



Appendix 4E

Preliminary final report

N1 Holdings Limited

ACN: 609 268 279

The following information is provided pursuant to ASX Listing Rule 4.3A.

N1 Holdings Limited (ASX: **N1H**, **N1** or **Company**) is pleased to provide its preliminary final report for the reporting period being the financial year ended 30 June 2024 (**FY24**) to shareholders. The previous corresponding period was the financial year ended 30 June 2023 (**FY23**).

Results for announcement to the market

The financial year has seen a significant growth in both the Company's revenue, profit and EBITDA. Key results on an unaudited basis are as follows:

- Revenue increased by 31.8% to \$18.44 million (FY23: \$13.99m).
- Profit from ordinary activities after tax increased by 218.3% to \$1,085,355 (FY23: \$340,945).
- Net profit for the year attributable to shareholders increased by 218.3% to \$1,085,355 (FY23: \$340,945).
- Normalised EBITDA increased by 15.08% to \$1.18 million (FY23: \$1,025,860).
- Cash balance as of 30 June 2024 is over \$13.53 million.
- Earnings per share of 1.23 cents. The board will determine whether to issue a dividend for FY24 after completion of the audit.

| | 2024 | 2023 |
|---|------------------|------------------|
| | \$ | \$ |
| Profit before income tax | 688,723 | 109,767 |
| Add: Interest expense – Corporate* | 73,478 | 181,766 |
| Add: Depreciation and amortisation | 309,393 | 404,352 |
| Add: Once off write-off of realty service income due to lost management** | 108,986 | - |
| Add: Goodwill impairment resulting from sale of rent roll | - | 329,975 |
| Normalised EBITDA | 1,180,580 | 1,025,860 |

* Interest expense and interest income from commercial loan receivable are still included in the EBITDA. The EBITDA only excludes the interest expenses relating to the corporate and bank loans, as well as interest expenses in relation to AASB 16 Leases.

** A once off amount of \$108,986 was written off from the total amount of realty service income due to rent roll sales retention clause. The retention period ended on 10 December 2023.



N1 Holdings concluded the financial year with stellar financial performance, led by our core lending solution in the private credit sector. The Company has achieved 31.8% growth in revenue and uplifted profit by 218.3%.

The reported financial year has marked a milestone of streamlining our costs and operations as initiated by the management of the Company following disposal of the realty business in FY23. Financial services revenue is now approaching 95% of group revenue. The execution of the streamlining strategy has greatly enhanced the resource allocation and productivity of the business, as evident by the Company's revenue and profitability growth. Whilst the management does not speculate on future rates movements, we continue to focus on funding capacity and cost of funds, in order to further strengthen the Net Interest Margin (NIM), with strong confidence of the Company's ability to scale new heights. We will continue to push growth and seek to gain competitive advantage by wielding economies of scale.

As at the end of the reported period, the Company had access to and managed over \$134 million in committed lending capacity, consisting of approximately \$30 million of balance sheet capital raised from private debt, \$86 million under debt facilities and approximately \$18 million of mortgage funds under management. (Please note: the mortgage funds are not consolidated into the Company's financial statements. These mortgage funds are managed by N1 Venture Pty Ltd, a 100% owned subsidiary of N1H). The Company has repaid a debt facility over \$14.6m during the reporting period as part of the cost of fund streamline strategy.

N1 Holdings is well positioned to increase its funding size and expand third party distribution channels. As laid out in the strategy blueprint from the previous financial year, management will tap the effectiveness and efficiency of our simplified business model, further strengthening the balance sheet of the Company with profits which, over time, together with scale will create a prominent and positive impact on the return of equity. Earnings per share and net tangible assets per ordinary security has grown over the reporting period. Profit reinvested into funding capacity will further enhance our cost of funds and subsequently improve the efficiency of capital deployment.

The Company also encourages rigid compliance and regulatory framework in the private credit space, with the aim to establish long term sustainable development of the private lending industry. In the coming new financial year, the management will take an even more active role in promoting corporate governance, regulatory compliance, ESG awareness and ethical lending practice, setting a benchmark as a leader in the industry.

1. Company details

| | |
|-------------------|---------------------------------|
| Name of entity: | N1 Holdings Limited |
| ACN: | 609 268 279 |
| Reporting period: | For the year ended 30 June 2024 |
| Previous period: | For the year ended 30 June 2023 |

2. Results for announcement to the market

| | | | \$ |
|--|----|-----------|------------|
| Revenues from ordinary activities | up | 31.8% to | 18,446,807 |
| Profit from ordinary activities after tax attributable to shareholders | up | 218.3% to | 1,085,355 |
| Net profit for the year attributable to shareholders | up | 218.3% to | 1,085,355 |

Dividends

There were no dividends paid, recommended or declared during the current financial year (2023: \$202,528).

Comments

The profit for the Group after providing for income tax amounted to \$1,085,355 (30 June 2023: \$340,945).

| | Consolidated 2024 \$ | 2023 \$ |
|--|----------------------------|------------------|
| Profit before income tax | 688,723 | 109,767 |
| Add: Interest expense - Corporate* | 73,478 | 181,766 |
| Add: Depreciation and amortisation | 309,393 | 404,352 |
| Add: Once off write-off of realty service income due to lost management* | 108,986 | - |
| Add: Goodwill impairment resulting from sale of rent roll | - | 329,975 |
| Normalised EBITDA | <u>1,180,580</u> | <u>1,025,860</u> |

* Interest expense and interest income from commercial loan receivable are still included in the EBITDA. The EBITDA only excludes the interest expenses relating to the corporate and bank loans, as well as interest expenses in relation to AASB 16 Leases.

* A once off amount of \$108,986 was written off from the total amount of realty service income due to rent roll sales retention clause. The retention period ended on 10 December 2023.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>1.14</u> | <u>0.37</u> |

4. Control gained over entities

| | |
|---------------------------------------|--------------------------|
| Name of entity (or group of entities) | N1 Holdings Trust 2023-1 |
| Date control gained | 13 October 2023 |
| Name of entity (or group of entities) | RHCAP Pty Ltd |
| Date control gained | 24 April 2024 |

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

There were \$202,528 dividends declared and paid during the previous financial period.

| | Amount per security Cents | Franked amount per security Cents |
|--|---------------------------------|--|
| Dividends declared and paid during the previous financial period | 0.230 | - |

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):


This report is based on accounts which are in the process of being audited. It is not considered likely that any audit qualification will arise.

11. Attachments

Details of attachments (if any):

Refer to the attached unaudited financial statements and related notes.

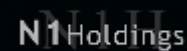
12. Signed



Signed _____
Ren Hor Wong CEO

Date: 30 August 2024

N1 Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024



| | Note | Consolidated 2024 \$ | 2023 \$ |
|---|------|----------------------------|----------------|
| Revenue | 3 | 18,446,807 | 13,993,574 |
| Other income | 4 | 107,046 | 96,354 |
| Expenses | | | |
| Interest expense | | (12,047,306) | (8,142,187) |
| Employee cost | | (2,573,372) | (2,557,214) |
| Consulting and referral fees | | (1,119,833) | (1,265,240) |
| Professional fee | | (593,830) | (499,509) |
| Sales and marketing | | (437,292) | (191,215) |
| Depreciation and amortisation | | (309,393) | (440,606) |
| Office and administrative expense | | (274,916) | (195,649) |
| Loss on disposal/write-off of assets | | (183,473) | - |
| Travel cost | | (167,065) | (119,875) |
| Occupancy cost and utilities | | (126,626) | (160,835) |
| Finance cost | | (27,801) | (75,580) |
| IT and technology | | (4,223) | (2,276) |
| Impairment loss on goodwill | | - | (329,975) |
| Profit before income tax benefit | | 688,723 | 109,767 |
| Income tax benefit | | 396,632 | 231,178 |
| Profit after income tax benefit for the year | | 1,085,355 | 340,945 |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year | | <u>1,085,355</u> | <u>340,945</u> |
| | | Cents | Cents |
| Basic earnings per share | 1 | 1.23 | 0.39 |
| Diluted earnings per share | 1 | 1.23 | 0.39 |

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

| | Note | Consolidated 2024 \$ | 2023 \$ |
|--------------------------------------|------|----------------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 13,532,013 | 7,019,128 |
| Trade and other receivables | 5 | 1,920,843 | 2,837,458 |
| Contract assets | 6 | 292,745 | 324,039 |
| Commercial loan receivables | 7 | 93,059,428 | 76,974,937 |
| Other financial assets | | 93,382 | 140,382 |
| Other current assets | | 89,685 | 196,030 |
| Total current assets | | <u>108,988,096</u> | <u>87,491,974</u> |
| Non-current assets | | | |
| Contract assets | 6 | 827,044 | 886,204 |
| Other financial assets | | 157,927 | 157,927 |
| Property, plant and equipment | | 449,940 | 742,717 |
| Deferred tax assets | | 627,811 | 231,178 |
| Intangible assets | 8 | 114,220 | 123,708 |
| Commercial loan receivables | 7 | 3,257,018 | - |
| Other non-current assets | | 195,331 | 266,050 |
| Total non-current assets | | <u>5,629,291</u> | <u>2,407,784</u> |
| Total assets | | <u>114,617,387</u> | <u>89,899,758</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,605,849 | 1,290,142 |
| Contract liabilities | | 107,601 | 73,294 |
| Loan and borrowings | 9 | 25,825,780 | 21,380,000 |
| Lease liabilities | | 273,151 | 286,825 |
| Deferred income | | 2,357,146 | 2,280,466 |
| Provisions | | 215,224 | 239,368 |
| Total current liabilities | | <u>30,384,751</u> | <u>25,550,095</u> |
| Non-current liabilities | | | |
| Contract liabilities | | 312,306 | 200,451 |
| Loan and borrowings | 9 | 81,920,364 | 63,009,601 |
| Lease liabilities | | 70,650 | 343,798 |
| Provisions | | 242,454 | 204,150 |
| Total non-current liabilities | | <u>82,545,774</u> | <u>63,758,000</u> |
| Total liabilities | | <u>112,930,525</u> | <u>89,308,095</u> |
| Net assets | | <u>1,686,862</u> | <u>591,663</u> |
| Equity | | | |
| Issued capital | | 6,954,061 | 6,954,061 |
| Options reserve | | 216,368 | 206,524 |
| Retained earnings | | (5,483,567) | (6,568,922) |
| Total equity | | <u>1,686,862</u> | <u>591,663</u> |

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

| Consolidated | Issued capital \$ | Share-based payment reserve \$ | Retained profits \$ | Total equity \$ |
|--|-----------------------------|--|-------------------------------|---------------------------|
| Balance at 1 July 2022 | 6,654,061 | 206,524 | (6,707,339) | 153,246 |
| Profit after income tax benefit for the year | - | - | 340,945 | 340,945 |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | 340,945 | 340,945 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Conversion of convertible notes | 300,000 | - | - | 300,000 |
| Dividends paid | - | - | (202,528) | (202,528) |
| Balance at 30 June 2023 | <u>6,954,061</u> | <u>206,524</u> | <u>(6,568,922)</u> | <u>591,663</u> |

| Consolidated | Issued capital \$ | Share-based payment reserve \$ | Retained profits \$ | Total equity \$ |
|--|-----------------------------|--|-------------------------------|---------------------------|
| Balance at 1 July 2023 | 6,954,061 | 206,524 | (6,568,922) | 591,663 |
| Profit after income tax benefit for the year | - | - | 1,085,355 | 1,085,355 |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | 1,085,355 | 1,085,355 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share-based payments | - | 9,844 | - | 9,844 |
| Balance at 30 June 2024 | <u>6,954,061</u> | <u>216,368</u> | <u>(5,483,567)</u> | <u>1,686,862</u> |

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

| | Note | Consolidated | |
|--|------|--------------------------|-------------------------|
| | | 2024 \$ | 2023 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 19,970,027 | 13,418,714 |
| Interest received from bank deposit | | 104,654 | 75,995 |
| Payments to suppliers and employees | | (4,847,880) | (5,125,816) |
| Net increase in fund lent as commercial loans | | (19,779,523) | (17,586,626) |
| Net increase in fund received for commercial loans | | 23,936,543 | 11,227,537 |
| Interest and other finance costs paid for commercial loans | | (12,001,627) | (8,072,255) |
| Net cash from/(used in) operating activities | | <u>7,382,194</u> | <u>(6,062,451)</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (14,121) | (84,081) |
| Purchase of Intangible assets | 8 | - | (8,260) |
| Loan to third parties | | 47,000 | 30,000 |
| Proceeds from disposal of SBP | | 38,113 | 588,400 |
| Net cash from investing activities | | <u>70,992</u> | <u>526,059</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings and loans | | (580,000) | (871,072) |
| Payment of finance cost and interest | | (54,492) | (149,615) |
| Dividends paid | | - | (202,528) |
| Repayment of lease liabilities | | (305,809) | (363,986) |
| Net cash used in financing activities | | <u>(940,301)</u> | <u>(1,587,201)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 6,512,885 | (7,123,593) |
| Cash and cash equivalents at the beginning of the financial year | | <u>7,019,128</u> | <u>14,142,721</u> |
| Cash and cash equivalents at the end of the financial year | | <u><u>13,532,013</u></u> | <u><u>7,019,128</u></u> |

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

Note 1. Earnings per share

| | Consolidated | |
|---|--------------|------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Profit after income tax | 1,085,355 | 340,945 |
| Weighted average number of ordinary shares used in calculating basic and diluted earnings per share | 88,055,573 | 87,832,285 |
| Basic earnings per share | 1.23 | 0.39 |
| Diluted earnings per share | 1.23 | 0.39 |

Note 2. Operating segments

Identification of reportable operating segments

The Group is organised into four operating segments: financial services, real estate services, migration services and other. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Financial services

This segment refers to the operating activities in the area of financial service business mainly including:

- Commercial loan lending
- Mortgage broking
- Advisory service

The Group lends privately raised funds to commercial borrowers and earns loan facility set up related fees, interest income as well as management fees from mortgage funds issued and managed by N1 Venture Pty Ltd.

The Group acts as a mortgage broker that provides its customers with advice and support and receives commission payments on loans originated through its network of customers.

The Group provides financial advisory, trustee and fund management services to its customers and receives advisory service fees.

Real estate services

The Group conducts real estate services through N1 Realty Pty Ltd focuses on the property sales.

Migration services

The Group provides migration services to its customers through N1 Migration Pty Ltd which holds a migration agent licence.

Other business operations that are not separately reportable, as well as costs associated with enterprise functions (such as Administration, Finance and Treasury) are included in 'Other'.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the consolidated financial statements.

Note 2. Operating segments (continued)

Operating segment information

| | Financial services | Real estate services | Migration services | Other | Total |
|---|---------------------------|-----------------------------|---------------------------|--------------------|--------------------|
| Consolidated - 2024 | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Revenue | 17,408,817 | 1,381 | 32,045 | 1,004,564 | 18,446,807 |
| Interest income | 78,417 | - | 260 | 25,976 | 104,653 |
| Other income | (9) | - | - | 2,402 | 2,393 |
| Total revenue | <u>17,487,225</u> | <u>1,381</u> | <u>32,305</u> | <u>1,032,942</u> | <u>18,553,853</u> |
| Segment operating profit/(loss) before income tax | | | | | |
| | 3,372,201 | (117,371) | (84,704) | (2,481,403) | 688,723 |
| Profit/(loss) before income tax benefit | <u>3,372,201</u> | <u>(117,371)</u> | <u>(84,704)</u> | <u>(2,481,403)</u> | <u>688,723</u> |
| Income tax benefit | | | | | 396,632 |
| Profit after income tax benefit | | | | | <u>1,085,355</u> |
| <i>Material items include:</i> | | | | | |
| Interest expense calculated using the effective interest method | 12,022,505 | - | - | 24,801 | 12,047,306 |
| Depreciation and amortisation | (270,463) | (2,644) | - | (36,286) | (309,393) |
| Assets | | | | | |
| Segment assets | 96,740,422 | 2,394 | 29,613 | 49,025,527 | 145,797,956 |
| Intersegment eliminations | | | | | (31,180,569) |
| Total assets | | | | | <u>114,617,387</u> |
| Liabilities | | | | | |
| Segment liabilities | 83,992,880 | 1,757,243 | 252,413 | 47,448,885 | 133,451,421 |
| Intersegment eliminations | | | | | (20,520,896) |
| Total liabilities | | | | | <u>112,930,525</u> |

Note 2. Operating segments (continued)

| | Financial services | Real estate services | Migration services | Other | Total |
|---|--------------------|----------------------|--------------------|--------------------|--------------------|
| Consolidated - 2023 | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | |
| Revenue | 13,510,932 | 423,828 | 58,814 | - | 13,993,574 |
| Interest income | 72,762 | - | 174 | 3,059 | 75,995 |
| Other income | (17) | 10,874 | - | 9,502 | 20,359 |
| Total revenue | <u>13,583,677</u> | <u>434,702</u> | <u>58,988</u> | <u>12,561</u> | <u>14,089,928</u> |
| Segment operating profit/(loss) before income tax | <u>1,858,037</u> | <u>(275,874)</u> | <u>(61,264)</u> | <u>(1,411,132)</u> | <u>109,767</u> |
| Profit/(loss) before income tax benefit | <u>1,858,037</u> | <u>(275,874)</u> | <u>(61,264)</u> | <u>(1,411,132)</u> | <u>109,767</u> |
| Income tax benefit | | | | | 231,178 |
| Profit after income tax benefit | | | | | <u>340,945</u> |
| <i>Material items include:</i> | | | | | |
| Interest expense calculated using the effective interest method | (7,931,352) | (33,233) | - | (177,602) | (8,142,187) |
| Depreciation and amortisation | (306,690) | (22,047) | - | (111,869) | (440,606) |
| Assets | | | | | |
| Segment assets | <u>95,606,307</u> | <u>20,781</u> | <u>32,101</u> | <u>27,384,575</u> | <u>123,043,764</u> |
| Intersegment eliminations | | | | | (33,144,006) |
| Total assets | | | | | <u>89,899,758</u> |
| Liabilities | | | | | |
| Segment liabilities | <u>89,787,396</u> | <u>1,884,797</u> | <u>170,198</u> | <u>19,945,530</u> | <u>111,787,921</u> |
| Intersegment eliminations | | | | | (22,479,826) |
| Total liabilities | | | | | <u>89,308,095</u> |

Note 3. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| | Consolidated | |
|--|-------------------|-------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Mortgage broking and commercial lending origination commission | 874,908 | 725,249 |
| Mortgage broking trail commission | 323,094 | 378,915 |
| Net movement in trail commission asset valuation | (236,616) | 243,146 |
| Commercial lending interest income | 15,256,759 | 7,731,717 |
| Other services relating to commercial lending | 2,076,027 | 4,072,905 |
| Real estate service | 1,381 | 423,828 |
| Migration service | 32,045 | 58,814 |
| Advisory service | 119,209 | 359,000 |
| | <u>18,446,807</u> | <u>13,993,574</u> |

Note 3. Revenue (continued)

Geographical regions

| | Consolidated | |
|-----------|---------------------|-------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Australia | 18,446,807 | 13,993,574 |

Timing of revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations based on the services rendered for its real estate service and the interest earned over time for its commercial lending interest income. The analysis of the revenue recognition point is as below:

| | 2024 | 2024 | 2023 | 2023 |
|---|-----------------------------|-------------------|-----------------------------|------------------|
| | At point in time | Over time | At point in time | Over time |
| | \$ | \$ | \$ | \$ |
| Mortgage origination commission | 874,908 | - | 725,249 | - |
| Mortgage broking trail commission | 323,094 | - | 378,915 | - |
| Net movement in trail commission asset valuation | (236,616) | - | 243,146 | - |
| Commercial lending interest income | - | 15,256,759 | - | 7,731,717 |
| Other service fees relating to commercial lending | 2,076,027 | - | 4,072,905 | - |
| Real estate service | 1,381 | - | 157,245 | 266,583 |
| Migration service | 32,045 | - | 58,814 | - |
| Advisory service | 119,209 | - | 359,000 | - |
| | <u>3,190,048</u> | <u>15,256,759</u> | <u>5,995,274</u> | <u>7,998,300</u> |

Mortgage broking services

The Group provides a service of introducing applicants to lenders as part of the process to originate a loan and receive commissions for the service provided. The service activities that form part of this process are interrelated and interdependent of each other and form a single performance obligation. The Group recognises commission as revenue upon the settlement of loans, which is when the performance obligation is completed.

The deferral of a portion of the commission as trail commission is a mechanism by which lenders incentivise brokers to introduce quality applicants that will not refinance their loans and therefore maximise the life of the loan. This mechanism affects the transaction price, but it does not give rise to a separate performance obligation. As a result, trail commission is also recognised as revenue upon settlement of loans and at the same time, the right to trail commission is recognised as a contract asset on the statement of financial position. The contract asset will only become a financial asset (i.e. a receivable) when the right to the consideration is unconditional. This is expected to be as each month's entitlement to the trail commission is established, i.e. when an invoice is raised to the aggregator.

The Group recognises trailing commission as revenue only if it is highly probable that a change in the estimate of the variable consideration would not result in a significant reversal of the cumulative revenue already recognised.

The upfront origination commission is recognised at its transactions price and the trailing commission is recognised by using the expected value approach constrained by avoiding possible future downward revenue adjustments (i.e., revenue reversals).

Note 3. Revenue (continued)

The Group is a principal because it controls its service activities during the loan application process and is entitled to gross commissions from lenders/aggregators. As a result, the revenue for commission earned is presented on a gross basis. The portion payable to commission-based brokers is recorded separately and recognised as trail commission liabilities at reporting date.

Commercial lending interest income

Commercial lending interest income (including loan establishment fee received) from commercial loan receivables is recognised using the effective interest method.

Other service fees relating to commercial lending

Other service fees include management fee, loan processing and administration service fee, discharge fee, break fee, and monthly line fee. Other service fees are recognised when the services are delivered.

Real estate service

The Group receives commissions and fees derived from real estate sales. They are recognised at the time that unconditional exchange of contracts between vendors and purchasers take place.

Migration service fee and advisory service fee

Migration service fee and advisory service fee are recognised at the point in time when the services are delivered.

Note 4. Other income

| | Consolidated | |
|-----------------|---------------------|---------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Interest income | 104,653 | 75,995 |
| Others | 2,393 | 20,359 |
| | <u>107,046</u> | <u>96,354</u> |

Note 5. Trade and other receivables

| | Consolidated | |
|--------------------------------------|---------------------|------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Trade receivables | 1,405,182 | 2,333,718 |
| Interest receivable | 439,357 | 434,375 |
| Agent commission clawback receivable | 76,304 | 69,365 |
| | <u>1,920,843</u> | <u>2,837,458</u> |

Trade and other receivables are initially recognised at their transaction price (as defined in AASB 15) and subsequently measured at amortised cost (on the basis that the Group's business model is to hold and collect contractual cash flows which are solely for payments of trade and other receivables).

The impairment assessment required by AASB 9 for financial assets is based on the forward-looking expected credit loss ('ECL') model.

The simplified approach is adopted to assess the impairment of trade and other receivables. Under the simplified approach, life time expected credit losses are estimated based on historically incurred and forward expected credit losses, both of which are examined and assessed to determine the amount of impairment as at reporting date. Specifically, the Group applies credit loss factors determined from estimation of customer default probability and loss percentage on current observable data which include:

Note 5. Trade and other receivables (continued)

- forecasts of economic conditions such as unemployment, interest rates, gross domestic product and inflation;
- financial difficulties of a counterparty or probability that a counterparty will enter bankruptcy; and
- conditions specific to the asset to which the receivable relates.

Debts that are known to be uncollectable are written off when identified.

Credit risk

The Group has credit risk exposure in relation to commercial lending interest and fees receivable from multiple companies.

On a geographic basis, the Group has significant credit risk exposures in Australia only.

As at 30 June 2024, the Group has recorded a provision of \$162,886 (2023: \$47,135) for trade and other receivables assessed to be impaired.

As at 30 June 2024, the amount of all trade and other receivables past due but not impaired is \$507,976 (2023: \$1,680,138).

Note 6. Contract assets

| | Consolidated | |
|---------------------------|---------------------|----------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Contract assets - current | <u>292,745</u> | <u>324,039</u> |
| <i>Non-current assets</i> | | |
| Contract assets | <u>827,044</u> | <u>886,204</u> |

The contract asset relates to future trail income for the mortgage broking service. It is recognised and measured by using the expected cashflow approach. The contract asset will only become a financial asset (i.e. a receivable) when the right to the consideration is unconditional. This is at the point when monthly trail commission is invoiced to the aggregator.

Reconciliation of the contract assets at the beginning and end of the current financial year are set out below:

| | | |
|---|------------------|------------------|
| Opening balance | 1,210,243 | 958,079 |
| Expected trail commission from new loans and commission step up and effect of the change in the valuation model | 232,640 | 631,079 |
| Trail commission received | <u>(323,094)</u> | <u>(378,915)</u> |
| | <u>1,119,789</u> | <u>1,210,243</u> |

The Group receives trailing commissions from lenders on settled loans over the life of the loan based on the loanbook balance outstanding subject to the loan continuing to perform. The Group also makes trailing commission payments to brokers based on their individual loanbook balance outstanding.

The contract assets and the corresponding payable to brokers are determined by using the discounted cash flow valuation technique.

The expected cashflow approach requires the use of key assumptions to determine the amortised cost at balance sheet date including the future run-off rate of the underlying loan portfolio, the discount rate and the percentage paid to individual brokers working under the Group's management. The future run-off rate used is actually a series of rates applied to the underlying loans based primarily on their age at the date of valuation. The weighted average life shown below is the result of the series of future run-off rates applied to the specific loan data at the balance sheet date.

Note 6. Contract assets (continued)

The determination of the assumptions to be used in the valuation is made by Management based primarily on a variety of contributing factors including: an annual assessment of the underlying loan portfolio, historical run-off rate analysis and consideration of current and future economic factors. These factors are complex and the determination of assumptions requires a high degree of judgement.

| | Consolidated | |
|---|---------------------|-------------|
| | 2024 | 2023 |
| | % | % |
| Discount rate | 8.87% | 8.87% |
| Average percentage of trailing commission entitled by the Group | 61.28% | 76.66% |
| Weighted average loan life (in years) | 4.65 | 4.05 |

Sensitivity

The sensitivity of contract asset value is mainly raised from discount rate used in the valuation. The sensitivity analysis is shown as below:

| | 2024 | 2023 |
|--|-------------|-------------|
| | \$ | \$ |
| Discount rate - increase 2% (2023: 2%) | 1,066,538 | 1,148,504 |
| Discount rate - decrease 2% (2023: 2%) | 1,179,690 | 1,345,149 |

Note 7. Commercial loan receivables

| | Consolidated | |
|-----------------------------|---------------------|-------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Current assets</i> | | |
| Commercial loan receivables | <u>93,059,428</u> | <u>76,974,937</u> |
| <i>Non-current assets</i> | | |
| Commercial loan receivables | <u>3,257,018</u> | <u>-</u> |

The Group raises funds to lend money to commercial entities on a short-term basis and earns interest income. The loans are secured with established real property or land in line with the Group's lending requirements.

Recognition and measurement

Loan receivables are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the loan and subsequently measured at amortised cost (on the basis that the Group's business model is to hold and collect contractual cash flow that are solely for payments of principals and interest on principal amounts outstanding).

Credit risk management

The Group continuously monitors the credit quality of the borrowers based on a credit rating scorecard. The Group assesses each of its commercial loans by using a credit scoring model that is based on current and historical past due statuses, indebtedness, loan-to-value measures ('LTV measures'), and the loan size. The forecasted business default rates, price of property and mortgage default rates may be factored into the Credit Scoring. The Credit Scoring Level and corresponding Probability of Default is documented and reviewed regularly by both Accounting and Credit Management Department.

Credit quality - Security held against loans

Note 7. Commercial loan receivables (continued)

| | Consolidated | |
|--------------------------------------|---------------------|-------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Secured by mortgage over real estate | 95,683,634 | 76,328,637 |
| Secured by other credit enhancement | 632,813 | 646,300 |
| | <u>96,316,447</u> | <u>76,974,937</u> |

| | Consolidated | |
|--|---------------------|-------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| Loan to valuation ratio of equal to or less than 70% - first mortgage | 61,368,384 | 48,030,807 |
| Loan to valuation ratio of equal to or less than 70% - second mortgage | 4,059,653 | 7,452,147 |
| Loan to valuation ratio of more than 70% - first mortgage | 30,255,598 | 20,078,398 |
| Loan to valuation ratio of more than 70% - second mortgage | 632,812 | 1,413,585 |
| | <u>96,316,447</u> | <u>76,974,937</u> |

| | Consolidated | |
|-------------|---------------------|-------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| LVR buckets | | |
| 0-60% | 22,044,714 | 18,134,694 |
| 60.01%-70% | 43,383,323 | 35,406,960 |
| 70.01%-75% | 30,255,598 | 21,491,983 |
| 75%+ | - | 1,295,000 |
| Other * | 632,812 | 646,300 |
| | <u>96,316,447</u> | <u>76,974,937</u> |

* The security property of this default loan will be listed on market for sale. Following the completion of this potential sale, the entire remaining loan balance reduced by any credit enhancement received will be sold via a nonrecourse assignment. The credit enhancement includes financial guarantees from the directors of the borrower's parent entity. The Group's board of directors has reviewed and approved the potential transaction.

Concentration of loans

Concentration risk is a measurement of the Group's exposure to an individual counterparty (or a group of related parties). Concentration exposures to counterparties are closely monitored.

| | Consolidated | |
|------------------------------------|---------------------|-------------------|
| | 2024 | 2023 |
| | \$ | \$ |
| <i>Geographical concentrations</i> | | |
| New South Wales | 77,994,503 | 54,078,443 |
| Victoria | 11,742,130 | 10,035,400 |
| Queensland | 1,256,607 | 8,377,500 |
| South Australia | 4,465,607 | 2,988,500 |
| Australian Capital Territory | 857,600 | 1,495,094 |
| | <u>96,316,447</u> | <u>76,974,937</u> |

Note 7. Commercial loan receivables (continued)

Impairment assessment

The impairment assessment required by AASB 9 for financial assets are based on a forward-looking expected credit loss ('ECL') model.

The general approach is adopted to assess the impairment of loan receivables.

Under the general approach, 12 month's credit losses or life time credit losses are estimated based on whether the credit risk on that financial instrument (loan receivables) has increased significantly since initial recognition to determine the amount of impairment as at reporting date. Specifically, if the credit risk has not increased significantly since initial recognition, then a loss allowance equal to 12 month's credit losses should be measured and recognised. Otherwise life time expected credit losses should be measured and recognised. The Group will apply credit loss factors determined from estimation of customer default probability and loss percentage. As the Group's loan book has a term of 3-24 months, the Group measures a life time expect credit loss for the stage 1 and 2.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group recognises loss allowances at an amount equal to lifetime (3-24 months) ECL on loan receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the loan receivable and are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Debts that are known to be uncollectable are written off when identified.

| Credit risk stage | Gross carrying amount | Impairment loss allowance | Credit impaired |
|---------------------------------|------------------------------|----------------------------------|------------------------|
| 30 June 2024 | | | |
| Credit risk stage 1 and stage 2 | 95,721,104 | - | No |
| Credit risk stage 3 | 593,543 | - | Yes |
| 30 June 2023 | | | |
| Credit risk stage 1 and stage 2 | 76,328,637 | - | No |
| Credit risk stage 3 | 646,300 | - | Yes |

The loan receivables have been assessed at individual loan level for ECL by the Group where the estimated recoverable amounts from disposal of the security held against the loans are all higher than the losses given default. Therefore, the Group assessed that the expected credit loss provision is nil at 30 June 2024 (30 June 2023: nil).

Use of judgements and estimates

The Group reviews individually commercial lending loans at each reporting date to assess whether an impairment loss should be recorded in the income statement. Judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors including forward looking information available at the time. Actual results may differ, resulting in future changes to the allowance.

Note 8. Intangible assets

| | Consolidated 2024 \$ | 2023 \$ |
|--------------------------------|----------------------------|----------------|
| <i>Non-current assets</i> | | |
| Finance licence | 99,988 | 99,988 |
| Website and IT system | 357,270 | 357,270 |
| Less: Accumulated amortisation | (343,038) | (333,550) |
| | 14,232 | 23,720 |
| | <u>114,220</u> | <u>123,708</u> |

Reconciliations

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

| Consolidated | Goodwill ^(a) \$ | Finance licence \$ | Rent roll ^(a) \$ | Website and IT system ^(b) \$ | Total \$ |
|---------------------------|-------------------------------|--------------------------|--------------------------------|---|----------------|
| Balance at 1 July 2022 | 536,216 | 99,988 | 534,564 | 27,394 | 1,198,162 |
| Additions | - | - | - | 8,260 | 8,260 |
| Disposals | (206,241) | - | (518,836) | - | (725,077) |
| Impairment of assets | (329,975) | - | (15,728) | - | (345,703) |
| Amortisation/written-down | - | - | - | (11,934) | (11,934) |
| Balance at 30 June 2023 | - | 99,988 | - | 23,720 | 123,708 |
| Amortisation/written-down | - | - | - | (9,488) | (9,488) |
| Balance at 30 June 2024 | <u>-</u> | <u>99,988</u> | <u>-</u> | <u>14,232</u> | <u>114,220</u> |

a) Goodwill and rent roll assets

The Group's wholly owned subsidiary N1 Realty Pty Ltd (N1 Realty) operates in the real estate segment. As at 30 June 2023, N1 Realty has disposed of its 100% ownership of Sydney Boutique Property Pty Ltd (SBP) which manages 138 commercial and residential properties under management agency agreements (Rent Roll) on 24 November 2022. N1 Realty has agreed to dispose of its 100% interest in SBP to SBP NO. 1 Pty Ltd for cash consideration of \$725,077 (the Disposal). Accordingly, the Rent Roll and associated goodwill are recognised as non-current assets or disposal group classified as held for sale on 24 November 2022. The Disposal was completed on 10 March 2023. 20% of the purchase price was held by the buyer's solicitor's bank account as a retention.

Non-current assets or disposal group held for sale was recognised at the lower of its carrying amount and its fair value less costs to sell. Impairment losses of \$329,975 for write-downs of the associated goodwill to the lower of its carrying amount and its fair value less costs to sell have been included in the statement of profit or loss and other comprehensive income in 2023 as impairment loss on goodwill. The remaining balances of non-current assets or disposal group held for sale was de-recognised on the completion date of the Disposal.

b) Website and IT System

Acquired website and computer software licences are capitalised on the basis of costs incurred to acquire them.

These costs are amortised over their estimated useful lives. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Amortisation is recognised in the profit or loss statement on a diminishing basis over the estimated useful life of the intangible assets from the date that they are considered suitable for use. The estimated useful life of website and IT system is 5 years. The current amortisation charges for website and IT system are included under depreciation and amortisation expenses.

Note 9. Loan and borrowings

| | Consolidated 2024 \$ | Consolidated 2023 \$ |
|---|----------------------------|----------------------------|
| Current | | |
| Loans received for commercial lending (i) | 25,225,780 | 19,200,000 |
| Loans received in advance for commercial lending (ii) | - | 400,000 |
| Loans from other lenders (iii) | - | 580,000 |
| Loans from related parties (v) | 600,000 | 1,200,000 |
| | <u>25,825,780</u> | <u>21,380,000</u> |
| | Consolidated 2024 \$ | Consolidated 2023 \$ |
| Non-current | | |
| Loans received for commercial lending (i) | 4,488,797 | 3,780,000 |
| Loans from financial institution (iv) | 77,431,567 | 59,229,601 |
| | <u>81,920,364</u> | <u>63,009,601</u> |

i) Loan received for commercial lending

Loans received for commercial lending are the funds being raised for commercial loan lending to customers. They are unsecured. The loan terms of the loans are from 3 months to 2 years. Interest rates are fixed rate within each loan term, and the interest range is from 6% per year to 12.45% per year depends on the different loan terms. The outstanding loan balance as at 30 June 2024 is \$29,714,577 (30 June 2023: \$22,980,000).

ii) Loan received in advance for commercial lending

No fund received in advance as at 30 June 2024 (30 June 2023: \$400,000).

iii) Loans from other lenders

The outstanding balance of unsecured loans from other lenders (non-related parties) as at 30 June 2024 is nil (30 June 2023: \$580,000).

iv) Loans received from financial institutions

Loans received from financial institutions are the funds being raised for commercial loan lending to customers. As of 30 June 2024, the Company has drawdown a total of \$83.1 million (30 June 2023: \$59.6 million) of the \$85.6 million (30 June 2023: \$65 million) debt/warehouse facilities limit. The facilities maturity dates are on second half year of 2025.

The interest rates for all facilities are floating at 1-month BBSW (Bank Bill Swap Rate as administered by ASX Benchmark Pty Ltd) plus a margin. Transaction costs directly attributable to the facilities have been capitalised and are amortised over the facility term in the effective interest rate.

All facilities contain a number of undertakings and are secured by a general security deed over the Group's assets and are operating on an interest-only basis with a term of 24 months.

v) Loans from related parties

The outstanding loan balance of unsecured loans from related parties as at 30 June 2024 is \$600,000 (30 June 2023: \$1.2 million). The term of the loan is due within 1 year and interest rate is 10% per year.

Note 10. Events after the reporting period

N1 Holdings Limited has raised another \$20 million under a new debt facility executed on 23 August 2024. The Facility has maturity date in July 2026 with a number of conditions.

Note 10. Events after the reporting period (continued)

No other matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.