Undrawn line of credit facilities	**144,072**	67,869
Approved but not settled loans and advances	**153,637**	341,081
	297,709	408,950

In the normal course of business, the Group makes commitments to extend credit to its customers. Credit risk is accounted for as part of the expected loss calculation in Note 20. The credit risks of such facilities are similar to the credit risks of loans and advances.

(b) Contingent liabilities

As at 30 June 2021, the Group does not have any contingent liabilities.

26 Events occurring after the reporting period

There remains significant uncertainty regarding how the Covid-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. Consideration was given to the macro-economic impact of sustained state lockdowns, the closure of state borders, and limited government support measures. Significant emphasis has been placed on the Expected Credit Loss provision for loans and advances held at year-end, and the Group did not identify any subsequent events precipitated by Covid-19 related developments, which would require adjustment to the amounts or disclosures in the financial statements.

The Group completed a capital raise in June 2021, with a portion of the capital raised being received subsequent to balance date totalling $19.6 million due to regulatory approvals required by the relevant investors.

In July 2021, the Board dispatched a shareholder circular resolution seeking approval to pursue a potential Initial Public Offering of the Group, which has since passed. At the date of this report, a final decision on any Initial Public Offering remains uncertain, and is subject to market conditions, as well as Board and regulatory approvals.

27 Entity details

The registered office of the Group is:

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

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 7 to 55 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and

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

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Peter Hodgson
Director

2 September 2021

Manda Trautwein
Director

2 September 2021

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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- 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 & 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 2021, but does not include the financial report and our auditor's report thereon.

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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
Partner

Melbourne
2 September 2021