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N1 HOLDINGS LIMITED

ACN 609 268 279

ANNUAL REPORT

FOR THE YEAR ENDED

30 June 2020



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Directors	Ren Hor Wong Executive Chairman, CEO Jia Penny He Executive Director, CFO Frank Ganis Non-Executive Director David Holmes Non-Executive Director
Company secretary	Anand Sundaraj
Registered office	Suite 502, 77 King Street Sydney NSW 2000
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000
Auditor	Crowe Sydney Level 15, 1 O'Connell Street Sydney NSW 2000
Solicitors	Sundaraj & Ker Level 36, 264 George Street Sydney NSW 2000
Stock exchange listing	N1 Holdings Limited shares are listed on the Australian Securities Exchange (ASX code: N1H)
Corporate Governance Statement	N1 Holdings Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. N1 Holdings Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council. The 2020 corporate governance statement reflects the corporate governance practices in place during the financial year ended 30 June 2020. The 2020 corporate governance statement was approved by the board on 28 September 2020. A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at: http://www.n1holdings.com.au/

CHAIRMAN'S LETTER

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The company was normalised EBITDA positive in the second half of the financial year, and driven by revenue streams that were non-existent at time of IPO.

Dear fellow shareholders,

I welcome you to the N1 Holdings Limited (**Company or N1**) annual report for the financial year ended 30 June 2020 (**FY20**). This past financial year has seen the unprecedented COVID-19 pandemic and the way in which it has affected day to day business. People spoke of “the new norm” a few years ago, amid tighter regulation and easing monetary policies in major economies. This new norm is yet again off course by a worldwide pandemic that hit everything so hard that I believe is an era of “living-in-the-historic-moment” when we look back years later. N1 has not been immune to the changes. We have pivoted our business into new territory. While N1 is not yet to be able to boast about the influence and scale of our business, we certainly are proud of the agility and innovation of our business model. I have spoken about our diversification strategy since the IPO back in 2016. Since 2017, we have carefully entered the new territory of lending. As the Chairman, CEO and founder of N1, I am proud to be able to inform shareholders that we have reached the other side of the shore - the company was normalised EBITDA positive in the second half of the financial year, and driven by revenue streams that were non-existent at time of IPO. I will discuss below our journey since the IPO and our future.

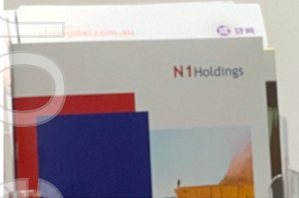
The Journey

In 2016, N1 undertook its IPO and listing on ASX. We managed to be successful as a mortgage brokerage firm. However, a month later we faced the challenge of banks tightening foreign lending, with subsequent events and regulations which have certainly hampered foreign investment into the Australian real estate market. Such examples include the introduction of a stamp duty surcharge for foreign buyers. We saw opportunities amid the threats and explored the possibility to partner with non-traditional lenders in markets where the major banks are retreating. During the course of the years that followed the IPO, the market witnessed a number of new lenders who specialised in foreign lending and N1 partnered with both sides of the fence. On the one side we worked with real estate agents who have relationships with foreign buyers and, on the other side, we worked with non-traditional

lenders specialising in foreign lending. This marked the catalyst towards business model diversification, which has always been on our agenda for growth, when our core was traditional mortgage broking. Interestingly, our mortgage broking business in FY20 experienced a 12% growth, making up about 25% of group revenue, of which only about 6.6% of our group revenue is derived via the aggregator-led model of mortgage broking. Fast forward to the end of 2017, N1 was seeing success in broking commercial loan and made our first foray into commercial lending funded by our own balance sheet capital. While the financial services industry was going through Royal Commission, participants in the market were cautious and home loan lenders and brokers, including N1, were closely monitoring and preparing for regulatory changes including the possible introduction of a fee-for-service model. During that period, the residential lending market experienced a period of subdued activity which gave rise to the booming alternative lending sector. Since the Royal Commission, alternatives to bank lending have started to become more popular. We have witnessed the growth or entry into the market of alternative financial services providers such as Fintechs, Regtechs and Neobanks. N1 struck a new path by becoming a direct alternative lender in the SME lending space, instead of entering the competitive and saturated market of the tech-led lending sector to the residential borrower's market. We have focused on the less competitive market of property-backed alternative SME lending. This is a niche market where the loans provided are too large for Fintechs while banks are retreating from providing loans to SMEs. In FY20, commercial lending revenue (which is made up of interest and fees) was 55% of group revenue. Since the 2019 inception of our property-backed SME lending fund (One Lending Fund), we have had no losses to date and have grown to about \$17.44 million in fund size as at 30 June 2020. The N1 business model is simple and highly scalable with capital size as the catalyst for growth. We have been recognized as one of Australia's top 10 commercial loan writers in 2019 and 2020 consecutively, leveraging our vast network of self-employed borrowers with an ever-growing demand for business financing. We have invested and built the infrastructure and market

N1 Holdings

Loans | Realty | Fund | Business Services | Migration



awareness. To have successfully become normalised EBITDA positive in the second half year of FY20 is a product of N1's efforts. Our aim is to become profitable in the future. N1 completed FY20 with a positive operating cashflow of over \$3 million. Another key positive which I want to highlight is the fact that the revenue and cash flow growth during the financial year was amid foregone mortgage trail book commission revenue of \$1.2mil (based on trail commissions received by N1 during the 12 months prior to the sale in August 2019). Our strategic decision to offload the aggregator-led trail book was based on what we foresaw to be declining values in residential mortgage trailing commissions in a period when regulatory intervention of capping interest-only loans as well as general consumer sentiment of paying down debt faster was beginning to become prioritised. Although N1 has foregone \$1.2 million in revenue/cash inflow per annum, our growth and diversification strategy has resulted in revenue growth of 2% in FY20 compared to FY19 and positive operating cash flow of \$3,367,063 (of which \$1,790,887 was proceeds from the sale of our trail book). Since that sale, N1 has commenced re-building our trail income with new loans, with the trailbook currently valued at \$298,089. N1 has begun to position itself as a debt asset manager, being an alternative SME lender backed by a funds management model. We aim to attract wholesale investors into One Lending Fund (our SME lending fund managed by N1 Asset Management) to enhance our lending capacity. Going forward and positioning ourselves as an asset management business, participating in the niche of alternative SME lending, it is only natural for the company to expand into the funds management and trustee services sector, drawing on our experience in managing the One Lending Fund (a property-backed SME lending fund). The Company can confirm that it is in discussions with multiple parties to provide those parties with funds management, trustee and custodial services. The nature of this business is subscription-based, providing contractual monthly revenue on a recurring basis. This is another initiative by management of the company to refresh our recurring revenue streams, adding on top of the current trail and rent roll income. N1 has effectively added a third stream of recurring revenue. As previously mentioned,

trail income has been changed since regulatory tightening and once again we see opportunities in the new era.

The Venture and the future

We are in an unprecedented and challenging environment. I strongly believe a quality business entity is one that can sustain dips and be able to exploit opportunities to emerge stronger. Growth is never a straight line on a graph, and a squat positions us with the strength to jump higher. N1 possesses its natural defence line of a diversification strategy and recurring revenue against potential challenges of a subdued property market and home financing activity. At the same time, N1 is performing strongly in the less competitive market of alternative SME lending. Our focus is fixed beyond the property-backed SME lending and when we speak of the business or SME lending we have started to create more awareness among our database of clients for the other types burgeoning business financing products such as trade and invoice financing. We are an innovative group of dedicated professionals and we want to be able to tap into the needs of our SME clients, exploring the possibility of blending our debt asset management expertise into the niche SME market. The goal is to be an SME financing solution provider, not a mere property-backed SME lender. It is our mission in the new financial year to work on the combination of various types of debt assets that can provide more value to more small and medium sized business owners. We believe the more value we provide, the more we can be rewarded in return. I look forward to writing to you with more good news in the next financial year and as the saying goes: "The good news just doesn't stop here."

Yours faithfully,

Ren Hor Wong
Executive Chairman and Chief Executive Officer
29 September 2020
Sydney

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General information

The financial statements cover N1 Holdings Limited as a Group consisting of N1 Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is N1 Holdings Limited's functional and presentation currency.

N1 Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 502, 77 King Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 September 2020. The directors have the power to amend and reissue the financial statements.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of N1 Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Dividends

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

Principal activities

During the financial year the principal continuing activities of the Group consisted of:

- mortgage broking services;
- financial planning services;
- commercial lending business;
- migration services; and
- real estate property sale and management services.

Review of operations

During FY20, the Company generated revenue of \$4.14m (FY19: \$4.06m) delivering a net loss of \$1.82m (FY19: loss \$2.57m). Normalised EBITDA with trailbook retainer write offs and other once off costs, has improved to a loss of \$299,309 (FY19: loss of \$628,683). During the financial year the company adopted the new accounting standard of AASB 16, as such the below table has been adjusted to reflect the impact of AASB 16 relating to its 2019 comparatives of depreciation and interest. No dividend was declared during FY20 (FY19: Nil).

	Consolidated 2020	2019
	\$	\$
Loss before income tax	(1,850,718)	(2,605,372)
Add: Depreciation and amortisation	632,915	774,240
Add: Interest expense – Corporate*	341,589	252,050
	Consolidated 2020	2019
EBITDA	(876,214)	(1,579,082)
Add: Once off legal fee	35,902	-
Add: Once off capital raising cost	60,000	-
Add: Once off loan early repayment cost	136,756	-
Add: AASB16 Impact on lease	-	357,967
Add: Loss for assets classified as held for sale	-	592,432
Add: Loss from write-off of other financial assets	344,248	-
	<u>(299,308)</u>	<u>(628,683)</u>
Normalised EBITDA		

* Interest expense and interest income from commercial loan receivable are still included in the EBITDA. The EBITDA takes out only the interest expense relating to the corporate, and bank loan for realty rent roll.

During FY20, the Company's financial services business continued to be the group's major revenue generator, accounting for 85.51% of the total revenue of the group. It is worth noting that 55.28% of the revenue comes from SME lending including management fees from the Fund.

The real estate business generated revenue of \$443,074 representing 10.70% of the group's total revenue and a reduction of 17% compared to FY19. Realty income has declined due to a downturn in the property market triggered by the unprecedented COVID-19 health crisis and increased regulatory intervention in credit provision within the real estate market. Management continues to track the market swiftly, exercising extensive costs management.

N1 Migration generated \$57,880 in revenue representing 1.4% of the group's total revenue. The segment of this business, although miniature, serves as an indirect marketing tool to potential investors seeking yield in AUD denominated assets, such as the mortgage fund managed by N1 Asset Management – One Lending Fund, which further contributes to Company's SME lending growth.

SME lending has brought in the most significant uplift in revenue for the group and has become a major revenue driver for the Company. Total commercial loan origination commissions and SME lending revenue, including interest from loans in the current reporting period, amounted to \$2.29m (FY19: \$1.04m), which represents an increase of 120% on the previous financial year (FY19). The management fees received from One Lending Fund has increased by 389% to \$898,455 in FY20 (FY19: \$183,796).

It is important to note the growth trajectory between the first half of FY20 compared to the second half of FY20, which shows the Company's new core business growth, being SME lending. This also indicates the scalability of the business, which is possible through expanding the Company's lending capacity or increasing its funding size to cater for ever-increasing SME financing demand.

The second half of FY20 has demonstrated the Company's achievement of positive normalised EBITDA. As previously announced on ASX, the Company has committed up to AUD\$25mil into SME lending capital since March 2020 which enabled revenue generation to propel the Company to achieve positive normalised EBITDA.

The promising results in the second half of FY20 demonstrate the potential of SME lending to scale 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's core business now stays on course on an easily understood business model while, at the same time, exercising caution, such as requiring borrowers to provide safer forms of collateral, such as first-ranking mortgages over Australian real property.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

COVID-19, which is a respiratory illness was declared a world-wide pandemic by the World Health Organisation in March 2020 and it has had a significant impact on the global and Australian economies. The dynamic and evolving nature of COVID-19 has also placed significant uncertainty to the broader economy including the financial market. The impact of COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continuing and is dependent on measures imposed by the Australian Government.

On 1 July 2020, the associate owned by the Group N1X Capital Pty Ltd has been put under voluntary deregistration due to consolidation of business.

On 20 May 2020, the Group entered into an agreement to purchase 1 of 12 shares in Vaikuntha Pty Ltd (ACN 114 847 291) at a price of \$8,335 and paid \$5,000 as consideration for the grant of the Remaining Shares Call Option to purchase the remaining 11 shares at \$86,665 by 31 July 2020. The Group subsequently exercised the call option and the entire transaction has been completed on 31 July 2020 with a total cost of \$100,000. Vaikuntha Pty Ltd holds an Australia Credit License (ACL) with both broking and lending authorisations.

On 13 August 2020, the joint venture owned by the Group RN2 Pty Ltd has been put under voluntary deregistration due to consolidation of business.

Paul Jensen has resigned as Non-Executive Director of the Group effective 31 August 2020. Frank Ganis has been appointed as Non-Executive Director of the Group effective 1 September 2020.

No other matter or circumstance has arisen since 30 June 2020 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.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Shares under option

There were no unissued ordinary shares of N1 Holdings Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of N1 Holdings Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Directors

The following persons were directors of N1 Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Ren Hor Wong (Executive Chairman, CEO, appointed 24 November 2015);
Ms Jia Penny He (Executive Director, CFO, appointed 24 November 2015);
Mr Tarun Kanji (Non-executive Director, appointed 18 March 2016 and resigned on 18 November 2019);
Mr David Holmes (Non-executive Director, appointed 15 January 2019);
Mr Paul Jensen (Non-executive Director, appointed 18 November 2019 and resigned on 31 August 2020); and
Mr Frank Ganis (Non-executive Director, appointed 1 September 2020).

Company Secretary

Mr Anand Sundaraj (Company Secretary, appointed 24 November 2015)

Information relating to Directors and Company Secretary

Mr Ren Hor Wong (Executive Chairman, CEO)

Qualifications, experience and special responsibilities

Mr Wong is the founder, Executive Chairman and Chief Executive Officer of the Company.

Mr Wong has been responsible for developing the Company's business strategy and expanding its business into Asia Pacific.

Prior to establishing the Company, Mr Wong had, over a span of 6 years, applied his entrepreneurial and management skills in industries ranging from courier services, printing services and real estate. He has previously founded and successfully exited various businesses including Copiko Printing, Sydneymove.com.au and Packers Unpackers.

Mr Wong is a licensed mortgage broker and fluent in both spoken and written Mandarin and Cantonese.

Mr Wong conducts regular seminars and provides topical discussions across Asia in relation to Australian property investments and financing. Mr Wong has also published multiple guides and learner books for release in China.

Mr Wong holds a Bachelor of Engineering with Honours from University of New South Wales.

Interest in shares and options in the Company (**Shares** and **Options**, respectively)

50,024,000 Shares

Directorships held in other listed entities during the three years prior to the current year

None

Ms Jia Penny He (Executive Director, CFO)

Qualifications, experience and special responsibilities

Ms He is a Certified Practising Accountant and a licenced financial adviser. She has over 13 years combined industry experience in accounting, financial planning and mortgage broking.

Ms He joined the Group in May 2014 as the Accounting and Tax Adviser and Principal Financial Planner. Ms He was subsequently appointed as the Company's Chief Financial Officer. Her current role within the Company includes all financial management, tax and reporting functions of the business.

Prior to joining the Company, Ms He served as an executive for Cabot Square Chartered Accountants from July 2006 to May 2014.

Ms He holds a Master of Accounting degree from Macquarie University and is also an ATO registered tax agent holding a Public Practice Certificate.

Interest in Shares and Options

250,000 Shares and 750,000 Options

Directorships held in other listed entities during the three years prior to the current year

None

Mr Paul Jensen (Non-Executive Director)

Qualifications, experience and special responsibilities

Mr Jensen is an experienced Director with over 30 years of commercial, corporate, governance and finance experience. Paul worked for the Lloyds Bank Group in New Zealand, Australia and the United Kingdom prior to holding several senior executive roles in the funds management sector.

Mr Jensen is now a professional non-executive director. He holds a commerce degree in Accounting and Commercial Law from Victoria University of Wellington and is a Fellow of the Australian Institute of Company Directors.

Interest in Shares and Options

Nil

Directorships held in other listed entities during the three years prior to the current year

None

Mr David Holmes (Non-Executive Director)

Qualifications, experience and special responsibilities

Mr Holmes has over 30 years' experience in the financial services industry having held senior roles in the UK and Australia. He was Head of Mortgage Credit for Citibank UK before becoming COO at Preferred Mortgages, one of the first non-conforming lenders in the UK. In August 2000 David moved to Australia and was one of the founding Executives at Pepper Money. While at Pepper Money he served as COO and Global Head of Credit with responsibility for the establishment and maintenance of credit polices throughout Australia, Ireland and South Korea. David was instrumental in Pepper Money gaining warehouse funding facilities from three of the major banks in Australia.

Mr Holmes holds a Bachelor of Arts (with Honours) from University of Warwick.

Interest in Shares and Options

Nil

Directorships held in other listed entities during the three years prior to the current year

None

Mr Frank Ganis (Non-Executive Director)

Qualifications, experience and special responsibilities

Mr Ganis has over 38 years' domestic and international experience in banking and finance with an extensive background and deep knowledge of financial services. He is recognised as a pioneer and influential industry leader in Australia.

Prior to retirement from full time executive work in 2017, Mr Ganis spent 28 years at Macquarie Group including 17 years as an Executive Director. In addition to his executive responsibilities, Mr Ganis also fulfilled a broad range of board and chair roles for a number of Macquarie's domestic and international subsidiaries and was a member of various regulatory and credit committees.

Frank currently services as a board member for several public and private companies and various industry advisory roles.

Frank is a Fellow of the Australian Property Institute (FAPI) and a Graduate of the Australian Institute of Company Directors (GAICD).

Interest in Shares and Options

Nil

Directorships held in other listed entities during the three years prior to the current year

Former Non-Executive Director – Yellow Brick Road Holdings Limited (ASX: YBR)

Mr Anand Sundaraj (Company Secretary)

Qualifications, experience and special responsibilities

Anand Sundaraj is a corporate lawyer with over 19 years' experience. He is a principal of Sydney-based law firm, Sundaraj & Ker. Mr Sundaraj specialises in advising on mergers and acquisitions and capital raisings for both publicly listed and privately held entities. He also advises on funds management and general securities law matters including listing rule compliance and corporate governance. Mr Sundaraj has worked for a number of pre-eminent law firms including Herbert Smith Freehills, King & Wood Mallesons, and Allen & Overy, as well as global investment bank, Credit Suisse AG.

Mr Sundaraj holds a Bachelor of Laws (with Honours) and a Bachelor of Science from Monash University and is admitted as a solicitor of the Supreme Courts of New South Wales and Victoria.

Interest in Shares and Options 10,000 Shares

Directorships held in other listed entities during the three years prior to the current year None

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Number eligible to attend	Number attended
Ren Hor Wong	10	10
Jia Penny He	10	10
Tarun Kanji (resigned on 18 November 2019)	5	5
David Holmes	10	10
Paul Jensen (appointed on 18 November 2019 and resigned on 31 August 2020)	6	6

Remuneration report

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel (**KMP**) objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance in areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high-quality KMP to run and manage the Group, as well as create goal congruence between Directors, executives and Shareholders.

The Board's policy for determining the nature and amount of remuneration for KMP of the Group is as follows:

- The remuneration policy is to be developed by the Board (having regard to the Company's earnings and the consequences of the Company's performance on shareholder wealth, in each case in the most recent financial year and previous 4 financial years) and the Board may seek advice on the policy from independent external consultants at its discretion.
- All KMP receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits options and performance incentives.
- Performance incentives are generally only paid once and conditional on key performance indicators (**KPIs**) having been met.

- Incentives paid in the form of options or rights are intended to align the interests of the Directors and the Company with those of the Shareholders. In this regard, KMP are prohibited from limiting the risk attached to those instruments by use of derivatives or other means.
- The Board reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.

The performance of KMP is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits and Shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes. Any change must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in Shareholder wealth.

KMP receive, at a minimum, the superannuation guarantee contribution required by law, which is currently 9.5% of the individual's ordinary earnings. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The Board's policy is to remunerate non-executive Directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees that can be paid to a non-executive Director is contained in that Directors' consultancy service agreement.

Remuneration structure

There have been no significant changes after the Company's listing on ASX. The table below summarises the remuneration components of KMP of the Group.

Remuneration component	Reward Type	Purpose	Link to performance
Fixed remuneration	Salaries, superannuation and other fixed benefits	To provide competitive fixed remuneration set with reference to role, market and experience	Company and individual performance are considered during the annual review
Short-term incentive	Bonus paid in cash	Rewards executives for their contribution to achievement of Group outcome	Revenue of the Group
Long-term incentive	Share options	Rewards executives for their contribution to the creation of shareholder value over the longer term	Vesting of the awards is dependent on absolute total Shareholder return in addition to continuous service vesting conditions.

Performance-based Remuneration

The KPIs are set annually, with a certain level of consultation with KMP. The measures are specifically tailored to the area each individual involved is in and has a level of control over. The KPIs target areas that the Board believes hold greater potential for Group expansion and profit covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to achieving the Group's goals and shareholder value, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures, however, where the KPI involves comparison of the Group or a division within the Group to the market, independent reports are obtained from other research organisations.

Relationship between remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between Shareholders, Directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based bonus (i.e. based on KPI), and the second being the issue of options to the majority of Directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy has been effective in increasing shareholder value over the past years.

Performance conditions linked to remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of revenue targets, return on equity ratios, and continued employment with the Group.

The performance-related proportions of remuneration (based on KPI targets) are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between Management and Shareholders. There has been no alteration to the terms of the bonuses paid since the grant date.

The satisfaction of the performance conditions is based on a review of the audited financial statements of the Group and publicly available market indices and as such these figures reduce any risk of contention relating to payment eligibility. The Board does not believe that performance conditions should include a comparison with any other measures or factors external to the Group at this time.

The performance-based bonus schedule is detailed below, which has only available to executive Directors since 1 July 2016. No bonuses were paid to executive Directors during FY2020.

Minimum revenue achieved by the Company for a financial year	Bonus Ren Hor Wong	Bonus Jia Penny He
\$5 million	\$10,000	\$5,000
\$5.5 million	\$16,000	\$8,000
\$6 million +	\$20,000	\$10,000

Maximum achievable bonus is used in below calculation.

	Fixed remuneration		Remuneration linked to performance	
	2020	2019	2020	2019
Directors and secretaries				
Ren Hor Wong	94.74%	94.74%	5.26%	5.26%
Jia Penny He	94.74%	94.74%	5.26%	5.26%
Tarun Kanji	100%	100%	0%	0%
David Holmes	100%	100%	0%	0%
Paul Jensen	100%	-	0%	-

The following tables provide employment details of persons who were, during FY2020, members of KMP of the Group. The table also illustrates the proportion of remuneration that was performance and non-performance based.

Positions of KMPs and their employment details

	Position held	Contract duration	Employment type	Termination notice period
Ren Hor Wong	Chairman, CEO	18/03/2016 - Ongoing	Permanent	3 months
Jia Penny He	Executive Director, CFO	18/03/2016 - Ongoing	Permanent	3 months
Tarun Kanji	Independent Director	18/03/2016 – 18/11/2019	Consultancy agreement	3 months
Jacqueline Wang	COO	01/08/2014 - Ongoing	Permanent	3 weeks
David Holmes	Independent Director	15/01/2019 - Ongoing	Consultancy agreement	3 months
Paul Jensen	Independent Director	18/11/2019 – 31/08/2020	Consultancy agreement	10 business days

Key terms of KMP contract

Chief Executive Officer

- The CEO receives fixed remuneration of \$360,000 per annum plus superannuation contributions under the *Superannuation Guarantee (Administration) Act 1992 (Cth)* and the *Superannuation Guarantee Charge Act 1992 (Cth)*.
- In addition to the fixed remuneration, the CEO will be entitled to a bonus on the following terms:

Minimum revenue achieved by the Company for a financial year	Bonus Ren Hor Wong
\$5 million	\$10,000
\$5.5 million	\$16,000
\$6 million +	\$20,000
- The Company provide a car benefit to the CEO and a car allowance of \$1,000 pm.
- Fixed and incentive remuneration is reviewed and determined annually.
- Termination notice period is 3 months or without notice in the event of breach of services agreement between Mr Wong and the Company or serious misconduct.
- Restraint period being up to 24 months.

Chief Financial Officer

- The CFO receives fixed remuneration of \$180,000 per annum plus superannuation contributions under the *Superannuation Guarantee (Administration) Act 1992 (Cth)* and the *Superannuation Guarantee Charge Act 1992 (Cth)*.
- In addition to the fixed remuneration, the CFO will be entitled to a bonus on the following terms:

Minimum revenue achieved by the Company for a financial year	Bonus Jia Penny He
\$5 million	\$5,000
\$5.5 million	\$8,000
\$6 million +	\$10,000
- Fixed and incentive remuneration will be reviewed and determined annually.
- Termination notice period is 3 months or without notice in the event of breach of services agreement between Ms He and the Company or serious misconduct.
- Restraint period being up to 24 months.

Non-Executive Director – Tarun Kanji (resigned on 18 November 2019)

- The remuneration (Service Fee) of the Non-Executive Director is \$59,000 per annum.
- The Service Fee will be reviewed and determined annually.
- Termination notice period is 3 months or 1 month in the event of breach of services agreement between the relevant Non-Executive Director and the Company or serious misconduct.
- Restraint period being up to 24 months.

Chief Operation Officer

- The COO receives fixed remuneration of \$120,000 per annum plus superannuation contributions under the *Superannuation Guarantee (Administration) Act 1992 (Cth)* and the *Superannuation Guarantee Charge Act 1992 (Cth)*.
- Fixed and incentive remuneration will be reviewed and determined annually.
- Termination notice period is 3 weeks or without notice in the event of breach of services agreement between Ms Wang and the Company or serious misconduct.

Non-Executive Director – David Holmes

- The remuneration (Service Fee) of the Non-Executive Director is \$66,000 per annum including Superannuation.
- The Service Fee will be reviewed and determined annually.
- Termination notice period is 3 months or 1 month in the event of breach of services agreement between the relevant Non-Executive Director and the Company or serious misconduct.
- Restraint period being up to 24 months.

Non-Executive Director – Paul Jensen

- The remuneration (Service Fee) of the Non-Executive Director is \$65,700 per annum.
- The Service Fee will be reviewed and determined annually.
- Termination notice period is 10 business days or immediately in the event of breach of services agreement between the relevant Non-Executive Director and the Company or serious misconduct.

Remuneration of KMP

2020	Short term employee benefits			Post-employment benefits	Long term employee benefits	Share based payments	Total
	Salaries	Bonus	Other (note 1)	Superannuation	Long service leave	Options	
Directors and Secretaries							
Ren Hor Wong	\$368,030	-	\$15,609	\$22,753	\$7,704	-	\$414,096
Jia Penny He	\$175,512	-	-	\$17,100	\$3,728	-	\$196,340
Tarun Kanji*	\$17,700	-	-	-	-	-	\$17,700
David Holmes	\$60,274	-	-	\$5,726	-	-	\$66,000
Paul Jensen*	\$40,515	-	-	-	-	-	\$40,515
Other KMP							
Jacqueline Wang	\$99,495	-	-	\$9,048	\$2,607	-	\$111,150

* Representing remuneration from 1 July 2019 to 18 November 2019 for Tarun Kanji and remuneration from 18 November 2019 to 30 June 2020 for Paul Jensen.

2019	Short term employee benefits			Post-employment benefits	Long term employee benefits	Share based payments	Total Salaries
	Salaries	Bonus	Other (note 1)	Superannuation	Long service leave	Options	
Directors and Secretaries							
Ren Hor Wong	\$374,675	-	\$11,530	\$20,531	\$6,518	-	\$413,254
Jia Penny He	\$177,842	-	-	\$17,100	\$3,001	\$6,180	\$204,123
Tarun Kanji	\$59,000	-	-	-	-	-	\$59,000
David Holmes*	\$24,142	-	-	\$2,293	-	-	\$26,435
Other KMP							
Jacqueline Wang	\$87,564	-	-	\$8,550	\$307	\$11,613	\$108,034

* Representing remuneration from 15 January 2019 to 30 June 2019 for David Holmes.

Note: The Company provides car benefits to the CEO.

Options and rights granted as remuneration

The terms and conditions relating to Options granted as remuneration during the year to KMP are as follows:

2020	Number of options beginning of the year	Granted No.	Exercised during the year	Lapsed during the year	Number of options at the end of the year	Vested	Unvested
Ren Hor Wong	-	-	-	-	-	-	-
Jia Penny He	750,000	-	-	-	750,000	750,000	-
Tarun Kanji	-	-	-	-	-	-	-
Jacqueline Wang	1,200,000	-	-	-	1,200,000	1,200,000	-
David Holmes	-	-	-	-	-	-	-

Note: The option expiry date is 14 December 2020. Options for Tarun Kanji expired in FY2017.

2019	Number of options beginning of the year	Granted No.	Exercised during the year	Lapsed during the year	Number of options at the end of the year	Vested	Unvested
Ren Hor Wong	-	-	-	-	-	-	-
Jia Penny He	750,000	-	-	-	750,000	750,000	-
Tarun Kanji	-	-	-	-	-	-	-
Jacqueline Wang	1,200,000	-	-	-	1,200,000	1,200,000	-

Note: The option expiry date is 14 December 2020. Options for Tarun Kanji expired in FY2017.

The fair value of Options granted as remuneration and as shown in the above table has been determined in accordance with Australian Accounting Standards and will be recognised as an expense over the relevant vesting period to the extent that conditions for vesting are satisfied.

Description of Options/rights issued as remuneration

Details of the Options granted as remuneration to those KMP and executives listed in the previous table are as follows:

	Tranche	Grant date	Number of options granted	Exercising value	Exercising price	Vesting date	Reason for grant
Jia Penny He	1	14/12/2015	750,000	\$150,000	\$0.2	14/12/2018	Employee share option
Jacqueline Wang	1	14/12/2015	750,000	\$150,000	\$0.2	14/12/2018	Employee share option
Jacqueline Wang	3	01/03/2017	450,000	\$90,000	\$0.2	14/12/2018	Employee share option

	Tranche	Fair value per option at granting date	Vesting conditions
Jia Penny He	1	\$0.0544	Continuous employment with the Group from 14/12/2015 to 14/12/2018
Jacqueline Wang	1	\$0.0544	Continuous employment with the Group from 14/12/2015 to 14/12/2018
Jacqueline Wang	3	\$0.0475	Continuous employment with the Group from 14/12/2015 to 14/12/2018

Option values at grant date were determined by applying the Binomial Approximation valuation methodology.

KMP shareholdings

The number of ordinary shares in the Company held by each KMP of the Group during the financial year is as follows:

2020	Number of Shares beginning of the year	Received as remuneration during year	Received on exercising Options	Disposed	Number of Shares at the end of the year
Ren Hor Wong (Note 1)	50,024,000	-	-	-	50,024,000
Jia Penny He (Note 2)	250,000	-	-	-	250,000
Tarun Kanji	-	-	-	-	-
Jacqueline Wang	125,000	-	-	-	125,000
David Holmes	-	-	-	-	-
Paul Jensen	-	-	-	-	-

2019	Number of Shares beginning of the year	Received as remuneration during year	Received on exercising Options	Disposed	Number of Shares at the end of the year
Ren Hor Wong (Note 1)	50,024,000	-	-	-	50,024,000
Jia Penny He (Note 2)	250,000	-	-	-	250,000
Tarun Kanji	-	-	-	-	-
Jacqueline Wang	125,000	-	-	-	125,000
David Holmes	-	-	-	-	-

Note 1: Mr Ren Hor Wong received 50,000,000 Shares in the Company in exchange of his shares in N1 Loans during the IPO. Mr Ren Hor Wong acquired 24,000 Shares in the Company from the market during FY2017.

Note 2: Ms Jia Penny He was issued 187,500 Shares from settlement of convertible notes and acquired 62,500 Shares during the IPO.

Other equity-related KMP transactions

There have been no other transactions involving equity instruments apart from those described in the tables above relating to Options, Rights and Shares.

Loans to KMP

There are no loans from the Company to KMP as at 30 June 2020.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2020.

There were no options over ordinary shares granted to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

This is the end of remuneration report.

Auditor

Crowe continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Ren Hor Wong
 Executive Chairman and CEO

29 September 2020

29 September 2020

The Board of Directors
N1 Holdings Limited
Suite 502, 77 King Street
Sydney NSW 2000

Dear Board Members

N1 Holdings Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of N1 Holdings Limited.

As lead audit partner for the audit of the financial report of N1 Holdings Limited for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Crowe Sydney



Suwarti Asmono
Partner

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation.

N1 Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2020



	Note	Consolidated 2020 \$	Consolidated 2019 \$
Revenue from continuing operation	3	4,139,470	4,061,475
Other income	4	347,459	31,542
Expenses			
Consulting and referral fees		(922,239)	(913,576)
Employee cost		(2,474,296)	(2,503,698)
IT and technology		(6,092)	(11,010)
Sales and marketing		(111,846)	(99,682)
Rent and utilities		(108,538)	(487,747)
Professional fee		(394,474)	(374,717)
Office and administrative expense		(231,478)	(238,869)
Finance cost	5	(1,040,081)	(564,093)
Travel cost		(46,746)	(102,702)
Depreciation and amortisation		(632,915)	(774,240)
Other operation cost		(24,694)	(35,623)
Loss for assets classified as held for sale	11	-	(592,432)
Loss from write-off of other financial assets	11	(344,248)	-
Loss before income tax benefit		(1,850,718)	(2,605,372)
Income tax benefit	42	34,033	34,032
Loss after income tax benefit for the year	26	(1,816,685)	(2,571,340)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>(1,816,685)</u>	<u>(2,571,340)</u>
		Cents	Cents
Basic earnings per share	1	(2.2)	(3.2)
Diluted earnings per share	1	(2.2)	(3.2)

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

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Assets			
Current assets			
Cash and cash equivalents	6	2,781,579	919,532
Trade and other receivables	7	474,423	283,585
Contract assets	8	116,141	91,566
Short-term loan receivables	10	5,478,000	2,752,500
Other financial assets	9	421,507	421,507
Assets held for sale	11	-	2,384,525
Other current assets	12	81,491	54,650
Total current assets		<u>9,353,141</u>	<u>6,907,865</u>
Non-current assets			
Contract assets	8	181,948	121,273
Investments in associate and joint venture	13	150	40
Other investments	14	172,048	-
Property, plant and equipment	15	2,024,254	293,354
Deferred tax assets	43	163,185	839,775
Intangible assets	16	1,340,100	1,591,185
Other non-current assets	17	247,357	236,783
Total non-current assets		<u>4,129,042</u>	<u>3,082,410</u>
Total assets		<u>13,482,183</u>	<u>9,990,275</u>
Liabilities			
Current liabilities			
Trade and other payables	18	499,173	409,764
Contract liabilities	19	6,196	216,248
Loan and borrowings	20	6,439,930	3,770,103
Lease liabilities	21	332,254	-
Deferred income	22	67,618	172,845
Provisions	23	121,970	150,697
Total current liabilities		<u>7,467,141</u>	<u>4,719,657</u>
Non-current liabilities			
Contract liabilities	19	9,706	53,483
Loan and borrowings	20	5,965,853	4,091,681
Lease liabilities	21	1,410,984	-
Deferred tax liabilities	43	163,185	839,775
Provisions	23	82,511	52,159
Total non-current liabilities		<u>7,632,239</u>	<u>5,037,098</u>
Total liabilities		<u>15,099,380</u>	<u>9,756,755</u>
Net assets/(liabilities)		<u>(1,617,197)</u>	<u>233,520</u>
Equity			
Issued capital	24	5,654,061	5,688,093
Reserves	25	206,524	206,524
Retained earnings	26	(7,477,782)	(5,661,097)
Total equity/(deficiency)		<u>(1,617,197)</u>	<u>233,520</u>

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

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	5,722,125	206,884	(3,666,371)	2,262,638
Impact of adoption of AASB 15	-	-	576,614	576,614
Balance at 1 July 2018 - restated	5,722,125	206,884	(3,089,757)	2,839,252
Loss after income tax benefit for the year	-	-	(2,571,340)	(2,571,340)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,571,340)	(2,571,340)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	(360)	-	(360)
Recovery of deferred tax on IPO cost	(34,032)	-	-	(34,032)
Balance at 30 June 2019	<u>5,688,093</u>	<u>206,524</u>	<u>(5,661,097)</u>	<u>233,520</u>
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)
<i>Transactions with owners in their capacity as owners:</i>				
Recovery of deferred tax on IPO cost	(34,032)	-	-	(34,032)
Balance at 30 June 2020	<u>5,654,061</u>	<u>206,524</u>	<u>(7,477,782)</u>	<u>(1,617,197)</u>

	Note	Consolidated	
		2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers		4,237,433	4,437,516
Receipt of government incentive for COVID-19		252,246	-
Interest received from bank deposit		13,880	9,126
Net proceeds from disposal of trail book		1,790,887	-
Payments to suppliers and employees		(4,741,486)	(5,534,531)
Net increase in fund lent as commercial loans		(2,725,500)	(1,058,500)
Net Increase in fund received for commercial loans		5,070,000	2,843,452
Interest and other finance costs paid for commercial loans		(530,397)	(312,043)
Net cash from operating activities	44	<u>3,367,063</u>	<u>385,020</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(76,526)	(10,524)
Purchase of Intangible assets	16	-	(72,178)
Investment in other financial assets		(113,335)	(421,507)
Investment in associates and joint ventures		(110)	-
Loans to related parties		(1,085)	-
Net cash used in investing activities		<u>(191,056)</u>	<u>(504,209)</u>
Cash flows from financing activities			
Proceeds from borrowings and loans		1,261,262	530,000
Repayment of borrowings and loans		(1,773,762)	(256,410)
Payment of finance cost and interest		(468,592)	(230,801)
Repayment of other financial liability		(15,387)	(12,942)
Repayment of lease liabilities and interest expense		(317,481)	-
Net cash from/(used in) financing activities		<u>(1,313,960)</u>	<u>29,847</u>
Net increase/(decrease) in cash and cash equivalents		1,862,047	(89,342)
Cash and cash equivalents at the beginning of the financial year		<u>919,532</u>	<u>1,008,874</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>2,781,579</u></u>	<u><u>919,532</u></u>

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

Note 1. Earnings per share

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax	<u>(1,816,685)</u>	<u>(2,571,340)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>81,555,573</u>	<u>81,555,573</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>81,555,573</u>	<u>81,555,573</u>
	Cents	Cents
Basic earnings per share	(2.2)	(3.2)
Diluted earnings per share	(2.2)	(3.2)

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
- Fund trustee and management services

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 a loan fee and interest from those lending activities.

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.

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

Note 2. Operating segments (continued)

Operating segment information

	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	<u>3,784,478</u>	<u>455,900</u>	<u>76,910</u>	<u>169,641</u>	<u>4,486,929</u>
Segment operating profit/(loss) before income tax	(413,924)	(76,502)	(51,524)	(1,308,768)	(1,850,718)
Loss before income tax benefit	<u>(413,924)</u>	<u>(76,502)</u>	<u>(51,524)</u>	<u>(1,308,768)</u>	<u>(1,850,718)</u>
Income tax benefit					34,033
Loss after income tax benefit					<u>(1,816,685)</u>
<i>Material items include:</i>					
Depreciation and amortisation expense	260,895	232,751	-	139,269	632,915
Interest expense	<u>700,866</u>	<u>46,977</u>	<u>139</u>	<u>292,099</u>	<u>1,040,081</u>
Assets					
Segment assets	10,765,150	2,481,283	29,945	205,805	13,482,183
Total assets					<u>13,482,183</u>
Liabilities					
Segment liabilities	13,166,042	4,510,506	98,246	(2,675,414)	15,099,380
Total liabilities					<u>15,099,380</u>

Note 2. Operating segments (continued)

	Financial services	Real estate services	Migration services	Other	Total
	\$	\$	\$	\$	\$
Consolidated - 2019					
Revenue					
Revenue	3,380,665	531,524	145,117	4,169	4,061,475
Interest	6,457	-	148	2,520	9,125
Other income	11,766	21	-	10,630	22,417
Total revenue	3,398,888	531,545	145,265	17,319	4,093,017
Loss for assets classified as held for sale	(592,432)	-	-	-	(592,432)
Segment operating profit/(loss) before income tax	(357,736)	(834,438)	12,643	(833,409)	(2,012,940)
Profit/(loss) before income tax benefit	(950,168)	(834,438)	12,643	(833,409)	(2,605,372)
Income tax benefit					34,032
Loss after income tax benefit					(2,571,340)
<i>Material items include:</i>					
Depreciation and amortisation expense	42,575	664,261	-	67,404	774,240
Interest expense	108,568	56,566	78	398,881	564,093
Assets					
Segment assets	6,995,506	1,044,737	53,208	1,896,824	9,990,275
Total assets					9,990,275
Liabilities					
Segment liabilities	9,249,051	2,997,457	69,986	(2,559,739)	9,756,755
Total liabilities					9,756,755

Note 3. Revenue from continuing operation

Disaggregation of revenue

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

	Consolidated	
	2020	2019
	\$	\$
Mortgage brokering and commercial lending origination commission	1,023,021	915,793
Mortgage brokering trail commission	155,256	1,274,798
Net movement in trail commission asset valuation	72,740	23,174
Commercial lending fee and interest	2,288,449	1,041,900
Real estate service	443,074	531,524
Migration service	57,880	145,117
Other service	99,050	129,169
	4,139,470	4,061,475
<i>Geographical regions</i>		
Australia	4,139,470	4,061,475
International	-	-
	4,139,470	4,061,475

Note 3. Revenue from continuing operation (continued)

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:

	2020 At point in time \$	2020 Over time \$	2019 At point in time \$	2019 Over time \$
Mortgage brokering and commercial lending origination commission	1,023,021	-	915,793	-
Trail commission	227,996	-	1,297,972	-
Commercial lending fee and interest	1,504,595	783,854	512,618	529,282
Real Estate service	62,629	380,445	132,018	399,506
Migration service	57,880	-	145,117	-
Other service	99,050	-	129,169	-
	<u>2,975,171</u>	<u>1,164,299</u>	<u>3,132,687</u>	<u>928,788</u>

AASB 15 Revenue from Contracts with Customers

Mortgage broking

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.

Note 3. Revenue from continuing operation (continued)

Commercial loan lending service

The Group enters into contracts to lend the privately raised fund to commercial borrowers. Under these contracts, the Group provides loan services and earns commercial lending fee and interest from those lending activities. Commercial lending fee is recognised in revenue upon the obligation of establishing the loan for customer is completed. Interest income generated from the commercial lending is recognised when it is earned from the loan lent to customers.

Management fee received by N1 Venture is recognised when derived.

The Group is a principal because it controls its service activities during the lending process and entitled to gross commissions from borrowers. Therefore, the revenue for lending fee and interest earned is presented on a gross basis.

Real estate service

The Group enters into contracts with its customers to manage and/or sell, on their behalf, of properties. Under these contracts, the Group provides rental management and/or selling agent services (i.e., coordinating the selection of suitable tenants/purchasers and managing the rental and selling of the properties).

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.

The Group is a principal because it controls its service activities during the property management and real estate sales process and entitled to gross commissions from landlords/sellers. Therefore, the revenue for commission earned is presented on a gross basis.

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.

The Group controls its services during the service rendering process and is a principal. It is entitled to gross commissions from applicants. Therefore, the revenue for commission earned is presented on a gross basis.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a 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 2020	2019
	\$	\$
FOREX gain from revaluation of financial asset	58,713	-
Receipt of government incentive for COVID-19	252,246	-
Other income	22,620	22,417
Interest	13,880	9,125
	<u>347,459</u>	<u>31,542</u>

Note 5. Finance cost

	Consolidated 2020	2019
	\$	\$
Interest expense in relation with AASB 16	24,515	-
Interest expense in relation with finance lease	1,886	2,445
Interest expense from borrowings and loans	999,664	540,399
Bank fees	14,016	21,249
	<u>1,040,081</u>	<u>564,093</u>

Note 6. Cash and cash equivalents

	Consolidated 2020	2019
	\$	\$
Cash and cash equivalents	<u>2,781,579</u>	<u>919,532</u>

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 7. Trade and other receivables

	Consolidated 2020	2019
	\$	\$
Commission receivables	453,433	231,015
Agent commission clawback receivable	20,990	52,570
	<u>474,423</u>	<u>283,585</u>

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

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

Note 7. Trade and other receivables (continued)

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 2019: nil). As at 30 June 2020, the amount of all trade and other receivables past due is \$208,420 (2019: \$39,654).

Note 8. Contract assets

	Consolidated 2020 \$	2019 \$
Contract assets - current	<u>116,141</u>	<u>91,566</u>
	Consolidated 2020 \$	2019 \$
Contract assets - non-current	<u>181,948</u>	<u>121,273</u>

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 expected to be as each month's entitlement to the trailing commission is established when an invoice is raised to the aggregator.

2020
\$

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

Opening balance	212,839
Expected trail commission from new loans since 1 July 2019 and commissions step up	313,246
Trail commission received	<u>(227,996)</u>
	<u>298,089</u>

Note 8. Contract assets (continued)

	2019
Opening balance	3,387,542
Expected trail commission from new loans since 1 July 2018 and commissions step up	1,276,386
Trail commission received	(1,297,972)
Trail commission assets classified as held for sale	(2,384,525)
Loss for assets classified as held for sale	<u>(768,592)</u>
	<u>212,839</u>

Note 9. Other financial assets

	Consolidated	
	2020	2019
	\$	\$
Short-term financial assets investment	<u>421,507</u>	<u>421,507</u>

Other financial assets represents investment loan receivable and they are initially recognised at fair value plus or minus 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 10. Short-term loan receivables

	Consolidated	
	2020	2019
	\$	\$
Short-term loan receivables	<u>5,478,000</u>	<u>2,752,500</u>

The Group raised funds to lend money to commercial entities on a short-term basis and earns the interest as income. N1 Loans take established real property or land as security according to its lending guidelines. More detailed information regarding these loans is disclosed in Note 28 Financial Risk Management.

The short-term loan balance represented the outstanding amounts owed from commercial borrowing customers.

Loan receivables are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the loan (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.

Note 10. Short-term loan receivables (continued)

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 as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Consolidated Entity 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 11. Assets held for sale

	Consolidated	
	2020	2019
	\$	\$
Assets held for sale	-	2,384,525

Assets held for sale relate to contract assets that generate trail commission for the Group. The Group sold the trail book in August 2019 to focus more on their long-term strategic developments such as the commercial loan lending business.

The total net loss on sale of the trail book is \$936,680. This includes the loss of \$592,432 on assets classified as held for sale which was recognised in 2019 financial year, as well as \$344,248 loss on receivable write-off for the 15% retention on sales of trail book which is recognised in current year.

Note 12. Other current assets

	Consolidated	
	2020	2019
	\$	\$
Prepayments	81,491	54,650

Note 13. Investments in associate and joint venture

	Consolidated	
	2020	2019
	\$	\$
Investment in associate 1573 Pty Ltd	10	-
Investment in associate N1X Capital Pty. Ltd.	40	40
Investment in joint venture Loan 77 Pty Ltd	50	-
Investment in joint venture RN2 Pty Ltd	50	-
	<u>150</u>	<u>40</u>

Refer to note 34 for further information on interests in associates.

Refer to note 35 for further information on interests in joint ventures.

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 14. Other investments

	Consolidated	
	2020	2019
	\$	\$
Investment in Stropro Technologies Pty Ltd	158,713	-
Investment in Vaikuntha Pty Ltd	13,335	-
	<u>172,048</u>	<u>-</u>

Refer to note 30 for further information on fair value measurement.

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 15. Property, plant and equipment

	Consolidated	
	2020	2019
	\$	\$
Office equipment	94,879	74,283
Less: Accumulated depreciation	<u>(71,431)</u>	<u>(55,027)</u>
	<u>23,448</u>	<u>19,256</u>
Motor vehicles	74,329	74,329
Less: Accumulated depreciation	<u>(52,417)</u>	<u>(45,113)</u>
	<u>21,912</u>	<u>29,216</u>
Furniture & fittings	586,041	530,109
Less: Accumulated depreciation	<u>(335,820)</u>	<u>(285,227)</u>
	<u>250,221</u>	<u>244,882</u>
Office - right-of-use	2,036,204	-
Less: Accumulated depreciation	<u>(307,531)</u>	<u>-</u>
	<u>1,728,673</u>	<u>-</u>
	<u><u>2,024,254</u></u>	<u><u>293,354</u></u>

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 20%.

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 15. 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	<i>Office Equipment</i> \$	<i>Motor Vehicles</i> \$	<i>Furniture & Fittings</i> \$	<i>Office - right- of-use</i> \$	<i>Total</i> \$
Balance at 1 July 2018	19,211	38,954	307,879	-	366,044
Additions	10,524	-	-	-	10,524
Depreciation expense	(10,479)	(9,738)	(62,997)	-	(83,214)
Balance at 30 June 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	<u>23,448</u>	<u>21,912</u>	<u>250,221</u>	<u>1,728,673</u>	<u>2,024,254</u>

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.

AASB 16 Lease - Adoption of new accounting standards

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits was \$nil. A reconciliation from lease commitments as reported in prior year financial report to balances of lease liabilities and right of use assets as at 1 July 2019 upon initial application of AASB 16 is as below:

	<i>1 July 2019</i>
Operating lease commitments as at 1 July 2019 (AASB 117)	635,669
True-up of variable lease payment in relation with indexation	72,554
Discount (based on the incremental borrowing rate)	<u>(50,671)</u>
Right-of-use assets (AASB 16)	<u>657,552</u>
Lease liabilities - current (AASB 16)	292,965
Lease liabilities - non-current (AASB 16)	<u>364,587</u>
	<u>657,552</u>

Note 15. Property, plant and equipment (continued)

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%. The rate is determined by referring to the interest rate of the group's existing loan and for similar terms. Lease terms are based on signed agreement.

Note 16. Intangible assets

	Consolidated	
	2020	2019
	\$	\$
Goodwill	536,216	536,216
Rent roll	2,217,048	2,217,048
Less: Accumulated amortisation	(1,460,142)	(1,240,377)
	<u>756,906</u>	<u>976,671</u>
Website and IT system	328,957	328,957
Less: Accumulated amortisation	(281,979)	(250,659)
	<u>46,978</u>	<u>78,298</u>
	<u><u>1,340,100</u></u>	<u><u>1,591,185</u></u>

Reconciliations

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

Consolidated	<i>Goodwill (a)</i>	<i>Rent Roll (b)</i>	<i>Website and IT system (c)</i>	<i>Total</i>
	\$	\$	\$	\$
Balance at 1 July 2018	536,216	1,557,675	116,141	2,210,032
Additions	-	61,678	10,500	72,178
Amortisation/written-down	-	(642,682)	(48,343)	(691,025)
Balance at 30 June 2019	536,216	976,671	78,298	1,591,185
Amortisation/written-down	-	(219,765)	(31,320)	(251,085)
Balance at 30 June 2020	<u><u>536,216</u></u>	<u><u>756,906</u></u>	<u><u>46,978</u></u>	<u><u>1,340,100</u></u>

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.

Note 16. Intangible assets (continued)

Growth rate: 3%	Growth rate is based on management's estimated inflation rate.
Pre-tax discount rate: 8%	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 8% and the growth rate of 3%.

b) Rent Roll Assets

	Consolidated	
	2020	2019
	\$	\$
Rent Roll – Cost	2,217,048	2,217,048
Rent Roll – Written-down	(1,460,142)	(1,240,377)
Rent Roll – Net	<u>756,906</u>	<u>976,671</u>

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	
	2020	2019
	\$	\$
Website and IT system – Cost	328,957	328,957
Website and IT system – Accumulated amortisation	(281,979)	(250,659)
Website and IT system – Net	<u>46,978</u>	<u>78,298</u>

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

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

Amortisation is recognised in the profit and 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 17. Other non-current assets

	Consolidated	
	2020	2019
	\$	\$
Loan - 1573 Pty Ltd	367	-
Loan - RN2 Pty Ltd	718	-
Other non-current assets	246,272	236,783
	<u>247,357</u>	<u>236,783</u>

The other non-current assets are mainly bond deposit paid by the group.

Note 18. Trade and other payables

	Consolidated 2020	2019
	\$	\$
Trade payables	129,592	103,245
Employee payables	199,285	98,341
Other creditors and accruals	170,296	208,178
	<u>499,173</u>	<u>409,764</u>

Refer to note 29 for further information on specific financial risk exposures and management.

Trade and other payable are recognised at fair value initially and subsequently measured at amortised cost.

Note 19. Contract liabilities

	Consolidated 2020	2019
	\$	\$
Contract liabilities - current	<u>6,196</u>	<u>216,248</u>
	Consolidated 2020	2019
	\$	\$
Contract liabilities - non-current	<u>9,706</u>	<u>53,483</u>

Note 20. Loan and borrowings

	<i>Consolidated 2020</i>	<i>Consolidated 2019</i>
	\$	\$
Current		
Bank loan (i)	52,390	56,410
Loan received for commercial lending (ii)	5,450,000	2,820,192
Convertible debt (iii)	370,000	-
Loan from other lenders (iv)	530,000	880,000
Finance lease payable - current	37,540	13,501
	<u>6,439,930</u>	<u>3,770,103</u>
	<i>Consolidated 2020</i>	<i>Consolidated 2019</i>
	\$	\$
Non-current		
Bank loan (i)	785,853	824,141
Loan received for commercial lending (ii)	3,400,000	1,630,000
Convertible debt (iii)	1,000,000	1,370,000
Loan from other lenders (iv)	780,000	230,000
Finance lease payable - non-current	-	37,540
	<u>5,965,853</u>	<u>4,091,681</u>

Note 20. 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. Due to COVID-19, the repayment has been stopped and is to recommence from February 2021. The interest is 3.8% 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 2020 is \$838,243 (30 June 2019: \$880,551).

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.

	<i>Repayment term</i>	<i>Drawdown amount</i>	<i>Drawdown date</i>	<i>Balance at 30/06/2020</i>	<i>Interest rate (per annum)</i>
Private loan batch#1	1 year **	100,000	21/10/2019	100,000	8.00%
Private loan batch#2	6 months rolling **	2,000,000	01/10/2019	2,000,000	6.00%
Private loan batch#3	6 months rolling **	1,000,000	15/11/2019	1,000,000	6.00%
Private loan batch#4	3 months rolling ** 2 years and 4 months	500,000	01/11/2019	500,000	10.00%
Private loan batch#5	**	300,000	01/11/2018	300,000	10.00%
Private loan batch#6	2 years **	100,000	01/04/2019	100,000	10.00%
Private loan batch#7	4 months**	800,000	27/03/2020	800,000	10.00%
Private loan batch#8	6 months**	250,000	04/06/2020	250,000	6.00%
Private loan batch#9	4 years **	200,000	01/08/2018	200,000	10.00%
Private loan batch#10	4 years **	300,000	01/08/2018	300,000	10.00%
Private loan batch#11	3 years **	300,000	23/11/2018	300,000	10.00%
Private loan batch#12	2 years **	300,000	09/05/2019	300,000	10.00%
Private loan batch#13	2 years **	100,000	09/05/2019	100,000	10.00%
Private loan batch#14	3 years **	1,100,000	01/11/2018	1,100,000	10.00%
Private loan batch#15	2 years **	200,000	22/11/2019	200,000	10.00%
Private loan batch#16	2 years **	300,000	03/12/2019	300,000	10.00%
Private loan batch#17	2 years **	600,000	01/12/2019	600,000	10.00%
Private loan batch#18	1.5 years **	100,000	16/03/2020	100,000	8.00%
Private loan batch#19	2 years **	300,000	01/04/2020	300,000	8.00%
		<u>8,850,000</u>		<u>8,850,000</u>	

** Interest only

iii) Convertible debt

	<i>Consolidated 2020</i>	<i>Consolidated 2019</i>
	<i>\$</i>	<i>\$</i>
As at the beginning of the period	1,370,000	1,370,000
As at end of the period	<u>1,370,000</u>	<u>1,370,000</u>

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.

The Company and the relevant holders of the Convertible Bonds have agreed to extend the maturity date for the Convertible Bonds by 24 months to 11 May 2021. In addition, the interest rate has been amended from 7% to 10% pa which will take effect on and from the original maturity date, being 12 May 2019.

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.

Note 20. Loan and borrowings (continued)

iv) Loan from other lenders

	<i>Repayment term</i>	<i>Drawdown amount</i>	<i>Drawdown date</i>	<i>Balance at 30/06/2020</i>	<i>Interest rate (per annum) %</i>
Private loan batch#1	6 months**	200,000	01/06/2020	200,000	6.00%
Private loan batch#2	2 years**	100,000	10/06/2019	100,000	8.00%
Private loan batch#3	2 years**	130,000	01/06/2019	130,000	10.00%
Private loan batch#4	2 years**	100,000	10/06/2019	100,000	10.00%
Private loan batch#5	4 years**	200,000	01/01/2018	200,000	10.00%
Private loan batch#6	2 years**	200,000	01/05/2020	200,000	8.00%
Private loan batch#7	4 years**	200,000	01/09/2017	200,000	10.00%
Private loan batch#8	5 years**	180,000	26/05/2017	180,000	10.00%
		<u>1,310,000</u>		<u>1,310,000</u>	

** Interest only

Note 21. Lease liabilities

	Consolidated	
	2020	2019
	\$	\$
Lease liability - current portion	<u>332,254</u>	<u>-</u>
	Consolidated	Consolidated
	2020	2019
	\$	\$
Lease liability - non-current portion	<u>1,410,984</u>	<u>-</u>

Refer to note 29 for further information on specific financial risk exposures and management.

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 22. Deferred income

	Consolidated 2020	2019
	\$	\$
Interest advanced from borrower	67,618	37,406
Deferred performance fee	-	135,439
	<u>67,618</u>	<u>172,845</u>

Note 23. Provisions

	Consolidated 2020	2019
	\$	\$
Employee provision - current	75,148	79,693
Refund liabilities	46,822	71,004
	<u>121,970</u>	<u>150,697</u>

	Consolidated 2020	2019
	\$	\$
Employee provision - non-current	<u>82,511</u>	<u>52,159</u>
	2019	2019
	\$	\$
Movement of provision for refunds		
Beginning of the year	71,004	137,390
Additions/(Reductions) during the year	<u>(24,182)</u>	<u>(66,386)</u>
Ending of the year	<u>46,822</u>	<u>71,004</u>

Refund liabilities

In adopting AASB 15, the Group reclassified provision for clawbacks as refund liabilities. Refund liabilities represent the estimated commission to be clawed back by the lenders after loans are terminated before 24 months.

Critical accounting estimates and Judgements - Clawback Receivable and Provision

There is potential for origination commissions to be clawed back by lenders after loans have settled. In the event a lender claws back the commission, a corresponding clawback will be deducted from the authorised brokers contracted by the Group where the clawback relates to a broker derived borrower. As a result, the group assess the probability of the clawbacks and determines both provision for clawbacks and clawback receivable from agents at each reporting date. The provision is based on the historical record of actual clawback and recovery. The probability used in estimate of the clawbacks is 11.3% (FY19: 11.3%).

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

Note 23. Provisions (continued)

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.

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.

Note 24. Issued capital

	Consolidated	
	2020	2019
	\$	\$
Fully paid ordinary shares	5,654,061	5,688,093

	Consolidated			
	2020	2019	2020	2019
	Shares	Shares	\$	\$
Issued capital	81,555,573	81,555,573	5,654,061	5,688,093

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2018	81,555,573	5,722,125
Recovery of deferred tax on IPO cost		-	(34,032)
Balance	30 June 2019	81,555,573	5,688,093
Recovery of deferred tax on IPO cost		-	(34,032)
Balance	30 June 2020	81,555,573	5,654,061

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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.

Note 24. Issued capital (continued)

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.

Note 25. Reserves

	Consolidated	Consolidated
	2020	2019
	\$	\$
Options reserve	<u>206,524</u>	<u>206,524</u>
	Consolidated	Consolidated
	2020	2019
	\$	\$
As at beginning of the year	206,524	206,884
(Reversal of expired share options) / Share based payment	<u>-</u>	<u>(360)</u>
	<u>206,524</u>	<u>206,524</u>

Details in relation to the options are disclosed below.

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 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:

Note 25. Reserves (continued)

	2020 Average exercise price per Option \$	2020 Number of Options	2019 Average exercise price per Option \$	2019 Number of Options
As at beginning of the year	0.20	5,403,750	0.20	5,991,250
Forfeited during the year	0.20	-	0.20	(587,500)
As at end of the year	<u>0.20</u>	<u>5,403,750</u>	<u>0.20</u>	<u>5,403,750</u>

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 20	Options 30 June 19
14/12/2015	14/12/2020	\$0.20	0.0540	3,710,000	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	1,693,750

Average remaining contractual life of options outstanding at end of period 0.46 years

(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%

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 26. Retained earnings

	Consolidated 2020 \$	Consolidated 2019 \$
Accumulated losses at the beginning of the financial year	(5,661,097)	(3,089,757)
Loss after income tax benefit for the year	<u>(1,816,685)</u>	<u>(2,571,340)</u>
Accumulated losses at the end of the financial year	<u>(7,477,782)</u>	<u>(5,661,097)</u>

Note 27. Dividends

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

Note 28. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, other payables and other financial liabilities.

The totals for each category of financial instruments, measured in accordance with AASB 9 financial instruments: recognition and measurement as detailed in the accounting policies to these financial statements, are as follows:

	<i>Note</i>	<i>2020</i>	<i>2019</i>
Financial Assets - Current			
Cash and cash equivalents	6	2,781,579	919,532
Trade and other receivables	7	474,423	283,585
Short-term loan receivables	10	5,478,000	2,752,500
Other financial assets	9	421,507	421,507
		<u>9,155,509</u>	<u>4,377,124</u>
Financial Liabilities - Current			
Trade and other payables	18	499,173	409,764
Finance lease payables	20	37,540	13,501
Bank loans	20	52,390	56,410
Loan received for commercial lending	20	5,450,000	2,820,192
Convertible debt	20	370,000	-
Other loan	20	530,000	880,000
Lease liabilities	21	332,254	-
		<u>7,271,357</u>	<u>4,179,867</u>
	<i>Note</i>	<i>2020</i>	<i>2019</i>
		\$	\$
Financial Assets - Non-current			
Trade and other receivables		<u>-</u>	<u>-</u>
Financial Liabilities - Non-current			
Bank loans	20	785,853	824,141
Finance lease payables	20	-	37,540
Convertible debt	20	1,000,000	1,370,000
Other Loan	20	780,000	230,000
Loan received for commercial lending	20	3,400,000	1,630,000
Lease liabilities	21	1,410,984	-
		<u>7,376,837</u>	<u>4,091,681</u>

Note 29. Specific financial risk exposures and management

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Note 29. Specific financial risk exposures and management (continued)

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group is not exposed to any significant foreign currency risk.

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period where by a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The financial instruments primarily exposed the Group to interest rate risk are disclosed as below:

	Consolidated	
	2020	2019
	\$	\$
Bank loans	838,243	880,551

For the Group the bank loans outstanding, totalling \$838,243 (2019: \$880,551), among which \$838,243 (30 June 2019: \$655,551) are principal and interest payment loans. Monthly cash outlays of approximately \$3,603 (2019: \$2,672) per month are required to service the interest payments. An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of \$8,382 per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts. In addition, no principal repayment (2019: \$56,410) are due during the year ended 30 June 2020.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk of the financial asset at the reporting date is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral for trade and other receivables, but it holds the Australian properties and other properties as collateral for commercial loan receivables.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Credit risk related to balances with banks and other financial institutions is managed by the Board. All the group's cash assets are deposited with Australian major banks and their credit ratings are between A- to AA based on Standard & Poor.

The majority of outstanding receivables are commissions (including contract assets) owed from Finsure Finance and Insurance Pty Ltd (ABN 72 068 153 926) (Finsure) and lenders who make commission payments directly to the Group. Finsure is an aggregator of retailing loan brokers and acts as an intermediate between the group and the lenders (financial institutions) to pass through the commission paid by those lenders to the Group. The financial institutions which are owing commissions to the Group through Finsure are rated between B and AA+.

Note 29. Specific financial risk exposures and management (continued)

The Group has a credit risk exposure with trade and other receivables (\$474,423 as at 30 June 2020 and \$283,585 as at 30 June 2019), commercial loan receivable (\$5,478,000 as at 30 June 2020 and \$2,752,500 as at 30 June 2019), and other investment (\$421,507 as at 30 June 2020 and \$421,507 as at 30 June 2019). These balances were within their terms of trade respectively and no impairment was made as at 30 June 2020. There are no guarantees against trade and other receivables but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk. Collateral have been taken for commercial loan receivable to mitigate risk.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect Management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

Financial liability maturity analysis

	<i>Total contractual cash flows</i> \$	<i>No more than 1 year</i> \$	<i>1-2 years</i> \$	<i>2-5 years</i> \$	<i>More than 5 years</i> \$
2020					
Trade and other payables	499,173	499,173	-	-	-
Convertible debts	1,370,000	370,000	1,000,000	-	-
Finance lease liabilities	37,540	37,540	-	-	-
Bank loan and other borrowings	10,998,243	6,032,390	3,784,781	1,181,072	-
Lease liabilities	1,743,238	332,254	340,045	1,016,376	54,563
	<u>14,648,194</u>	<u>7,271,357</u>	<u>5,124,826</u>	<u>2,197,448</u>	<u>54,563</u>
	<i>Total contractual cash flows</i>	<i>No more than 1 year</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>More than 5 years</i>
2019					
Trade and other payables	409,764	409,764	-	-	-
Convertible debts	1,370,000	-	1,370,000	-	-
Finance lease liabilities	51,041	13,501	37,540	-	-
Bank loan and other borrowings	6,440,743	3,756,602	1,916,410	169,230	598,501
	<u>8,271,548</u>	<u>4,179,867</u>	<u>3,323,950</u>	<u>169,230</u>	<u>598,501</u>

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 30. Fair value measurement

AASB 13: fair value measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input which is significant to the measurement can be categorized into as follows:

<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable accounting standard.

Fair value is the price the group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. Unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market- based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share- based payment arrangements) maybe valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

Fair value of financial assets and liabilities that are measured at fair value on a recurring basis.

The Group has equity interests in Stropro Technologies Pty Ltd and Vaikuntha Pty Ltd which are recognised and subsequently measured at fair value Level 3 on a recurring basis. (Refer to Note 14 Other investments for details)

Note 31. Related party transactions

Parent entity

N1 Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Note 31. Related party transactions (continued)

Associates

Interests in associates are set out in note 34.

Joint ventures

Interests in joint ventures are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in note 36 and the remuneration report included in the directors' report.

Other Related Parties

Other related parties include entities controlled by the ultimate parent entity and entities over which key management personnel have joint control.

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. The following transactions occurred with other related parties:

The following transactions occurred with related parties:

	Consolidated	
	2020	2019
	\$	\$
Payment for goods and services:		
N1 Consultants Group Sdn Bhd - Malaysia	143,923	138,639

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following transactions occurred in relation to loans with related parties:

	Consolidated	
	2020	2019
	\$	\$
Current borrowings:		
Ren Hor Wong Family Trust	-	(150,000)

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020	2019
	\$	\$
Loss after income tax	(1,394,949)	(833,652)
Total comprehensive income	(1,394,949)	(833,652)

Statement of financial position

	Parent	
	2020	2019
	\$	\$
Total current assets	95,419	62,237
Total assets	26,239,082	20,610,482
Total current liabilities	6,535,178	2,922,648
Total liabilities	12,783,903	6,152,648
Equity		
Issued capital	15,824,119	15,790,087
Options reserve	206,524	206,524
Accumulated losses	(2,575,464)	(1,538,777)
Total equity	13,455,179	14,457,834

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 37, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.

Note 33. Interests in subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares or ordinary units which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by Group. Each subsidiary's principal place of business is also its country of incorporation.

Name of subsidiary	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
N1 Loans Pty Ltd (i)	Australia	100.00%	100.00%
N1 Migration Pty Ltd (ii)	Australia	100.00%	100.00%
N1 Realty Pty Ltd (iii)	Australia	100.00%	100.00%
N1 Project Pty Ltd (iv)	Australia	100.00%	100.00%
N1 Venture Pty Ltd (v)	Australia	100.00%	100.00%
Sydney Boutique Property Pty Ltd (vi)	Australia	100.00%	100.00%
N1 Franchise Pty Ltd (vii)	Australia	100.00%	100.00%
N1 Capital Singapore Pte. Ltd. (viii)	Singapore	100.00%	100.00%
Everone Consulting Pty Ltd (ix)	Australia	100.00%	100.00%
Yizhihao (Shanghai) Business Consulting Co.,Ltd	China	100.00%	-

The financial statements of subsidiaries used in the preparation of these consolidated financial statements were also prepared as at the same reporting date as the Group's financial statements.

(i) N1 Loans was incorporated on 25 February 2010 and was initially owned by Mr Ren Hor Wong. Upon the completion of the IPO on 18 March 2016, the company became fully owned by the Company.

(ii) N1 Migration Pty Ltd was incorporated on 14 September 2015 and is fully owned by the Group since 11 April 2016.

(iii) N1 Realty was incorporated on 3 May 2016 and, since then, it has been fully owned by the Group.

(iv) N1 Project was incorporated on 9 December 2016 and, since then, it has been fully owned by the Group.

(v) N1 Venture was incorporated on 19 November 2014 and was acquired on 1 September 2016, since then it has been fully owned by the Group.

(vi) Sydney Boutique Property Pty Ltd was acquired on 21 October 2016. Since then, it has been fully owned by the Group since acquisition.

(vii) TACQ International Pty Ltd was incorporated on 21 July 2017 and renamed to N1 Franchise Pty Ltd on 5 March 2018, it has been fully owned by the group since incorporation.

(viii) N1 Capital Singapore Pte. Ltd. as incorporated on 1 February 2019, it has been fully owned by the group since incorporation.

(ix) Borrowing Business Pty Ltd was incorporated on 22 May 2019 and renamed to Everone Consulting Pty Ltd on 1 August 2019, it has been fully owned by the group since incorporation.

(xi) Yizhihao (Shanghai) Business Consulting Co.,Ltd was incorporated on 8 August 2019, it has been fully owned by the group since incorporation.

Note 34. Interests in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the Group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
N1X Capital Pty. Ltd.	Australia	40.00%	40.00%
1573 Pty Ltd	Australia	33.30%	-

N1X Capital Pty. Ltd. was incorporated on 10 May 2017 and it has been the associate to the group since its incorporation.

1573 Pty Ltd was incorporated on 19 December 2019 and it has been the associate to the group since its incorporation.

Note 35. Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the Group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Loan 77 Pty Ltd	Australia	50.00%	-
RN2 Pty Ltd	Australia	50.00%	-

(i) Loan 77 Pty Ltd was incorporated on 12 July 2019, it has been a joint venture of the group since its incorporation.

(ii) RN2 Pty Ltd was incorporated on 1 August 2019, it has been a joint venture of the group since its incorporation.

Note 36. Key management personnel

Other key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity are considered KMP.

Compensation

Please refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's KMP for the year ended 30 June 2020. The total of remuneration paid to or payable to KMP of the Group during the year was:

	Consolidated	
	2020 \$	2019 \$
Short-term employee benefits	777,135	734,753
Post-employment benefits	54,627	48,474
Other long-term benefits	14,039	9,826
Share-based payments	-	17,793
	<u>845,801</u>	<u>810,846</u>

Note 36. Key management personnel (continued)

Short-term employee benefits

These amounts include fees and benefits paid to non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated costs of provided for the Group's superannuation contributions made during the year.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year.

Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options granted.

Note 37. Other principal accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group has adopted all of the new and revised standards and interpretations, including amendments to the existing standards issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operation and effective for the current reporting period. The adoption of these amendments and new standards has not resulted in any significant changes to the group's accounting policies or any significant effect on the measurement or disclosure of the amounts reported for the current or prior reporting period.

The impact of other new accounting standards released but for application in future periods has been disclosed in the relevant section.

Going concern

The financial statements have been prepared on a going concern basis. The Group incurred a net loss of \$1,816,685 for the year ended 30 June 2020 (30 June 2019: Loss of \$2,571,340). As at 30 June 2020, the Group had a net liability position of \$1,617,197 (30 June 2019: Net assets \$233,520).

The Group has prepared a cash flow forecast which indicates that the Group will be able to settle its liabilities in the foreseeable future. The following strategy will be implemented, with the objective to continue the transitioning of the Group's core operations into a predominantly financial services business.

- Continued pursuit of growth in commercial lending business through balance sheet lending and fund management fee from One Lending Fund.
- The Group will contact all existing lenders to extend the private loans that are approaching their expiry date. Most existing loans have opted to renew or extend as per track record.
- The Group will actively pursue the pipeline of mandated development funding projects and commercial property loans.
- The Group will actively pursue new private funding opportunities to fund its expanded commercial lending.
- The Group will proactively manage operational expenditures.
- Leverage the existing head office infrastructure. No additional operational costs are needed to achieve the forecast increased revenue in the next 12 months.
- The Group has achieved a positive EBITDA in the second half year of FY2020 and up until August 2020. It is expected to continue this momentum in the future.

Note 37. Other principal accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 38.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of N1 Holdings Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. N1 Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Note 37. Other principal accounting policies (continued)

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the maximum extent that the underlying gain or loss can be recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

Note 37. Other principal accounting policies (continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of revalued asset is treated as a revaluation decrease in accordance with that other standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives and intangible assets not yet available for use.

Employee benefits

Retirement benefit obligations

All employees of the Group other than those that receive defined benefit entitlements receive defined contribution superannuation entitlements, for which the Group pays the fixed superannuation guarantee contribution (currently 9.5% of the employee's average ordinary salary) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligations for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are remeasured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

Comparative figures

When required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 37. Other principal accounting policies (continued)

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statement is presented.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

The impact of other new accounting standards released but for application in future periods has been disclosed in the relevant section.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

Note 38. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Note 38. Critical accounting judgements, estimates and assumptions (continued)

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Note 39. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the Company:

	Consolidated	
	2020	2019
	\$	\$
<i>Remuneration of the auditor Crowe Sydney for:</i>		
Audit or review of the financial statements	77,003	82,813

Note 40. Lease commitments

	Consolidated	
	2020	2019
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	279,064
One to five years	-	356,605
	<u>-</u>	<u>635,669</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	38,541	15,387
One to five years	-	38,541
	<u>38,541</u>	<u>53,928</u>
Total commitment	38,541	53,928
Less: Future finance charges	<u>(1,001)</u>	<u>(2,886)</u>
Net commitment recognised as liabilities	<u>37,540</u>	<u>51,042</u>

Operating Lease

The major property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

The Group has adopted AASB 16 Lease in current financial year and refer to Note 15 Property, Plant and Equipment for details.

Note 40. Lease commitments (continued)

Finance Lease

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Capital Expenditure Commitments

There were no capital expenditure commitments as at 30 June 2020 (2019: nil).

Note 41. Contingent liabilities and Contingent assets

There are no contingent liabilities or contingent assets as at 30 June 2020 (2019: nil).

Note 42. Income tax benefit

(a) Income Tax

The income tax expense (benefit) for the year comprises current income tax expense (benefit) and deferred tax expense (benefit).

Current income tax expense (benefit) charged to profit or loss is the tax payable (recoverable) on taxable income (loss). Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense (benefit) reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which Management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Note 42. Income tax benefit (continued)

	<i>Group</i> 2020 \$	<i>Group</i> 2019 \$
(i) The components of tax expense (benefit) comprise:		
Current tax	119,509	(546,962)
Deferred tax	(615,959)	(149,688)
Unrecognised tax losses as deferred tax asset in current year	512,281	823,035
Deferred tax for tax losses under-recognised in prior year	(49,864)	(160,417)
	<u>(34,033)</u>	<u>(34,032)</u>
(ii) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
	<i>Group</i> 2020 \$	<i>Group</i> 2019 \$
Profit/(loss) before income tax	(1,850,718)	(2,605,373)
At 27.5% (2019: 27.5%)	(508,948)	(716,478)
Tax effect of:		
Permanent differences	12,498	19,828
Effect of change in income tax rate		
Unrecognised tax losses as deferred tax asset in current year	512,281	823,035
Deferred tax for tax losses under-recognised in prior year	(49,864)	(160,417)
	<u>-</u>	<u>-</u>
Income tax (benefit)/expense	<u>(34,033)</u>	<u>(34,032)</u>

As at 30 June 2020, the tax loss carried forward for the Group is \$6,015,906 (2019: \$6,450,485).

(b) Tax position

The group's current tax payable is \$nil (2019: \$nil)

Note 43. Deferred tax assets

Deferred tax liabilities

	<i>Opening</i> <i>balance</i> \$	<i>Charge to</i> <i>income</i> <i>statement</i> \$	<i>Charge to</i> <i>equity</i> \$	<i>Closing</i> <i>balance</i> \$
2020				
Trailing income	629,526	(632,301)	-	(2,775)
Assets valued up in business combination	210,249	(60,435)	-	149,814
Investment - unrealised capital gain	-	16,146	-	16,146
	<u>839,775</u>	<u>(676,590)</u>	<u>-</u>	<u>163,185</u>

Note 43. Deferred tax assets (continued)

	Opening balance \$	Charge to income statement \$	Charge to equity \$	Closing balance \$
2019				
Trailing income	553,328	76,198	-	629,526
Website	3,327	(3,327)	-	-
Assets valued up in business combination	386,986	(176,737)	-	210,249
Balance at 30 June 2019	<u>943,641</u>	<u>(103,866)</u>	-	<u>839,775</u>

Deferred tax assets

	Opening balance \$	Charge to income statement \$	Charge to equity \$	Closing balance \$
2020				
Clawback and accrued	5,070	2,034	-	7,104
Tax Losses	638,142	(581,926)	-	56,216
IPO costs	34,032	-	(34,032)	-
Other temporary differences	162,531	(66,671)	-	95,860
Lease	-	4,005	-	4,005
	<u>839,775</u>	<u>(642,558)</u>	<u>(34,032)</u>	<u>163,185</u>

	Opening balance \$	Charge to income statement \$	Charge to equity \$	Closing balance \$
2019				
Clawback and accrued	25,166	(20,096)	-	5,070
Tax Losses	753,798	(115,656)	-	638,142
IPO costs	68,065	-	(34,032)	34,032
Other temporary differences	96,612	65,919	-	162,531
Balance at 30 June 2019	<u>943,641</u>	<u>(69,833)</u>	<u>(34,032)</u>	<u>839,775</u>

Critical accounting estimates and Judgements - Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Note 43. Deferred tax assets (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 44. Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2020	2019
	\$	\$
Loss after income tax benefit for the year	(1,816,685)	(2,571,340)
Adjustments for:		
Depreciation and amortisation	632,915	774,240
Net fair value gain on financial assets	(58,713)	-
Interest expense for financing activities	494,993	230,801
Income tax benefit	(34,033)	(34,032)
Retained earnings impacts for adoption on AASB 16	-	576,614
Employee share scheme	-	(360)
Change in operating assets and liabilities:		
Decrease in deferred tax assets	676,591	103,864
Decrease/(increase) in trade and other receivables	(190,836)	2,128,720
Decrease/(increase) in contract assets	(85,250)	-
Decrease/(increase) in short-term loan receivables	(2,725,500)	(1,058,500)
Decrease/(increase) in assets held for sale	2,384,525	(2,384,525)
Decrease/(increase) in prepayments	(26,842)	-
Decrease in deferred tax liabilities	(676,591)	(103,864)
Increase/(decrease) in employee benefits	25,808	(46,909)
Increase in other operating assets	(9,488)	(39,198)
Increase/(decrease) in trade and other payables	65,226	(317,952)
Increase/(decrease) in contract liabilities	(253,829)	269,731
Increase in short-term loans	5,070,000	2,843,452
Increase/(decrease) in other operating liabilities	(105,228)	14,278
Net cash from operating activities	<u>3,367,063</u>	<u>385,020</u>

Note 45. Events after the reporting period

COVID-19, which is a respiratory illness was declared a world-wide pandemic by the World Health Organisation in March 2020 and it has had a significant impact on the global and Australian economies. The dynamic and evolving nature of COVID-19 has also placed significant uncertainty to the broader economy including the financial market. The impact of COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continuing and is dependent on measures imposed by the Australian Government.

On 1 July 2020, the associate owned by the Group N1X Capital Pty Ltd has been put under voluntary deregistration due to consolidation of business.

Note 45. Events after the reporting period (continued)

On 20 May 2020, the Group entered into an agreement to purchase 1 of 12 shares in Vaikuntha Pty Ltd (ACN 114 847 291) at a price of \$8,335 and paid \$5,000 as consideration for the grant of the Remaining Shares Call Option to purchase the remaining 11 shares at \$86,665 by 31 July 2020. The Group subsequently exercised the call option and the entire transaction has been completed on 31 July 2020 with a total cost of \$100,000. Vaikuntha Pty Ltd holds an Australia Credit License (ACL) with both broking and lending authorisations.

On 13 August 2020, the joint venture owned by the Group RN2 Pty Ltd has been put under voluntary deregistration due to consolidation of business.

Paul Jensen has resigned as Non-Executive Director of the Group effective 31 August 2020. Frank Ganis has been appointed as Non-Executive Director of the Group effective 1 September 2020.

No other matter or circumstance has arisen since 30 June 2020 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 37 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Ren Hor Wong
Executive Chairman and CEO

29 September 2020

Independent Auditor's Report to the Members of N1 Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of N1 Holdings Limited (the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter
Recoverability of Short-Term Loan Receivables – Note 10	
<p>The Group had short-term loan receivables of \$5,478,000 as at 30 June 2020.</p> <p>We focused on this area as a key audit matter due to high degree of estimation and judgement made by management in assessing expected credit losses.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Checked to loan contracts to identify, among others, loan repayment date and collateral taken. • Checked repayment of the loans due post balance date. • Held discussions with management regarding the loans with extended repayment dates • Obtained the management assessment on expected credit losses. For collaterals taken, we checked the estimated fair value to the valuation reports prepared by management's experts (third parties).
Impairment Assessment of Intangible Assets (Goodwill and Rent Roll) – Note 16	
<p>The Group had goodwill and rent roll assets relating to its real-estate business.</p> <p>The impairment assessment of goodwill involves significant judgement in respect of factors such as:</p> <ol style="list-style-type: none"> a) Cash flow projections; b) Growth rate; and c) Discount rate. <p>The recoverable value of rent rolls was determined with reference to the reduction in rent under management and resale multiple.</p> <p>We focused on this area as a key audit matter due to the high degree of estimation and judgement made by management.</p>	<p>Our procedures included, but were not limited to, challenging the assumptions that supported the directors' position on impairment and recoverability of these intangible assets as follows:</p> <ul style="list-style-type: none"> • Assessed the reasonableness of the cash flow projections with reference to the last actual result. • Tested the accuracy of the value in use model and checking the mathematical calculation. • Assessed the reasonableness of key assumptions in the value in use model with reference to market available data and the Group's historical data. • Prepared sensitivity analysis of the valuation model.
Going Concern Assessment – Note 37	
<p>The Group incurred a loss after income tax of \$1,816,685 (2019: \$2,571,340) and a deficiency of net assets of \$1,617,197 (2019: \$233,520 net asset position). Notwithstanding the continued losses, and net asset deficiency, the financial statements have been prepared on a going concern basis based on the actions undertaken by management as outlined in Note 37 of the financial report.</p>	<p>We critically analysed the Group's cashflow forecast, including the potential impact of COVID-19, that was used to support the going concern assessment, including performing the following procedures:</p> <ul style="list-style-type: none"> • Interrogated the cashflow forecast using different inputs as a means to perform a sensitivity analysis. • Discussed with management the significant assumptions and inputs used in the cashflow forecast, comparing the inputs used with historical results, and obtained reasonable

Key Audit Matter	How we addressed the Key Audit Matter
	<p>justification for those inputs that differ from historical results.</p> <ul style="list-style-type: none"> • Checked post balance date performance of the entity up to 31 August 2020 to determine if the business performance was consistent with management's expectations.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2020 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not

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detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. The auditor is responsible for the direction, supervision and performance of the group audit. The auditor remains solely responsible for the audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 10 to 17 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of N1 Holdings Limited., for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Crowe Sydney

Crowe Sydney



Suwanti Asmono

Partner

29 September 2020

Sydney

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Additional information required by the Australian Securities Exchange Ltd (ASX) and not disclosed elsewhere in this report is set out below. The information is current as at **15 September 2020**.

1. Shareholding

a. Distribution of Shareholders

Category (size of holding)	Number of shares	%	Number of holders	%
1 to 1,000	1,087	0.00%	3	1.07%
1,001 to 5,000	43,969	0.05%	12	4.27%
5,001 to 10,000	867,629	1.06%	88	31.32%
10,001 to 100,000	4,779,347	5.86%	127	45.20%
100,001 and Over	75,863,541	93.02%	51	18.15%
Total	81,555,573		281	

b. The number of shareholdings held in less than marketable parcels is 0.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
REN H WONG PTY LTD	50,000,000	61.31%
THE THREE HORSESHOES PTY LTD	4,200,000	5.15%
MR YOKE MENG CHAN	2,780,266	3.41%
TIN FAMILY SMSF PTY LTD	2,450,000	3.00%
BNP PARIBAS NOMS PTY LTD	2,297,367	2.82%
Total	61,727,633	75.69%

d. 20 Largest Shareholders — Ordinary Shares

Shareholder	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. REN H WONG PTY LTD	50,000,000	61.31%
2. THE THREE HORSESHOES PTY LTD	4,200,000	5.15%
3. MR YOKE MENG CHAN	2,780,266	3.41%
4. TIN FAMILY SMSF PTY LTD	2,450,000	3.00%
5. BNP PARIBAS NOMS PTY LTD	2,297,367	2.82%
6. MR TONG CHAI TAN	1,498,249	1.84%
7. JIANRONG SUN	1,364,288	1.67%
8. MS YUEXIAN ZHAO	1,250,000	1.53%
9. MISS ZHAOJIA HE	843,750	1.03%
10. MS MUN CHING WANG	760,470	0.93%
11. VEN TAN PTY LTD	500,000	0.61%
12. LC FAMILY SUPER PTY LTD	500,000	0.61%
13. AUSTRALIA WIDE DEVELOPMENT GROUP PTY LTD	500,000	0.61%
14. MXJ PTY LTD	487,500	0.60%
15. MS HUEY CHARNG WONG	389,420	0.48%
16. MISS MANNI FU	350,000	0.43%
17. ANZI SUPER FUND PTY LTD	341,115	0.42%
18. IPOH YAP SMSF CO PTY LTD	312,500	0.38%
19. MR JILIANG ZHANG	300,000	0.37%
20. MR YIK-YEN CHONG	275,000	0.34%
Total	71,399,925	87.55%

e. Escrowed Shares

No

f. Vested Options

5,403,750 options exercisable at \$0.2 and expiring on 14 December 2020 are held by 13 holders.

g. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

There are no other classes of equity securities.

h. Current on-market buy-back

There is no current on-market buy-back in relation to the Company's ordinary shares.

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