



**N1 HOLDINGS LIMITED**

**ACN 609 268 279**

## **HALF-YEAR FINANCIAL REPORT**

31 DECEMBER 2017



# Corporate Directory

## Directors

Ren Hor Wong Executive Chairman, CEO  
Jia Penny He Executive Director, CFO  
Tarun Kanji Non-Executive Director

## Company Secretary

Anand Sundaraj

## Auditors

Crowe Horwath Sydney  
Level 15, 1 O'Connell Street  
Sydney NSW 2000

## Stock Listing

N1 Holdings Limited is listed on the Australian Securities Exchange (ASX) under the code N1H.

## Corporate Office

Suite 502, 77 King Street  
Sydney NSW 2000

## Solicitors

Sundaraj and Co Pty Ltd  
Level 13, 111 Elizabeth Street  
Sydney NSW 2000

## Share Registry

Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

## 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 2017 corporate governance statement reflects the corporate governance practices in place since listed. The 2017 corporate governance statement was approved by the board on 20 September 2017. 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/>

# Financial Report for the Half-Year ended 31 December 2017

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## Directors' Report

The directors of the Company (**Directors**) present their report on the consolidated entity consisting of the Company and its controlled entities (**Group**) for the half-year ended 31 December 2017 (**Directors' Report**).

### Directors

The following persons were directors of N1 Holdings Limited during the whole of the half year and up to the date of this report:

Mr Ren Hor Wong (Executive Chairman, CEO);  
 Ms Jia Penny He (Executive Director, CFO); and  
 Mr Tarun Kanji (Non-executive Director).

### Company Secretary

Mr Anand Sundaraj (Company Secretary)

### Review of operations

During the half-year the continuing principal activities of the consolidated group consisted of:

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

### New capital raise and borrowings

On 27 September 2017, the Company issued 5 million unlisted unsecured convertible notes with total value of \$1,000,000. Each convertible note had a face value of \$0.20 with 7% pa interest and a two-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 at the maturity. Following completion of the issue, the total number of convertible notes on issue has 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.

### Review of operating results

During the half-year ended 31 December 2017, the Group generated revenue of \$1.83m (HY17: \$2.16m) delivering a net loss of \$0.77m (compared with a net loss of \$0.49m for HY17).

N1 Loans (the Group's mortgage broking business) continued to be the major revenue generator, accounting for 71% of the total revenue of the Group. N1 Realty generated \$444,441 in revenue during first 6 months of FY18 representing 24% of the total revenue of the Group. N1 Migration generated \$77,606 in revenue representing 4% of the Group's total revenue.

The Company's origination commission was reduced to \$607,790 compared to the same period in FY2017 of \$1,183,596 due to the tightening credit environment and a curb on residential lending to investors. Average loan size was reduced because of a reduced borrowing capacity by applicants. In addition, lending to the foreigners is completely closed by the major banks since the end of 2016. Management of N1 has foreseen this market condition and implemented diversification strategy. The Company's Diversification Revenue (DR), i.e. revenue other than residential home loan brokerage, has increased by 94% compared to FY17 first 6 months. Total DR during the half-year ended 31 December 2017 is \$677,480.

The Company's loan trail book valuation as at 31 December 2017 is \$2.29m (FY17: \$2.20m) with a loan book value of \$770m (FY17: \$799m). Total trail commission income, which is recurring in nature, has increased to \$615,548 in the first half year of FY18 (HY17: \$514,457). The Company retains 85% of the trail commission revenue. Although new loan settlement and outstanding loan balances have reduced, increased client retention has improved recurring trail income. A large number of loans in the Company's loan book that originated in 2014 have entered their third year thus falling into higher trail commission brackets. The board of directors

**N1 HOLDINGS LIMITED  
DIRECTORS' REPORT  
31 DECEMBER 2017**

acknowledge the tightening credit environment and in response, have put resources into existing retention and cross sales of other products sold by the Group. Operational cash flow for the Group during the first half-year 2018 was improved by 27% compared to half-year 2017.

Company has grown its property management rent roll book through organic growth and acquisitions. The total number of properties under management has increased to 248 as at 31 December 2017 compared to 173 properties in the same period in FY17. Property management related revenue, which is recurring in nature, has consequently increased to \$305,362 for the first half year of FY18 (HY17: \$109,411).

The Company commenced short term commercial lending in December 2017.

The Company's decline in operating profit is predominantly related to the following factors:

- decrease in mortgage origination commission totalling \$575,806;
- increase in mortgage trail commission totalling \$101,091
- increase in realty sales and management revenue totalling \$319,562;
- decrease in Net Present Value of trail commission valuation totalling \$153,837;
- increase in depreciation and amortisation cost totalling \$111,721 related to assets and acquired business.

During the first half year of FY18, the Company used cash and its assets in a form readily convertible to cash that it received under its initial public offering in a way consistent with its business objectives.

***Review of Financial Position***

The Group has net assets totalling \$3,352,339 as at 31 December 2017 (\$4,097,423 at 30 June 2017). The Group has increased its non-current assets to \$5,705,652 as at 31 December 2017 from \$5,454,690 as at 30 June 2017. Current liabilities have increased by \$136,386 and non-current liabilities by \$1,287,323 during the 6-month period. The Group's working capital, being current assets less current liabilities, is \$1,533,745 as at 31 December 2017 compared to \$1,242,468 as at 30 June 2017. The Directors believe the Group is in a stable financial position to expand and grow their current operations.

**Events after the Reporting Period**

On 23 January 2018, the Company entered into an unsecured loan agreement with an individual lender for \$200,000 at an interest rate of 10% pa over a term of two years. The loan was settled on 1 February 2018. The purpose of the loan is for general working capital.

Sydney Boutique Property completed its rebranding to N1 Centre McMahon's Point being the second N1 Centre in January 2018. The Group currently owns two one-stop property and financial services centres in Sydney. The Company subsequently announced its interest in franchise opportunities for N1 Centres.

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

**Auditor's independence declaration**

The lead auditors' independence declaration for the half-year ended 31 December 2017 has been received and can be found following the Directors' Report.

This Report is made in accordance with a resolution of the Board of Directors and signed on behalf of the Board by



**Ren Hor Wong**  
**Executive Chairman and CEO**  
**28 February 2018**  
**Sydney**

28 February 2018

The Board of Directors  
N1 Holdings Limited  
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 review of the financial report of N1 Holdings Limited for the half year ended 31 December 2017, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



**CROWE HORWATH SYDNEY**



**SUWARTI ASMONO**

Partner

**N1 HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**31 DECEMBER 2017**

For the half-year ended 31 December 2017

		<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Continuing operations</b>			
<b>Revenue</b>	4	1,830,548	2,164,760
Consulting and referral fees		(424,509)	(619,766)
<b>Gross profit</b>		<b>1,406,039</b>	<b>1,544,994</b>
Other income		34,227	38,672
Employee cost	4	(1,457,214)	(1,368,229)
IT and technology		(12,934)	(48,616)
Sales and marketing	4	(74,644)	(107,226)
Rent and utilities	4	(255,027)	(175,953)
Professional fee	4	(147,570)	(199,094)
Office and administrative expense	4	(118,736)	(127,354)
Finance cost		(95,183)	(18,521)
Travel cost		(41,353)	(21,555)
Depreciation and amortisation	4	(287,377)	(175,656)
Other operation cost		(11,598)	(16,545)
<b>Profit/(Loss) before income tax</b>		<b>(1,061,370)</b>	<b>(675,083)</b>
Income tax benefit/(expense)		290,409	184,136
<b>Net profit/(loss) from continuing operations</b>		<b>(770,961)</b>	<b>(490,947)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the period</b>		<b>(770,961)</b>	<b>(490,947)</b>
<b>Earnings per share</b>			
Basic earnings/(loss) per share(cents)		(0.95)	(0.61)
Diluted earnings/(loss) per share(cents)		(0.95)	(0.61)

The accompanying notes form part of these financial statements.

**N1 HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2017**

As at 31 December 2017

	Note	31 December 2017 \$	30 June 2017 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		1,317,633	912,432
Trade and other receivables	5	1,018,660	1,317,026
Other financial assets		332,048	11,220
<b>TOTAL CURRENT ASSETS</b>		<b>2,668,341</b>	<b>2,240,678</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	5	1,568,803	1,302,252
Other financial assets		232,452	230,946
Property, plant and equipment	6	452,194	495,178
Deferred tax assets		1,010,517	772,511
Intangible assets	7	2,441,686	2,653,803
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,705,652</b>	<b>5,454,690</b>
<b>TOTAL ASSETS</b>		<b>8,373,993</b>	<b>7,695,368</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	588,722	445,153
Other financial liabilities	9	242,570	224,531
Provisions	10	303,304	328,526
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,134,596</b>	<b>998,210</b>
<b>NON-CURRENT LIABILITIES</b>			
Other financial liabilities	9	2,854,037	1,541,581
Deferred tax liabilities		1,002,480	1,037,877
Provisions	10	30,541	20,277
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,887,058</b>	<b>2,599,735</b>
<b>TOTAL LIABILITIES</b>		<b>5,021,654</b>	<b>3,597,945</b>
<b>NET ASSETS</b>		<b>3,352,339</b>	<b>4,097,423</b>
<b>EQUITY</b>			
Issued capital		5,739,140	5,756,156
Reserves		198,503	155,610
Retained earnings		(2,585,304)	(1,814,343)
<b>TOTAL EQUITY</b>		<b>3,352,339</b>	<b>4,097,423</b>

The accompanying notes form part of these financial statements.

**N1 HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**31 DECEMBER 2017**

**For the half-year ended 31 December 2017**

	Share Capital \$	Option Reserve \$	Retained Earning \$	Total \$
<b>Balance at 1 July 2017</b>	<b>5,756,156</b>	<b>155,610</b>	<b>(1,814,343)</b>	<b>4,097,423</b>
Comprehensive income				
Profit/(loss) for the period	-	-	(770,961)	(770,961)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(770,961)</b>	<b>(770,961)</b>
Recovery of DTA for IPO cost	(17,016)	-	-	(17,016)
Shares based payment	-	42,893	-	42,893
<b>Balance at 31 December 2017</b>	<b>5,739,140</b>	<b>198,503</b>	<b>(2,585,304)</b>	<b>3,352,339</b>

**For the half-year ended 31 December 2016**

	Share Capital \$	Option Reserve \$	Retained Earning \$	Total \$
<b>Balance at 1 July 2016</b>	<b>5,738,586</b>	<b>94,448</b>	<b>(616,790)</b>	<b>5,216,244</b>
Comprehensive income				
Profit/(loss) for the period	-	-	(490,947)	(490,947)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(490,947)</b>	<b>(490,947)</b>
Recovery of DTA for IPO cost	(18,563)	-	-	(18,563)
Shares based payment	-	44,320	-	44,320
<b>Balance at 31 December 2016</b>	<b>5,720,023</b>	<b>138,768</b>	<b>(1,107,737)</b>	<b>4,751,054</b>

**N1 HOLDINGS LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**31 DECEMBER 2017**

For the half-year ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	1,843,219	2,014,602
Interest received	11,065	22,152
Payments to suppliers and employees	(2,353,262)	(2,820,033)
Income tax paid	-	(16,305)
Other cash received	-	120,000
<b>Net cash provided by (used in) operating activities</b>	<b>(498,978)</b>	<b>(679,584)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(14,872)	(479,212)
Purchase of other non-current assets	(17,404)	(2,276,662)
Short-term loan lending	(313,000)	-
Interest received on loan to external party	17,568	-
<b>Net cash provided by (used in) investing activities</b>	<b>(327,708)</b>	<b>(2,755,874)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from new borrowings	425,000	1,000,000
Interest paid	(81,040)	(33,334)
Repayment of borrowings and other financial liability	(112,073)	(21,781)
Convertible notes issued	1,000,000	-
<b>Net cash provided by (used in) financing activities</b>	<b>1,231,887</b>	<b>944,885</b>
<b>Net decrease in cash held</b>	<b>405,201</b>	<b>(2,490,573)</b>
Cash and cash equivalents at beginning of financial period	912,432	3,856,946
<b>Cash and cash equivalents at end of financial period</b>	<b>1,317,633</b>	<b>1,366,373</b>

The accompanying notes form part of these financial statements.

**1. Summary of significant accounting policies**

**Basis of preparation**

This consolidated interim financial report for the half-year reporting period ended 31 December 2017 has been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This half-year financial report is intended to provide users with an update on the latest annual financial statements. As such, it does not contain information that represents relatively insignificant changes occurring during the half year and does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by N1 Holdings Limited during the period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

The accounting policies applied are the same as those applied by N1 Holdings Limited in its annual report for the year ended 30 June 2017.

**2. Segment information**

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

**(a) Description of segments and principal activities**

**Mortgage broking and other financial services**

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

**Real estate service**

The group operates real estate service to its customers through its fully owned N1 Realty Pty Ltd and Sydney Boutique Property Pty Ltd. The services are focused on rental property management and property sales agent service.

**Migration service**

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

(b) Segment performance and financial position

Half-year ended 31 December 2017	Mortgage broking and other financial service	Real estate service	Migration service	Other	Total
Revenue	1,300,501	444,441	77,606	8,000	1,830,548
Interest income	4,836	99	135	5,996	11,066
Other income	14,004	518	-	8,639	23,161
<b>Total segment revenue and other income</b>	<b>1,319,341</b>	<b>445,058</b>	<b>77,741</b>	<b>22,635</b>	<b>1,864,775</b>
Results					
Segment profit/(loss) before income tax	(446,118)	(276,918)	(16,304)	(322,030)	(1,061,370)
income tax benefit	-	-	-	290,409	290,409
<b>Net profit after tax</b>	<b>(446,118)</b>	<b>(276,918)</b>	<b>(16,304)</b>	<b>(31,621)</b>	<b>(770,961)</b>
<b>Assets and liabilities</b>					
Total segment assets	3,425,731	2,690,015	75,039	2,183,208	8,373,993
Total segment liabilities	(1,163,343)	(1,092,342)	(15,389)	(2,750,580)	(5,021,654)
<b>Other segment information</b>					
Depreciation and amortisation	35,568	215,731	-	36,078	287,377
Interest expense	245	23,684	-	54,284	78,213

Half-year ended 31 December 2016	Mortgage broking and other financial service	Real estate service	Migration service	Other	Total
Revenue	1,934,772	136,665	93,098	225	2,164,760
Interest income	4,650	-	111	17,391	22,152
Other income	13,707	6	1	2,806	16,520
<b>Total segment revenue and other income</b>	<b>1,953,129</b>	<b>136,671</b>	<b>93,210</b>	<b>20,422</b>	<b>2,203,432</b>
Results					
Segment profit/(loss) before income tax	(261,632)	(190,168)	18,095	(241,377)	(675,082)
income tax benefit	-	-	-	184,135	184,135
<b>Net profit after tax</b>	<b>(261,632)</b>	<b>(190,168)</b>	<b>18,095</b>	<b>(57,242)</b>	<b>(490,947)</b>
<b>Assets and liabilities</b>					
Total segment assets	3,053,539	2,119,626	65,173	2,230,994	7,469,332
Total segment liabilities	(1,298,237)	(1,032,444)	(11,623)	(375,973)	(2,718,277)
<b>Other segment information</b>					
Depreciation and amortisation	74,783	71,727	-	29,146	175,656
Interest expense	85	76	-	565	726

### 3. Significant events in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 31 December 2017. For a detailed discussion about the group's performance and financial position please refer to our review of operations on pages 1 to 2.

- On 27 September 2017, N1 Holdings Limited completed the issue of 5 million unlisted unsecured convertible notes with a face value of \$0.20 per convertible note, raising a total of \$1,000,000 (before cost). Following completion of the issue, the total number of convertible notes on issue has increased from 1.85 million to 6.85 million.

### 4. Profit and Loss Information

#### Significant Items

	31 December 2017	31 December 2016
<b>Revenue</b>		
Origination commission	607,790	1,183,596
Trail commission	615,548	514,457
Movement in fair value of Trail commission	77,163	231,000
Real Estate service	444,441	124,879
Migration service	77,606	93,097
Other service	8,000	17,731
<b>Expenses</b>		
Employee cost	1,457,214	1,368,229
Depreciation and amortisation	287,377	175,656
Sales and marketing	74,644	107,226
Rent and utilities	255,027	175,953
Professional fee	147,570	199,094
Office and administrative expense	118,736	127,354

### 5. Trade and other receivables

	31 December 2017	30 June 2017
<b>CURRENT</b>		
Commission receivables	227,936	338,580
Agent commission clawback receivable	71,834	76,566
Net present value of future trailing commission receivable	717,590	901,880
Trade Debtors	1,300	-
	<b>1,018,660</b>	<b>1,317,026</b>
<b>NON-CURRENT</b>		
Net present value of future trailing commission receivable	1,568,803	1,302,252
	<b>1,568,803</b>	<b>1,302,252</b>

Management's estimate of agent commission clawback and NPV of future trailing commission are detailed in Note 1.3(ii) and 2.2 to the annual report for the year ended 30 June 2017.

## 6. Plant and Equipment

	31 December 2017	30 June 2017
<b>PLANT AND EQUIPMENT</b>		
<i>Office equipment</i>		
At cost	56,231	55,028
Accumulated Depreciation on office equipment	(37,153)	(30,995)
	<u>19,078</u>	<u>24,033</u>
<i>Motor vehicles</i>		
At cost	142,123	142,123
Accumulated Depreciation on motor vehicles	(55,327)	(42,811)
	<u>86,796</u>	<u>99,312</u>
<i>Furniture &amp; Fittings</i>		
At cost	528,895	515,225
Accumulated Depreciation on Furniture & Fittings	(182,575)	(143,392)
	<u>346,320</u>	<u>371,833</u>
<b>Total plant and equipment</b>	<b><u>452,194</u></b>	<b><u>495,178</u></b>

## 7. Intangible Asset

	31 December 2017	30 June 2017
Website and IT system-Cost	285,573	283,904
Website and IT system-Accumulated amortisation	(170,549)	(141,510)
Website and IT system - Net	<u>115,024</u>	<u>142,394</u>
 Rent Roll - Costs	 2,153,992	 2,138,258
Rent Roll - Written-down	(363,546)	(163,065)
Rent Roll - Net	<u>1,790,446</u>	<u>1,975,193</u>
 Goodwill	 536,216	 536,216
	<b><u>2,441,686</u></b>	<b><u>2,653,803</u></b>

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.

## 8. Trade and other payables

	31 December 2017	30 June 2017
Trade payables	89,450	101,705
Employee payables	190,162	161,644
Other creditors and accruals	309,110	181,804
	<b><u>588,722</u></b>	<b><u>445,153</u></b>

**9. Other financial liabilities**

	<b>31 December 2017</b>	<b>30 June 2017</b>
<b>CURRENT</b>		
Bank Loan	200,004	200,004
Finance lease payable - current	24,998	24,527
Other	17,568	-
	<b>242,570</b>	<b>224,531</b>
<b>NON-CURRENT</b>		
Bank Loan	791,658	666,660
Loan from other lenders	580,000	380,000
Convertible Debt	1,370,000	370,000
Finance lease payable - non-current	112,379	124,921
	<b>2,854,037</b>	<b>1,541,581</b>

Bank loan has a term of 5 years expiring 30 September 2021. Interest is at a floating rate of 5.2490% p.a. \$16,667 repayments are required on a monthly basis. The loan is secured over the company N1 Realty Pty Ltd, N1 Loans Pty Ltd and Sydney Boutique Property Pty Ltd. Ren Hor Wong, N1 Loans Pty Ltd, Sydney Boutique Property Pty Ltd have provided a \$1,000,000 guarantee and indemnity. On 15 August 2017, N1 Holding entered a term of 2 years loan agreement with an individual lender for \$200,000 at an interest rate of 10% and interest only repayment. Loan was settled on 1 September 2017.

**10. Provisions**

	<b>31 December 2017</b>	<b>30 June 2017</b>
<b>CURRENT</b>		
Employee provision	101,568	93,124
Provisions for Clawback	201,736	235,402
	<b>303,304</b>	<b>328,526</b>
<b>NON-CURRENT</b>		
Long service leave	30,541	20,277
	<b>30,541</b>	<b>20,277</b>

**Provision for clawback**

Provision for clawback represents the estimate of commission to be clawed back by the lenders after loans are terminated before their maturity. In the event a lender claws back the commission, a corresponding clawback will be deducted where applicable from the authorised brokers contracted by the Group (refer to note 5). The estimate is based on the historical record of clawback.

**11. Convertible Debt**

On 27 September 2017, N1 Holdings Limited has completed the issue of 5 million unlisted unsecured convertible notes with a face value of \$0.20 per convertible note, raising a total of \$1,000,000 (before costs). Following completion of the issue, the total number of convertible notes on issue has increased from 1.85 million to 6.85 million.

**12. Contingent liabilities**

There are no contingent liabilities or contingent assets as at 31 December 2017 (30 June 2017: nil).

### 13. Subsequent events

On 23 January 2018, the Company entered into an unsecured loan agreement with an individual lender for \$200,000 at an interest rate of 10% and interest only repayment for 2 years. The loan was settled on 1 February 2018. The purpose of the loan is for general working capital.

Sydney Boutique Property has completed its rebranding to N1 Centre McMahon's Point being the second N1 Centre in January 2018. The Group currently owns two one-stop property and financial services centres in Sydney. The Company subsequently announced its investigation into N1 Centre franchise opportunities.

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

### 14. Related party transactions

During the half-year ended 31 December 2017, the transactions with related parties are as below. They are based on normal commercial terms and conditions.

#### Payment of processing fees

N1 Consultants Group Sdn Bhd- Malaysia	64,893
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### 15. Lease commitments

#### (a) Operating Lease

	31 December 2017	30 June 2017
Payable – minimum lease payments:		
- not later than 12 months	330,524	330,891
- between 12 months and 5 years	876,436	809,940
- greater than 5 years	78,676	130,118
	<b>1,285,636</b>	<b>1,270,949</b>

#### (b) 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.

	31 December 2017	30 June 2017
Within 12 months	29,795	24,527
Between 12 months and 5 years	119,321	139,486
<b>Total</b>	<b>149,116</b>	<b>164,013</b>
Less: future finance lease charge	(11,740)	(14,565)
<b>Net commitment recognised as a liability</b>	<b>137,377</b>	<b>149,448</b>

## Directors' Declaration

In the directors' opinion:

- a) The financial statements and notes set out on pages 4 to 13 are in accordance with the Corporations Act 2001, including:
  - i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
  - ii) and giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date and
- b) there are reasonable grounds to believe that N1 Holdings Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

On behalf of the board



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**Ren Hor Wong**  
**Executive Chairman and CEO**  
**28 February 2018**  
**Sydney**

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of N1 Holdings Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of N1 Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of N1 Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

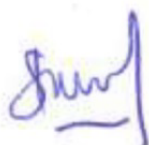
### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of N1 Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Crowe Horwath Sydney

**CROWE HORWATH SYDNEY**



**SUWARTI ASMONO**

Partner

Dated at Sydney this 28<sup>th</sup> day of February 2018



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**N1 Holdings Limited**

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