

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 2023 (**FY23**) to shareholders. The previous corresponding period was the financial year ended 30 June 2022 (**FY22**).

The financial year has seen a significant growth in the Company's revenue whilst EBITDA continues to be positive and profitability has been retained amid a surge of the cost of funding resulting from the RBA's interest rate movements. Key results on an unaudited basis are as follows:

- **Revenue increased by 31.9% to \$13.99 million (FY22: \$10.61m*),**
- **Profit from ordinary activities after tax decreased by 51.1% to \$340,945 (FY22: \$697,067*).**
- **Normalised EBITDA decreased by 28.3% to \$1.03 million (FY22: \$1,431,398*).**
- **Cash balance as of 30 June 2023 over \$7 million.**
- **Earnings per share of 0.39 cents. The board will determine whether to issue a dividend for FY23 after completion of the audit.**

	2023	2022
	\$	(Restated)
		\$
Profit before income tax	109,767	697,067
Add: Interest expense – Corporate**	181,766	284,656
Add: Depreciation and amortisation	404,352	449,675
Add: Goodwill impairment resulting from sale of rent roll***	329,975	-
Normalised EBITDA	1,025,860	1,431,398

* FY22 Comparatives are restated. Please refer to note 1 of the Appendix 4E for detailed information.

** 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 loans, bank loans for realty rent roll as well as interest expenses in relation to AASB 16 Leases.

*** On 10 March 2023, the Company sold its rent roll asset and discontinued its associated property management business, which has created a once off impairment on Goodwill of \$329,975.



Throughout FY23, Australians have experienced one of the most aggressive RBA interest rate tightening cycles in history. Whilst mortgagors have withstood the 10 interest rate rises from historic low of 0.1%, the real estate market and its participants including, but not limited to, lenders and borrowers, have felt the impact and shift in sentiment.

By the end of FY23, the Company currently has access to and manages over \$112 million in committed lending capacity, which consists of approximately \$25 million of balance sheet capital raised from private debt, \$65 million under debt facilities and approximately \$22 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 sustained its growth despite the aggressive rise in the cost of funding and associated shift in market sentiment.

Our revenue has grown by 31.9% to \$13,993,574, however, profit is down by 51% to \$340,945 due to the goodwill impairment resulting from the Company's divestment of the rent roll asset and discontinuance of the associated property management business as well as the abovementioned increase in the cost of funding. The impairment is a temporary setback that, in the long term, will result a more streamlined business that management considers will position the Company for future growth.

Throughout the increase rate tightening cycle, the Company's management did not pass on a single rate rise to its back book of loan receivables. Despite this, the Company achieved significant growth in FY23 and maintained its profitability. Whilst future performance may be uncertain due to, amongst other things, upcoming interest rate decisions of the RBA, the Company's management is confident that its current strategy has resilience and scalability of the Company's business model. Additionally, by not passing on rate rises to the Company's back book, the Company has absorbed increase in the cost of funding on our pool of capital, yet we manage to gain a spot in the profitable territory.

Whilst the Company has access to and manages over \$112 million in funding capacity, management is constantly seeking to raise more capital. N1H has evolved to become a private debt manager, with well-built risk management infrastructure to be able to attract and deploy capital efficiently via property-backed transactions. Our growth has demonstrated the scalability of the business model.

We deployed our first loan in December 2017, we have a track record of zero capital losses from inception to our lending book, and we have achieved 100% target return for our debt investors.

The management has a well-laid strategic playbook to steer the Company into a more fruitful new financial year. We will maintain strong equity buffer and margin of safety in our loan book, with a focus on safe asset type and asset strong borrowers, with averse to riskier industry or loans meanwhile improve risk-adjusted returns via an appropriately diversified loan portfolio.

1. Company details

Name of entity:	N1 Holdings Limited
ACN:	609 268 279
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	31.9% to	13,993,574
Profit from ordinary activities after tax	down	51.1% to	340,945
Profit for the year attributable to the owners of N1 Holdings Limited	down	51.1% to	340,945

Dividends

	Amount per security Cents	Franked amount per security Cents
Dividends declared and paid during the current financial period	-	-

The board will determine whether to declare a final dividend for the current financial reporting period after completion of the audit. There were no other dividends paid, recommended or declared during the current financial period. .

Comments

The profit for the Group after providing for income tax amounted to \$340,945 (30 June 2022: \$697,067).

	2023 \$	Consolidated 2022 (Restated) \$
Profit before income tax	109,767	697,067
Add: Interest expense - Corporate*	181,766	284,656
Add: Depreciation and amortisation	404,352	449,675
Add: Goodwill impairment resulting from sale of rent roll**	329,975	-
Normalised EBITDA	<u>1,025,860</u>	<u>1,431,398</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 loans, bank loans for realty rent roll as well as interest expenses in relation to AASB 16 Leases.

**On 10 March 2023, the Company sold its rent roll asset and discontinued the property management business, which has created a once off impairment on Goodwill of \$329,975.

3. Net tangible assets

	Reporting period Cents	Previous period (Restated) Cents
Net tangible assets per ordinary security	0.37	(1.09)

4. Dividends

	Amount per security Cents	Franked amount per security Cents
Dividends declared and paid during the current financial period	-	-

The board will determine whether to declare a final dividend for the current financial reporting period after completion of the audit. There were no other dividends paid, recommended or declared during the current financial period .

Previous period

On 23 September 2022, the company declared a maiden dividend of 0.230 cents per share.

5. Dividend reinvestment plans

Not applicable.

6. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$	Previous period \$
Loan 77 Pty Ltd	-	50.00%	-	-
Aura N1 Lending Pty Ltd	-	50.00%	-	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			-	-

Loan 77 Pty Ltd was incorporated on 12 July 2019, it had been a joint venture of the Group since its incorporation. Loan 77 Pty Ltd had no trading activity during the period. \$50 in share capital was invested in Loan 77 Pty Ltd by N1 Loans Pty Ltd in the previous period. Loan 77 Pty Ltd was deregistered on 18 May 2022.

Aura N1 Lending Pty Ltd was incorporated on 23 July 2020, it was a joint venture of the Group since its incorporation. Aura N1 Lending Pty Ltd had no trading activity during the period. \$1 in share capital was invested in Aura N1 Lending Pty Ltd by N1 Loans Pty Ltd. It has been deregistered since 18 December 2022.

7. Foreign entities

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

Not applicable.

8. 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.

9. Attachments

Details of attachments (if any):

Refer to the attached unaudited financial statements and related notes.

10. Signed



Signed _____

Date: 31 August 2023

		Consolidated	
	Note	2023	2022
		\$	(Restated)
			\$
Revenue	4	13,993,574	10,610,911
Other income	5	96,354	275,288
Expenses			
Interest expense		(8,142,187)	(4,840,036)
Consulting and referral fees		(1,265,240)	(1,461,923)
Employee cost		(2,557,214)	(2,484,094)
IT and technology		(2,276)	(13,182)
Sales and marketing		(191,215)	(184,416)
Occupancy cost and utilities		(160,835)	(121,985)
Professional fee		(499,509)	(312,048)
Office and administrative expense		(195,649)	(185,375)
Finance cost		(111,834)	(84,731)
Travel cost		(119,875)	(48,318)
Depreciation and amortisation		(404,352)	(449,675)
Other operation cost		-	(4,297)
Gain on disposal of assets		-	948
Impairment loss on goodwill		(329,975)	-
Profit before income tax benefit		109,767	697,067
Income tax benefit		231,178	-
Profit after income tax benefit for the year		340,945	697,067
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>340,945</u>	<u>697,067</u>
		Cents	Cents
Basic earnings per share	2	0.39	0.84
Diluted earnings per share	2	0.39	0.84

Refer to note 1 for detailed information on Restatement of comparatives.

	Note	2023 \$	Consolidated 2022 (Restated) \$	1 July 2021 (Restated) \$
Assets				
Current assets				
Cash and cash equivalents		7,019,128	14,142,721	3,211,848
Trade and other receivables	6	2,837,458	1,619,105	1,321,889
Contract assets	7	324,039	259,428	235,139
Commercial loan receivables	8	76,974,937	59,522,817	6,534,389
Other financial assets		140,382	170,382	371,507
Other current assets		139,510	31,045	152,455
Total current assets		<u>87,435,454</u>	<u>75,745,498</u>	<u>11,827,227</u>
Non-current assets				
Contract assets	7	886,204	698,651	341,207
Investments in associate and joint venture		-	1	51
Other financial assets		157,927	157,927	167,047
Property, plant and equipment		742,717	1,035,325	1,404,294
Deferred tax assets		548,218	334,609	213,225
Intangible assets	9	123,708	1,198,162	1,270,831
Other non-current assets		322,570	265,365	245,803
Total non-current assets		<u>2,781,344</u>	<u>3,690,040</u>	<u>3,642,458</u>
Total assets		<u>90,216,798</u>	<u>79,435,538</u>	<u>15,469,685</u>
Liabilities				
Current liabilities				
Trade and other payables		1,290,142	1,278,210	948,672
Contract liabilities		73,294	71,683	11,291
Loan and borrowings	10	21,430,000	23,261,073	5,704,780
Lease liabilities		286,825	331,833	326,117
Deferred income		2,280,466	1,685,369	121,786
Provisions		140,043	242,826	152,909
Total current liabilities		<u>25,500,770</u>	<u>26,870,994</u>	<u>7,265,555</u>
Non-current liabilities				
Contract liabilities		200,451	193,044	16,383
Loan and borrowings	10	62,959,601	51,072,064	8,441,073
Lease liabilities		343,798	630,625	962,459
Deferred tax liabilities		317,040	334,609	213,225
Provisions		303,475	180,956	114,811
Total non-current liabilities		<u>64,124,365</u>	<u>52,411,298</u>	<u>9,747,951</u>
Total liabilities		<u>89,625,135</u>	<u>79,282,292</u>	<u>17,013,506</u>
Net assets/(liabilities)		<u>591,663</u>	<u>153,246</u>	<u>(1,543,821)</u>
Equity				
Issued capital		6,954,061	6,654,061	5,654,061
Options reserve		206,524	206,524	206,524
Retained earnings		(6,568,922)	(6,707,339)	(7,404,406)
Total equity/(deficiency)		<u>591,663</u>	<u>153,246</u>	<u>(1,543,821)</u>

Refer to note 1 for detailed information on Restatement of comparatives.

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 2021	5,654,061	206,524	(7,338,212)	(1,477,627)
Restatement (note 1)	-	-	(66,194)	(66,194)
Balance at 1 July 2021 - restated	5,654,061	206,524	(7,404,406)	(1,543,821)
Profit after income tax expense for the year	-	-	697,067	697,067
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	697,067	697,067
<i>Transactions with owners in their capacity as owners:</i>				
Conversion of convertible notes	1,000,000	-	-	1,000,000
Balance at 30 June 2022	<u>6,654,061</u>	<u>206,524</u>	<u>(6,707,339)</u>	<u>153,246</u>

Refer to note 1 for detailed information on Restatement of comparatives.

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>

	Note	Consolidated	
		2023	2022
		\$	(Restated) \$
Cash flows from operating activities			
Receipts from customers		13,418,714	12,779,180
Receipt of government grants		-	258,166
Interest received from bank deposit		75,995	2,540
Payments to suppliers and employees		(5,125,816)	(5,260,899)
Net increase in fund lent as commercial loans		(17,586,626)	(53,393,729)
Net increase in fund received for commercial loans		11,227,537	62,070,000
Interest and other finance costs paid for commercial loans		(8,072,255)	(4,600,824)
Net cash from/(used in) operating activities		(6,062,451)	11,854,434
Cash flows from investing activities			
Purchase of property, plant and equipment		(84,081)	(14,893)
Purchase of Intangible assets	9	(8,260)	(4,225)
Investment in other financial assets		-	19,311
Loan to third parties		30,000	197,125
Proceeds from disposal of plant and equipment		-	16,000
Proceeds from disposal of SBP		588,400	-
Net cash from investing activities		526,059	213,318
Cash flows from financing activities			
Repayment of borrowings and loans		(871,072)	(504,780)
Payment of finance cost and interest		(149,615)	(239,212)
Dividends paid		(202,528)	-
Repayment of other financial liability		-	(21,600)
Repayment of lease liabilities		(363,986)	(371,287)
Net cash used in financing activities		(1,587,201)	(1,136,879)
Net increase/(decrease) in cash and cash equivalents		(7,123,593)	10,930,873
Cash and cash equivalents at the beginning of the financial year		14,142,721	3,211,848
Cash and cash equivalents at the end of the financial year		7,019,128	14,142,721

* The presentation of the comparative figures has been adjusted to conform with the presentation in the current period.

Note 1. Restatement of comparatives

Correction of error

The Group made an ASX announcement on 23 December 2022 to restate the commercial loans receivable by including establishment fee as an integral part of generating commercial loan receivables when applying effective interest rate method in its financial report. The commercial loans receivable was overstated by \$471,496 as at 30 June 2022 (2021: \$66,194). The commercial lending fee and interest income was overstated by \$405,302 for the year ended 30 June 2022. As a result of the restatement, the restated profit after tax for the year ended 30 June 2022 had decreased from \$1,102,369 to \$697,067.

In prior years, loan establishment fee revenue was recognised when the loan facility was established. This accounting policy was not in compliance with AASB 9 'Financial Instruments'. During the year commencing 1 July 2021, the commercial lending business evolved with the loan establishment fee becoming a material source of the Group's revenue. This is therefore an error which has resulted in a material overstatement of revenue recognised for the financial year ended 30 June 2022 and a corresponding overstatement of Commercial loan receivable.

To correct this error, the loan establishment fee should be treated as an integral part of generating commercial loan receivables and therefore is to be accounted for using the effective interest rate.

A part of loan establishment fee recognised as revenue is referral fee that the borrower has agreed to pay to the referrers and of which N1 withheld the fund at loan disbursement. N1 subsequently paid the referral fee to the referrers and recorded this as referral fee expenses. However, the Group was not entitled to the referral fees in accordance with the agency agreement. To correct this error, the referral fee revenue should be netted off against referral fee expense.

The errors have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of profit or loss and other comprehensive income

	Consolidated		
	2022 (Restated) \$ Reported	\$ Adjustment	2022 (Restated) \$ Restated
Extract			
Revenue	11,016,213	(405,302)	10,610,911
Expenses			
Interest expense	(4,600,824)	(239,212)	(4,840,036)
Professional fee	(313,560)	1,512	(312,048)
Finance cost	(323,943)	239,212	(84,731)
Travel cost	(46,806)	(1,512)	(48,318)
Profit before income tax expense	1,102,369	(405,302)	697,067
Income tax expense	-	-	-
Profit after income tax benefit for the year	1,102,369	(405,302)	697,067
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	<u>1,102,369</u>	<u>(405,302)</u>	<u>697,067</u>

Note 1. Restatement of comparatives (continued)

Statement of financial position at the beginning of the earliest comparative period

Extract	1 July 2021	Consolidated	1 July 2021
	\$	\$	\$
	Reported	Adjustment	Restated
Assets			
Current assets			
Commercial loan receivables	6,600,583	(66,194)	6,534,389
Total current assets	<u>11,893,421</u>	<u>(66,194)</u>	<u>11,827,227</u>
Total assets	<u>15,535,879</u>	<u>(66,194)</u>	<u>15,469,685</u>
Net liabilities	<u>(1,477,627)</u>	<u>(66,194)</u>	<u>(1,543,821)</u>
Equity			
Accumulated losses	<u>(7,338,212)</u>	<u>(66,194)</u>	<u>(7,404,406)</u>
Total deficiency in equity	<u>(1,477,627)</u>	<u>(66,194)</u>	<u>(1,543,821)</u>

Statement of financial position at the end of the earliest comparative period

Extract	30 June 2022	Consolidated	30 June 2022
	(Restated)	\$	(Restated)
	\$	Adjustment	\$
	Reported	Restated	Restated
Assets			
Current assets			
Commercial loan receivables	59,994,313	(471,496)	59,522,817
Total current assets	<u>76,216,994</u>	<u>(471,496)</u>	<u>75,745,498</u>
Total assets	<u>79,907,034</u>	<u>(471,496)</u>	<u>79,435,538</u>
Net assets	<u>624,742</u>	<u>(471,496)</u>	<u>153,246</u>
Equity			
Accumulated losses	<u>(6,235,843)</u>	<u>(471,496)</u>	<u>(6,707,339)</u>
Total equity	<u>624,742</u>	<u>(471,496)</u>	<u>153,246</u>

Note 2. Earnings per share

	Consolidated 2023 \$	2022 (Restated) \$
Profit after income tax	<u>340,945</u>	<u>697,067</u>
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	87,832,285	82,541,874
Basic earnings per share	0.39	0.84

Note 3. 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 and Sydney Boutique Properties Pty Ltd (sold and discontinued on 10 March 2023). The services are currently focused on rental property management and property sales.

The Group has signed a contract to dispose its rent roll assets held under Sydney Boutique Properties Pty Ltd on 24 November 2022 and to discontinue the property management business at completion of the transaction on 10 March 2023.

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 financial statements.

Note 3. Operating segments (continued)

Operating segment information

	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	(7,931,352)	(33,233)	-	(177,602)	(8,142,187)
Depreciation and amortisation	(270,436)	(22,047)	-	(111,869)	(404,352)
Assets					
Segment assets	<u>95,606,307</u>	<u>20,781</u>	<u>32,101</u>	<u>27,701,615</u>	<u>123,360,804</u>
Intersegment eliminations					(33,144,006)
Total assets					<u>90,216,798</u>
Liabilities					
Segment liabilities	<u>89,787,396</u>	<u>1,884,797</u>	<u>170,198</u>	<u>20,262,570</u>	<u>112,104,961</u>
Intersegment eliminations					(22,479,826)
Total liabilities					<u>89,625,135</u>

Note 3. Operating segments (continued)

	Financial services	Real estate services	Migration services	Other	Total
Consolidated - 2022 (Restated)	\$	\$	\$	\$	\$
Revenue					
Revenue	10,090,629	447,443	72,839	-	10,610,911
Interest	2,238	-	15	287	2,540
Other income	224,231	616	38,304	9,597	272,748
Total revenue	<u>10,317,098</u>	<u>448,059</u>	<u>111,158</u>	<u>9,884</u>	<u>10,886,199</u>
Segment operating profit/(loss) before income tax	1,498,600	99,969	(5,263)	(896,239)	697,067
Profit/(loss) before income tax expense	<u>1,498,600</u>	<u>99,969</u>	<u>(5,263)</u>	<u>(896,239)</u>	<u>697,067</u>
Income tax expense					-
Profit after income tax expense					<u>697,067</u>
<i>Material items include:</i>					
Interest expense	(4,602,088)	(29,009)	-	(208,939)	(4,840,036)
Depreciation and amortisation expense	(267,082)	(64,125)	-	(118,468)	(449,675)
Assets					
Segment assets	82,718,542	2,934,677	65,566	34,997,128	120,715,913
Intersegment eliminations					(41,280,375)
Total assets					<u>79,435,538</u>
Liabilities					
Segment liabilities	80,627,936	4,852,796	142,397	24,262,458	109,885,587
Intersegment eliminations					(30,603,295)
Total liabilities					<u>79,282,292</u>

Note 4. Revenue

Disaggregation of revenue

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

	Consolidated	
	2023	2022
	\$	(Restated)
	\$	\$
Mortgage brokering and commercial lending origination commission	725,249	1,116,312
Mortgage brokering trail commission	378,915	252,003
Net movement in trail commission asset valuation	243,146	136,104
Commercial lending interest income	7,731,717	4,356,641
Other services relating to commercial lending	4,072,905	4,131,819
Real estate service	423,828	447,443
Migration service	58,814	72,839
Advisory service	359,000	97,750
	<u>13,993,574</u>	<u>10,610,911</u>

Note 4. Revenue (continued)

Geographical regions

	Consolidated	
	2023	2022
	\$	(Restated) \$
Australia	13,993,574	10,610,911

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:

	2023	2023	2022	2022
	At point in time	Over time	At point in time	Over time
	\$	\$	\$	\$
Mortgage origination commission	725,249	-	1,116,312	-
Mortgage brokering trail commission	378,915	-	252,003	-
Net movement in trail commission asset valuation	243,146	-	136,104	-
Commercial lending interest income	-	7,731,717	-	4,356,641
Other service fees relating to commercial lending	4,072,905	-	4,131,819	-
Real estate service	157,245	266,583	218,362	229,081
Migration service	58,814	-	72,839	-
Advisory service	359,000	-	97,750	-
	<u>5,995,274</u>	<u>7,998,300</u>	<u>6,025,189</u>	<u>4,585,722</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 4. 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.

Management fees from funds under management

Management fees received from funds under management are recognised when the fund's performance results exceed its performance target for the period and the Group is entitled to the performance fee.

Loan processing and administration service fee

Loan processing and administration service fees are recognised when the service is delivered.

Other service fees relating to commercial lending

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

Real estate service

The Group enters into contracts with its customers to manage and/or sell properties on the customer's behalf. Under these contracts, the Group provides rental management and/or selling agent services. As a result, the Group receives property management fees which are based on a percentage of rental collected on behalf of the landlords. Income is recognised in the period when the services are rendered. In terms of the real estate selling agent services, 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. This service had been disposed during the year, refer to Note 9 for further details.

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 5. Other income

	Consolidated	2022
	2023	(Restated)
	\$	\$
Government grants	-	258,165
Interest income	75,995	2,539
Others	20,359	14,584
	<u>96,354</u>	<u>275,288</u>
Other income	<u>96,354</u>	<u>275,288</u>

Government grants represent the COVID-19 stimulus incentive received by the Group, including Jobkeeper and cash flow boost payments.

Note 6. Trade and other receivables

	Consolidated 2023	Consolidated 2022 (Restated)
	\$	\$
Trade receivables	2,768,093	1,321,525
Interest receivable	-	260,657
Agent commission clawback receivable	69,365	36,923
	<u>2,837,458</u>	<u>1,619,105</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:

- 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.

The Group has assessed that there are no trade and other receivables that are impaired at year end (30 June 2022: nil). As at 30 June 2023, the amount of all trade and other receivables past due but not impaired is \$1,727,273 (2022 (Restated): \$935,807).

Note 7. Contract assets

	Consolidated 2023	Consolidated 2022 (Restated)
	\$	\$
Contract assets - current	<u>324,039</u>	<u>259,428</u>
Contract assets - non-current	<u>886,204</u>	<u>698,651</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.

Note 7. Contract assets (continued)

	2023	2022
	\$	(Restated) \$
Reconciliation of the contract assets at the beginning and end of the current financial year are set out below:		
Opening balance	958,079	576,346
Expected trail commission from new loans and commission step up and effect of the change in the valuation model	631,079	633,736
Trail commission received	<u>(378,915)</u>	<u>(252,003)</u>
	<u>1,210,243</u>	<u>958,079</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 (contract liabilities) 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.

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	
	2023	2022
	%	(Restated) %
Discount rate	8.87%	8.87%
Average percentage of trailing commission entitled by the Group	76.66%	72.30%
Weighted average loan life (in years)	4.05	3.57

Sensitivity

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

	2023	2022
	\$	\$
Discount rate - increase 2% (2022: 2%)	1,148,504	922,228
Discount rate - decrease 2% (2022: 2%)	1,345,149	997,018

Note 8. Commercial loan receivables

	Consolidated 2023	Consolidated 2022 (Restated)
	\$	\$
Commercial loan receivables	<u>76,974,937</u>	<u>59,522,817</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

	Consolidated 2023	Consolidated 2022 (Restated)
	\$	\$
Secured by mortgage over real estate	76,328,637	58,373,548
Secured by other credit enhancement	<u>646,300</u>	<u>1,149,269</u>
	<u>76,974,937</u>	<u>59,522,817</u>

	Consolidated 2023	Consolidated 2022 (Restated)
	\$	\$
Loan to valuation ratio of equal to or less than 70% - first mortgage	48,030,807	36,999,230
Loan to valuation ratio of equal to or less than 70% - second mortgage	7,452,147	13,427,887
Loan to valuation ratio of more than 70% - first mortgage	20,078,398	4,473,498
Loan to valuation ratio of more than 70% - second mortgage	<u>1,413,585</u>	<u>4,622,202</u>
	<u>76,974,937</u>	<u>59,522,817</u>

Note 8. Commercial loan receivables (continued)

	Consolidated	
	2023	2022
	\$	(Restated)
		\$
LVR buckets		
0-60%	18,134,694	19,464,366
60.01%-70%	35,406,960	30,962,751
70.01%-75%	21,491,983	6,504,302
75%+	1,295,000	1,442,129
Other *	646,300	1,149,269
	<u>76,974,937</u>	<u>59,522,817</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	
	2023	2022
	\$	(Restated)
		\$
<i>Geographical concentrations</i>		
New South Wales	54,078,443	40,845,091
Victoria	10,035,400	13,748,642
Queensland	8,377,500	2,625,307
South Australia	2,988,500	1,979,808
Australian Capital Territory	1,495,094	323,969
	<u>76,974,937</u>	<u>59,522,817</u>

Note 8. 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 3-12 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 (3-12 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 2023			
Credit risk stage 1 and stage 2	76,328,637	-	No
Credit risk stage 3	646,300	-	Yes
30 June 2022 (Restated)			
Credit risk stage 1 and stage 2	54,243,548	-	No
Credit risk stage 3	5,279,269	-	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 2023 (30 June 2022: 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 9. Intangible assets

	Consolidated 2023	2022 (Restated)
	\$	\$
Goodwill	-	536,216
Finance licence	99,988	99,988
Rent roll	-	2,217,048
Less: Accumulated amortisation	-	(1,682,484)
	-	534,564
Website and IT system	357,270	349,010
Less: Accumulated amortisation	(333,550)	(321,616)
	23,720	27,394
	<u>123,708</u>	<u>1,198,162</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 2021	536,216	99,988	593,636	40,991	1,270,831
Additions	-	-	-	4,225	4,225
Amortisation/written-down	-	-	(59,072)	(17,822)	(76,894)
Balance at 30 June 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)	-	-	-	(329,975)
Amortisation/written-down	-	-	(15,728)	(11,934)	(27,662)
Balance at 30 June 2023	<u>-</u>	<u>99,988</u>	<u>-</u>	<u>23,720</u>	<u>123,708</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. 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 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.

Note 9. Intangible assets (continued)

b) Website and IT System

	Consolidated	
	2022	
	2023	(Restated)
	\$	\$
Website and IT system – Cost	357,270	349,010
Website and IT system – Accumulated amortisation	<u>(333,550)</u>	<u>(321,616)</u>
Website and IT system – Net	<u>23,720</u>	<u>27,394</u>

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 10. Loan and borrowings

	Consolidated	
	2022	
	2023	(Restated)
	\$	\$
Current		
Bank loan (i)	-	681,073
Loans received for commercial lending (ii)	20,450,000	21,530,000
Loans received in advance for commercial lending (iii)	400,000	-
Convertible debts (v)	-	370,000
Loans from other lenders (vi)	<u>580,000</u>	<u>680,000</u>
	<u>21,430,000</u>	<u>23,261,073</u>

	Consolidated	
	2022	
	2023	(Restated)
	\$	\$
Non-current		
Loans received for commercial lending (ii)	3,730,000	650,000
Loans from other lenders (vi)	-	200,000
Loans from financial institution (iv)	<u>59,229,601</u>	<u>50,222,064</u>
	<u>62,959,601</u>	<u>51,072,064</u>

i) The bank loan borrowed from National Australia Bank was renewed in May 2020. The repayment term of the loan is 3 years and expired on 31 March 2023. The interest rate is 7.088% per annum with principal and interest repayments. The loan is secured by guarantee and indemnity given by N1 Realty Pty Ltd and Sydney Boutique Property. The outstanding loan balance as at 30 June 2023 is nil (30 June 2022: \$681,073). Upon disposal of SBP rent roll, the NAB loan was fully repaid using the proceeds from the sale of the SBP rent roll and internal funds.

Note 10. Loan and borrowings (continued)

ii) 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 6 months to 2 years. Interest rates are from 6% to 10%. The outstanding loan balance as at 30 June 2023 is \$24,180,000 (30 June 2022 is \$22,180,000).

iii) Loan received in advance for commercial lending

This represents fund received before 30 June 2023, although actual loan has not commenced until 1 July 2023. No interest has been charged as of 30 June 2023.

iv) Loans received from financial institutions

On 1 July 2021, N1 Holdings Limited raised \$35 million in debt capital provided under a debt facility between the Company and GCI SME Mortgage Fund (GCI Facility). On 2 November 2021, the facility limit was increased by a further \$20 million to the company's previously announced \$35 million debt facility, bringing the total debt facility limit to \$55 million.

The GCI Facility was initially recognised at the amounts received in cash from the lender, net of transaction costs. It has been subsequently measured at amortised costs using the effective interest method.

The Facility is interest only with a term of 24 months with an interest rate at 7.9% plus 30 days BBSW per annum. The Facility contains a number of undertakings and is secured by a general security deed over the Group's assets.

On 17 March 2023, the Group signed the Deed of Amendment and Restatement of the GCI Facility to extend the loan period for another 24 months to July 2025.

As of 30 June 2023, the Company has drawn down \$50.6 million (FY22: \$50.6 million) of the \$55 million facility limit (FY22: \$55 million facility limit).

On 25 January 2023, N1 Holdings Limited raised \$10 million in debt capital provided under a debt facility between the Company and FC Capital (FC Facility). As of 30 June 2023, the Company has drawn down \$9 million of the \$10 million FC Facility.

The facility operates on an interest-only basis, spanning a duration of 24 months. The applicable interest rate is 9.2% plus the greater of 2.8% per annum and the Australian Bank Bill Swap Reference Rate as administered by ASX Benchmarks Pty Limited.

v) Convertible debts

	Consolidated	2022
	2023	(Restated)
	\$	\$
As at the beginning of the period	370,000	1,370,000
Converted to ordinary shares	(300,000)	(1,000,000)
Converted to loan received for commercial lending	(70,000)	-
	<u> </u>	<u> </u>
As at end of the period	<u> </u>	<u> </u>
	-	370,000

Note 10. Loan and borrowings (continued)

In FY17, the Company issued 1.85 million unlisted unsecured convertible notes in exchange for a cost fund of \$370,000. The holders of the convertible notes may choose to convert the notes to shares in the Company at \$0.20 per share at any time before the maturity date, which was extended to 11 May 2021, then further extended to 11 May 2023.

On 27 September 2017, the Company issued 5 million unlisted unsecured convertible notes with a total value of \$1,000,000. On 20 April 2022, these 5 million convertible notes were converted to shares in the Company at a price of \$0.20 per share, increasing share capital by \$1,000,000.

On 17 August 2022, 1 million convertible notes were converted to shares in the Company at a price of \$0.20 per share, increasing share capital by \$200,000. On 5 September 2022, 500,000 convertible notes were converted to shares in the company at a price of \$0.20 per share, increasing share capital by \$100,000. The interest rate payable on outstanding convertible notes is a fixed interest rate of 8%.

On 11 May 2023, 350,000 of the convertible notes had not converted to shares. A 2-year fixed term loan agreement has been signed and the loan amount is \$70,000 with a fixed interest of 10%. This has been now recorded as part of the loans received for commercial lending.

vi) Loans from other lenders

Loans from other lenders consist of five unsecured loans from non-related parties with principal amount from \$100,000 to \$380,000. Repayment terms are from 6 months to 2 years and interest rates vary from 5% to 8%. The outstanding loan balance as at 30 June 2023 is \$580,000 (30 June 2022 is \$880,000).

Note 11. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 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.