Xinja Annual Financial Report

Xinja Holdings Ltd

For the reporting period ended 30 June 2018

ABN 99 618 937 054

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CHAIRMAN'S REPORT

As Chair of Xinja, I am very excited and proud to be introducing our first annual report. Xinja was founded on a passionate commitment to transform banking for the benefit of our customers. Our mission is to build a bank with our customers, designed in their interests that helps them make better money decisions without the angst. All delivered through a brilliant (and fun) mobile experience.

Our first year has taken us significantly along this path. We have delivered our first version of the app and our first product – the prepaid card. We have submitted our application for a banking licence, and secured significant funds for the road ahead. Most importantly, we have struck a chord with Australians who have signed up in their thousands for Xinja. We have met with many of our customers and invited them in to listen to their ideas and get their feedback as we plan, develop and iterate our app and products. We continue to engage with them daily and are grateful for their ingenuity, guidance and plain speaking.

What has become apparent is the appetite for change, not least in the enthusiastic response we received to our equity crowdfunding (the first of its kind in Australia) which saw over 1200 people invest in Xinja. We are clearly part of a global movement, with neobanks in other markets like the UK going from strength to strength, and others emerging across Europe, the US, South America, and alongside us here in Australia.

The regulatory environment here at home has become more favourable, with the reduction in barriers to entry for new entrants legislated for and now being implemented through the introduction of restricted banking licences. We are proud also to have been part of shaping this change, through our submissions to both the Productivity Commission and the Australian Competition and Consumer Commission (ACCC).

The Royal Commission into misconduct in Banking, Superannuation and Financial Services Industry has cast a long shadow over our industry's past. However, we remain focused on the future, which we believe is bright, with increased competition and a better deal for customers with new banks.

We look forward to continued momentum into next year, as we work towards receiving our banking licence (subject to the regulators' approval), build our customer base further, secure the next round of investment, and continue to grow revenue.

Our success is dependent on the ongoing support of you our investors, as well as those who are our customers or customers in waiting. We would like to thank you all for your past and ongoing support. We very much appreciate that you are part of the Xinja community.

Thank you and best wishes.

Lindley Edwards
Chair
Xinja

LETTER FROM CEO

Dear Xinja Shareholders,

Let me start by saying a huge thank you to each and everyone of you. Xinja's first annual report is a momentous occasion, and none of this would have been possible without your financial and often very public support. Combined with the enormous goodwill and advocacy from our amazing customers, we have started something that I truly believe will revolutionise banking in Australia.

I started Xinja to provide Australians with a genuine, decent bank that would deliver a real alternative to the banking oligopoly that currently exists in our country. Whilst we have only just started that journey, we have made good progress and the future looks bright indeed.

As always Xinja continues to be equally proud to be both for profit, and for purpose. That purpose remains to get Australians out of debt faster, and to help our customers make great, data-based, financial decisions more easily and simply and with a healthy dose of fun.

What have we achieved this period with the money you invested? Most importantly we have launched the beta version of our shop front, the Xinja app. We have built from scratch the Xinja prepaid travel and spend card, tested it and launched it into the market. We have designed and launched to friends and family our Xinja beta home loan product. We have raised over A$16.6m in total, and are now poised to once again make Australian banking history.

We have of course made mistakes this period. I underestimated the complexity and strategic importance of payments infrastructure to Xinja. We were overly optimistic in our timings around licensing, and we didn't understand just how limited the Venture Capital market in Australia was. This has cost us time, money and sleepless nights! However we have survived, mitigated risk, and now find ourselves in an exceptional position as being the only potential neobank in Australia with products in market, customers being served and revenue coming in the door.

Risks for the future are decreasing, but are still substantial. Raising enough capital to get to profitability and to support lending of course remains the greatest risk. Outside of some visionary individuals and family offices, Australia currently remains an exceptionally barren environment for entrepreneurs to raise capital. This forces us to look to China, Asia and the US for capital.

The regulatory environment and the advantage given to big banks by capital adequacy rules as always remains a threat to Xinja. We must constantly be on our guard as the market fills with what the Productivity Commission describes as a "marketing smokescreen"... old ADIs launching digital distribution strategies by launching different branded "Neo Banks". Do customers care if another local bank owns their new shiny neobank? We think so.

Despite these risks, I remain confident that Xinja will prevail and provide a real and genuine alternative to the closed club of the Australian Banking industry. All that however is only made possible by your support and ongoing advocacy for us. The whole Xinja team and I are deeply grateful for it.

Xinja belongs to you and to our customers. You have my word that my team and I will never forget that.

As always don't hesitate to drop me an email at help@xinja.com.au if you have any questions, concerns or advice.

Kindest regards

Eric Wilson
Founder and CEO
Xinja

DIRECTORS' REPORT

The Directors of Xinja Holdings Ltd (Xinja), formerly Get Kite Holdings 2 Pty Ltd, present their report together with the financial statements of the Consolidated Entity, being Xinja (the Company) and its controlled entities (the Group) for the reporting period ended 30 June 2018.

Director Details

The following were Directors of Xinja during and subsequent to the reporting period:

Lindley Edwards,
Chair, appointed 19 June 2017
Lindley has had a long career in financial services. She has been the Group CEO of AFC Venture Group since 2009. She is also a Board member for Grameen Foundation Australian and National Bank of Vanuatu as well as other boards. She spent a decade of her career split between Macquarie Bank and Citibank, was inducted in the Telstra Australian Business Woman Hall of Fame in 2000, and is a passionate advocate for the power of good banking and financial inclusion to bring positive social change.

Eric Wilson,
Director & Chief Executive Officer, appointed 5 May 2017
Eric has extensive experience across financial services, management consulting, and is a serial entrepreneur. Before Xinja, he was CEO of NAB's National Australia Trustees, managing over $1bn for disadvantaged & disabled Australians, was Enterprise Program Director of the Future of Financial Advice Reforms at NAB, and began his career with 8 years at Accenture. He has a masters in Law. Eric passionately believes in better banking for Australians.

Craig Swanger,
Non-executive Director, appointed 19 June 2017
Craig, a senior figure in the financial services industry, is currently the Chief Investment Officer of Revolver Capital, a specialist in investing and advising private companies in technology and financial services. Previously he spent 15 years at Macquarie Bank most recently as their Chief investment Officer and Head of Innovation, where he was responsible for more than US$10bn under management across 14 countries and in a wide range of asset classes, from venture capital to debt market products.

Stephen Garner,
Non-executive Director, appointed 19 June 2017
Stephen has an extensive background in financial management, holding positions of Chief Financial Officer and Managing Director in a range of Sydney based companies across Transport Logistics, Investment and Property Development. He is currently serving as a director for 21 companies and was appointed to the Board as the representative of a substantial portion of Xinja's shareholders.

DIRECTORS' REPORT (continued)

Van Le
Director & Chief Strategy & Innovation Officer, appointed 22 October 2018
Van is an expert in customer experience design and has worked in financial services and other industries in CXD but also public policy, regulatory strategy, organisational transformation, business & product development, operational excellence, and leadership & resilience programs. She has an MBA, lectured at UNSW, and is a former lawyer and public servant. Van also sits on SDN Children's Services research & ethics committee. Growing up in Perth, she arrived in Australia as an 11-month-old refugee..

Thomas Vikstrom
Non-executive Director, appointed 22 October 2018
Thomas Vikstrom, a native of Sweden, has been an Engineering Leader at Tesla since 2009, where he is currently Engineering the Tesla Semi Truck focusing on developing and innovating new body structures. He has previously developed the Exterior Systems, Seating and Restraints Teams and led the Model S/X engineering from concept to post production. From 2004-2009 he was Director of Engineering and then Director of Analytical Services at Noble International.

Company Secretary

Ms Lisa Dadswell of Boardroom Pty Ltd was appointed as the company secretary for Xinja on 30 April 2018. Lisa is an employee of Boardroom Pty Ltd, a corporate secretarial services provider, and is appointed as Company Secretary of a number of ASX-listed and unlisted public companies.

Prior to the appointment of Ms Lisa Dadswell, Mr David Nichols (Masters of Risk Management, Bachelor of Law and Bachelor of Economics & Social Sciences) was appointed as Company Secretary for Xinja on 31st July 2017. David was also the Chief Risk Officer of Xinja whilst Company Secretary. Prior to joining Xinja, David was the Executive Manager Risk / Chief Risk Officer of Qudos Bank, prior to this worked in various executive positions at CBA and commenced his career in law firms specialising in risk management.

Principal Activities

During the reporting period, the principal activities of entities within the Group were:

- Launching the beta version of Xinja's prepaid card and mobile application;
- Receiving Xinja's Australian Credit Licence (no. 501764) and draft AFSL for the deposit product from ASIC, and progressing Restricted ADI (RADI) licence application with APRA;
- Customer acquisition and brand recognition through social media;
- Capital raising activities;
- Product development, including the design of Xinja Bank accounts and commenced the underwriting process for home loans; and
- IT development, which included the implementation of prepaid card payment capabilities, implementation of digital CRM and the design, build and test of the beta Xinja home loan.

The nature of Xinja's activities have evolved during the reporting period, from a design focus to a greater focus on build activities as it progressed through the reporting period.

DIRECTORS' REPORT (continued)

Review of operations and financial results

The Group is a new participant in the financial services industry, with a goal to build an independent digital neobank for Australians.

These financial results are reported for the period 5 May 2017 to 30 June 2018 with the Group commencing operations on 22 May 2017. Xinja Holdings Ltd (formerly Get Kite Holdings 2 Pty Ltd) is the Group's ultimate holding company, which was registered on 5 May 2017 and became a public company on 28 November 2017.

For the reporting period ended 30 June 2018, the Group made a net loss of $6,537,796. The reported loss was primarily due to the Group being in its 'start-up' phase, incurring expenses of $6,598,932, largely spent on product and IT platform development, licencing applications and operating expenses, required to build out an institution wanting to become a bank.

Capital raising activities undertaken in the reporting period resulted in net capital funds raised of $15,247,817, which allowed the Group to fund its licence applications, development activities and operating expenses.

The Chairman's report contains further information on the operations of the Group during the period.

Significant changes in the state of affairs

During the reporting period, the following changes occurred within the Group:

Issue of share capital:

- May 2017, the Group issued 28,057,023 shares raising $2,770,873;
- December 2017, the Group issued 4,021,164 shares raising $5,016,195;
- April 2018, the Group issued 2,251,200 shares raising $2,814,000;
- June 2018 the Group issued 4,868,000 shares raising $6,085,000.

In total, Xinja issued 24,384,078 founders shares and 14,813,309 ordinary shares. The April 2018 share raising was an offer of ordinary shares to retail investors through a licenced CSF (crowd-sourced funding) intermediary's platform. The other issues of ordinary shares were made to sophisticated or professional investors.

Founders shares have the same voting rights as ordinary shares (one vote for each share held) and the same rights to receive dividends. Ordinary shares have a priority on winding up of the Company until 5 May 2020 (being 3 years from incorporation of the Company). From 5 May 2020 founders shares will rank equally in all respects with ordinary shares.

Dividends

No dividends were paid during the reporting periods.

Significant events arising since the end of the reporting period

In July 2018, Xinja entered into discussions to secure additional equity funding from current sophisticated investors, and as at 15 October 2018, $5m has been committed. In addition, Xinja launched its Series C equity raise, with a target of raising $10m in additional equity by December 2018, and as at 15 October 2018, $1.4m has been committed.

An EGM was held on 13 July 2018 which resolved to change the constitution to remove the annual cap on fund raising and the requirement to offer shares to all investors to be included in all the capital raises.

DIRECTORS' REPORT (continued)

Likely developments

On 30 June 2018, Xinja IP Holdings Pty Ltd (ACN 618 982 666) signed a contract with SAP Australia Pty Ltd. (ACN 003 682 504) for the SAP Cloud for Banking Solution. This technology platform which will underpin Xinja's goal of becoming an independent digital bank designed entirely for mobile, with services to be provided from 1 August 2018.

Xinja continues to work towards obtaining its Restricted Authorised Deposit-taking Institution licence, followed by an Authorised Deposit-taking Institution licence.

Xinja continues to focus on its product and IT development, with a view to launching Xinja Bank Accounts and Xinja Home Loans during its 2019 financial year, subject to APRA approvals.

Director's meetings

The number of meetings of Directors (including meetings of Committees of Directors) held during the reporting period and the number of meetings attended by each Director is as follows:

	BOARD MEETINGS	
BOARD MEMBER	A	B
Lindley Edwards	10	10
Craig Swanger	10	10
Stephen Garner	10	10
Eric Wilson	10	10
Van Le	0	0
Thomas Vikstrom	0	0

Where:

- Column A: is the number of meetings the Director was entitled to attend.
- Column B: is the number of meetings the Director attended

Unissued shares under option

Unissued ordinary shares of Xinja under option at the date of this report are:

DATE OPTIONS GRANTED	EXPIRY DATE	EXERCISE PRICE OF SHARES	NUMBER UNDER OPTION
From 1 July 2017	31 October 2022	0.07	6,604,989
From 1 December 2017	31 October 2022	1.25	1,122,417
Total under option			7,727,406

All options expire on the earlier of their expiry date or termination of the employee's employment. These options were issued under either the Tranche 1 or Tranche 2 programs, and cannot be exercised until the vesting conditions have been met (described in Note 13.2 to the financial statements). These options do not entitle the holder to participate in any share issue of the Company. The options do not confer voting rights or rights to dividends.

DIRECTORS' REPORT (continued)

Shares issued during or since the end of the year as a result of exercise of options

No shares were issued during the year or since the end of the year as a result of exercise.

Environmental Legislation

Xinja operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Indemnities given to, and insurance premiums paid for, auditors and officers

Insurance of Officers

During the year, Xinja paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

Indemnity of Auditors

The Group has agreed to indemnify its auditors, Grant Thornton, to the extent permitted by law, against any claim by a third party arising from the Group's breach of its agreement. The indemnity requires the Group to meet the full amount of any such liabilities including a reasonable amount of legal costs.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 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.

Rounding of amounts

Xinja is a type of Company referred to in ASIC Corporations (Rounding In Financial / Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

DIRECTORS' REPORT (continued)

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included in page 11 of this financial report and forms part of this Director's Report.

Signed in accordance with a resolution of the Directors.

Lindley Edwards
Director

25 October 2018

AUDITOR'S INDEPENDENCE DECLARATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the reporting period ended 30 June 2018

	NOTES	2018 $
Revenue		
Interest income		41,793
Net interest income		**41,793**
Other income		19,343
Employee benefits expense	13	(2,908,015)
Technology costs		(1,607,665)
Depreciation of plant and equipment	9	(2,494)
Directors fees	17	(62,000)
Consulting and legal expenses		(695,979)
Marketing expenses		(561,778)
Mortgage and prepaid card licencing costs		(347,926)
Office and occupancy expenses		(214,017)
Travel and related costs		(115,287)
Other expenses		(83,771)
Operating expenses		**(6,598,932)**
Loss before income tax		(6,537,796)
Income tax expense	5	-
Loss for the year		(6,537,796)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		-
Items that may be reclassified subsequently to profit or loss		-
Total comprehensive income for the period		(6,537,796)

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 30 June 2018

	NOTES	2018 $
Assets		
Current		
Cash and cash equivalents	6	9,188,343
Trade and other receivables	7	68,386
Other assets	8	108,799
Total current assets		9,365,528
Non-current		
Property, plant and equipment	9	25,359
Intangible assets	11	2,578,213
Total non-current assets		2,603,572
Total assets		11,969,100
Liabilities		
Current		
Trade and other payables	12	1,130,093
Total current liabilities		1,130,093
Non-current		
Total non-current liabilities		-
Total liabilities		1,130,093
Net assets		10,839,007
Equity		
Share capital	14	16,389,708
Share based payment reserve	13	987,095
Accumulated losses		(6,537,796)
Total equity		10,839,007

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the reporting period ended 30 June 2018

	NOTES	SHARE CAPITAL $	SHARE BASED PAYMENT RESERVE $	ACCUMULATED LOSS $	TOTAL EQUITY $
Balance at 5 May 2017		-	-	-	-
Loss for period		-	-	(6,537,796)	(6,537,796)
Other comprehensive income		-	-	-	-
Total comprehensive income		**-**	**-**	**(6,537,796)**	**(6,537,796)**
Total transactions with owners in their capacity as owners		-	-	-	-
Contributions of equity (share capital) - net of transaction costs	14	15,247,817	-	-	15,247,817
Issue of ordinary shares under share based payment in lieu of services rendered	14	1,141,891	-	-	1,141,891
Employee share scheme - value of employee services	13	-	987,095	-	987,095
Balance at 30 June 2018		**16,389,708**	**987,095**	**(6,537,796)**	**10,839,007**

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the reporting period ended 30 June 2018

	NOTES	2018 $
Operating activities		
Interest received		38,323
Receipts from customers		2,048
R&D incentive income		17,295
Cash paid to suppliers and employees		(4,544,166)
Net cash from operating activities	15	(4,486,500)
Investing activities		
Payments for property, plant and equipment		(27,853)
Payments for software development costs		(1,436,322)
Net cash used in investing activities		(1,464,175)
Financing activities		
Proceeds from issue of share capital		15,247,817
Payments for security deposits		(108,799)
Net cash from / (used in) financing activities		15,139,018
Net change in cash and cash equivalents		9,188,343
Cash and cash equivalents, beginning of period		0
Cash and cash equivalents, end of period	6	9,188,343

This statement should be read in conjunction with the notes to the financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of operations

Xinja Holdings Ltd (the Company) and its controlled entities (the Group) principal activities include the provision of financial services.

2. General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Xinja Holdings Ltd is a for-profit entity for the purpose of preparing the financial statements. These are the Group's first IFRS financial statements.

Xinja Holdings Ltd is the Group's Ultimate Parent Company. Xinja Holdings Ltd is a Public Company incorporated and domiciled in Australia. The address of its registered office and its principal place of business is Level 4, 40 King St, Sydney, Australia.

The consolidated financial statements for the reporting period ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 25 October 2018.

The financial statements have been prepared on a historical cost basis, with the exception of employee share scheme, which was prepared on a fair value basis (refer to Note 13).

3. Changes in accounting policies

3.1. New and revised standards that are effective for these financial statements

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017. Information on the more significant standard(s) is presented below.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2016-2 is applicable to annual reporting periods beginning on or after 1 January 2017.

3.2. Accounting Standards issued but not yet effective and have not been adopted early by the Group

The following are applicable to the Group but are not yet effective for the period ended 30 June 2018 and have not been adopted in the preparation of these financial statements. The Impacts of each Accounting Standard on the Group's financial reporting in the future periods Is noted below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AASB 9 Financial Instruments ('AASB 9')

This standard introduces changes in the classification and measurement of financial assets and liabilities, including a new expected loss model for impairment and simplifications to hedge accounting. This standard will become mandatory for the Group in the financial year beginning 1 July 2018 and consideration for AASB 9 implementation has commenced.

Under AASB 9 an expected credit loss (ECL) model replaces the existing AASB 139 Financial Instruments: Recognition and Measurement incurred loss. The change in standard will require entities to recognise expected credit losses based on unbiased forward looking information, instead of only recognising losses on the occurrence of the loss event.

In addition, the new accounting standard requirements allow for broader application of hedge accounting and to align it more closely with risk management. While the new model does not fundamentally change the types of hedging relationships, it simplifies the effectiveness testing by removing the 80% - 125% thresholds.

As the Group is currently assessing the AASB 9 and does not currently have any complex financial assets and liabilities, a reliable estimate of the potential financial statement impacts is yet to be determined. Estimates on the potential financial statement impacts will be made when the Group undertakes complex financial assets and liabilities.

AASB 16 Leases ('AASB 16')

This standard makes changes to the accounting for leases and will replace AASB 117 Leases. It will become mandatory for the Group in the financial year beginning 1 July 2019. Lessees are required to recognise a right-of-use (ROU) asset and lease liability for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures ROU assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments, including inflation-linked payments. It also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. A depreciation charge will be recognised on ROU assets, while interest expense will be recognised on lease liabilities. The Group is yet to evaluate the transition methods and the quantitative impact of AASB 16. A review of leasing contracts, process and control changes, and future disclosure requirements will be undertaken. The Group's current operating lease commitments are disclosed in Note 20.

3.3. Accounting Standards which have been adopted early by the Group

AASB 15 Revenue from contracts with customers ('AASB 15')

This standard introduces a single model for revenue recognition and will replace current guidance on revenue recognition from contracts with customers. While not mandatory for the Group until the financial year beginning 1 July 2018, the Group has adopted this standard for this reporting period. The core principles of AASB 15 is that an entity is to recognise revenue to depict the transfer of promised good and services to customers in amounts that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The impact of the adoption is minimal as AASB 15 has no impact on the revenue items for the reporting period, being interest (covered by AASB 139) and grant income (covered by AASB 120).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Summary of accounting policies

4.1. Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

4.2. Going concern

The financial statements have been prepared on the going concern basis. This assumes the Company and the Group will have sufficient cash to pay its debts, as and when they become payable, for a period of at least 12 months from the date the financial statements are authorised for issue.

During the reporting period ended 30 June 2018 the Group has experienced operating losses before tax of $6,537,796. As at 30 June 2018, the consolidated entity has net assets of $10,839,007 and net current assets of $8,235,435. During the reporting period the consolidated entity had negative cash outflows from operating activities of $4,486,500.

During the reporting period ended 30 June 2018, the consolidated entity raised $15,247,817 through a range of capital raisings.

The Group has prepared a cash flow forecast which relies on the injections of additional capital during the year ending 30 June 2019 for its continued operations, including ongoing IT and product development. The continued operations are also dependent on Xinja receiving its RADI licence and ultimately its ADI licence.

In late July 2018, Xinja entered into discussions to secure additional equity funding from current sophisticated investors and as at 15 October 2018, $5m has been committed. In addition, Xinja launched its Series C equity raise which is contingent upon obtaining the RADI licence. Series C has a target of raising $10m in additional equity by December 2018 and as at 15 October 2018, $1.4m has been committed. The Group is expecting to undertake another capital raise in April 2019.

The Group is continuing to work with APRA for its RADI licence, and the work is well progressed. Based on the continuing discussions with APRA, the directors have no reason to believe that the RADI licence will not be granted.

The directors however recognise there is always an element of uncertainty with start-ups. To address this risk, the directors have undertaken the following steps:

- entered into discussions to secure additional equity funding from current and new shareholders;
- undertaken a programme to continue to monitor the consolidated entity's ongoing working capital requirements and minimum expenditure commitments; and
- continued their focus on maintaining an appropriate level of corporate overheads in line with the consolidated entity's available cash resources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.2 Going concern (continued)

The directors are confident that in combination these measures will provide the Group with sufficient funding to meet its minimum expenditure commitments and support its planned level of overhead expenditures.

After due consideration of these funding strategies and cost saving opportunities, the Directors have prepared the financial statements on a going concern basis which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business.

Should the above transactions or assumptions not materialise, there is a material uncertainty whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

4.3. Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2018. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognised from the effective date of acquisition (control obtained) or up to the effective date of disposal (control lost) as applicable.

4.4. Pooling of interest

On 31 May 2017 Get Kite Holdings Pty Ltd purchased 100% ownership in Xinja Pty Ltd (formerly Get Kite Pty Limited) for $500,100 cash in return for 500,100 of share capital. Get Kite Holdings Pty Ltd subsequently transferred all the shares in Xinja Pty Ltd to the ultimate holding company, Xinja Holdings Limited. Get Kite Pty Ltd changed its name to Xinja Pty Ltd on 4 May 2018.

Given that Get Kite Holdings Pty Ltd was established as a holding company, it was not conducting a business and therefore the transaction did not represent a business combination in accordance with AASB 3. The Company has adopted the "pooling of interest-type method" for accounting for the combination. In accordance with the pooling of interest method, no goodwill or separately identifiable assets are recorded, and instead a common control reserve would be established, representing the difference between the value of the shares issued in consideration for Get Kite Pty Limited. As the acquirer's cost of investment and the acquiree's equity is the same, there will be no equity reserve recognised on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.5. Revenue

Revenue is recognised when it is probable that economic benefits associated with the transaction will flow to the Group.

Interest revenue

Interest income and expense for all interest bearing financial instruments are recognised in the profit or loss using the effective interest rates of the financial assets or financial liabilities to which they relate.

Non interest revenue

Non-interest income and expense that are considered an integral part of the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Service fees that represent the recoupment of the costs of providing the service are recognised on an accrual basis when the service is provided.

Research and Development (R&D)

The Group applied for R&D Tax Incentive through the Department of Industry, Innovation and Science in relation to eligible R&D expenditure for the period prior to 30 June 2017. The tax incentive is provided as a refundable tax credit of $17,295, which has been recognised in accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. The amount is credited to other income in the statement of profit or loss and other comprehensive Income. The underlying expenditure during the research phase is recognised as an expense when incurred.

4.6. Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.7. Other intangible assets

Recognition of other intangible assets

Acquired intangible assets

Separately acquired computer software licences are shown at historical cost.

Software as a Service (SaaS) Cloud Service Arrangements

Cloud service arrangement costs associated with the Group obtaining a right to access the cloud service over the contract period in exchange for cash are expensed as the services are received by the Group. Whilst the right to access the cloud service is a non-monetary resource without physical substance from which future economic benefits are expected to flow to the Group that is identifiable because it arises from contractual rights the Group does not have the ability to direct the use of the asset or restrict the access of others. As such, this does not meet the recognition criteria of an intangible asset.

Internally developed software

Expenditure on the research phase of projects to develop new customised software for IT and telecommunication systems is recognised as an expense as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.7 Intangible assets (continued)

Costs that are directly attributable to a project's development phase and that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognised as intangible assets, provided they meet the following recognition requirements:

- The development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Employee (excluding Director) directly attributable costs include software incurred costs for development along with an appropriate portion of relevant overheads and borrowing costs.

Subsequent measurement

All intangible assets, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 4.10. The following useful lives are applied:

- Software: 3-5 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 4.10.

Amortisation has been included within depreciation, amortisation and impairment of non-financial assets, once the asset is ready for use.

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

4.8. Property, plant and equipment

IT equipment and other property

IT equipment and other property (comprising fittings and furniture) are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

IT equipment and other property are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of IT equipment and other property. The following useful lives are applied:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.8 Property, plant and equipment (continued)

- IT equipment: 2-5 years
- Other property: 3-12 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

4.9. Leased assets

Operating leases

All leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.10. Impairment testing of other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment loss is charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds the carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.11. Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- Loans and receivables
- Financial assets at fair value through profit or loss (FVTPL)
- Held-to-maturity (HTM) investments
- Available-for-sale (AFS) financial assets

Currently the group only has one category of financial assets, being loans and receivables.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, interest income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.11 Financial instruments (continued)

Trade receivables are recognised initially at the transaction price, that is at cost, and are subsequently measured at cost less provision for impairment. Receivables expected to be collected within twelve months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets. All the Group's trade and other receivables have been reviewed for indicators of impairment. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately as profit or loss.

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include trade and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest rate method, except for financial liabilities held for trading or designated at fair value through profit or loss (FVTPL). The Group did not hold any financial liabilities for trading or FVTPL for the period ended 30 June 2018.

4.12. Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group’s forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.12 Income taxes (continued)

Tax consolidation legislation

The head entity, Xinja Holdings Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right and the controlled entities in the tax consolidation group account for their own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, Xinja Holdings Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Xinja Holdings Ltd for any current tax payable assumed and are compensated by Xinja Holdings Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Xinja Holdings Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable / payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

4.13. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.14. Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Share-based payments reserve; comprises share based remuneration plans for the Group's employees.
- Accumulated losses include all current period losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.15. Employee benefits expenses

Short-term employee benefits

Short- term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Examples of such benefits include salary and wages, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Superannuation commitments

Basis of contributions - Employee superannuation contributions are based on the super guarantee charge (SGC) percentage of employees' gross salaries.

The Group is under no legal obligation to make superannuation contributions except for the minimum contributions required under the Superannuation Guarantee Legislation.

Annual leave

The Group has an unlimited annual leave policy, a liability is recognised if the employees take less than 20 days of leave each year. This liability is presented as a current liability in the statement of financial position when it arises as the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period irrespective of when the actual settlement Is expected to take place.

Other long-term employee benefit obligations

The liability for long service leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. 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 end of the reporting period on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

4.16. Shared-based employee remuneration

The Group operates share-based remuneration plans for its employees. Some of the Group's plans feature at the Company Board's absolute discretion, the choice of whether to settle in cash or by issuing equity Instruments. The Group does not have a present obligation to settle in cash as the entity is not legally prohibited from issuing shares. As there is no present obligation to settle in cash the Group's share based remuneration plans are accounted for as equity settled share based payment transactions.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and exclude the impact of non-market vesting conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.16 Share-based employee remuneration (continued)

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share-based payment reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

4.17. Provisions, contingent liabilities and contingent assets

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present, legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

4.18. Goods and Services Tax (GST)

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

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

4.19. Rounding of amounts

The Group is of a kind referred to in ASIC Corporations Instrument 2016/191 dated 24 March 2016 and In accordance with that Instrument, amounts in this financial report and Director's report have been rounded off to the nearest dollar.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.20. Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

a. Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Capitalisation of internally developed software

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired (see Note 4.10).

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised (see Note 10).

b. Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.10).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Useful life of Intangible assets

The group is developing application software that will be used as the shop front of Xinja, the Xinja app. The group estimates the useful life of the software to be at least 3 years based on the expected technical obsolescence of such assets once ready for use. However the useful life may be shorter or longer than 3 years, depending on technical Innovations and competitor actions.

Share-based employee payments

Management uses valuation techniques to determine the fair value of share-based payments issued to employees. The fair value is determined indirectly by reference to the fair value of the equity instruments granted. This involves developing estimate and assumptions based on the best information available (see Note 13.2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of Xinja at 27.5% and the reported tax expense in profit or loss are as follows:

	2018 $
a. Income tax expense	
Tax expenses comprises:	
○ Current tax expense	-
○ Deferred tax benefit not recognised	-
Income tax expense	-
b. Numerical reconciliation for income tax expense	
Loss before tax	(6,537,796)
Tax at domestic tax rate of 27.5%	(1,797,894)
Adjustment for non-deductible expenses	276,377
Deferred tax assets not brought to account	(1,521,517)
Income tax expense	-

Note 10 provides information on deferred tax assets and liabilities not recognised.

6. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	2018 $
Cash at bank and in hand	9,188,343
Total cash and cash equivalents	9,188,343

7. Trade and other receivables

Trade and other receivables consist of the following:

	2018 $
GST refundable	64,916
Interest receivable	3,470
Total trade and other receivables	68,386

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Other assets

Other assets consist of the following:

	2018 $
Security Deposit	108,799
Total other assets	108,799

9. Property, plant and equipment

Details of the Group's property, plant and equipment and their carrying amount are as follows:

	IT EQUIPMENT $	OFFICE FURNITURE $	TOTAL $
Gross carrying amount			
Balance 5 May 2017	-	-	-
Additions	20,542	7,311	27,853
Depreciation	(2,142)	(352)	(2,494)
Carrying amount 30 June 2018	18,400	6,959	25,359

10. Deferred tax assets

Deferred taxes arising from temporary differences and unused tax losses which have not been brought to account can be summarised as follows:

	2018 $
Deferred tax assets not brought to account	
Tax losses not recognised	1,239,736
Other deferred tax assets not recognised	281,781
Total deferred tax assets not brought to account	1,521,517

Deferred tax assets not brought to account include an amount of $1,239,736 which relates to the carried forward tax losses of Xinja. The group incurred losses in this period as a result of the group being in its 'start-up' phase incurring expenses on product and IT platform development, and licencing applications. The group is not expecting to generate taxable income in the immediate future based on approved business plans and budgets for the group. The losses can be carried forward indefinitely and have no expiry date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Intangible assets

Detail of the Group's other intangible assets and their carrying amounts are as follows:

	INTERNALLY DEVELOPED SOFTWARE $	TOTAL $
Gross carrying amount		
Balance at 5 May 2017	-	-
Additions	2,578,213	2,578,213
Balance at 30 June 2018	2,578,213	2,578,213

In addition, research costs of $591,716 were recognised as other expenses.

The additions for internally developed software include $1,141,891 of services rendered by third parties which have been settled by the issue of ordinary shares refer to Note 14.1.

12. Trade and other payables

Trade and other payables consist of the following:

	2018 $
Current	
Trade payables	998,674
Other payables	131,419
Total trade and other payables	1,130,093

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation to fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Employee remuneration

13.1. Employee benefits expense

Expenses recognised for employee benefits are disclosed below:

	2018 $
Wages, salaries	1,751,296
Share-based payments	987,095
Superannuation	169,624
Total employee benefits expense	2,908,015

13.2. Share-based employee remuneration

As at 30 June 2018, two tranches of options have been offered to employees. Share options and weighted average exercise prices are as follows for the reporting period presented:

	NUMBER OF SHARES	WEIGHTED AVERAGE STRIKE $	FAIR VALUE $
Outstanding at 5 May 2017	-	-	-
Granted - Tranche 1	6,689,067	0.07	1.187
Granted - Tranche 2	1,823,958	1.25	0.489
Exercised - Tranche 1	-	-	-
Exercised - Tranche 2	-	-	-
Forfeited - Tranche 1	(84,078)	0.07	1.187
Forfeited - Tranche 2	(701,541)	1.25	0.489
Expired - Tranche 1	-	-	-
Expired - Tranche 2	-	-	-
Outstanding at 30 June 2018 - Tranche 1	6,604,989	0.07	1.187
Outstanding at 30 June 2018 - Tranche 2	1,122,417	1.25	0.489
Exercisable at 30 June 2018 - Tranche 1	-	-	-
Exercisable at 30 June 2018 - Tranche 2	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13.2 Share-based employee remuneration (continued)

The fair values of options granted has been Independently determined using a Black-Scholes approach (including a Monte Carlo simulation model) that takes into account the exercise price, term of the option, the share price at grant date and expected price volatility of the underlying share, the risk free rate for the term of the option and the expected dividend yield (with no dividends being assumed as payable over the period). The following key assumptions were used and are summarised in the table below:

	TRANCHE 1	TRANCHE 2
Grant date	Various dates from 1 July 2017	Various dates from 1 Dec 2017
Expiry date	31 Oct 2022	31 Oct 2022
Share price at date of grant	$1.25	$1.25
Volatility	50.00%	50.00%
Dividend yield	0%	0%
Risk free investment rate	2.50%	2.50%
Fair value at grant date	$1.187	$0.489
Exercise price at date of grant	$0.07	$1.25
Exercisable from	Anytime prior to expiry date but only when vesting conditions are met (see below)	Anytime prior to expiry date but only when vesting conditions are met (see below)

The options cannot be exercised until the vesting conditions have been met. The options will vest if any one of the following conditions are met:

- Xinja reports a positive EBITDA for three consecutive months and the shares can be traded in a financial market;
- There is a change of control;
- Xinja undertakes an initial public offering of its shares in conjunction with a listing or quotation of its shares on the ASX or other internationally recognised stock exchange; or
- Xinja undergoes a sale of all, or substantially all, of its assets to a third party in a single transaction or a series of related transactions.

The options do not confer voting rights or rights to dividends. The options or shares obtained from exercising these options cannot be sold during the first 3 years from the acquisition date. Upon vesting, each option allows the holder to purchase one ordinary share at the strike price determined at grant date.

The vesting period has been independently determined using a Monte Carlo simulation to project EBIDTA to determine the date at which the options might vest. EBITDA has been determined to be the most likely non- market condition to apply. These projections may not eventuate. At each subsequent reporting period non-market vesting condition are reassessed in accordance with the accounting policy outlined In Note 4.16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13.2 Share-based employee remuneration (continued)

In total, $987,095 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in profit or loss and credited to the share-based payments reserve..

14. Equity

14.1. Share capital

The share capital of Xinja consists of fully paid ordinary shares.

	NOTES	2018 # OF SHARES	2018 $
Shares issued and fully paid:			
Beginning of the period		-	-
Employee share scheme		-	-
Issued under share-based payments	(a)	915,387	1,141,891
Shares issued			
○ Founders shares		24,384,078	50,173
○ Ordinary shares		13,897,922	15,494,004
Total shares issued		38,282,000	15,544,177
Less: Transaction costs arising on share issues		-	(296,360)
Total share capital at 30 June		39,197,387	16,389,708

(a) Shares issued under share-based payment

Xinja IP Holdings Pty Ltd entered into a Master Services Agreement and Statement of Works with Equal Experts UK Limited for the provision of services. Payment of the services was settled by way of shares and this transaction has been accounted for as a share-based payment.

14.2 Ordinary and Founders Shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number and amounts paid on the shares held in priority to the holders of founders shares for the period of 3 years from the date of incorporation of the Company (until 5 May 2020), after which the founders shares shall have the same rights to participate in the proceeds of winding up the Company as the holders of ordinary shares.

On a show of hands, every member present in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

Ordinary and founders shares have no par value and the company does not have a limited amount of authorised capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14.3 Options

Information relating to the Employee Option Plan, including details of options issued, exercised and lapsed during the reporting period and options outstanding at the end of the reporting period is set out in Note 13.

15. Reconciliation of cash flows

15.1. Reconciliation of cash flows from operating activities

	2018 $
Cash flows from operating activities	
Loss for the period	(6,537,796)
Adjustments for:	
○ Depreciation	2,494
○ Non-cash employee benefit expense - share based payments	987,095
Change in operating assets and liabilities	
○ Decrease / (increase) in trade and other receivables	(68,386)
○ Increases / (decrease) in trade and other payables	1,130,093
Net cash from operating activities	(4,486,500)

15.2 Non-cash investing and financing activities

	2018 $
Acquisition of services in relation to the development of software by means of the issue of ordinary shares	1,141,891

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Auditor remuneration

Auditor remuneration details are as follows:

	2018 $
Audit and assurance services	
Audit and review of financial statements	46,000
Other assurance services	48,718
Total remuneration for audit and assurance services	94,718
Taxation services	
Taxation compliance and other services	66,818
Total remuneration for taxation services	66,818
Total remuneration of Grant Thornton Australia Ltd	161,536

17. Related party transactions

17.1. Transactions with key management personnel

Key management of the Group are the Executive members of Xinja's Board of Directors and members of the Executive Committee (ExCo). Key management personnel received the following payments:

	ExCo $	Directors $	2018 $
Key management personnel remuneration:			
Short term employee benefits	1,026,449	62,000	1,088,449
Post-employment benefits	72,167	-	72,167
Share-based payments	420,197	243,231	663,428
Total remuneration	1,518,813	305,231	1,824,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17.2 Other transactions with key management personnel

A referral program was implemented during the period whereby directors and employees are incentivised for any direct referral which results in a successful capital raising. The incentive is 2% of the value of funds successfully raised. For the reporting period, an amount of $5,002 was made to a member of the key management personnel in relation to the Series B share issue.

18. Contingent liabilities

There were no warranty or legal claims brought against the Group during the reporting period. Management has considered all possible potential claims to be low probability and normal risks in conducting a business. These are continuously monitored and mitigated internally within the Group.

19. Interests in subsidiaries

19.1. Composition of the Group

Set out below are details of the subsidiaries held directly by the Group:

NAME OF THE SUBSIDIARY	COUNTRY OF INCORPORATION AND PRINCIPAL PLACE OF	PRINCIPAL ACTIVITY	PROPORTION OF OWNERSHIP INTERESTS HELD 30/06/2018
Xinja IP Holdings Pty Ltd	Australia	IT activities and IP holder	100%
Xinja Services Pty Ltd	Australia	Employment company for the Group	100%
Xinja Pty Ltd	Australia	Non ADI activities	100%
Get Kite Holdings Pty Ltd	Australia	Dormant	100%

20. Leases

20.1. Operating leases as lessee

The Group leases the office building under an operating lease. The future minimum lease payments are as follows:

	MINIMUM LEASE PAYMENTS DUE			
	Within 1 year $	1 to 5 years $	After 5 years $	Total $
30 June 2018	172,110	103,143	-	275,253

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Capital commitments

On 30 June 2018, Xinja IP Holdings Pty Ltd entered into a contract with SAP Australia Pty Ltd (ACN 003 682 504) for the SAP Cloud for Banking Solution. The expenditure contracted for at the end of the reporting period for these future services but not recognised as a liability are as follows:

	MINIMUM PAYMENTS DUE			
	Within 1 year $	1 to 5 years $	After 5 years $	Total $
30 June 2018	1,307,366	2,047,145	-	3,354,511

22. Financial instrument risk

22.1. Risk management objectives and policies

The Group has developed a risk approach for its future banking activities. The articulation of a risk awareness culture will be prevalent throughout the Group's risks policies and procedures. The Board will adopt these policies in relation to the assessment, management and monitoring of these risks, and ownership of the frameworks within which these risks are managed will reside with the Chief Risk Officer (CRO).

The CRO and the risk management functIon will focus on a number of key areas, with emphasis on the effectiveness and efficiency of credit, market, liquidity, operational risk and compliance process controls and policies to support the Group's customer proposition in line with Its risk appetite; to provide management and the Board with risk reporting that contributes to the further development of sound corporate governance standards; and to maintain regulatory compliance in line with regulators' expectations.

The Group's risk enterprise management framework incorporates active management and monitoring of a range of risks including (but not limited to) market (includes interest rate risk); credit; and liquidity risks.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risk to which the Group Is exposed are described below.

Market risk analysis

The Group is exposed to market risk through its use of financial instruments and specifically interest rate risk and to currency risk which result from both its operating and investing activities.

Foreign currency risk analysis

Exposures to currency exchange rates arise from the Group's overseas purchases, which are primarily denominated in Pound Sterling (£GBP). To mitigate the Group's exposure to foreign currency risk, the overseas purchase contract has a fixed exchange rate condition within the contract. Going forward non-$AUD cash flows will be monitored and forward exchange contracts may be entered into in accordance with the Group's risk management policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Financial instrument risk (continued)

22.1 Risk management objectives and policies (continued)

Interest rate risk analysis

Interest rate risk consist of cash flow interest rate risk (the risk that future cash flows of a financial instrument will vary due to changes in market interest rates) and fair value interest rate risk (the risk that the value of financial instruments will vary due to changes In market Interest rates). The Group's policy is to minimise interest rate cash flow risk exposures on financial assets or liabilities bearing floating interest rates. Currently the Group's interest bearing financial instruments comprise predominantly of cash and cash equivalents with some security deposits which mature or reprice in the short term. As a result the group is subject to limited exposure to fair value interest rate risk. The following table illustrates the cash flow interest rate risk sensitivity of loss and equity to a reasonably possible change in interest rates of +/- 1%. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the financial instruments held at the reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	PROFIT FOR THE REPORTING PERIOD		EQUITY	
	$ +1%	$ -1%	$ +1%	$ -1%
30 June 2018	91,883	(91,883)	66,615	(66,615)

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2018 $
Classes of financial assets	
Carrying amounts:	
○ Cash and cash equivalents	9,188,343
○ Trade and other receivables	3,470
○ Security deposits	108,799
Total financial assets	9,300,612

The Group continuously monitors defaults of customers and other counterparties, identified either by individual or group and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. Financial instrument risk (continued)

22.1 Risk management objectives and policies (continued)

The Group's management considers that all the above financial assets for the reporting date under review are of good credit quality. None of the unimpaired trade receivables are past due as at the reporting date.

The credit risks for cash and cash equivalents and trade and other receivables are considered negligible, since the counterparty is a reputable bank with a high quality external credit ratings.

Liquidity risk analysis

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The Group's objective for the reporting period is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting period.

As at 30 June 2018, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	WITHIN 6 MONTHS $	6 -12 MONTHS $	Total contractual cashflows $	Carrying Value $
Trade and other payables	1,130,093	-	1,1130,093	1,130,093
Total	1,130,093	-	1,130,093	1,130,093

As at the 30 June 2018 the Group has $9,188,343 of cash and cash equivalents available to meet these liabilities.

23. Capital management policies and procedures

The Group's capital management objectives are to ensure that:

- The group continues as a going concern;
- An appropriate level and quality of capital is maintained for all material sources of risk to which the Group is exposed;
- The Group is capable of absorbing any anticipated losses arising from its business activities, without disruption to its continued, immediate and long term operations and business activities;
- An adequate capital buffer is maintained above prudential capital requirements; and
- Regulatory requirements in relation to capital adequacy are met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Parent entity information

Information relating to Xinja Holdings Ltd (the Parent Entity):

	2018 $
Statement of financial position	
Current assets	8,880,477
Non-current assets	500,103
Total assets	9,380,580
Current liabilities	5,438
Total liabilities	5,438
Net assets	9,375,142
Issued capital	16,389,709
Share-based payment reserve	987,095
Accumulated losses	(8,001,662)
Total equity	9,375,142
Statement of profit or loss and other comprehensive	
Loss for the period	(8,001,662)
Other comprehensive income	-
Total comprehensive income	(8,001,662)

The Parent Entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

25. Post-reporting date events

The following events occurred between the reporting date and the date of authorisation:

- In July 2018, Xinja entered into discussions to secure additional equity funding from current sophisticated investors, and as at 15 October 2018 $5m has been committed. In addition, Xinja launched its Series C equity raise, with a target of raising $10m in additional equity by December 2018, and as at 15 October 2018 $1.4m has been committed.
- An EGM was held on 13 July 2018 which resolved to change the constitution to remove the annual cap on fund raising and the requirement to offer shares to all investors to be included in all the capital raises.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Xinja Holdings Ltd:
    a. The consolidated financial statements and notes of Xinja Holdings Ltd are in accordance with the Corporations Act 2001, including:
        i. Giving a true and fair view of its financial position as at 30 June 2018 and of its performance for the reporting period ended on that date; and
        ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
    b. There are reasonable grounds to believe that Xinja Holdings Ltd will be able to pay its debts as and when they become due and payable.

2. The consolidated financial statements comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Director

Lindley Edwards

25 of October 2018

INDEPENDENT AUDITOR’S REPORT (1 of 2)

An independent auditor’s report will be prepared by the entity’s auditor in accordance with Australian Auditing Standards. This publication does not include an illustrative report as the wording of the report may differ between entities.

INDEPENDENT AUDITOR'S REPORT (2 of 2)