

Appendix 4E

Preliminary final report

N1 Holdings Limited
ACN: 609 268 279

The following information is provided pursuant to ASX Listing Rule 4.3A.

N1 Holdings Limited (ASX: N1H, “N1” or “Company”) is pleased to provide its 30 June 2018 preliminary final report to shareholders. During the financial year, the Company continued to build momentum from the previous financial year in executing its diversification strategy of acquiring or establishing complementary businesses. Although revenue declined overall during FY18, the sources of the Company’s revenue was more diverse than any previous year and the Board believes N1’s encouraging results from Q4 of FY18 will pave the way for N1 to improve its financial performance in the coming year.

The annual revenue of the Company and its controlled entities (together the “group”) recorded a decline of 16.43% to \$3.60m (FY17: \$4.30m) amid a challenging lending environment and tightening of investment property activities. FY18 saw the slowing of credit growth across the industry however N1 achieved increased cash receipts from customers of 15.61% to \$4.11m (FY17: \$3.56m). Q4 of FY18 saw N1 achieve record cash receipts coupled with a drop in operating expenses from previous FY18 quarters.

Milestones achieved during FY18 include the following.

- Commencing a commercial lending business in December 2017.
- Rebranding Sydney Boutique Property located at McMahons Point in Sydney’s Lower North Shore as our second “N1 Centre” in January 2018.
- Launching a proprietary, self-developed CRM in January 2018. This has effectively trimmed over \$35,000 per annum of third party software expenses.
- Improving N1’s Chinese-language mortgage and car loan comparison website www.chengdai.com.au along with the addition of commercial lending products.
- N1 Loans once again being recognised as an innovative leader by industry peers. The success of N1’s business model was recognised in FY18 with the Australian Financial Review ranking N1 Loans at number 46 on the Fast 100, a list of Australia’s fastest growing companies. In addition, N1 Loans was recognised by the Australian Mortgage Awards as a finalist for the Brokerage of the Year Award, the Australian Broking Awards as a finalist for the Diversification Business of the Year Award and by aggregator business Finsure as a finalist for the Commercial Business of the Year Award, evidencing the growing success of N1’s commercial loans business.

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

Reporting period: 1 July 2017 to 30 June 2018 (“FY18”)
Previous period: 1 July 2016 to 30 June 2017 (“FY17”)

2. Results for announcement to the market

Year Ended	30 June 2018 (A\$)	30 June 2017 (A\$)	Change (%)
Revenue from ordinary activities	3,596,657	4,303,727	down 16.43%
Reported net profit/(loss) from ordinary activities after tax attributable to members	(1,852,028)	(1,197,553)	down 54.65%
Net profit/(loss) attributable to members	(1,852,028)	(1,197,553)	down 54.65%
Dividends	Nil	Nil	Nil

3. Comments on the results

During FY18, the Company generated revenue of \$3.60m (FY17: \$4.30m) delivering a net loss of \$1.85m (FY17: loss \$1.12m). No dividend was declared during FY18 (FY17: Nil).

During FY18, N1 Loans continued to be the group's major revenue generator, accounting for 74.33% of the total revenue of the group. The real estate business via N1 Realty and Sydney Boutique Property generated \$805,845 representing 22.41% of the group's total revenue. N1 Migration generated \$111,055 in revenue representing 3.09% of the group's total revenue.

Commercial loans revenue in the second half of FY18 recorded the most uplift and is expected to become a greater source of growth for the group, offsetting the decline in residential home loan broking revenue experienced in FY18. Total commercial loan origination commission and lending revenue including interest from loans in the current reporting period amounted to \$368,283 (FY17: \$99,755), which represents an increase of 269%. Meanwhile, recurring trail commission income continues to be an important source of revenue for N1. The group's loan book value as at 30 June 2018 was \$783m (FY17: \$799m). Despite a slight reduction in the loan book balance, trail commission has steadily increased by 14.18% to \$1.24m in FY18 (FY17: \$1.09m) this is due to a large number of loans entering a stage in their terms associated with higher commission brackets. 86% of trail revenue (based on June 2018 figures) is retained by the Company (rather than paid away to commission-based brokers) due to the Company's PAYG model. This aspect of our business model is a key differentiator to our commissions-based competitors who take a minor clip of the brokerage commissions (some as low as 5%) and pay the remainder away to their commission-based brokers.

N1 Realty's revenue grew to \$805,845 in FY18 (FY17: \$740,799), representing a modest increase of 8.78%. Declining market activity and falling auction clearance rates, particularly in Sydney, have undeniably had an adverse effect on the industry in general. N1 Realty, however, experienced stable performance in property management, both in terms of properties under management and recurring revenue. N1 manages 247 properties in Sydney as at June 2018, with a high concentration of those properties in Sydney's North Shore, due to the operating activities of N1 Centres at both Chatswood and McMahons Point. Management believes the rebranding of Sydney Boutique Property at McMahons Point to "N1 Centre" Lower North Shore will bring greater awareness of N1's brand to the local community.

Key features of the underlying operating results are summarised below.

- Reduction in revenue in FY18 by 16.43% to \$3,596,657 (FY17: \$4,303,727) was primarily the result of a reduction in residential home loan upfront brokerage fees of \$830,748 and a reduction in the recognition of net present value of future trail commission income of \$220,320 during FY18.
- Reduction in the direct cost to commission-based brokers and referrers in FY18 to \$813,792 (FY17: \$1,090,146).
- Reduction in employee cost in FY18 to \$2,811,083 (FY17: \$3,031,056).
- Reduction in sales and marketing cost in FY18 to \$121,912 (FY17: \$242,609).
- Increased depreciation and amortisation expenses in FY18 to \$607,821 (FY17: \$371,106).
- Increased finance cost in FY18 to \$242,494 (FY17: \$68,343).

4. Dividend or distribution reinvestment plans

The Company does not have any dividend or distribution reinvestment plans in operation.

5. Net tangible assets per security

	FY18 (cents per share)	FY17 (cents per share)
Net Tangible Assets per ordinary share	0.1	1.8

6. Details of entities over which control has been gained or lost during the period

Not applicable

7. Details of associates and joint venture entities

Name of Entity:	Reporting entity's percentage holding		Aggregate share of profit/(loss) (where material)	
	FY18 (%)	FY17 (%)	FY18 (\$)	FY17 (\$)
N1X Capital Pty Ltd	40	40	0	0

8. Other significant information

In September 2017, the Company issued \$1,000,000 worth of convertible notes with a 7% per annum interest rate and a 2 year term. The conversion price is \$0.20 per new share. Proceeds raised from the issue of convertible notes were used to fund acquisitions and for general working capital purposes.

In December 2017, the Company commenced commercial lending to small and medium enterprises. The commercial loans are secured against Australian property and further backed by personal guarantees.

In January 2018, Sydney Boutique Property located at McMahons Point in Sydney's Lower North Shore was rebranded as N1 Centre. It is the second N1 Centre in addition to the group's flagship N1 Centre in Chatswood Interchange.

During FY18, the Company borrowed \$1,000,000 from unrelated private lenders and \$150,000 from related parties each at a 10% per annum interest rate. The purpose of these loans is to fund acquisitions, provide general working capital and to provide commercial loans. Please refer to Note 3.2 for further details of the loans.

In May 2018 the Company borrowed \$900,000 at a 10% per annum interest rate for 3 years from BBBSA Finance. The loan is secured by the Company's loan book. The purpose of the loan is to fund commercial lending.

9. Financial statements and notes to the financial statements

Refer to the attached unaudited financial statements and related notes.

10. Audit

This report is based on accounts which are in the process of being audited. It is not considered likely that any audit qualification will arise.



Ren Hor Wong
Chairman and CEO
N1 Holdings Limited

N1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
30 JUNE 2018

For the year ended 30 June 2018

	2018 \$	2017 \$
Note		
Continuing operations		
Revenue	3,596,657	4,303,727
Consulting and referral fees	(813,792)	(1,090,146)
Gross profit	2,782,865	3,213,581
Other income	62,939	110,795
Employee cost	(2,811,083)	(3,031,056)
IT and technology	(23,741)	(97,392)
Sales and marketing	(121,912)	(242,609)
Rent and utilities	(479,161)	(429,982)
Professional fee	(368,063)	(388,319)
Office and administrative expense	(240,879)	(242,830)
Finance cost	(242,494)	(68,343)
Travel cost	(90,109)	(75,368)
Other operation cost	(11,957)	(20,377)
Depreciation and amortisation	(607,821)	(371,106)
Profit/(Loss) before income tax	(2,151,416)	(1,643,006)
Income tax benefit/(expense)	299,388	445,453
Net profit/(loss) from continuing operations	(1,852,028)	(1,197,553)
Other comprehensive income	-	-
Total comprehensive income/(loss) for the year	(1,852,028)	(1,197,553)
Earnings per share		
	cents	cents
Basic earnings per share	(2.3)	(1.5)
Diluted earnings per share	(2.3)	(1.5)

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2018

As at 30 June 2018

ASSETS		2018	2017
		\$	\$
CURRENT ASSETS	Note		
Cash and cash equivalents		1,008,874	912,432
Trade and other receivables	2.1	1,187,664	1,317,026
Short-term loan receivables	2.2	1,694,000	-
Other current assets		17,537	11,220
TOTAL CURRENT ASSETS		3,908,075	2,240,678
NON-CURRENT ASSETS			
Trade and other receivables	2.1	1,437,481	1,302,252
Property, plant and equipment		366,044	495,178
Deferred tax assets		943,641	772,511
Intangible assets	2.3	2,210,032	2,653,803
Other non-current assets		234,735	230,946
TOTAL NON-CURRENT ASSETS		5,191,933	5,454,690
TOTAL ASSETS		9,100,008	7,695,368
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		727,715	445,153
Loan and borrowings	3.2	1,462,272	224,531
Deferred income		158,567	-
Provisions		215,490	328,526
TOTAL CURRENT LIABILITIES		2,564,044	998,210
NON-CURRENT LIABILITIES			
Loan and borrowings	3.2	3,295,411	1,541,581
Deferred tax liabilities		943,641	1,037,877
Provisions		34,274	20,277
TOTAL NON-CURRENT LIABILITIES		4,273,326	2,599,735
TOTAL LIABILITIES		6,837,370	3,597,945
NET ASSETS		2,262,638	4,097,423
EQUITY			
Issued capital		5,722,125	5,756,156
Reserves	3.1	206,884	155,610
Retained earnings		(3,666,371)	(1,814,343)
TOTAL EQUITY		2,262,638	4,097,423

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
30 JUNE 2018

For the year ended 30 June 2018

Note	Share Capital \$	Option Reserve \$	Retained Earnings \$	Total \$
Balance at 30 June 2016 / 1 July 2016	5,738,586	94,448	(616,790)	5,216,244
<i>Comprehensive income</i> Profit/(loss) for the year	-	-	(1,197,553)	(1,197,553)
Total comprehensive income for the year	-	-	(1,197,553)	(1,197,553)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>				
Shares issued during the year	63,977	-	-	63,977
Total transactions with owners and other transfers	63,977	-	-	63,977
Share based payment	-	61,162	-	61,162
Recovery of deferred tax on IPO cost	(46,407)	-	-	(46,407)
Balance at 30 June 2017 / 1 July 2017	5,756,156	155,610	(1,814,343)	4,097,423
<i>Comprehensive income</i> Profit/(loss) for the year			(1,852,028)	(1,852,028)
Total comprehensive income for the year			(1,852,028)	(1,852,028)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>				
Total transactions with owners and other transfers	-	-	-	-
Share based payment	-	51,274	-	51,274
Recovery of deferred tax on IPO cost	(34,031)	-	-	(34,031)
Balance at 30 June 2018	5,722,125	206,884	(3,666,371)	2,262,638

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
30 JUNE 2018

For the year ended 30 June 2018

Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,111,860	3,557,212
Interest received from bank deposit	17,117	28,863
Payments to suppliers and employees	(5,112,773)	(5,469,227)
Net increase in commercial loans	(1,694,000)	-
Net Increase in fund received from investor	1,606,740	-
Income tax refund/(paid)	-	19,667
Net cash provided by (used in) operating activities	(1,071,056)	(1,863,485)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(23,616)	(436,556)
Purchase of Intangible assets	(34,553)	(269,096)
Acquisition of subsidiary	-	(1,940,000)
Loans recovered from related parties	-	50,000
Cash received on disposal of plants and equipment	48,000	-
Net cash provided by /(used in) investing activities	(10,169)	(2,595,652)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	470,297	1,246,300
Proceeds from issuance of convertible notes	1,000,000	370,000
Payment of finance cost and interest	(207,165)	(68,343)
Repayment of other finance liability	(85,465)	(33,334)
Net cash provided by (used in) financing activities	1,177,667	1,514,623
Net increase/(decrease) in cash held	96,442	(2,944,514)
Cash and cash equivalents at beginning of financial year	912,432	3,856,946
Cash and cash equivalents at end of financial year	1,008,874	912,432

The accompanying notes form part of these financial statements.

N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

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

Section 1: Key performance metrics

1.1 Earnings per share

	Consolidated Group	2017
	2018	2017
	\$	\$
Reconciliation of earnings to profit or loss		
Profit/(loss) – from continuing activities	(1,852,028)	(1,197,553)
Earnings/(loss) used to calculate basic EPS & dilutive EPS	(1,852,028)	(1,197,553)
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	81,555,573	81,045,248
Weighted average number of dilutive options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	81,555,573	81,045,248
Earnings/(loss) per share – basic (cents)	(2.3)	(1.5)
Earnings/(loss) per share – diluted (cents)	(2.3)	(1.5)

1.2 Segment information

The group has identified three reportable segments based on the nature of the products and services offered, the type of customers for those products and services and the similarity of their economic characteristics in accordance with the requirement of AASB 8 (Operating Segments).

(a) Description of segments and principal activities

Mortgage broking and other financial services

This segment refers to the operating activities in the financial services business including:

- Mortgage broking: the group acts as a mortgage broker that provides its customers with advice and support. the group receives commission payments on loans originated through its network of customers.
- Commercial loan lending: The group lends privately raised funds to commercial borrowers and earns loan fees and interest from this lending.

Real estate services

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

Migration services

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

N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

(b) Segment performance and financial position

Year ended 30 June 2018	Loan brokerage and other financial service	Real estate service	Migration service	Other	Total
	\$	\$	\$	\$	\$
<i>Revenue</i>	2,673,257	805,845	111,055	6,500	3,596,657
Interest income	5,631	327	214	10,945	17,117
Other income	44,343	1,479	-	-	45,822
Total segment revenue and other income	2,723,231	807,651	111,269	17,445	3,659,596
<i>Results</i>					
Segment profit/(loss) before income tax	(155,885)	(660,935)	(50,374)	(1,284,222)	(2,151,416)
income tax benefit/(expense)	-	-	-	299,388	299,388
Net profit/(loss) after tax	(155,885)	(660,935)	(50,374)	(984,834)	(1,852,028)
<i>Assets and liabilities</i>					
Total segment assets	5,664,255	949,650	44,448	2,441,655	9,100,008
Total segment liabilities	2,874,229	246,380	18,869	3,697,892	6,837,370
<i>Other segment information</i>					
Depreciation and amortisation	66,456	466,607	-	74,758	607,821
Interest expense	19,057	50,277	-	100,498	169,832
Year ended 30 June 2017	Loan brokerage and other financial service	Real estate service	Migration service	Other	Total
	\$	\$	\$	\$	\$
<i>Revenue</i>	3,366,449	740,799	174,407	22,072	4,303,727
Interest income	4,673	48	227	23,915	28,863
Other income	42,330	22,454	10	17,138	81,932
Total segment revenue and other income	3,413,452	763,301	174,644	63,125	4,414,522
<i>Results</i>					
Segment profit/(loss) before income tax	(811,137)	(401,970)	37,302	(467,201)	(1,643,006)
income tax benefit/(expense)	-	-	-	445,453	445,453
Net profit/(loss) after tax	(811,137)	(401,970)	37,302	(21,748)	(1,197,553)
<i>Assets and liabilities</i>					
Total segment assets	3,023,288	2,760,570	91,300	1,820,210	7,695,368
Total segment liabilities	1,071,421	982,356	18,544	1,525,624	3,597,945
<i>Other segment information</i>					
Depreciation and amortisation	92,609	205,338	-	73,159	371,106
Interest expense	513	25,796	3	6,310	32,623

Section 2: Operating assets and liabilities

2.1 Trade and other receivables

	Consolidated Group	
	2018	2017
	\$	\$
<i>Current</i>		
Commission receivables	258,988	338,580
Agent commission clawback receivable	45,881	76,566
NPV of trailing commission	882,795	901,880
	1,187,664	1,317,026
<i>Non-Current</i>		
NPV of trailing commission	1,437,481	1,302,252
	1,437,481	1,302,252

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 2017: nil). As at 30 June 2018, the amount of all trade and other receivables past due is \$36,597 (2017: \$12,704).

2.2 Short-term loan receivables

	Consolidated Group	
	2018	2017
	\$	\$
<i>Current</i>		
Short-term commercial loan receivable	1,694,000	-
	1,694,000	-

The group raised funds to lend money to commercial entities on a short-term basis and earns the interest as income. More detailed information regarding these loans is disclosed in Note 3.2.

2.3 Intangibles Assets

a) Movement schedule of intangible assets

	Goodwill (b)	Rent Roll (c)	Website and IT system (d)	Total
	\$	\$	\$	\$
Balance at 1 July 2016	-	-	155,750	155,750
Additions	536,216	2,155,370	70,798	2,762,384
Amortisation	-	(180,177)	(84,154)	(264,331)
Balance at 30 June 2017	536,216	1,975,193	142,394	2,653,803
Additions	-	-	34,553	34,553
Amortisation/written-down	-	(417,518)	(60,806)	(478,324)
Balance at 30 June 2018	536,216	1,557,675	116,141	2,210,032

N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

b) Goodwill

	Consolidated Group	
	2018	2017
	\$	\$
Goodwill	536,216	536,216

The goodwill resulted from the group's acquisition of Sydney Boutique Property in 2016. The details of the transaction and related calculation is disclosed in last year's financial annual report. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity, over the fair value of the net identifiable assets acquired, is recorded as goodwill. If the formerly described amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

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

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 to the real estate services segment.

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%.

c) Rent Roll Assets

	Consolidated Group	
	2018	2017
	\$	\$
Rent Roll – Cost	2,155,370	2,155,370
Rent Roll – Written-down	(597,695)	(180,177)
Rent Roll – Net	1,557,675	1,975,193

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

d) Website and IT System

	Consolidated Group	
	2018	2017
	\$	\$
Website and IT system – Cost	318,457	283,904
Website and IT system – Accumulated amortisation	(202,316)	(141,510)
Website and IT system – Net	116,141	142,394

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.

Section 3: Group's capital and risks

3.1 Share-based payments

The group operates an employee share and option plan.

Share-based payments to employees are remeasured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are remeasured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that the fair value of the goods or services cannot be reliably measured, and are recorded at the date that the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the binomial approximation 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.

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.

Options granted under the Employee Option Plan:

	2018		2017	
	Average exercise price per Option	Number of Options	Average exercise price per Option	Number of Options
As at beginning of the year	0.20	8,738,750	0.20	5,962,500
Granted during the year	-	-	0.20	4,791,250
Exercised during the year	-	-	-	-
Forfeited during the year	0.20	(2,747,500)	0.20	(2,015,000)
As at end of the year		5,991,250		8,738,750

N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

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 18	Options 30 June 17
14 December 2015	14 December 2018	0.20	0.054	3,710,000	4,535,000
18 March 2016	18 March 2018	0.20	0.0385	-	1,000,000
1 March 2017	14 December 2018	0.20	0.0475	2,281,250	3,203,750
				<u>5,991,250</u>	<u>8,738,750</u>
Average remaining contractual life of Options outstanding at end of period				0.46 years	1.26 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 weighted average fair value of options granted during the year was \$nil (2017: \$227,584). 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. Options included under share based payments in the statement of profit or loss amount to \$51,274 (2017: \$61,162) and relate to equity settled share based payment transactions.

3.2 Net debt

Financial liabilities

	Consolidated Group	
	2018	2017
	\$	\$
<i>Current</i>		
Bank Loan (i)	56,410	200,004
Loan received for commercial lending (ii)	1,022,921	-
Convertible Debt (iii)	370,000	-
Finance lease payable - current	12,941	24,527
	<u>1,462,272</u>	<u>224,531</u>
<i>Non-Current</i>		
Bank Loan (i)	880,551	666,660
Loan from other lenders (iv)	780,000	380,000
Loan received for commercial lending (ii)	583,819	-
Convertible Debt (iii)	1,000,000	370,000
Finance lease payable - non-current	51,041	124,921
	<u>3,295,411</u>	<u>1,541,581</u>

i) The bank loan was borrowed from National Australia Bank and consisted of two loan drawdowns.

Drawdown of \$900,000 in October 2016: The repayment term of the loan is 5 years expiring 30 November 2021. Principal repayment has been extended in FY18 to be based on a 15-year period. The interest is 5.665% 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 2018 is \$711,960 (2017: \$866,664).

Drawdown of \$225,000 in November 2017: The repayment term of the loan is 3 years ending on 30 July 2020. The interest is 5.6480% per annum with interest repayable in accordance with the loan agreement. The loan is secured by the N1 Realty rent roll. The outstanding loan balance as at 30 June 2018 is \$225,000 (2017: \$nil).

N1 HOLDINGS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2018

ii) Loan received for commercial lending is the funds being raised for commercial loan lending to customers. The BBBSA loan is secured by the Company's loan book. The remaining loans are unsecured. Key terms of these loans are detailed in the table below.

	Drawdown Amount	Drawdown Date	Balance at 30/06/2018	Interest Rate	Repayment term
BBBSA	900,000	01/05/18	856,740	10% p/a	3 Years Principal and Interest
Private loan batch#1	100,000	16/04/18	100,000	10% p/a	3 Months Rolling Interest only
Private loan batch#2	500,000	01/06/18	500,000	10% p/a	3 Months Rolling Interest only
Ren H Wong Family Trust	150,000	15/06/18	150,000	10% p/a	3 Months Rolling Interest only

iii) Convertible debt movement schedule

	2018	2017
	\$	\$
As at the beginning of the year	370,000	-
Borrowed	1,000,000	370,000
Derivative expense	79,023	3,477
Settled	(79,023)	(3,477)
As at the end of the year	1,370,000	370,000

In FY17, the Company issued 1.85 million unlisted convertible notes in exchange for a cost fund of \$370,000. The holders of the convertible notes may choose to convert the notes to shares in the Company at \$0.20 per share at any time before the maturity date (12 May 2019).

On 27 September 2017, the Company issued 5 million unlisted unsecured convertible notes with a total value of \$1,000,000. Each convertible note had a face value of \$0.20 with a 7% per annum interest rate and a 2 year term. The convertible notes can be converted at any time prior to the date of maturity at the request of the noteholder, or they will automatically be redeemed on the maturity date. Following completion of the issue in September 2017, the total number of convertible notes on issue increased from 1.85 million to 6.85 million. If the noteholders convert the maximum number of convertible notes, then 6,850,000 new shares would be issued. This is based on a price of \$0.20 and does not account for any accrued interest. The proceeds from the issue of convertible notes were used to fund potential acquisitions and for working capital purposes.

iv) Loan from other lenders consists of four loans from non-related parties. The first loan has a principle amount of \$180,000. The repayment term is 2 years and extended to 3 years in FY18 and the interest rate is 10% per annum in accordance with the loan agreement. The second loan has a principle amount of \$200,000. The repayment term is 2 years and the interest rate is 10% per annum in accordance with the loan agreement. The third loan has a principle amount of \$200,000. The repayment term is 2 years and the interest rate is 10% per annum in accordance with the loan agreement. The fourth loan has a principle amount of \$200,000. The repayment term is 2 years and the interest rate is 10% per annum in accordance with the loan agreement.

Section 4: events after the reporting period

On 1 August 2018, the Company entered into 2 unsecured loan agreements with non-related party lenders for \$500,000 with a 10% per annum interest rate and a 2 year term. The purpose of the loan is to fund commercial lending.

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