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 financial year ended 30 June 2021 (**FY21**) to shareholders.

The financial year has seen a significant growth in the Company's revenue, EBITDA and profitability. The Company generated revenue of $5.39m (FY20: $4.14m), which represents a growth of 30.2% to revenue in FY20 and delivered a net profit of $132,042 (FY20: loss $1.81m). EBITDA has improved to $1,130,766 (FY20: loss of $876,214).

	2021 $	**2020 $**
Profit / Loss before income tax	132,042	(1,850,718)
Add: Depreciation and amortisation	630,244	632,915
Add: Interest expense – Corporate*	368,480	341,589
EBITDA	**$1,130,766**	**(876,214)**

* Interest expenses and interest income from commercial loan receivables are included in the EBITDA. The EBITDA only excludes the interest expenses relating to the corporate loans and bank loans for realty rent roll.

During FY21, the Company has pivoted to become a direct lender, property financier and mortgage fund investment manager. It has continued the momentum of growth in its business niche of direct lending to small-to-medium enterprise (**SME**), lending from the Company's balance sheet and the One Lending Fund (**Fund**). The Fund is operated through the Company's Asset Management arm, N1 Asset Management, which holds an Australian Financial Services licence (AFSL number 477879).

The Company's SME direct lending business captures the monumental demand unfulfilled by banks and credit institutions and has become the most prominent revenue driver for the Company. In FY21, the SME direct lending revenue was $3.44m (FY20: $2.29m), which represents 64% of the total group revenue and a 51% increase compared to the revenue in FY20. Management fees received by N1 Asset Management from One Lending Fund was $851,490 in FY21 (FY20: $898,455).

The revenue of One Lending Fund was $2.94m (unaudited) for FY21 (FY20 $2.26m), which is not consolidated into the Company's balance sheet as the Fund is a separate SME lending fund managed by N1 Asset Management, a 100% owned subsidiary of N1H. Total funds under management as of 30 June 2021 amounted to $23.48m, an increase from the amount of $17.44m as at 30 June 2020.

It is worth noting that the Company has successfully established a new funding source for the SME direct lending business just at the end of FY21, which effectively more than doubled the fund size. This will have a material impact on the financial performance of the Company in the new financial year. However, past performance shown by the previous funding size is not indicative of the Company's future performance.

As previously announced on ASX, the Company has committed nearly AUD$70m into SME lending capital in July 2021, which allows the Company to continue to extend its profitable position. This demonstrates the scalability of N1's business, which can be achieved by expanding the Company's lending capacity or increasing the size of its funding to cater for an ever-increasing SME financing demand. The promising results in FY21 demonstrated the potential for SME direct lending to upscale the Company's cashflow, profitability, and revenue growth. It is important that the Company continues its growth through further capital raisings to fulfil the rise in demand of SME debt financing. The Company has streamlined its core business processes to capitalise on the rising demand of SME financing while exercising sound capital risk management via property-backed lending.

Notwithstanding the shift of the Company's core business into being a direct SME lender, the Company's broking business continues to thrive and has since reinitiated the accumulation of recurring trail income, attaining an asset value of $576,346 that steadily increases on a monthly basis.

As announced in the Company's previous Appendix 4E for FY20, ASIC has granted additional Australian Financial Services Licence (**AFSL**) authorisations to N1 Venture Pty Limited in February 2020. This enabled N1 Asset Management to operate its own wholesale funds, allowing it to save on operational costs and eliminate the need for a third-party trustee services provider. With these additional authorisations, the Company plans to develop new businesses in funds management and trustee services. These new business arms will be complementary to the existing services we provide to our clients. Moreover, the Company would transition from a cost-incurring party in the funds management and trustee services sector to a revenue-generating service provider. Management of the Company will soon implement a set of actions to enter this highly complementary sector, utilising the sunken fixed cost to further fuel revenue growth. The growth in advisory revenue in this financial year is a clear illustration of management's commitment to revenue growth.

The Company has steered its growth strategy into business to business (**B2B**) financial advisory services since FY19 and have successfully implemented this strategy since FY20. Given the Company's core business of SME direct lending in the reported financial year and its new revenue sources from funds management and trustee services, the Company's marketing campaign targets businesses of any nature. The targeted B2B marketing strategy is undoubtedly a major component of the Company's growth plan that will allow the Company to focus on a narrower audience and produce a better and more efficient return on the cost of client acquisition.

The COVID-19 pandemic has had a significant impact on global economies and Australia is no exception. This has unfortunately caused disruption to the workings of society and economy well into the reported financial year. The Company has implemented various measures to support the health and wellbeing of its staff as well as the viability of all business units. At the same time, the Company's robust risk management framework continues to mitigate the adverse impact of the health crisis. The nature of our business requires us to make difficult decisions in this environment. At times of economic downturn, businesses under financial strain would require funding to survive while businesses that thrive during these times may need more capital to fuel their growth. Fortunately, the Company has close to a decade of credit experience, having settled over billions of dollars' worth of loans since inception. The Company possesses a unique advantage in the market that enables it to identify and select quality borrowers when faced with an extensive pipeline of enquiries from SME borrowers.

The Company has entered the new financial year with an unexpected, prolonged lockdown from June 2021 in Sydney and Melbourne, two of the most prominent markets of our business. This by far has not had material impact on the Company's ability to grow. Nonetheless, management is keeping a close watch of the unfolding situation and will exercise sound risk management and follow guidelines as documented in the Company's Business Sustainability Plan. Management is conscious of its social responsibility and its role in preserving shareholder value.

N1 Holdings Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	N1 Holdings Limited
ACN:	609 268 279
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	30.2%	to	5,388,462
Profit from ordinary activities after tax	up	N/A	to	132,042
Profit for the year	up	N/A	to	132,042

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

Comments
The profit for the Group after providing for income tax amounted to $132,042 (30 June 2020: loss of $1,816,685).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(3.34)	(3.61)

The previous period's net tangible assets ("NTA") has been restated to conform with the reporting period's NTA calculation in relation to right of use asset and the corresponding lease liabilities.

4. Control gained over entities

Name of entities (or group of entities)	Zillion Finance Pty Ltd
Date control gained	31 July 2020
Name of entities (or group of entities)	N1 WH2 Pty Ltd
Date control gained	6 June 2021

Zillion Finance Pty Ltd was acquired on 31 July 2020. It has been fully owned by the Group since acquisition.

N1 WH2 Pty Ltd was incorporated on 6 June 2021, it has been fully owned by the Group since incorporation.

5. Loss of control over entities

Not applicable.

6. Dividends

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

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	**Reporting period %**	**Previous period %**	**Reporting period $**	**Previous period $**
1573 Pty Ltd	-	33.30%	-	-
Loan 77 Pty Ltd	50.00%	50.00%	-	-
RN2 Pty Ltd	-	50.00%	-	-
N1X Capital Pty. Ltd.	-	40.00%	-	-
Aura N1 Lending Pty Ltd	50.00%	-	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	-
Income tax on operating activities			-	-

N1X Capital Pty Ltd had no trading activity during the period. $40 in share capital was invested in N1X Capital Pty Ltd by N1 Venture Pty Ltd in the previous period. N1X Capital Pty Ltd was deregistered on 3 September 2020.

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.

RN2 Pty Ltd had no trading activity during the period. $50 in share capital was invested in RN2 Pty Ltd by N1 Holdings Pty Ltd in the previous period. RN2 Pty Ltd was deregistered on 18 October 2020.

1573 Pty Ltd had no trading activity during the period. $10 in share capital was invested in 1573 Pty Ltd by N1 Holdings Pty Ltd. 1573 Pty Ltd was sold to Ren Hor Wong on the 22nd of June 2021.

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.

9. Foreign entities

Not applicable.

10. Audit qualification or review

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.

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11. Attachments

Refer to the attached unaudited financial statements and related notes.

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12. Signed

Signed ______________________________ Date: 31 August 2021

N1 Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Revenue from continuing operation	3	5,388,462	4,139,470
Other income	4	412,184	347,459
Expenses			
Consulting and referral fees		(926,721)	(922,239)
Employee cost		(2,319,574)	(2,474,296)
IT and technology		(3,859)	(6,092)
Sales and marketing		(56,993)	(111,846)
Rent and utilities		(30,823)	(108,538)
Professional fee		(330,517)	(394,474)
Office and administrative expense		(186,507)	(231,478)
Finance cost		(1,159,917)	(1,040,081)
Travel cost		(18,327)	(46,746)
Depreciation and amortisation		(630,244)	(632,915)
Other operation cost		(3,701)	(24,694)
Loss from write-off of other financial assets		(1,421)	(344,248)
Profit/(loss) before income tax benefit		132,042	(1,850,718)
Income tax benefit		-	34,033
Profit/(loss) after income tax benefit for the year		132,042	(1,816,685)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		132,042	(1,816,685)
		Cents	**Cents**
Basic earnings per share	1	0.2	(2.2)
Diluted earnings per share	1	0.2	(2.2)

N1 Holdings Limited
Consolidated statement of financial position
As at 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Assets			
Current assets			
Cash and cash equivalents		3,211,848	2,781,579
Trade and other receivables	5	1,321,890	474,423
Contract assets	6	235,139	116,141
Commercial loan receivables	7	6,600,583	5,478,000
Other financial assets	8	371,507	421,507
Other current assets		152,455	81,491
Total current assets		11,893,422	9,353,141
Non-current assets			
Contract assets	6	341,207	181,948
Investments in associate and joint venture	9	51	150
Other financial assets	10	167,047	172,048
Property, plant and equipment	11	1,586,953	2,024,254
Deferred tax assets		213,225	163,185
Intangible assets	12	1,270,831	1,340,100
Other non-current assets		245,803	247,357
Total non-current assets		3,825,117	4,129,042
Total assets		15,718,539	13,482,183
Liabilities			
Current liabilities			
Trade and other payables		995,150	499,173
Contract liabilities		11,291	6,196
Loan and borrowings	13	5,726,081	6,439,930
Lease liabilities	14	340,045	332,254
Deferred income		121,786	67,618
Provisions		152,909	121,970
Total current liabilities		7,347,262	7,467,141
Non-current liabilities			
Contract liabilities		16,383	9,706
Loan and borrowings	13	8,441,073	5,965,853
Lease liabilities	14	1,070,940	1,410,984
Deferred tax liabilities		213,225	163,185
Provisions		114,811	82,511
Total non-current liabilities		9,856,432	7,632,239
Total liabilities		17,203,694	15,099,380
Net liabilities		(1,485,155)	(1,617,197)
Equity			
Issued capital		5,654,061	5,654,061
Reserves	15	206,524	206,524
Retained earnings		(7,345,740)	(7,477,782)
Total deficiency in equity		(1,485,155)	(1,617,197)

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

N1 Holdings Limited
Consolidated statement of changes in equity
For the year ended 30 June 2021

Consolidated	Issued capital $	Reserves $	Retained profits $	Total deficiency in equity $
Balance at 1 July 2019	5,688,093	206,524	(5,661,097)	233,520
Loss after income tax benefit for the year	-	-	(1,816,685)	(1,816,685)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(1,816,685)	(1,816,685)
Transactions with owners in their capacity as owners:				
Recovery of deferred tax on IPO cost	(34,032)	-	-	(34,032)
Balance at 30 June 2020	5,654,061	206,524	(7,477,782)	(1,617,197)

Consolidated	Issued capital $	Reserves $	Retained profits $	Total deficiency in equity $
Balance at 1 July 2020	5,654,061	206,524	(7,477,782)	(1,617,197)
Profit after income tax expense for the year	-	-	132,042	132,042
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	132,042	132,042
Balance at 30 June 2021	5,654,061	206,524	(7,345,740)	(1,485,155)

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

N1 Holdings Limited
Consolidated statement of cash flows
For the year ended 30 June 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Cash flows from operating activities			
Receipts from customers		4,747,155	4,237,433
Receipt of government grants		380,885	252,246
Interest received from bank deposit		3,406	13,880
Net proceeds from disposal of trail book		-	1,790,887
Payments to suppliers and employees		(3,791,931)	(4,741,486)
Net increase in fund lent as commercial loans		(1,122,583)	(2,725,500)
Net Increase in fund received for commercial loans		1,860,000	5,070,000
Interest and other finance costs paid for commercial loans		(779,364)	(530,397)
Net cash from operating activities		1,297,568	3,367,063
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(4,142)	(76,526)
Purchase of Intangible assets	12	(102,481)	-
Investment in other financial assets		(9,120)	(113,335)
Investment in associates and joint ventures		(1)	(110)
Loans to related parties		(517)	(1,085)
Loan to third parties		50,000	-
Net cash used in investing activities		(66,261)	(191,056)
Cash flows from financing activities			
Proceeds from borrowings and loans		100,000	1,261,262
Repayment of borrowings and loans		(182,390)	(1,773,762)
Payment of finance cost and interest		(314,729)	(468,592)
Repayment of other financial liability		(16,941)	(15,387)
Repayment of lease liabilities and interest expense		(386,978)	(317,481)
Net cash used in financing activities		(801,038)	(1,313,960)
Net increase in cash and cash equivalents		430,269	1,862,047
Cash and cash equivalents at the beginning of the financial year		2,781,579	919,532
Cash and cash equivalents at the end of the financial year		3,211,848	2,781,579

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

Note 1. Earnings per share

	Consolidated 2021 $	2020 $
Profit/(loss) after income tax	132,042	(1,816,685)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	81,555,573	81,555,573
Weighted average number of ordinary shares used in calculating diluted earnings per share	81,555,573	81,555,573
	Cents	**Cents**
Basic earnings per share	0.2	(2.2)
Diluted earnings per share	0.2	(2.2)

Note 2. Operating segments

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

Financial services

This segment refers to the operating activities in the area of financial service business mainly including:
- Mortgage broking
- Commercial loan lending
- Advisory service

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

The Group lends the privately raised funds to commercial borrowers and earns loan facility set up related fees and interest income.

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. The services currently are focused on rental property management and property sales agent service.

Migration services

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

Other segments represent the services provided by the Group other than the above three categories, like revenue from investment activities.

Note 2. Operating segments (continued)

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.

Operating segment information

	Financial services	Real estate services	Migration services	Other	Total
Consolidated - 2021	$	$	$	$	$
Revenue					
Revenue	4,874,021	430,725	83,717	-	5,388,463
Interest	2,699	-	17	690	3,406
Other income	335,099	20,973	34,900	17,807	408,779
Total revenue	5,211,819	451,698	118,634	18,497	5,800,648
Segment operating profit/(loss) before income tax	1,730,844	11,135	(3,266)	(1,606,671)	132,042
Profit/(loss) before income tax expense	1,730,844	11,135	(3,266)	(1,606,671)	132,042
Income tax expense					-
Profit after income tax expense					132,042
Material items include:					
Depreciation and amortisation expense	331,699	171,270	-	127,275	630,244
Interest expense	844,247	33,757	32	281,881	1,159,917
Assets					
Segment assets	12,494,188	2,614,947	66,948	542,456	15,718,539
Total assets					15,718,539
Liabilities					
Segment liabilities	13,164,532	4,633,035	138,516	(732,389)	17,203,694
Total liabilities					17,203,694

Note 2. Operating segments (continued)

	Financial services	Real estate services	Migration services	Other	Total
Consolidated - 2020	$	$	$	$	$
Revenue					
Revenue	3,539,465	443,073	57,880	99,051	4,139,469
Interest	11,434	1,212	30	1,204	13,880
Other income	233,579	11,615	19,000	69,386	333,580
Total revenue	3,784,478	455,900	76,910	169,641	4,486,929
Segment operating profit/(loss) before income tax	(413,924)	(76,502)	(51,524)	(1,308,768)	(1,850,718)
Loss before income tax benefit	(413,924)	(76,502)	(51,524)	(1,308,768)	(1,850,718)
Income tax benefit					34,033
Loss after income tax benefit					(1,816,685)
Material items include:					
Depreciation and amortisation expense	260,895	232,751	-	139,269	632,915
Interest expense	700,866	46,977	139	292,099	1,040,081
Assets					
Segment assets	10,765,150	2,481,283	29,945	205,805	13,482,183
Total assets					13,482,183
Liabilities					
Segment liabilities	13,166,042	4,510,506	98,246	(2,675,414)	15,099,380
Total liabilities					15,099,380

Note 3. Revenue from continuing operation

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

	Consolidated	
	2021	**2020**
	$	**$**
Mortgage brokering and commercial lending origination commission	699,472	998,021
Mortgage brokering trail commission	210,460	155,256
Net movement in trail commission asset valuation	266,485	72,740
Commercial lending fee and interest	3,444,603	2,288,449
Real estate service	430,725	443,074
Migration service	83,717	57,880
Advisory service	253,000	25,000
Other service	-	99,050
	5,388,462	4,139,470
Geographical regions		
Australia	5,388,462	4,139,470

Timing of revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The analysis of the revenue recognition point is as below:

Note 3. Revenue from continuing operation (continued)

	2021 At point in time $	2021 Over time $	2020 At point in time $	2020 Over time $
Mortgage brokering and commercial lending origination commission	699,472	-	998,021	-
Trail commission	476,945	-	227,996	-
Commercial lending fee and interest	1,925,429	1,519,174	1,504,595	783,854
Real Estate service	67,743	362,982	62,629	380,445
Migration service	83,717	-	57,880	-
Advisory service	253,000	-	25,000	-
Other service	-	-	99,050	-
	3,506,306	1,882,156	2,975,171	1,164,299

AASB 15 Revenue from Contracts with Customers

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 recognise commission as revenue upon the settlement of loans when the performance obligation is completed.

The deferral of some of the commission as a trailing commission is a mechanism by which the lender is incentivising the broker 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, trailing commission is also recognised as revenue upon settlement of loans and at the same time, the right to trailing commission is now recognised as a contract asset on balance sheet (where it was classified under trade and other receivable in prior period report). 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 trailing commission is established 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 was recognised at its transactions price and the trailing commission is recognised by using expected value approach constrained by avoiding possible future downward revenue adjustments (i.e., revenue reversals).

The Group is a principal because it controls its service activities during the loan application process and 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 service
The Group enters into contracts to lend the privately raised funds to commercial borrowers. Under these contracts, the Group provides loan services and earns commercial lending fees and interest from those lending activities. Commercial lending fees are recognised as revenue when the loan facility is set up. Interest income generated from the commercial lending is recognised when it is earned over time.

Management fees received from funds under management are recognised when derived.

Note 3. Revenue from continuing operation (continued)

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 the service has been 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 of unconditional exchange of contracts between vendors and purchasers.

Render of other services (including migration service)

Revenue is recognised in the accounting period in which the services are rendered. For fixed-price services, revenue is recognised based on the actual services 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 when the change in circumstances become known to management.

Interest
Interest revenue is recognised using the effective interest method. This is a method of calculating the amortised cost of financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 4. Other income

	Consolidated	
	2021	**2020**
	$	**$**
Gain/(loss) on revaluation of financial asset	(786)	58,713
Government grants	380,885	252,246
Interest income	3,406	13,880
Other income	28,679	22,620
Other income	412,184	347,459

Note 5. Trade and other receivables

	Consolidated	
	2021	**2020**
	$	**$**
Commission receivables	1,301,728	453,433
Agent commission clawback receivable	20,162	20,990
	1,321,890	474,423

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 flow and solely for payments of trade and other receivables).

Note 5. Trade and other receivables (continued)

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

Simplified approach is adopted to assess the impairment of trade and other receivables. Under simplified approach, life time expected credit loss estimated based on historical incurred and forward expected credit loss will both be examined and assessed to determine the amount of impairment as at reporting date. Specifically, the Group will apply credit loss factors determined from estimation of customer default probability and loss percentage on current observable data which may 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 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 2020: nil). As at 30 June 2021, the amount of all trade and other receivables past due is $888,945 (2020: $208,420).

Note 6. Contract assets

	Consolidated	
	2021	**2020**
	$	**$**
Contract assets - current	235,139	116,141
Contract assets - non-current	341,207	181,948

The contract asset relates to future trailing income. It is recognised and measured by using expected value 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 trailing commission is invoiced to the aggregator.

	2021	2020
	$	$
Reconciliation of the contract assets at the beginning and end of the current financial year are set out below:		
Opening balance	298,089	212,839
Expected trail commission from new loans since 1 July 2020 and commissions step up	488,717	240,506
Trail commission received	(210,460)	(155,256)
	576,346	298,089

Note 7. Commercial loan receivables

	Consolidated	
	2021	**2020**
	$	**$**
Commercial loan receivables	6,600,583	5,478,000

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.

The commercial loan balance represents the outstanding amounts owed.

Loan receivables are initially recognised at fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of the loan (as defined in para 5.1.1 in AASB 9) and subsequently measured at amortised cost (on the basis that the Group's business model is to hold and collect contractual cash flow and solely for payments of principals and interest on principal amount outstanding (as defined in para 4.1.2 in AASB 9).

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.

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 takes into consideration the collateral in making credit risk assessment.

The Group recognises loss allowances at an amount equal to lifetime (normally less than 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 at 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).

The Group analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate ECL. Other current observable data may 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.

Note 8. Other financial assets

	Consolidated 2021 $	2020 $
Other financial assets	371,507	421,507

Other financial assets represent investment loan receivable and they are initially recognised at fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of the loan (as defined in para 5.1.1 in AASB 9) and subsequently measured at amortised cost (on the basis that the Group's business model is to hold and collect contractual cash flow and solely for payments of principals and interest on principal amount outstanding (as defined in para 4.1.2 in AASB 9).

Note 9. Investments in associate and joint venture

	Consolidated 2021 $	2020 $
Investment in associate 1573 Pty Ltd	-	10
Investment in associate N1X Capital Pty. Ltd.	-	40
Investment in joint venture Loan 77 Pty Ltd	50	50
Investment in joint venture RN2 Pty Ltd	-	50
Investment in Aura N1 Lending Pty Ltd	1	-
	51	150

Investment in associates and joint ventures are accounted for using the equity method. Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group’s share of the profit or loss of the investee after the date of acquisition. The Group’s share of the investee’s profit or loss is recognised in the Group’s profit or loss. Distributions received from an investee reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group’s proportionate interest in the investee arising from changes in the investee’s other comprehensive income. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group’s share of those changes is recognised in other comprehensive income.

Note 10. Other financial assets

	Consolidated 2021 $	2020 $
Investment in Stropro Technologies Pty Ltd	157,927	158,713
Investment in Vaikuntha Pty Ltd	-	13,335
Investment in Bluebet Holdings Ltd	9,120	-
	167,047	172,048

Other investments are financial assets at fair value through profit or loss which are equity interests owned by the Group. They are initially measured at fair value with subsequent changes in fair value recognised in profit or loss.

Note 11. Property, plant and equipment

	Consolidated 2021 $	Consolidated 2020 $
Office equipment	99,021	94,879
Less: Accumulated depreciation	(84,042)	(71,431)
	14,979	23,448
Motor vehicles	74,329	74,329
Less: Accumulated depreciation	(57,895)	(52,417)
	16,434	21,912
Furniture & fittings	586,041	586,041
Less: Accumulated depreciation	(386,077)	(335,820)
	199,964	250,221
Office - right-of-use	1,762,521	2,036,204
Less: Accumulated depreciation	(406,945)	(307,531)
	1,355,576	1,728,673
	1,586,953	2,024,254

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.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Depreciation

The depreciable amount of all plant and equipment and is depreciated on a diminishing basis over the asset's useful 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 50%.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities. The range of lease terms for current leases are between 1 to 5 years.

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.

Note 11. Property, plant and equipment (continued)

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

Consolidated	Office Equipment $	Motor Vehicles $	Furniture & Fittings $	Office - right-of-use $	Total $
Balance at 1 July 2019	19,256	29,216	244,882	-	293,354
Additions by application of AASB16	-	-	-	657,552	657,552
Additions	20,596	-	55,931	1,378,652	1,455,179
Depreciation expense	(16,404)	(7,304)	(50,592)	(307,531)	(381,831)
Balance at 30 June 2020	23,448	21,912	250,221	1,728,673	2,024,254
Additions	4,142	-	-	-	4,142
Write off of assets by lease expired	-	-	-	(273,683)	(273,683)
Write off of accumulated depreciation by lease expired	-	-	-	273,683	273,683
Depreciation expense	(12,611)	(5,478)	(50,257)	(373,097)	(441,443)
Balance at 30 June 2021	14,979	16,434	199,964	1,355,576	1,586,953

The motor vehicles were acquired via finance lease.

The Group entered into a new 5 year office lease with ARE Noble Pty Ltd starting from 15 September 2020. The rental premises is at 77 King Street, Sydney, 2000.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 4.765% and 3.937% respectively with the current two leases. The rate is determined by referring to the interest rate on the group's existing loans with similar terms. Lease terms are based on signed agreements.

Note 12. Intangible assets

	Consolidated	
	2021 **$**	**2020** **$**
Goodwill	536,216	536,216
Finance licence	99,988	-
Rent roll	2,217,048	2,217,048
Less: Accumulated amortisation	(1,623,412)	(1,460,142)
	593,636	756,906
Website and IT system	344,785	328,957
Less: Accumulated amortisation	(303,794)	(281,979)
	40,991	46,978
	1,270,831	1,340,100

Note 12. Intangible assets (continued)

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 (b) $	Website and IT system (c) $	Total $
Balance at 1 July 2019	536,216	-	976,671	78,298	1,591,185
Amortisation/written-down	-	-	(219,765)	(31,320)	(251,085)
Balance at 30 June 2020	536,216	-	756,906	46,978	1,340,100
Additions	-	99,988	-	15,828	115,816
Amortisation/written-down	-	-	(163,270)	(21,815)	(185,085)
Balance at 30 June 2021	536,216	99,988	593,636	40,991	1,270,831

Note: An amount of $13,225 was paid for the finance licence in the previous financial year and was recorded in other financial assets.

a) Goodwill
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.

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.

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 testing of the goodwill. The goodwill balance at the reporting date only relates the real estate services segment.

Growth rate: 2%	Growth rate is based on management's estimated inflation rate.
Pre-tax discount rate: 12%	Pre-tax discount rate reflects the specific risks relating to the real estate agency industry in Australia.
Terminal value:	Terminal value is based on the third year budgeted net cash flow, the pre-tax discount rate of 12% and the growth rate of 2%.

b) Rent Roll Assets

	Consolidated 2021 $	2020 $
Rent Roll – Cost	2,217,048	2,217,048
Rent Roll – Written-down	(1,623,412)	(1,460,142)
Rent Roll – Net	593,636	756,906

Note 12. Intangible assets (continued)

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.

c) Website and IT System

	Consolidated 2021 $	Consolidated 2020 $
Website and IT system – Cost	344,785	328,957
Website and IT system – Accumulated amortisation	(303,794)	(281,979)
Website and IT system – Net	40,991	46,978

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 13. Loan and borrowings

	Consolidated 2021 $	Consolidated 2020 $
Current		
Bank loan (i)	104,780	52,390
Loan received for commercial lending (ii)	3,900,000	5,450,000
Convertible debt (iii)	1,000,000	370,000
Loan from other lenders (iv)	700,000	530,000
Finance lease payable - current	21,301	37,540
	5,726,081	6,439,930

	Consolidated 2021 $	Consolidated 2020 $
Non-current		
Bank loan (i)	681,073	785,853
Loan received for commercial lending (ii)	6,810,000	3,400,000
Convertible debt (iii)	370,000	1,000,000
Loan from other lenders (iv)	580,000	780,000
	8,441,073	5,965,853

Note 13. Loan and borrowings (continued)

i) The bank loan borrowed from National Australia Bank was renewed in May 2020. The repayment term of the loan is 3 years expiring 31 March 2023. The interest is 3.879% per annum with principal and interest repayments in accordance with the amended loan agreement. The loan is secured by the Sydney Boutique Property rent roll. The outstanding loan balance as at 30 June 2021 is $785,853 (30 June 2020: $838,243).

ii) Loan received for commercial lending is the funds being raised for commercial loan lending to customers. They are unsecured. Key information of these loans are detailed in the table below.

	Repayment term	Drawdown amount	Drawdown date	Balance at 30/06/2021	Interest rate (per annum)
Private loan batch#1	6 months rolling **	2,000,000	01/10/2019	2,000,000	6.00%
Private loan batch#2	6 months rolling **	1,000,000	15/11/2019	1,000,000	6.00%
Private loan batch#3	2 years **	200,000	22/11/2019	200,000	10.00%
Private loan batch#4	1.5 years **	100,000	16/03/2020	100,000	8.00%
Private loan batch#5	2 years **	600,000	01/09/2020	600,000	10.00%
Private loan batch#6	2 years **	600,000	15/10/2020	600,000	8.00%
Private loan batch#7	1 year**	100,000	21/10/2020	100,000	8.00%
Private loan batch#8	2 years **	500,000	30/12/2020	500,000	8.00%
Private loan batch#9	1 year **	100,000	26/02/2021	100,000	7.00%
Private loan batch#10	2 years **	1,200,000	10/03/2021	1,200,000	7.00%
Private loan batch#11	1 year **	100,000	01/04/2021	100,000	10.00%
Private loan batch#12	2 years **	2,900,000	01/05/2021	2,900,000	8.00%
Private loan batch#13	1 year **	100,000	09/05/2021	100,000	7.00%
Private loan batch#14	2 years **	150,000	11/05/2021	150,000	8.00%
Private loan batch#15	1 year **	200,000	01/06/2021	200,000	7.00%
Private loan batch#16	2 years **	360,000	01/06/2021	360,000	8.00%
Private loan batch#17	2 years **	400,000	24/06/2021	400,000	7.00%
Private loan batch#18	2 years **	100,000	01/07/2021	100,000	7.00%
		10,710,000		10,710,000	

** Interest only

iii) Convertible debt

	Consolidated 2021 $	Consolidated 2020 $
As at the beginning of the period	1,370,000	1,370,000
As at end of the period	1,370,000	1,370,000

In FY17, the Company issued 1.85 million unlisted 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. In addition, the interest rate has been amended from 10% to 8% pa which will take effect on and from 12 May 2021.

On 27 September 2017, the Company issued 5 million unlisted unsecured convertible notes with a total value of $1,000,000. 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 27 September 2021.

iv) Loan from other lenders

Note 13. Loan and borrowings (continued)

	Repayment term	Drawdown amount	Drawdown date	Balance at 30/06/2021	Interest rate (per annum) %
Private loan batch#1	4 years**	200,000	01/09/2017	200,000	10.00%
Private loan batch#2	4 years**	200,000	01/01/2018	200,000	10.00%
Private loan batch#3	2 years**	380,000	01/05/2021	380,000	8.00%
Private loan batch#4	1 year**	300,000	01/06/2021	300,000	6.00%
Private loan batch#5	2 years**	200,000	10/06/2021	200,000	7.00%
		1,280,000		1,280,000	

** Interest only

Note 14. Lease liabilities

	Consolidated 2021 $	Consolidated 2020 $
Lease liability - current	340,045	332,254
Lease liability - non-current	1,070,940	1,410,984

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 15. Reserves

	Consolidated 2021 $	Consolidated 2020 $
Options reserve	206,524	206,524

The Group operates an employee share and option plan.

Note 15. Reserves (continued)

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 and Black Scholes 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.

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

(b) Options granted under the Employee Option Plan:

	2021 Average exercise price per Option $	2021 Number of Options	2020 Average exercise price per Option $	2020 Number of Options
As at beginning of the year	0.20	5,403,750	0.20	5,403,750
Forfeited during the year	0.20	(5,403,750)	0.20	-
As at end of the year	-	-	0.20	5,403,750

Options outstanding under the Employee Option Plan at the end of the year have the following expiry dates and exercise prices:

Grant Date	Expiry Date	Exercise price $	Fair value at grant date $	Options 30 June 21	Options 30 June 20
14/12/2015	14/12/2020	$0.20	0.0540	-	3,710,000
18/03/2016	18/03/2018	$0.20	0.0385	-	-
01/03/2017	14/12/2020	$0.20	0.0475	-	1,693,750

(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 value was calculated using the Black Scholes 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: 1.99%

Note 15. Reserves (continued)

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.

Note 16. Events after the reporting period

N1 Holdings Limited has raised $35 million in debt capital provided under a debt facility executed on 1 July 2021 between the Company and GCI SME Mortgage Fund (Facility). The Facility is for a term of 24 months. The Facility contains a number of customary conditions precedent for debt facilities of this type (including the registration of security interests and provision of legal options).

No other matter or circumstance has arisen since 30 June 2021 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.