

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 report its 30 June 2017 preliminary final report to shareholders. The Company listed on ASX on 18 March 2016 and FY2017 is its first full financial year since listing. During the financial year, N1 continued the momentum from the previous financial year in executing its diversification strategy of complementary businesses, both via organic growth and acquisition.

N1 has achieved an annual revenue growth of 27.88% amid a challenging lending environment and tightening of investment property activities. N1 acknowledged the slowing credit growth across the industry. The funds raised via the IPO and through the issue of convertible notes have enabled N1 to successfully execute its diversification strategy through acquisitions. The revenue from these acquisitions has more than replaced the slower growth from our mortgage and loan broking business – N1 Loans.

Milestones and significant activities achieved by the company during FY2017 are outlined below:

- The launch of N1 Realty in July 2016 and acquisition of Sydney Boutique Property in October 2016 has enabled N1 enter into the real estate sales and property management business.
- In October 2016, N1 Centre was opened in Chatswood which forms part of N1’s Digital + Retail growth strategy.
- N1 Realty Pty Ltd successfully completed multiple acquisitions of property management rent rolls in December 2016, January 2017 and June 2017.
- In February 2017, the Company announced the 2nd round of the Employee Incentive Plan, marking the successful transition into a “Pay As You Go” (PAYG) model.
- In April 2017, N1 launched N1 Car Lease product.
- In June 2017, N1 launched N1 Chat, a real time mobile customer service chat app, as part of N1 Digital + Retail strategy to adapt the growing trend of mobile users.
- The Company continue to improve its Chinese language mortgage and car loan comparison website www.chengdai.com.au.
- During the financial year, N1 Loans was recognised by two separate media outlets as, 2017 Top 10 independent brokerage firm and Top 25 Mortgage Group 2017 respectively.

1. Details of the reporting period and the previous corresponding period

Current year: 1 July 2016 to 30 June 2017 (“FY17”)
Previous year: 1 July 2015 to 30 June 2016 (“FY16”)

2. Results for announcement to the market

Year Ended	30 June 2017 (A\$)	30 June 2016 (A\$)	Change %
Revenue from ordinary activities	4,332,217	3,387,683	up 27.88%
Reported net profit/(loss) from ordinary activities after tax	(1,118,286)	(1,305,400)	down 14.33%
Net profit/(loss)	(1,118,286)	(1,305,400)	down 14.33%
Dividends	Nil	Nil	Nil

3. Comments on the results

During FY17, the Company generated revenue of \$4.33m (FY16: \$3.39m) delivering a net loss of \$1.12m (FY16: loss \$1.30m). No dividend was declared during FY17 (FY16: Nil).

Increased group revenue is mainly from the newly established realty business as well as increased loan trail commission.

During FY17, mortgage broking business continues to be the major revenue generator, which counts 78.71% of the total revenue of the group. N1 Realty Pty Ltd started its first-year operation in FY17 and Sydney Boutique Property was acquired during the year. The real estate business has generated \$740,799 representing 17.10% of the group's total revenue. N1 Migration Pty Ltd generated \$174,407 revenue representing 4.03% of the group's total revenue. Diversification Revenue ("DR"), being revenue that is not related to residential mortgage broking, is growing in line with the Company's strategic plan. Total DR during FY17 was \$1,107,155 (FY16: \$121,056) representing an increase of 815%.

FY17 has seen the positive results of the N1 Loans PAYG consultant model initiated during N1's IPO in FY16 with improved client retention rate and profitability of the business. As at 30 June 2017, 87% of the trail commission is retained by the company compared to 84% same time last year. The improvement is in line with Company's expectation set at the IPO.

Company's loan trail book valuation as at 30 June 2017 is \$2.20m (FY2016: \$1.53m). Increased estimated future trail commission is a result of loan book growth of \$238m from \$561m to \$799m, which represents an increase of 42.42% during FY17. Among the \$238m increase, \$62.6 million was from loan book acquisition from Aura Private Wealth Pty Ltd (ACN 158 184 000) and the balance of 175.4 million is from Company's organic growth.

Key features of underlying operating result are summarised below:

- Increase in revenue by 27.88% to \$4,332,217 (FY16: \$3,387,683)
- Reduction in direct cost to commission-based brokers and referrers, FY17 \$1,090,146 (FY16: \$1,463,949)
- Increase in operational expenses which are predominantly expansion expenditures.
 - Employee cost in FY17 is \$3,031,056 (FY16: \$1,834,280)
 - Professional fee in FY17 is \$388,319 (FY16: \$184,782)
 - Rent and Office expenses in FY17 is \$649,026 (FY16: \$394,871)
 - Depreciation and amortisation expenses has increased to \$427,215 (FY16: \$80,887)
- Reduction in finance cost to \$68,343 (FY16: \$282,873)

4. Net tangible assets per security

	FY17 (cents per share)	FY16 (cents per share)
Net Tangible Assets per ordinary share	1.8	6.2

5. Details of entities over which control has been gained during the period.

Name of Entity: Sydney Boutique Property Pty Ltd
Date Control Gained: 21 October 2016

Contribution of the entity to the reporting entity during the period:	(A\$)
Revenue	387,386
Operating Expenses	29,293
Net profit/(loss) from ordinary activities	358,093

6. Details of associates and joint venture entities including the following.

Name of Entity:	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	FY17 (%)	FY16 (%)	FY17 (\$)	FY16 (\$)
N1X Capital Pty Ltd	40	Not Applicable	0	0

Other significant information

During FY2017, the Company has launched real estate sales and management business and acquired Sydney Boutique Property Pty Ltd, a real estate agency business located at Sydney Lower North Shore with cash consideration of \$1,940,000. Company borrowed \$1,000,000 to fund this acquisition.

In October 2016, the Company opened N1 Centre at Chatswood Interchange. This is the group's first retail presence.

In February 2017, the Company announced an Employee Incentive Plan issuing total 4,841,250 options at exercise price of \$0.20 to employees with total value of \$968,250. The options are issued on the same terms, with the same vesting dates, at the "Consideration Options" described in the Company's IPO prospectus.

In May 2017, the Company issued \$370,000 worth of convertible notes with 7% pa interest and 2 years term. The conversion price is \$0.20 per new share. The convertible notes were issued to fund acquisitions and to provide general working capital.

In May 2017, the Company borrowed \$180,000 at 10% pa interest for a 2 year term. In June 2017, the Company borrowed \$200,000 at 7% pa interest for a 2 year term. The purpose of these loans is to fund acquisitions and to provide general working capital. Both amounts were borrowed from non-related parties.

7. Financial Statements and notes to the financial statements

Refer to attached unaudited financial statements and related notes.

8. Audit

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.



Ren Hor Wong
Chairman and CEO
N1 Holdings Limited

N1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
30 JUNE 2017

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Continuing operations			
Revenue	1.3	4,332,217	3,387,683
Consulting and referral fees		(1,090,146)	(1,463,949)
Gross profit		3,242,071	1,923,734
Other income	1.3	110,795	70,829
Employee cost		(3,031,056)	(1,834,280)
IT and technology		(97,392)	(59,034)
Sales and marketing		(242,609)	(301,658)
Rent and utilities		(429,982)	(254,099)
Professional fee		(388,319)	(184,782)
Office and administrative expense		(219,044)	(140,772)
Finance Cost		(68,343)	(282,873)
Travel cost		(75,368)	(124,754)
Other operation cost		(16,544)	(26,700)
Depreciation and amortisation		(427,215)	(80,887)
Profit/(Loss) before income tax		(1,643,006)	(1,295,276)
Income tax benefit/(expense)		461,719	(10,124)
Net profit/(loss) from continuing operations	1.1	(1,181,287)	(1,305,400)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		(1,181,287)	(1,305,400)
Earnings per share		cents	cents
Basic earnings per share		(1.5)	(5)
Diluted earnings per share		(1.5)	(5)

The accompanying notes form part of these financial statements.

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N1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2017

As at 30 June 2017

ASSETS		2017	2016
CURRENT ASSETS		\$	\$
	Note		
Cash and cash equivalents		912,432	3,856,946
Trade and other receivables	2.1	1,317,026	1,060,440
Other current assets		11,220	94,657
TOTAL CURRENT ASSETS		2,240,678	5,012,043
NON-CURRENT ASSETS			
Trade and other receivables	2.1	1,302,252	949,010
Other financial assets		230,946	195,097
Property, plant and equipment	2.2	495,178	182,508
Deferred tax assets		784,269	349,246
Intangible assets	2.3	2,653,803	155,750
TOTAL NON-CURRENT ASSETS		5,466,448	1,831,611
TOTAL ASSETS		7,707,126	6,843,654
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		445,153	462,769
Other financial liabilities	3.3 (a)	249,795	33,698
Provisions		328,526	496,885
TOTAL CURRENT LIABILITIES		1,023,474	993,352
NON-CURRENT LIABILITIES			
Other financial liabilities	3.3 (a)	1,516,317	149,448
Deferred tax liabilities		1,033,369	477,443
Provisions		20,277	7,167
TOTAL NON-CURRENT LIABILITIES		2,569,963	634,058
TOTAL LIABILITIES		3,593,437	1,627,410
NET ASSETS		4,113,689	5,216,244
EQUITY			
Issued capital	3.1	5,756,156	5,738,586
Reserves	3.1	155,610	94,448
Retained earnings		(1,798,077)	(616,790)
TOTAL EQUITY		4,113,689	5,216,244

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
30 JUNE 2017

For the year ended 30 June 2017

	Note	Share Capital \$	Option Reserve \$	Retained Earning \$	Total \$
Balance at 30 June 2015 / 1 July 2015		100	-	688,610	688,710
<i>Comprehensive income</i>		-	-	(1,305,400)	(1,305,400)
Profit/(loss) for the year					
Total comprehensive income for the year		-	-	(1,305,400)	(1,305,400)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>					
Shares issued during the year	3.1	5,738,486	-	-	5,738,486
Total transactions with owners and other transfers		5,738,486	-	-	5,738,486
Share based payment	3.1	-	94,448	-	94,448
Balance at 30 June 2016		5,738,586	94,448	(616,790)	5,216,244
<i>Comprehensive income</i>		-	-	(1,181,287)	(1,181,287)
Profit/(loss) for the year					
Total comprehensive income for the year		-	-	(1,181,287)	(1,181,287)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>					
Shares issued during the year	3.1	63,977	-	-	63,977
Total transactions with owners and other transfers		63,977	-	-	63,977
Share based payment	3.1	-	61,162	-	61,162
Recovery of deferred tax on IPO cost		(46,407)	-	-	(46,407)
Balance at 30 June 2017		5,756,156	155,610	(1,798,076)	4,113,689

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
30 JUNE 2017

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,585,702	3,113,072
Interest received		28,863	26,359
Payments to suppliers and employees		(5,441,606)	(4,378,927)
Income tax refund/(paid)		19,667	(74,160)
Net cash provided by (used in) operating activities		(1,807,376)	(1,313,656)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(492,665)	(47,241)
Purchase of Intangible assets		(2,209,096)	(131,578)
Loans to related party		-	(41,000)
Loans recovered from related parties		50,000	162,996
Cash received on disposal of plants and equipment		-	105,419
Net cash provided by /(used in) investing activities		(2,651,761)	48,596
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		-	5,000,000
Cash paid for capital raising in IPO		-	(618,768)
Proceeds from borrowings		1,246,300	200,000
Convertible notes issued		370,000	-
Finance Cost		(68,343)	-
Other Finance liability repaid		(33,334)	(107,083)
Net cash provided by (used in) financing activities		1,514,623	4,474,149
Net increase/(decrease) in cash held		(2,944,514)	3,209,089
Cash and cash equivalents at beginning of financial year		3,856,946	647,857
Cash and cash equivalents at end of financial year		912,432	3,856,946

The accompanying notes form part of these financial statements.

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**N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
SECTION 1: KEY PERFORMANCE METRICS
30 JUNE 2017**

NOTES TO THE FINANCIAL STATEMENTS

These consolidated financial statements and notes represent those of N1 Holdings Limited and its controlled entities (the "consolidated group" or "group").

Section 1: Key performance metrics

1.1 Earnings per share

	Consolidated Group	
	2017	2016
Reconciliation of earnings to profit or loss		
Profit/(loss) – from continuing activities	(1,181,287)	(1,305,400)
Earnings/(loss) used to calculate basic EPS & dilutive	(1,181,287)	(1,305,400)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	81,045,248	24,253,895
Weighted average number of dilutive options outstanding	8,276,373	2,988,818
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	89,321,622	27,242,713
Earnings/(loss) per share – basic (cents)	(1.5)	(5)
Earnings/(loss) per share – dilutive (cents)	(1.5)	(5)

1.2 Segment information

The group has identified three reportable segments based on the nature of the products and services, the type of customers for those service products and the similarity of their economic characteristics in accordance with the requirement of AASB8 Segment Report.

(a) Description of segments and principal activities

Mortgage broking and other financial services

The mortgage broking segment refer to the operating activities in which the group acts as a mortgage broker that provides its customer with advice and support. The group receives commission payments on loans originated through its network of customers. Some other minor financial service in relation with mortgage products and finance leases are also included in this segment.

Real estate service

The group established a real estate service through N1 Realty Pty Ltd which acquired Sydney Boutique Properties Pty Ltd and other rent roll assets. The services currently are focused on rental property management and property sales agent service.

Migration service

The group provides migration services to its customers through N1 Migration Pty Ltd which holds a migration agent licence. The services have been promoted successfully and the related revenue and profit from the service have increased significantly.

N1 HOLDINGS LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 SECTION 1: KEY PERFORMANCE METRICS
 30 JUNE 2017

(b) Segment Performance and Financial Position

Year ended 30 June 2017	Loan brokerage and other financial service	Real estate service	Migration service	Other	Total
Revenue	3,410,102	740,799	174,407	6,909	4,332,217
Interest income	4,673	48	227	23,915	28,863
Other income	42,330	22,454	10	17,138	81,932
Total segment revenue and other income	3,457,105	763,301	174,644	47,962	4,443,012
Results					
Segment profit/(loss) before income tax	(811,137)	(401,970)	37,302	(467,201)	(1,643,007)
income tax expense	-	-	-	461,719	461,719
Net profit after tax	(811,137)	(401,970)	37,302	(5,482)	(1,181,287)
Assets and liabilities					
Total segment assets	3,023,288	2,760,570	91,300	1,831,968	7,707,126
Total segment liabilities	(1,071,421)	(982,356)	(18,544)	(1,521,116)	(3,593,437)
Other segment information					
Depreciation and amortisation	124,933	205,338	-	73,159	403,429
Interest expense	513	25,796	3	6,310	32,623

1.3 Revenue and other income

	Consolidated Group	
	2017	2016
(a) Revenue		
Origination commission	3,045,146	2,945,367
Fair value of Trail commission	364,956	427,000
Real Estate service	740,799	-
Migration service	174,407	7,905
Other service	6,909	8,221
	4,332,217	3,387,683
(b) Other income		
Bank Interest	28,863	26,359
Other	81,932	44,470
	110,795	70,829

**N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
SECTION 1: KEY PERFORMANCE METRICS
30 JUNE 2017**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue recognition and measurement

(i) Origination commission

The group provides loan origination services and receives origination commission on the settlement of loans. Origination commission is recognised upon the loan being settled and measured at fair value of the commission to be received.

(ii) Trailing commissions

The Group receives trailing commissions from lenders on loans they have settled that were originated by the Group. The trailing commissions are received over the life of the loans based on the individual loan balance outstanding. On initial recognition, trailing commission revenue and receivables are recognised at fair value, being the expected future trailing commission receivables discounted to their net present value.

Subsequent to initial recognition, the trailing commission assets are measured at amortised cost. The carrying amount of the trailing commission asset are adjusted to reflect net present value of revised estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised as income or expense in the consolidated statement of profit or loss and other comprehensive income.

(iii) Real Estate service

The Group receives commissions and fees derived from real estate sales. They are recognised at the time of unconditional exchange of contracts between vendors and purchasers. The Group also receive property management fees which are based on a percentage of rental collected on behalf the landlords. Income is recognised in the period the service has been rendered.

(iv) Render of other service (including Migration Service)

Revenue from the rendering of services is recognised in the accounting period in which the services are rendered. For fixed-price services, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.



Critical accounting estimates and Judgements - NPV of trailing commission receivable

The group receives trailing commissions from lenders on settled loans over the life of the loan based on the loan book balance outstanding. The group is entitled to the trailing commissions without having to perform further services. The group also makes trailing commission payments to commission based consultants when trailing commission is received from lenders. The fair value of trailing commission receivable from lenders and the corresponding payable to commission based consultants is determined by using a discounted cash flow valuation. These calculations require the use of assumptions which are determined by management with the assistance of external valuation specialist.



New accounting standards for application in future periods

AASB 15: revenue from Contracts with customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian accounting standards – effective Date of AASB 15).

When effective, this standard will replace the current accounting requirements applicable to revenue with a single, principles- based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non- monetary exchange s between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provided the following five-step process:

- Identify the contract(s) with a customer;

N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
SECTION 1: KEY PERFORMANCE METRICS
30 JUNE 2017

- Identify the performance obligations in the contract(s);
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract(s); and
- Recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: accounting Policies, changes in accounting estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. there are also enhanced disclosure requirements regarding revenue.

The group is still in the process of assessing the impact of the changes.

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N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
SECTION 2: OPERATING ASSETS AND LIABILITIES
30 JUNE 2017

Section 2: Operating assets and liabilities

2.1 Trade and other receivables

	Consolidated Group	
	2017	2016
<i>Current</i>		
Commission receivables	338,580	285,359
Agent commission clawback receivable	76,566	193,091
Net present value of future trailing commission receivable	901,880	581,990
	1,317,026	1,060,440
<i>Non-Current</i>		
Net present value of future trailing commission receivable	1,302,252	949,010
	1,302,252	949,010

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Credit risk

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties. 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 2016: nil). As at 30 June 2017, all trade and other receivables but \$12,704 are not past due (2016: \$19,578).

2.2 Plant and Equipment

	Consolidated Group	
	2017	2016
<i>Office equipment</i>		
At cost	55,028	31,834
Accumulated Depreciation on office equipment	(30,995)	(17,543)
	24,033	14,291
<i>Motor vehicles</i>		
At cost	142,123	142,123
Accumulated Depreciation on motor vehicles	(42,811)	(9,707)
	99,312	132,416
<i>Furniture & Fittings</i>		
At cost	515,225	45,753
Accumulated Depreciation on Furniture & Fittings	(143,392)	(9,952)
	371,833	35,801
Total plant and equipment	495,178	182,508

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment. In the event that the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. Impairment losses are recognised in profit or loss.

Depreciation

The depreciable amount of all plant and equipment and is depreciated on a diminishing basis over the asset's useful

N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
SECTION 2: OPERATING ASSETS AND LIABILITIES
30 JUNE 2017

life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Currently the depreciation rate is in the range of 10% to 20%.

Movements in Carrying amounts

Movements in carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Office Equipment	Motor Vehicles	Furniture &Fittings	Total
Balance at 30 June 2015	8,930	115,517	6,873	131,320
Additions	12,977	142,123	34,265	189,365
Disposals	-	(101,717)	-	(101,717)
Depreciation expense	(7,616)	(23,507)	(5,337)	(36,460)
Balance at 30 June 2016	14,291	132,416	35,801	182,508
Additions	23,193	-	401,986	492,665
Business acquisition			18,151	18,151
Net disposal			(3,702)	(3,702)
Depreciation expense	(13,451)	(33,104)	(80,404)	(126,960)
Balance at 30 June 2017	24,033	99,312	371,832	495,177

The motor vehicles were acquired via finance lease.

2.3 Intangibles Assets

a) Movement schedule of intangible assets

	Goodwill (a)	Rent Roll (b)	Website and IT system(c)	Total
Balance at 1 July 2015	-	-	68,599	68,599
Additions	-	-	131,578	131,578
Amortisation	-	-	(44,427)	(44,427)
Balance at 30 June 2016	-	-	155,750	155,750
Additions	536,216	2,138,258	70,798	2,745,272
Amortisation/written-down	-	(163,065)	(84,154)	(247,219)
Balance at 30 June 2017	536,216	1,975,193	142,394	2,653,803

b) Goodwill

	Consolidated Group	
	2017	2016
Goodwill	536,216	-

The goodwill resulted from the Group's acquisition of Sydney Boutique Property Pty Ltd. The details of the transaction and related calculation is disclosed in note 4.1. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

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N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
SECTION 2: OPERATING ASSETS AND LIABILITIES
30 JUNE 2017

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 1.2).



Critical accounting estimates and Judgements – Key assumptions used for value-in-use calculations

The group tests whether goodwill has suffered any impairment on an annual basis. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a three-year period and extrapolated to five years. The following table sets out the key assumptions for the impairment test of the goodwill. The goodwill balance at reporting date only relates real estate service segment.

Growth rate: 3%	Growth rate is based on management estimated inflation rate.
Pre-tax discount rate: 10%	Pre-tax discount rate reflects the specific risks relating to the real estate agency industry in Australia.
Terminal value:	Terminal value is based on third year budgeted net cash flow, pre-tax discount rate of 10% and growth rate at 3%.

c) Rent Roll Assets

	Consolidated Group	
	2017	2016
Rent Roll – Assets	2,138,258	-
Rent Roll – Written-down	(163,065)	-
Rent Roll – Net	1,975,193	-

Rent rolls are accounted for as an intangible asset with a finite life in accordance with AASB 138 Intangible assets. They are initially recognised at cost and subsequently written down to their recoverable value at each reporting period, with reference to the reduction in rent under management times industry resale multiple being 2-5 times.

The addition in rent roll assets during the year were directly purchased or acquired through the business combination.

d) Website and IT System

	Consolidated Group	
	2017	2016
Website and IT system – Cost	283,904	213,106
Website and IT system – Accumulated amortisation	(141,510)	(57,356)
Website and IT system – Net	142,394	155,750

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 profit and loss on a diminishing basis over the estimated useful life of the intangible assets from the date that they are 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 expense.

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NOTES TO THE FINANCIAL STATEMENTS
SECTION 3: GROUP'S CAPITAL AND RISKS
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Section 3: Group's capital and risks

3.1 Contributed equity

	Consolidated Group	
	2017	2016
Fully paid ordinary shares	5,756,156	5,738,586
Option reserve	155,610	94,448

Ordinary Shares

	Consolidated Group			
	2017	2017	2016	2016
	\$	Number of Shares	\$	Number of Shares
As at beginning of the year	5,738,586	81,043,750	100	100
Issuance of new shares	63,977	511,823	6,208,750	81,043,650
Capital raising costs	-	-	(618,768)	-
Deferred tax benefit for capital raising cost	(46,407)	-	148,504	-
	5,756,156	81,555,573	5,738,586	81,043,750

On 30 June 2017, the Company issued 511,823 ordinary shares at \$0.20 per share (face value) to two senior managers at N1 Realty Pty Ltd in lieu of their service remuneration. The market value of the shares issued is \$63,977 in accordance with the share price on the grant date 30 June 2017.

Ordinary Shareholders participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the Shareholders' meeting each ordinary Share is entitled to one vote when a poll is called; otherwise each Shareholder has one vote on a show of hands.

Option Reserve

	Consolidated Group	
	2017	2016
As at beginning of the year	94,448	-
Share based payment	61,162	94,448
	155,610	94,448

Details in relation to the options issued during the year are disclosed in note 3.2 .

3.2 Share-based payments

The group operates an employee share and option plan.

Share-based payments to employees are remeasured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are remeasured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date that the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of Options is determined using the Binomial Approximation valuation methodology. The number of Shares and Options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(a) Employee Option Plan

The establishment of the Employee Option Plan was approved by the board of directors in February 2017. The Employee Option Plan is designed to provide long-term incentives for employees (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted Options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Once Options are vested, the Options remain exercisable for a period of two years.

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Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each Option is convertible into one ordinary Share.

Options granted under the employee option plan:

	2017		2016	
	Average exercise price per Option	Number of Options	Average exercise price per Option	Number of Options
As at 30 June 2016	0.20	5,962,500	-	-
Granted during the year	0.20	4,791,250	0.20	5,977,500
Exercised during the year	-	-	-	-
Forfeited during the year	0.20	(2,015,000)	0.20	(15,000)
As at 30 June 2017		8,738,750		5,962,500

Options outstanding under the employee option plan at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry Date	Exercise price	Fair value at grant date	Options 30 June 17	Options 30 June 16
14 December 2015	14 December 2018	0.20	0.054	4,535,000	4,962,500
18 March 2016	18 March 2018	0.20	0.0385	1,000,000	1,000,000
1 March 2017	14 December 2018	0.20	0.0475	3,203,750	-
				8,738,750	5,962,500
Average remaining contractual life of options outstanding at end of period				1.33 years	2.33 years

(b) Other share options

On 18 March 2016, the Company granted 1,000,000 options to Bellaire Capital Pty Ltd, an entity controlled by parties associated with the lead manager of the IPO. Below are its Options outstanding at the end of the year and their expiry date and exercise prices:

Grant Date	Expiry Date	Exercise price	Fair value at grant date	Share options 30 June 17	Share options 30 June 16
18 March 2016	18 March 2018	0.30	0.006685	1,000,000	1,000,000
Weighted average remaining contractual life of options outstanding at end of period				0.36 years	1.75

No other share options were granted during the reporting period.

(c) Fair value of the Options granted

The fair value of the Options granted is considered to represent the value of the services received over the vesting period. The weighted average fair value of Options granted during the year was \$227,584 (2016: 236,819). The value was calculated using the Binomial Approximation valuation methodology applying the following inputs:

Weighted average exercise price:	\$0.20
Weighted average life of the Option:	2.79 years
Expected share price volatility:	43.19%
Risk-free interest rate:	1.92%

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Historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility. The life of the Options is based on the historical exercise patterns, which may not eventuate in the future. Options included under employee benefits expense in the statement of profit or loss amount to \$61,162 and relate to equity settled share based payment transactions (2016: \$66,022).

3.3 Net debt

(a) Other financial liabilities

	Note	Consolidated Group	
		2017	2016
<i>Current</i>			
Bank Loan		220,000	-
Finance lease payable - current		29,795	33,698
		249,795	33,698
<i>Non-Current</i>			
Bank Loan		646,664	-
Loan from other lenders		380,000	-
Convertible Debt		370,000	-
Finance lease payable - non-current		119,653	149,448
		1,516,317	149,448

i) Loan from other lenders consists of two loans from non related parties. The first loan has a principle amount of \$ 180,000. The repayment term is 2 years and the interest is 10% per annum in accordance with the loan agreement. The second loan has a principle amount of \$200,000. The repayment term is 2 years and the interest is 7% per annum in accordance with the loan agreement.

ii)

Convertible Debt movement schedule	2017	2016
As at the beginning of the year	-	767,000
Borrowed	370,000	200,000
Derivative expense	3,477	241,750
Settled	(3,477)	(1,208,750)
As at the end of the year	370,000	-

During the year, N1 Holding Limited issued 1.85 million unlisted convertible notes in exchange of a cost fund of \$370,000. The holders of the convertible notes may choose to convert the notes to shares in the company at \$0.2 per share at any time before the maturity date (12 May 2019).

The convertible debt in the prior year was originally due to be repaid in April 2016. As a result of successful IPO of the Group, the convertible notes were converted through issuance of 6,043,750 shares of N1 Holdings Limited according to the Secured Convertible Note Deed Poll dated 14 April 2015.

iii) The bank loan was drawn down from National Australia Bank in Oct 2016. The repayment term of the loan is 5 years and the interest is 5.415% per annum in accordance with the loan agreement.

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Section 4: Business portfolio

4.1 Business Combination

On 21 October 2016, the Group acquired 100% of the issued shares in Sydney Boutique Property Pty Ltd, a real estate agency business, with a cash consideration of \$1,940,000. The acquisition is expected to extend the Group's business to real estate agency and management industry.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Sydney Boutique Property
Purchase consideration	
Cash paid	1,940,000
Total	1,940,000

The assets and liabilities recognised as a result of the acquisition at fair value are as follows:

	Sydney Boutique Property
Prepayment	2,821
Other receivable - loan, no provision	26,150
Property, plant and equipment	11,948
Rent roll	1,949,878
Payables	(29,451)
Employee benefit obligations	(21,345)
Deferred Tax Liabilities	(536,216)
Goodwill	536,216
	1,940,000

(i) Acquisition-related costs

The acquisition cost in relation to the transaction is \$20,461 which is legal cost.

(ii) Revenue and profit contribution

	Sydney Boutique Property
From acquisition date	
Revenue contributed by the business acquired	387,386
Net profit contributed by the business acquired	358,093

	Sydney Boutique Property
From 1 July 2016 (as if)	
Revenue contributed by the business acquired	678,766
Net profit contributed by the business acquired	371,845

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, at which point the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a

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contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration is classified as an asset or liability and is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at the acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

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Section 5: Other disclosure

5.1 Events after the reporting period

On 21 July 2017, TACQ International Pty Ltd, a fully owned subsidiary by N1 Holdings Limited was established focusing on recruitment business.

On 15 August 2017, we entered into an unsecured loan agreement with an individual lender for \$200,000 at 10% interest only repayment for 2 years. Purpose of the loan is to fund potential acquisitions.

Other than above mentioned events, there has been no matters or events since the end of the financial year which may significantly affect the operation of the Group, the results of those operations or the state of affairs of the Group in the future financial years.

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