

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 2016 preliminary final report to shareholders. N1 successfully listed on the ASX on 18 March 2016, with IPO closing oversubscribed and the maximum amount of \$5 million being raised. 25 million new shares were issued at \$0.20 per share, which represented a market capitalisation of approximately \$16.2 million at the time of the IPO.

Since listing, N1 has announced a number of key partnerships.

- N1 expanded its agreement with 1300HomeLoan to cover leads referred across Victoria and Queensland.
- N1 also signed a referral agreement with buyers’ agent Dream Design Property, one of Australia’s fastest growing full service property investment firms. This has significantly strengthened company’s mortgage loan pipeline.
- N1 entered into an agreement with ASX-listed Ensurance Ltd (ASX: ENA) for the supply of general insurance products to N1 customers via a white-labelled IT platform.

Post-IPO, the company launched loanrobot.com.au, an English language lead referral website that compares a range of mortgage interest rates and calculates borrowing capacity. Loanrobot.com.au complements the highly successful chengdai.com.au website, targeted at Chinese language-speaking Australians.

In addition to expanding the principle home mortgage business, N1 also commenced executing its diversification strategy as previously outlined in the Prospectus by acquiring N1 Migration Pty Ltd at issued capital of \$60, a migration services business, and establishing N1 Realty Pty Ltd, a real estate sales and management business. Demand from N1 Loans customers for quality investment properties accelerated the move by N1 into its own real estate business and the company will now have a supply of properties for sale that it can aim to match with qualified investors coming through the N1 Loans mortgage broking business unit.

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

Current year: 1 July 2015 to 30 June 2016 (“FY16”)
Previous year: 1 July 2014 to 30 June 2015 (“FY15”)

2. Results for announcement to the market

| Year Ended | 30 June 2016 (A\$) | 30 June 2015 (A\$) | Change % |
|---|-----------------------|-----------------------|-------------|
| Revenue from ordinary activities | 3,387,683 | 4,049,160 | Down 16.3% |
| Reported net profit/(loss) from ordinary activities after tax | (964,181) | 559,295 | Down 272.4% |
| Net profit/(loss) | (964,181) | 559,295 | Down 272.4% |
| Dividends | Nil | Nil | Nil |

3. Comments on the results

During FY16, the Company generated revenue of \$3.39m (FY15: \$4.05m) delivering a net loss of \$0.96m (compared with a net profit of \$0.56m for FY15).

The Company listed on ASX on 18 March 2016 and most of the expenses incurred post-IPO which have contributed to the growth of business are yet to be evident on the Company's financial results due to the fact that N1's post-IPO operational period accounts for a single quarter and that revenue receipt lead time of three months is common across the mortgage broking industry.

Historically, the Company has engaged a number of contractors whose remuneration was based on commission to act as consultants. Since undertaking the IPO, the Company has initiated a transition into engaging consultants as full-time employees – this is referred to as the "PAYG consultant" model. The Company's reduction in revenue during FY16 is a direct result of transitioning from commission-based consultants to PAYG consultants. However, over the longer term, the Company expects the PAYG consultant model to improve the health of cash flow, client retention rate and profitability of the business. The full effect of this transition is yet to be seen due to the Company's limited post-IPO operational period.

Revenues have also declined during FY16 due to the reduction in the recognised net present value of the estimated future trail commission. Net future trail commission recognised in FY16 is \$427,000 (compared with \$919,002 for FY15). FY16 is the second year that N1 has adopted this revenue recognition policy and when the existing trail book ages, its estimated amortisation increases, which results a reduction in net present value of the future trail commissions.

The Company is currently implementing a diversification strategy. Diversification Revenue ("DR"), being revenue that is not related to residential home loan broking, is growing in line with the Company's strategic plan. Total DR during FY16 was \$121,056 (FY15: \$51,498). This represents organic growth of 135%.

The decline in operating profit is a function of the decline in revenue, offset by a decline in direct cost to commission-based brokers, FY16 \$567,453 (FY15: \$1,016,943), increase in operational expenses are related to personnel, FY16 \$1,834,280 (FY15: \$1,046,470) and sales and marketing, FY16 \$301,658 (FY15: \$78,609) as well as additional cost to achieve listing status. Key cost reducing operating profit includes the \$332,755 (FY15: \$46,050) non-recurring IPO related expenses. Capital raising cost directly attributable to the IPO in FY16 was \$618,768 (FY15: \$0).

4. Net tangible assets per security

| | FY16 (cents per share) | FY15 (cents per share) |
|--|---------------------------|---------------------------|
| Net Tangible Assets per ordinary share | 6.6 | 6,201 |

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

Name of Entity: N1 Migration Pty Ltd

Date Control Gained: 12 April 2016

Contribution of the entity to the reporting entity during the period:

| | 12 April to 30 June 2016 (A\$) |
|--|-----------------------------------|
| Revenue | 7,100 |
| Operating Expenses | 26,705 |
| Net profit/(loss) from ordinary activities | (19,605) |

6. Other significant information

N1 successfully listed on the ASX on 18 March 2016 with the maximum amount of \$5 million being raised. 25 million new shares were issued at \$0.20 per share.

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

ACN: 609268279

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

| | | 2016 | 2015 |
|---|------|--------------------|------------------|
| | Note | | (restated) |
| Continuing operations | | | |
| Revenue | 3 | 3,387,683 | 4,049,160 |
| Consulting and referral fees | | (1,463,949) | (1,720,237) |
| Gross profit | | 1,923,734 | 2,328,923 |
| Other income | 3 | 70,829 | 3,918 |
| Employee cost | | (1,834,280) | (1,046,470) |
| IT and technology | | (59,034) | (3,229) |
| Sales and marketing | | (301,658) | (78,609) |
| Rent and utilities | | (254,099) | (143,003) |
| Professional fee | | (184,782) | (37,143) |
| Office and administrative expense | | (140,772) | (38,507) |
| Finance cost | | (282,873) | (12,540) |
| Travel cost | | (124,754) | (74,122) |
| Depreciation and amortisation | | (80,887) | (57,829) |
| Other operation cost | | (26,700) | (26,425) |
| Profit/(Loss) before income tax | | (1,295,276) | 814,964 |
| Income tax benefit/(expense) | 4 | 331,095 | (255,669) |
| Net profit/(loss) from continuing operations | | (964,181) | 559,295 |
| Other Comprehensive income | | - | - |
| Total comprehensive income/(loss) for the year | | (964,181) | 559,295 |
| Earnings per share | | | |
| Basic earnings per share(cents) | 5 | (4) | 559,295 |
| Diluted earnings per share(cents) | 5 | (4) | 559,295 |

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
ACN: 609268279
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

| | Note | 2016 | 2015 (Restated) |
|--------------------------------------|------|-----------|--------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 3,856,946 | 647,857 |
| Trade and other receivables | 7 | 1,060,440 | 854,167 |
| Other financial assets | 8 | 94,656 | 205,631 |
| TOTAL CURRENT ASSETS | | 5,012,042 | 1,707,655 |
| NON-CURRENT ASSETS | | | |
| Trade and other receivables | 7 | 949,010 | 716,000 |
| Other financial assets | 8 | 195,097 | 28,500 |
| Property, plant and equipment | 9 | 182,508 | 131,320 |
| Deferred tax assets | | 523,819 | 64,624 |
| Intangible assets | 10 | 155,750 | 68,599 |
| TOTAL NON-CURRENT ASSETS | | 2,006,184 | 1,009,043 |
| TOTAL ASSETS | | 7,018,226 | 2,716,698 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 462,769 | 343,216 |
| Other financial liabilities | 12 | 33,698 | 809,076 |
| Current tax liabilities | | - | 61,874 |
| Provisions | 13 | 496,885 | 374,643 |
| TOTAL CURRENT LIABILITIES | | 993,352 | 1,588,809 |
| NON-CURRENT LIABILITIES | | | |
| Other financial liabilities | 12 | 149,448 | 106,029 |
| Deferred tax liabilities | | 459,300 | 331,200 |
| Provisions | 13 | 7,167 | 1,950 |
| TOTAL NON-CURRENT LIABILITIES | | 615,915 | 439,179 |
| TOTAL LIABILITIES | | 1,609,267 | 2,027,988 |
| NET ASSETS | | 5,408,959 | 688,710 |
| EQUITY | | | |
| Issued capital | 14 | 5,590,082 | 100 |
| Reserves | 14 | 94,448 | - |
| Retained earnings | | (275,571) | 688,610 |
| TOTAL EQUITY | | 5,408,959 | 688,710 |

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

| | Share capital | Option reserve | Retained earning | Total |
|---|------------------|----------------|------------------|------------------|
| Balance at 1 July2014 | 100 | - | (184) | (84) |
| Opening balance adjustment | - | - | 129,499 | 129,499 |
| Restated balance at 1 July 2014 | 100 | - | 129,315 | 129,415 |
| <i>Comprehensive income</i> | | | | |
| Profit for the year | - | - | 559,295 | 559,295 |
| Total comprehensive income for the year | - | - | 559,295 | 559,295 |
| Balance at 30 June2015 / 1 July 2015 | 100 | - | 688,610 | 688,710 |
| <i>Comprehensive income</i> | | | | |
| Profit/(loss) for the year | - | - | (964,181) | (964,181) |
| Total comprehensive income for the year | - | - | (964,181) | (964,181) |
| <i>Transactions with owners, in their capacity as owners, and other transfers</i> | | | | |
| Shares issued during the year | 5,589,982 | - | - | 5,589,982 |
| Total transactions with owners and other transfers | 5,589,982 | - | - | 5,589,982 |
| Share based payment | - | 94,448 | - | 94,448 |
| Balance at 30 June2016 | 5,590,082 | 94,448 | (275,571) | 5,408,959 |

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

| | Note | 2016 | 2015 |
|---|------|--------------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 3,113,072 | 3,512,879 |
| Interest received | | 26,359 | (8,622) |
| Payments to suppliers and employees | | (4,378,927) | (3,380,081) |
| Income tax paid | | (74,160) | 6,559 |
| Net cash provided by (used in) operating activities | 17 | (1,313,656) | 130,735 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (47,241) | (9,743) |
| Purchase of Intangible assets | | (131,578) | (79,300) |
| Loans to Related Party | | (41,000) | - |
| Loans Recovered | | 162,996 | - |
| Cash Received on Disposal of plant and equipment | | 105,419 | - |
| Net cash provided by /(used in) investing activities | | 48,596 | (89,043) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares | | 5,000,000 | - |
| Cash paid for capital raising | | (640,509) | - |
| Proceeds from borrowings | | 200,000 | 767,000 |
| Loans from related parties | | - | (189,376) |
| Finance liability repaid | | (85,342) | (31,264) |
| Net cash provided by financing activities | | 4,474,149 | 546,360 |
| Net increase in cash held | | 3,209,089 | 588,052 |
| Cash and cash equivalents at beginning of financial year | | 647,857 | 59,805 |
| Cash and cash equivalents at end of financial year | 6 | 3,856,946 | 647,857 |

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
ACN:609268279
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Statement of Accounting Policies

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements is presented below and have been consistently applied unless stated otherwise. The functional presentation currency is Australian dollars.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

2. Segment Information

The Group has not identified any reporting segments under AASB 8 during the current and prior financial year.

3. Revenue and Other Income

| | | Consolidated Group | |
|--------------------------------|------|---------------------------|------------------|
| | | 2016 | 2015 |
| (a) Revenue | Note | | (restated) |
| Origination commission | | 2,945,367 | 3,086,335 |
| Fair value of Trail commission | 18 | 427,000 | 919,002 |
| Other service | | 15,316 | 12,423 |
| Total revenue | | 3,387,683 | 4,017,760 |
| | | | |
| Other income | | | |
| Interest | | 26,359 | 3,918 |
| Other | | 44,470 | 31,400 |
| Total other income | | 70,829 | 35,318 |

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.

4. Tax expense

| | | Consolidated Group | |
|--|------|---------------------------|----------------|
| | | 2016 | 2015 |
| (a) The components of tax (expense) income comprise: | Note | | (restated) |
| Current tax | | | 27,958 |
| Deferred tax | 18 | (331,095) | 227,711 |
| | | (331,095) | 255,669 |
| | | | |
| (b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows: | | | |
| Profit/(loss) before income tax | 18 | (1,295,276) | 814,964 |
| At 30% (2015:30%) | | (388,583) | 244,490 |
| Tax effect of: | | | |
| Permanent differences | | 57,488 | 11,179 |
| Income tax (benefit)/expense | 18 | (331,095) | 255,669 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Earnings per share

| | Consolidated Group | |
|--|---------------------------|-------------|
| | 2016 | 2015 |
| (a) Reconciliation of earnings to profit or loss | | (restated) |
| Profit/(loss) | (964,181) | 559,295 |
| Earnings/(loss) used to calculate basic EPS & dilutive | (964,181) | 559,295 |
| (b) Reconciliation of earnings to profit or loss from continuing operations | | |
| Profit from continuing operations | (964,181) | 559,295 |
| Earnings used to calculate basic and dilutive EPS from continuing operations | (964,181) | 559,295 |
| (c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 24,253,895 | 100 |
| Weighted average number of dilutive options outstanding | 568,306 | - |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 24,822,201 | 100 |
| (d) Earnings/(loss) per share – basic (cents) | (4) | 559,295 |
| Earnings/(loss) per share – dilutive (cents) | (4) | 559,295 |

6. Cash and cash equivalents

| | Consolidated Group | |
|--------------------------|---------------------------|----------------|
| | 2016 | 2015 |
| Cash at bank and on hand | 2,856,946 | 647,857 |
| Short-term bank deposits | 1,000,000 | - |
| | 3,856,946 | 647,857 |

7. Trade and other receivables

| | | Consolidated Group | |
|--|------|---------------------------|----------------|
| | Note | 2016 | 2015 |
| | | | (restated) |
| CURRENT | | | |
| Commission receivables | | 285,359 | 304,988 |
| Agent commission clawback receivable | | 193,091 | 161,179 |
| Net present value of future trailing commission receivable | 18 | 581,990 | 388,000 |
| | | 1,060,440 | 854,167 |
| NON-CURRENT | | | |
| Net present value of future trailing commission receivable | 18 | 949,010 | 716,000 |
| | | 949,010 | 716,000 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 following table details the Group's exposure to credit risk with reference to ageing analysis. Amounts are considered as past due when the debt has not been settled with the terms and conditions agreed between the Group and counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

8. Other financial assets

| | Consolidated Group | |
|--------------------------------|---------------------------|-----------------------|
| | 2016 | 2015 |
| CURRENT | | |
| Rental Deposit | 24,990 | 33,635 |
| Loan-receivable - director | - | 155,886 |
| Loan receivable – other entity | 50,000 | 16,110 |
| Other | 19,666 | - |
| | <u>94,656</u> | <u>205,631</u> |
| NON-CURRENT | | |
| Rental deposit | 195,097 | 28,500 |
| | <u>195,097</u> | <u>28,500</u> |

9. Plant and Equipment

| | Consolidated Group | |
|--|---------------------------|-----------------------|
| | 2016 | 2015 |
| PLANT AND EQUIPMENT | | |
| <i>Office equipment</i> | | |
| At cost | 31,834 | 18,858 |
| Accumulated Depreciation on office equipment | (17,543) | (9,928) |
| | <u>14,291</u> | <u>8,930</u> |
| <i>Motor vehicles</i> | | |
| At cost | 142,123 | 194,665 |
| Accumulated Depreciation on motor vehicles | (9,707) | (79,148) |
| | <u>132,416</u> | <u>115,517</u> |
| <i>Furniture & Fittings</i> | | |
| At cost | 45,753 | 11,488 |
| Accumulated Depreciation on Furniture & Fittings | (9,952) | (4,615) |
| | <u>35,801</u> | <u>6,873</u> |
| Total plant and equipment | <u>182,508</u> | <u>131,320</u> |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Movements in Carrying amounts

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

| | Office Equipment | Motor Vehicles | Furniture &Fittings | Total |
|--------------------------------|---------------------|-------------------|------------------------|----------------|
| Balance at 1 July 2014 | 6,477 | 154,022 | 6,492 | 166,991 |
| Additions | 7,758 | - | 1,985 | 9,743 |
| Disposals | - | - | - | - |
| Depreciation expense | (5,305) | (38,505) | (1,604) | (45,414) |
| 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 |

10. Intangible assets

| | Consolidated Group | |
|--------------------------------|--------------------|------------------|
| | 2016 | 2015 |
| Website and IT system | | |
| -Cost | 213,106 | 81,527 |
| -Accumulated amortisation | (57,356) | (12,928) |
| | 155,750 | 68,599 |
| | | IT system |
| Balance at 1 July 2014 | | 1,714 |
| Additions | | 79,300 |
| Amortisation | | (12,415) |
| Balance at 30 June 2015 | | 68,599 |
| Additions | | 131,578 |
| Amortisation | | (44,427) |
| Balance at 30 June 2016 | | 155,750 |

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of profit or loss.

11. Trade and other payables

| | Consolidated Group | |
|------------------------------|--------------------|----------------|
| | 2016 | 2015 |
| Trade payables | 160,286 | 134,355 |
| Employee payables | 167,405 | 137,603 |
| Other creditors and accruals | 135,078 | 71,258 |
| | 462,769 | 343,216 |

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Other financial liabilities

| | Consolidated Group | |
|-----------------------------|---------------------------|-----------------------|
| | 2016 | 2015 |
| CURRENT | | |
| Other financial liabilities | 33,698 | 42,076 |
| Convertible Note | - | 767,000 |
| | <u>33,698</u> | <u>809,076</u> |
| NON CURRENT | - | |
| Other financial liabilities | 149,448 | 106,029 |
| | <u>149,448</u> | <u>106,029</u> |

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

| | Convertible Note |
|------------------------------|-----------------------------|
| As at 1 July 2014 | - |
| Borrowed | 767,000 |
| Settled | - |
| As at 30 June 2015 | <u>767,000</u> |
| Borrowed | 200,000 |
| Derivative expense | 241,750 |
| Settled with issue of shares | (1,208,750) |
| As at 30 June 2016 | <u><u>-</u></u> |

13. Provisions

| | Consolidated Group | |
|--------------------------|---------------------------|-----------------------|
| | 2016 | 2015 |
| CURRENT | | |
| Employee provision | 42,863 | 44,526 |
| Provisions for Claw back | 454,022 | 330,117 |
| Total | <u>496,885</u> | <u>374,643</u> |
| NON-CURRENT | | |
| Long service leave | 7,167 | 1,950 |
| | <u>7,167</u> | <u>1,950</u> |

Provision for claw back

Provision for claw back represented the estimate of commission to be clawed back by the lenders after loans are terminated before a specified period, which is generally no more than 2 years. The estimate is made mainly based on the historical record of claw back.

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave. The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

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The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service. The probability of long service leave being taken is based on historical data.

14. Capital and reserve

| | Consolidated Group | |
|----------------------------|---------------------------|-------------|
| | 2016 | 2015 |
| Fully paid ordinary shares | 5,590,082 | 100 |
| Option reserve | 94,448 | - |
| | 5,684,530 | 100 |

The company has authorised share capital amounting to 81,043,750 ordinary shares.

Ordinary Shares

| | Consolidated Group | |
|-----------------------------|---------------------------|-------------|
| | 2016 | 2015 |
| As at beginning of the year | 100 | 100 |
| Issuance of new shares | 6,208,750 | - |
| Capital raising costs | (618,768) | - |
| | 5,590,082 | 100 |

On 18 March 2016, the company issued 25,000,000 ordinary shares at \$0.20 each to new shareholders who subscribed shares through the IPO of the company.

On 10 March 2016, the company issued 50,000,000 shares to Mr Ren Hor Wong and 6,043,750 to Convertible Noteholders in exchange of 100% shareholdings of N1 Loans Pty Ltd.

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' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

Capital management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital, convertible notes and other financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. No debt has been retired during the current year.

15. Contingent liabilities and Contingent assets

There has been no contingent Liabilities or contingent assets as at 30 June 2016 (2015: nil).

16. Events occurring after the reporting period

On 17 August 2016, N1 Loans Pty Ltd acquired loan trail book from Aura Private Wealth Pty Ltd (ACN 158 184 000) with total consideration of \$336,661.50 excluding GST.

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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Cash flow information

| | Consolidated Group | |
|---|---------------------------|----------------|
| | 2016 | 2015 |
| Reconciliation of Cash/(loss) Flows from Operating Activities with Profit after Income Tax | | |
| Profit/(loss) after income tax | (964,181) | 559,295 |
| Depreciation & Amortisation | 80,887 | 57,829 |
| Gain on sales of motor vehicle | (3,703) | - |
| Finance cost – convertible note discount | 241,750 | - |
| (Increase)/decrease in trade and other receivables | (439,283) | (854,884) |
| Increase in other current assets | 26,255 | - |
| Increase in other financial assets | (191,587) | - |
| Increase/(decrease) in trade payables and accruals | 119,554 | 65,759 |
| Increase/(decrease) in provisions | 127,459 | 75,024 |
| Share option scheme | 94,448 | - |
| (Increase)/decrease in deferred tax assets or liabilities | (331,095) | 227,712 |
| (Decrease)/increase in tax payable | (74,160) | - |
| Cash flows from operating activities | (1,313,656) | 130,735 |

18. Change of Accounting Policies

The Group has changed the accounting policy in relation with the recognition of its trailing income receivable during the financial year. The Group started to recognise the net present value of all the future trailing income as an asset on the balance sheet when the entitlement is established in accordance with Australian Accounting Standards. As a result of the change, each of the affected financial statement line items has been restated for the prior periods as follows

| Balance Sheet (extract) | 30 June 2014 | Increase | 30 June 2014 (restated) | 30 June 2015 | Increase | 30 June 2015 (restated) |
|--|-------------------------|-----------------|--|-------------------------|-----------------|--|
| Trade and other receivable | 341,638 | 184,998 | 526,636 | 466,167 | 1,104,000 | 1,570,167 |
| Deferred tax liability | - | 55,499 | 55,499 | - | 331,200 | 331,200 |
| Net assets | (84) | 129,499 | 129,415 | (84,090) | 772,800 | 688,710 |
| Retained earning | (184) | 129,499 | 129,315 | (84,190) | 772,800 | 688,610 |
| Total equity | (84) | 129,499 | 129,415 | (84,090) | 772,800 | 688,710 |
| Profit or Loss and other comprehensive income(extract) | | | 2015 | Profit Increase | | 2015 (restated) |
| Revenue | | | 3,130,158 | 919,002 | | 4,049,160 |
| Profit/(loss) before tax | | | (104,038) | 919,002 | | 814,964 |
| Income tax expense/(benefit) | | | (20,032) | 275,701 | | 255,669 |
| Profit/(loss) after tax | | | (84,006) | 643,301 | | 559,295 |