

Action Funding Group Pty Ltd

ABN 84 626 253 263

Annual Report - 30 June 2020

Action Funding Group Pty Ltd
Directors' report
30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Action Funding Group Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The names of the company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period.

Mr Rael Ross
Mr Walter Rapoport

Principal activities

Action Funding Group Pty Ltd is one of Australia's largest privately owned finance groups, providing transactional funding to small and medium enterprises. This includes factoring, supply chain finance and commission advancement across a wide range of industries. In addition, the Group has been developing a fintech solution to extend its funding approach and leverage reach through third party platforms.

Dividends

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

Review of operations

The loss for the consolidated entity, after providing for income tax amounted to \$358,653 (30 June 2019: \$252).

The financial year saw substantial growth in transactional funding to small and medium enterprises. This was facilitated by an increased level of available borrowings through the further issue of corporate bonds. The Group substantially developed its butn fintech solution, targeting a fourth quarter calendar 2020 launch, which would significantly increase the Group's addressable market. On the back of continued traditional business growth, combined with the emerging fintech solution, the Group commenced evaluation of potential debt and equity opportunities.

Significant changes in the state of affairs

On 1 July 2019, the Group undertook an internal restructure whereby Action Funding Group Pty Ltd became the legal parent entity. Prior year comparatives are therefore not reflective of the full consolidated entity's position in the current financial year.

Subsequent events

Other than those disclosed in the financial statements, no matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Shares under option

There were no unissued ordinary shares of Action Funding Group Pty Ltd under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of Action Funding Group Pty Ltd issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

The company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company


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

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

On behalf of the directors



Walter Rapoport
Director



Rael Ross
Director

Dated: 29th September 2020

Action Funding Group Pty Ltd
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General information

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

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

Registered office

Level 14, 440 Collins Street,
MELBOURNE, VIC 3000

Principal place of business

Suite 10 229 Balaclava Road
CAULFIELD NORTH VIC 3161

Action Funding Group Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Revenue	3	4,737,108	-
Operating expenses			
Employment expense		(596,118)	-
Advertising costs		(51,905)	-
Other expenses	4	(1,281,190)	(347)
Occupancy		(24,369)	-
Travel		(24,115)	-
		<u>2,759,411</u>	<u>(347)</u>
Interest revenue		16,490	-
Finance costs	4	(2,729,990)	-
Depreciation and amortisation expense	4	(476,516)	-
Loss before income tax benefit		<u>(430,605)</u>	<u>(347)</u>
Income tax benefit	5	<u>71,952</u>	<u>95</u>
Loss after income tax benefit for the year attributable to the owners of Action Funding Group Pty Ltd	23	<u>(358,653)</u>	<u>(252)</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to the owners of Action Funding Group Pty Ltd		<u><u>(358,653)</u></u>	<u><u>(252)</u></u>
Loss for the year is attributable to:			
Non-controlling interest		-	-
Owners of Action Funding Group Pty Ltd	23	<u>(358,653)</u>	<u>(252)</u>
		<u><u>(358,653)</u></u>	<u><u>(252)</u></u>
Basic loss per share	29	(29,888)	(21)
Diluted loss per share	29	(29,888)	(21)

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

Action Funding Group Pty Ltd
Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	6	9,923,219	12
Trade and other receivables	7	28,966,866	-
Other	8	135,409	-
Total current assets		<u>39,025,494</u>	<u>12</u>
Non-current assets			
Right-of-use assets	9	6,770	-
Intangibles	10	4,082,784	-
Deferred tax	11	271,414	95
Total non-current assets		<u>4,360,968</u>	<u>95</u>
Total assets		<u>43,386,462</u>	<u>107</u>
Liabilities			
Current liabilities			
Trade and other payables	12	325,264	347
Borrowings	13	909,307	-
Lease liabilities	14	7,234	-
Income tax	15	52,267	-
Provisions	16	165,629	-
Other	17	973,753	-
Total current liabilities		<u>2,433,454</u>	<u>347</u>
Non-current liabilities			
Borrowings	18	41,833,288	-
Deferred tax	19	1,862	-
Provisions	20	24,900	-
Total non-current liabilities		<u>41,860,050</u>	<u>-</u>
Total liabilities		<u>44,293,504</u>	<u>347</u>
Net liabilities		<u>(907,042)</u>	<u>(240)</u>
Equity			
Issued capital	21	12	12
Capital reconstruction reserve	22	(548,149)	-
Accumulated losses	23	(358,905)	(252)
Total deficiency in equity		<u>(907,042)</u>	<u>(240)</u>

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

Action Funding Group Pty Ltd
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total deficiency in equity \$
Balance at 1 July 2018	12	-	-	-	12
Loss after income tax benefit for the year	-	-	(252)	-	(252)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(252)	-	(252)
Balance at 30 June 2019	12	-	(252)	-	(240)

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Non- controlling interest \$	Total deficiency in equity \$
Balance at 1 July 2019	12	-	(252)	-	(240)
Loss after income tax benefit for the year	-	-	(358,653)	-	(358,653)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	(358,653)	-	(358,653)
<i>Transactions with owners in their capacity as owners:</i>					
Net equity acquired under common control transactions	-	(548,149)	-	-	(548,149)
Balance at 30 June 2020	12	(548,149)	(358,905)	-	(907,042)

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

Action Funding Group Pty Ltd
Statement of cash flows
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
Cash flows from operating activities			
Receipts from client receivables		154,412,645	-
Payments to clients		(164,518,936)	-
Payments to suppliers and employees		(1,514,103)	-
Interest received		16,490	-
Other receipts		58,795	-
Interest paid		(2,210,943)	-
Taxes paid		(36,157)	-
Net cash used in operating activities	36	(13,792,209)	-
Cash flows from investing activities			
Payments for property, plant and equipment		(457)	-
Payments for intangibles		(1,287,231)	-
Net cash used in investing activities		(1,287,688)	-
Cash flows from financing activities			
Proceeds from borrowings		24,645,551	-
Repayment of borrowings		(1,792,830)	-
Net cash from financing activities		22,852,721	-
Net increase in cash and cash equivalents		7,772,824	-
Cash at the beginning of the financial year (parent)		12	12
Cash at the beginning of the financial year (as part of group restructure)		2,137,547	-
Cash at the end of the financial year	6	<u>9,910,383</u>	<u>12</u>

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

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 ('AASB'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared using an accrual basis and under the historical cost convention.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern

As at 30 June 2020 the consolidated entity had a net asset deficiency of \$907,042 (30 June 2019: \$240). The following matters have been considered by the directors in determining the appropriateness of the going concern basis in the preparation of the financial statements:

- The financial year saw substantial growth in transactional funding to small and medium enterprises with year on year revenue increasing over 40% assuming an equivalent corporate structure in the previous financial year;
- The Group substantially developed its butn fintech solution, targeting a fourth quarter calendar 2020 launch, which will significantly increase the Group's addressable market. This development, which is now principally complete, has absorbed funding which did not generate revenue or cash inflows in the current financial year;
- During the financial year the consolidated entity increased its available borrowings through the further issue of corporate bonds. Whilst this has resulted in increased financing costs, particularly through a negative carry of unutilised debt, it does evidence the ability of the consolidated entity to attract debt investment and provides the platform to grow its loan book in the next financial year;
- The Group has significant available cash on hand and the ongoing support of the founders;
- On the back of continued traditional business growth, combined with the emerging fintech solution, the Group commenced and post year end advanced potential debt and equity opportunities. While preliminary, to date interest has been strong; and
- The Group has significant available cash, long dated borrowing maturities, positive forecast future results, and combined with the ability to modify growth plans should it be required.

Accordingly, no adjustments have been made and the financial statements have been prepared on a going concern basis.

Parent entity information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Action Funding Group Pty Ltd ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Action Funding Group Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 1. Significant accounting policies (continued)

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed in revenue are net of returns, allowances, rebates and amount collected on behalf of third parties. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities.

Revenue is recognised for the major business activities as follows:

Revenue from rendering services

Revenue from customers is recognised using the application of the credit adjusted effective interest rate ("EIR") to the amortised cost of the purchased debt ledgers or transactions under AASB 9 Financial Instruments. Revenue is shown net of any adjustments to the carrying amount of purchased debt ledgers or transactions as result of changes in estimated cash flows. The EIR is the rate that discounts estimated future cash receipts of the purchased debt ledgers or transactions to the net carrying amounts (i.e. the price paid to acquire the asset). Revenue from rendering services is recognised to the extent that the performance obligation has been met, revenue benefits are expected to flow to the Group and the revenue can be reliably measured. Money received in advance is deferred and recognised as a deferred revenue liability.

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

Interest

Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue

Other revenue is recognised under AASB 15 Revenue. The standard requires entities to exercise judgement, taking into consideration relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for incremental costs of obtaining a contract and costs directly related to fulfilling a contract. The Group has concluded that other revenue streams have one performance obligation and should be recognised at the point in time when the service to the customer is complete.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Note 1. Significant accounting policies (continued)

Income tax

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

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

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

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

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

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

Current and non-current classification

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

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position. Restricted cash, represents cash held by the entity that has a specific usage purpose disclosed in note 6.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement between 30 to 90 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Note 1. Significant accounting policies (continued)

Property, plant and equipment

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

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

Plant and equipment	1-7 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their estimated finite life of 5 years.

Borrowing costs

Costs in relation to borrowings are capitalised as an asset and amortised on a straight-line basis over the period of the finance arrangement.

Customer list

Significant costs associated with customer list acquisitions are deferred and amortised on a straight-line basis over the period of their expected benefit, being their estimated finite life of 15 years.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 1. Significant accounting policies (continued)

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

Trade and other payables

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

Borrowings

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

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

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liability for employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 1. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Note 1. Significant accounting policies (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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 tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The significant judgements, estimates and assumptions by management include:

Allowance for expected credit losses

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

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Accounting for the internal restructure

On 1 July 2019, the Group undertook an internal restructure whereby Action Funding Group Pty Ltd became the legal parent entity in preparation for a potential IPO of the group on The Australian Securities Exchange. Under the principals of corporate reorganisation, in accordance with Australian Accounting Standards, the financial statements of Action Funding Group include the historical financial information of Action Funding Group for the period before the acquisition.

Accordingly, the financial statements for the year ended 30 June 2020 present the financial results for the restructured consolidated group under Action Funding Group for the period from acquisition to 30 June 2020. The comparatives presented in the financial statements however only represent the financial position and financial performance of the single entity, Action Funding Group for the year ended 30 June 2019.

This corporate reorganisation did not represent a business combination in accordance with AASB 3 Business Combination. Instead the appropriate accounting treatment for reorganising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Accordingly, the financial statements are a continuation of Action Funding Group and as such:

- The assets and liabilities recognised and measured are at carrying amounts of Action Funding Group at the time of the restructure and not their fair value
- The accumulated losses and other equity balances recognised are the existing accumulated losses and other equity balances at the time of the restructure
- No new goodwill was recognised as a result of the reorganisation, with the differential recognised in equity as a capital reconstruction reserve (note 22).

Note 3. Revenue

	Consolidated	
	2020	2019
	\$	\$
Revenue from customers	4,651,313	-
<i>Other revenue</i>		
Other revenue (principally government grants)	85,795	-
	<u>4,737,108</u>	<u>-</u>

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Note 4. Expenses

	Consolidated	
	2020	2019
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Fixtures and fittings	457	-
<i>Amortisation</i>		
Customer list	165,689	-
Borrowing and formation costs	270,147	-
Right of use assets	40,223	-
Total amortisation	476,059	-
Total depreciation and amortisation	476,516	-
<i>Finance costs</i>		
Interest and finance charges paid/payable	2,609,683	-
Interest and finance charges paid/payable to shareholders	120,307	-
Finance costs expensed	2,729,990	-
<i>Superannuation expense</i>		
Defined contribution superannuation expense	42,991	-
<i>Other expenses</i>		
Bad debts	110,408	-
Allowances for expected credit losses	215,000	-
Consulting fees	227,106	-
Insurance	141,810	-
Legal fees	263,273	-
Sundry expense	323,593	347
	1,281,190	347

Note 5. Income tax benefit

	Consolidated	
	2020	2019
	\$	\$
<i>Income tax benefit</i>		
Current tax	(149)	-
Deferred tax - origination and reversal of temporary differences	(71,803)	(95)
Aggregate income tax benefit	<u>(71,952)</u>	<u>(95)</u>
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets (note 11)	(60,742)	(95)
Decrease in deferred tax liabilities (note 19)	(11,061)	-
Deferred tax - origination and reversal of temporary differences	(71,803)	(95)
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(430,605)	(347)
Tax at the statutory tax rate of 27.5%	(118,416)	(95)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	45,565	-
Right of use assets	(166)	-
Other non-deductible expenses	1,101	-
Difference in tax rate	(36)	-
Income tax benefit	<u>(71,952)</u>	<u>(95)</u>

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	2020	2019
	\$	\$
Cash on hand	1,199	12
Cash at bank	9,920,737	-
Cash on deposit	1,283	-
	<u>9,923,219</u>	<u>12</u>
<i>Reconciliation to cash and cash equivalents at the end of the financial year</i>		
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:		
Balances as above	9,923,219	12
Credit card (note 13)	(12,836)	-
Balance as per statement of cash flows	<u>9,910,383</u>	<u>12</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earns interest at the respective short-term deposit rates.

Note 6. Current assets - cash and cash equivalents (continued)

Restricted cash, represents cash held by the entity that has a specific usage purpose as required by the funding arrangements described in note 18. Restricted cash is combined for the purpose of presentation in the statement of balance sheet and the statement of cash flows. As at 30 June 2020, \$4,928,672 of the cash and cash equivalents disclosed above is classified as restricted and can only be used to fund trade receivables.

Note 7. Current assets - trade and other receivables

	Consolidated	
	2020	2019
	\$	\$
Trade receivables	29,154,866	-
Less: Allowance for expected credit losses	(215,000)	-
	<u>28,939,866</u>	<u>-</u>
Other receivables	27,000	-
	<u>28,966,866</u>	<u>-</u>

Trade receivables are generally settled on terms of between 30 and 90 days. Customer credit risk is influenced by individual customers. The majority of debtors are major retailers and insurance companies with established credit worthiness. The Group also has recourse and / or security to its underlying clients in certain circumstances. New clients are assessed in advance of trading, and monitored on an ongoing basis to minimise bad debts. For trade and other receivables the Group applies a simplified approach in calculating expected credit losses (ECLs). The Group recognises a loss allowance based on lifetime ECLs at each reporting date incorporating its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. A financial asset is considered by the Group to be in default and is written off when internal or external information indicates that there is no reasonable expectation of recovering the contractual cash flows.

Note 8. Current assets - other

	Consolidated	
	2020	2019
	\$	\$
Prepayments	85,409	-
Other current assets	50,000	-
	<u>135,409</u>	<u>-</u>

Note 9. Non-current assets - right-of-use assets

	Consolidated	
	2020	2019
	\$	\$
Rental leases - right-of-use	96,815	-
Less: Accumulated depreciation	(90,045)	-
	<u>6,770</u>	<u>-</u>

Note 10. Non-current assets - intangibles

	Consolidated	
	2020	2019
	\$	\$
Customer list- at cost	2,485,328	-
Less: Accumulated amortisation	(665,919)	-
	<u>1,819,409</u>	<u>-</u>
Intellectual property - at cost	1,334,686	-
Borrowing costs	1,278,750	-
Less: Accumulated amortisation	(351,861)	-
	<u>926,889</u>	<u>-</u>
Formation costs	1,800	-
	<u><u>4,082,784</u></u>	<u><u>-</u></u>

Reconciliations

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

	Borrowing costs \$	Intellectual property \$	Customer list \$	Formation cost \$	Total \$
Consolidated					
Balance at 1 July 2019	-	-	-	-	-
Additions	783,751	1,334,686	-	-	2,118,437
Additions through reconstruction reserve note 22	412,896	-	1,985,097	2,190	2,400,183
Amortisation expense	(269,757)	-	(165,689)	(390)	(435,836)
Balance at 30 June 2020	<u><u>926,890</u></u>	<u><u>1,334,686</u></u>	<u><u>1,819,408</u></u>	<u><u>1,800</u></u>	<u><u>4,082,784</u></u>

Note 11. Non-current assets - deferred tax

	Consolidated	
	2020	2019
	\$	\$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	130,680	95
Employee benefits	52,395	-
Leases	1,989	-
Provision for doubtful debts	59,125	-
Accrued expenses	27,225	-
Deferred tax asset	<u><u>271,414</u></u>	<u><u>95</u></u>
<i>Movements:</i>		
Opening balance	95	95
Credited to profit or loss (note 5)	60,742	-
Additions through business combinations	210,577	-
Closing balance	<u><u>271,414</u></u>	<u><u>95</u></u>

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Note 12. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
	\$	\$
Trade payables	55,796	347
ATO Integrated Account payable	79,078	-
Other payables	190,390	-
	<u>325,264</u>	<u>347</u>

Note 13. Current liabilities - borrowings

	Consolidated	
	2020	2019
	\$	\$
Credit card	12,836	-
Loan - Action Funding (Aust) Pty Ltd	810,283	-
Loan - BOQ finance	86,188	-
	<u>909,307</u>	<u>-</u>

Note 14. Current liabilities - lease liabilities

	Consolidated	
	2020	2019
	\$	\$
Lease liability	7,234	-

Note 15. Current liabilities - income tax

	Consolidated	
	2020	2019
	\$	\$
Provision for income tax	52,267	-

Note 16. Current liabilities - provisions

	Consolidated	
	2020	2019
	\$	\$
Employee benefits	153,410	-
Superannuation payable	12,219	-
	<u>165,629</u>	<u>-</u>

Note 17. Current liabilities - other

	Consolidated	
	2020	2019
	\$	\$
Interest payable	498,630	-
Deferred revenue	475,123	-
	<u>973,753</u>	<u>-</u>

Note 18. Non-current liabilities - borrowings

	Consolidated	
	2020	2019
	\$	\$
Loan - Shareholders	3,833,288	-
Loan - AMAL Trustees Pty Ltd (AFC 2018-1 Trust)	14,250,000	-
Loan - AMAL Trustees Pty Ltd (AFC 2019-1 Trust)	23,750,000	-
	<u>41,833,288</u>	<u>-</u>

Loan – AMAL Trustees Pty Ltd

AFC 2018-1 Trust

In November 2018 the Group entered a corporate bond agreement with AMAL Trustees Pty Ltd to provide Australian dollar, fix rate debt funding to grow its loan book as follows:

	Amount	Interest Rate per annum, payable monthly
Class A	\$12,750,000	8%
Class B	\$1,500,000	12%
	\$14,250,000	

After 3 years there is a call option at which time the Group can pay back the bonds. Alternatively, if the option is not taken, there is an interest increase with AFC 2018-1 Trust Class A bonds stepping up to 12% per annum and AFC 2018-1 Trust Class B bonds to 16% per annum. The AFC 2018-1 Trust bonds mature in November 2022.

Note 18. Non-current liabilities - borrowings (continued)

AFC 2019-1 Trust

In July 2019 the Group entered a further corporate bond agreement with AMAL Trustees Pty Ltd to provide additional Australian dollar, fix rate debt funding to support loan book growth as follows:

	Amount	Interest Rate per annum, payable monthly
Class A	\$21,250,000	8%
Class B	\$2,500,000	12%
	\$23,750,000	

After 3 years there is a call option as which the Group can pay back the bonds. Alternatively, if the option is not taken, there is an interest increase with AFC 2019-1 Trust Class A bonds stepping up to 12% per annum and AFC 2019-1 Trust Class B bonds to 16% per annum. The AFC 2019-1 Trust bonds mature in July 2023.

The AFC 2018-1 and AFC 2019-1 Trust bonds are secured against the funded trade receivables.

Loan - Shareholders

The company has previously entered into loan agreements with Why R Pty Ltd (an entity associated with Rael Ross) and Walter Rapoport being directors and shareholders of the Group. The loans are unsecured and have no specific maturity. A portion of the loans incurred interest at 10% p.a. totalling \$96,557 in the current financial year.

The loan amount includes \$750,000 of AFC 2018-1 Trust Class C bonds and \$1,250,000 AFC 2019-1 Trust Class C bonds which earn no interest and incur losses in priority to the AFC 2018-1 and 2019-1 Trust Class A and B bonds.

Note 19. Non-current liabilities - deferred tax

	Consolidated 2020	Consolidated 2019
	\$	\$

Deferred tax liability comprises temporary differences attributable to:

Amounts recognised in profit or loss:

Right of use assets	1,862	-
Deferred tax liability	<u>1,862</u>	<u>-</u>

Movements:

Opening balance	-	-
Credited to profit or loss (note 5)	(11,061)	-
Additions through reconstruction reserve (note 22)	12,923	-
Closing balance	<u>1,862</u>	<u>-</u>

Note 20. Non-current liabilities - provisions

	Consolidated 2020	Consolidated 2019
	\$	\$

Long service leave	<u>24,900</u>	<u>-</u>
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Note 21. Equity - issued capital

	2020 Shares	Consolidated 2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	12	12	12	12

Ordinary shares

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

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

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

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

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

Note 22. Equity - Capital reconstruction reserve

	Consolidated 2020 \$	2019 \$
Capital reconstruction reserve	(548,151)	-
Non-controlling equity interest in a subsidiary	2	-
	<u>(548,149)</u>	<u>-</u>

During the financial year, an internal restructure took place in preparation for a potential IPO of the group on the Australian Securities Exchange. This resulted in Action Funding Group Pty Ltd, becoming the legal parent of the group as at 1 July 2019. The restructure has been accounted for as a capital reorganisation, and not a business combination as disclosed in note 2. A capital reconstruction reserve is recognised to record the accumulated loss position as at the date of group restructure

Non-controlling equity interest in a subsidiary

The non-controlling equity interest reflects a minority interest held by an external party in AFC 2018-1 Trust and AFC 2019-1. These are majority owned subsidiaries of the group (note 34) which were set up and operate as part of the debt funding structure. These subsidiaries have nil net assets and nil net profit or loss. The non-controlling equity interest has no rights to the consolidated entity.

Note 23. Equity - accumulated losses

	Consolidated	
	2020	2019
	\$	\$
Accumulated losses at the beginning of the financial year	(252)	-
Loss after income tax benefit for the year	(358,653)	(252)
	<u>(358,905)</u>	<u>(252)</u>
Accumulated losses at the end of the financial year	<u>(358,905)</u>	<u>(252)</u>

Note 24. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. The directors directly oversee and review Market, Credit and Liquidity risk on a regular basis.

Market risk

Foreign currency risk

The consolidated entity principally undertakes its operations in Australia and does not face material foreign currency exposures.

Price risk

The consolidated entity establishes client pricing before transacting, with a relatively short period to transaction completion. As such the consolidated entity does not face material price risk.

Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings, with interest rates contracted and fixed for the life of the borrowing term as set out in note 18.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk, as well as holding retention amounts and or insurance coverage for client balances over a pre-determined dollar threshold. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables. These provisions are considered representative across all customers of the consolidated entity based on sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity, failure to make contractual payments for a period greater than 12 months and / or no further recourse options to the underlying client.

The consolidated entity's main credit risk arises from trade receivables, as set out in note 7.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank facilities. The Group's expected liquidity at each reporting period is as follows:

Note 24. Financial instruments (continued)

	Less 3 months \$	Between 3 - 12 months \$	Between +1 and 5 years \$	Over 5 years \$	Total \$
Consolidated - 2020					
Trade and other payables	325,264	-	-	-	325,264
Lease liabilities	7,234	-	-	-	7,234
Borrowings	44,776	864,531	41,833,288	-	42,742,595
Total	377,274	864,531	41,833,288	-	43,075,093
Consolidated - 2019					
Trade and other payables	347	-	-	-	347
Total	347	-	-	-	347

Note 25. Fair value measurement

Unless otherwise stated, the carrying amounts of financial assets and liabilities reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair value due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 26. Operating Segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the directors) in order to allocate resources to the segment and assess performance. In 2019 and 2020 the Group had one operating segment being transactional funding. Accordingly, the financial information presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position is the same as presented to the chief operating decision maker.

Note 27. Key management personnel disclosures

Directors

The following persons were directors of Action Funding Group during the financial year:

Mr. Rael Ross
Mr. Walter Rapoport

Compensation

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

	Consolidated 2020 \$	2019 \$
Short-term employee benefits	219,000	-
Post-employment benefits	56,153	-
	<u>275,153</u>	<u>-</u>

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Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by:

	Consolidated	
	2020	2019
	\$	\$
<i>Audit services -</i>		
Audit of the financial statements	33,000	-

Note 29. Earnings per share

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax attributable to the owners of Action Funding Group	(358,653)	(252)
Weighted average number of ordinary shares used in calculating basic loss per share	12	12
	Consolidated	
	2020	2019
	\$	\$
Basic loss per share (dollars)	(29,888)	(21)
Diluted loss per share (dollars)	(29,888)	(21)

The Group has not issued securities that could potentially dilute basic earnings per share.
In addition any such securities would not be included because they are anti-dilutive for the period presented.

Note 30. Contingent liabilities

The consolidated entity has no contingent liabilities as at 30 June 2020

Note 31. Commitments

The consolidated entity has no commitments as at 30 June 2020

Note 32. Related party transactions

Parent entity

Action Funding Group Pty Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 34.

Key management personnel

Disclosures relating to key management personnel are set out in note 27.

Note 31. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Payment for other expenses:		
Interest paid to shareholders on loans	96,557	-

Receivable from and payable to related parties

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

Loans to/from related parties

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

	Consolidated	
	2020	2019
	\$	\$
Loan to FRS Legal Pty Ltd	50,000	-
Loan from shareholders	3,833,288	-
Loan from Action Funding (Aust) Pty Ltd	810,283	-

All transactions with related parties were made on commercial terms and conditions.

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Note 33. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Loss after income tax	-	(252)
Total comprehensive income	-	(252)

Action Funding Group Pty Ltd
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Note 33. Parent entity information (continued)

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	12	12
Total assets	277	107
Total current liabilities	517	347
Total liabilities	548,668	347
Equity		
Issued capital	12	12
Distribution to owners	(548,151)	-
Accumulated losses	(252)	(252)
Total deficiency in equity	<u>(548,391)</u>	<u>(240)</u>

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 34. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020	2019
		%	%
Butn IP Pty Ltd	Australia	100.00%	-
Australian Factoring Company Pty Ltd	Australia	100.00%	-
Action Funding Pty Ltd	Australia	100.00%	-
Faultless Recovery Services Pty Ltd	Australia	100.00%	-
AFC 2018-1 Trust	Australia	90.91%	-
AFC 2019-1 Trust	Australia	90.91%	-
NZ Factoring Company Ltd	New Zealand	100.00%	-

Note 35. Events after the reporting period

The Group has continued to develop its butn fintech solution, targeting a fourth quarter calendar 2020 launch, which would significantly increase the Group's addressable market. On the back of continued traditional business growth, combined with the emerging fintech solution, the Group commenced evaluation of potential debt and equity opportunities.

In August 2020, the Victorian Government declared a State of Disaster in response to an increased level of COVID-19 cases. This resulted in increased restrictions around Victorian work places. Whilst impacting workers in the Melbourne office, there has been no material impact on the operations of the Group to date. The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practical to estimate the potential impact after the reporting date. The situation remains uncertain and is dependent on measures imposed by the Victorian and Australian Governments amongst others, and the ultimate success of those measures.

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 36. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax benefit for the year	(358,653)	(252)
Adjustments for:		
Depreciation and amortisation	476,516	-
Foreign exchange differences	3,127	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(14,630,649)	-
Increase in deferred tax assets	(60,890)	-
Decrease in accrued revenue	228,982	-
Increase in accruals	531,630	-
Increase/(decrease) in trade and other payables	(6,531)	252
Decrease in provision for income tax	(36,156)	-
Decrease in deferred tax liabilities	(11,061)	-
Increase in employee benefits	71,476	-
Net cash used in operating activities	<u>(13,792,209)</u>	<u>-</u>

Action Funding Group Pty Ltd
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Accounting Standards and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the consolidated company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors



Walter Rapoport
Director



Rael Ross
Director

Dated: 29th September 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Action Funding Group Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Action Funding Group Pty Ltd (the Entity) and its subsidiaries (the Group), which comprises the consolidated statements of financial position as at 30 June 2020 and 30 June 2019, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the financial report, including a summary of significant accounting policies and the declaration by those charged with governance.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2020 and 30 June 2019, and its financial performance and its cash flows for the years then ended in accordance with Australian Accounting Standards.

Basis for opinion

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

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

Other information

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

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

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



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

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'James Dixon', is written over a light blue circular stamp.

James Dixon
Director

Melbourne, 29 September 2020