1stGroup

1st Group Limited

ABN 25 138 897 533

Annual Report - 30 June 2020

Our purpose is to improve people's lives by building a trusted community and platform where health providers and patients connect 1st. We connect patients to a variety of healthcare services and information anytime, anywhere, so they can get well sooner and stay well longer. In FY20 1st made further progress in building towards scale, market leadership and profitability. The Group has signed agreements to support over 11,300 sites and has facilitated over 12.5 million appointments online.

Dear Shareholders,

Review of operations

Despite challenges from bushfires and the unprecedented COVID-19 pandemic FY20 has been a positive year for 1st Group.

Our Vision – simple online connection with healthcare providers

The Group's vision is to provide consumers with a simpler and more convenient way to connect and interact online with healthcare practitioners and improve consumers' health through a range of products, services and trusted healthcare content.

1st Group now has market leadership in selected key verticals:

- ✓ #1 in independent optometry;
- ✓ #1 in pharmacy;
- ✓ #1 in vet/pet services; and
- ✓ we are now expanding site growth in the Dental, Psychology and Specialists sectors.

A positive year for 1st Group

With the onset of the pandemic we moved quickly to ensure the safety of our people and transitioned early to working fully from home successfully. We continued to execute our strategic roadmap and grew the business despite the considerable headwinds. FY20 was effectively a year in three parts. Prior to the bushfires in Q2 and COVID-19 at the end of Q3, 1st Group was trading strongly, and work was progressing on our three major landmark contracts secured in FY19 – Benestar, Medibank and St Vincent's. The bushfires delayed the Benestar agreement due to the increased demands on their business and the other two deals were slowed because of COVID-19. Despite this we achieved reasonable growth in FY20 reflecting the outstanding 1st platforms and the trusted propositions we deliver to our clients. We are proud of the positive feedback and high NPS scores we receive from our consumers. A highlight of FY20 was our securing of a revenue sharing partnership with Openpay (ASX: OPY). This agreement is evidence of the strength of our value proposition to key health sector participants and should underpin future revenue growth.

Recurring subscription revenues are now being complemented by growth in usage, advertising and implementation fees ("Ancillary Revenues").

Growth

The Group delivered growth in its key metrics in FY20 including:

- ✓ Revenue up 25%, COVID-19 delayed major project revenues in Q4 (Q4 revenue was +2.6% vs Q3)
- ✓ Sites up 16% to 11,334 - expanded market leadership in key verticals
- ✓ Annual Recurring Revenue (ARR) of $5.5m up 30%
- ✓ Customer Retention Rate of 94%

We are pleased to have passed the 12.5 million bookings mark – a sign of our market acceptance.

Encouragingly, we are now seeing our major projects resume, underpinning our positive outlook for FY21.

Financial Summary

The Group's revenue from continuing operations for FY20 was $4,846,756 (2019: $3,950,102), up by 23% against FY19. The Group's after-tax loss of $5,007,040 for FY20 increased from the previous year loss of $4,304,092.

Outlook

We are confident in 1st Group's growth potential for FY21. The landmark agreements are expected to mature in FY21 after the COVID-19 delays – these will add material additional site revenues and underpin our increased momentum and growing scale.

1st Group continues to deliver on its existing strategy to acquire sites in its chosen verticals. New verticals aligned with major partners in new market segments (e.g. as seen in our recent Openpay agreement) will also accelerate new site acquisition throughout FY21. It is pleasing that development of 1st Group's platforms and product offerings are being supported and funded by major players further assisting our entry to these new segments.

Board & Employees

As announced at the beginning of September, Trevor has decided to retire from the board as chairman at the Annual General Meeting in November and he will be succeeded as chairman by existing board member, Paul Welch following completion of the meeting. We also announced the addition of Louise McElvogue to the board as an Independent Director and would like to welcome Louise to the board.

1st Group has a terrific team and we would like to thank our dedicated employees and management for their hard work that has delivered progress during the past year in challenging conditions and also our fellow board members for their enthusiasm and commitment to the Group. On behalf of the board and our whole team we would also like to thank our valued clients and partners and also our shareholders for their continuing support. We look forward to making further progress towards our goal of being a strong, successful and sustainable company.

Trevor Matthews
Chairman

Klaus Bartosch
Managing Director

30 September 2020
Sydney

Contents

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of 1st Group 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.

Directors

The following persons were Directors of 1st Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Trevor Matthews	Chairman
Klaus Bartosch	Managing Director, CEO
Paul Welch	Non-Executive Director
Michael Emmett	Non-Executive Director
Louise McElvogue	Non-Executive Director (Appointed 1 September 2020)

Principal activities

During the financial year the principal continuing activities of the Group consisted of the provision of healthcare and corporate online search and appointment booking services.

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to $5,007,040 (30 June 2019: $4,304,092).

Refer to the Chairman and CEO's report for further commentary on the review of operations.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year except for changes in the convertible debt facility ('Standby facility') with the Group's cornerstone shareholder, Mr Plummer detailed below.

- On 19 August 2019, the Group announced the reduction and extension of its convertible note loan facility provided by Mr Plummer on new and more favourable terms.
- On 19 August 2019, $1.3 million of the previous convertible note facility was repaid.
- On 3 October 2019, the group provided notice to Mr Plummer to draw down a further $350,000 of the Standby facility.
- On 1 November 2019, the group provided notice to Mr Plummer to draw down a further $350,000 of the Standby facility.
- On 28 November 2019, the group provided notice to Mr Plummer to draw down a further $250,000 of the Standby facility. Accordingly, after these drawdowns were completed, the Group had $450,000 remaining in the Standby facility.

Matters subsequent to the end of the financial year

Given the company's growth prospects and progress, cornerstone shareholder Mr John Plummer has agreed to increase the current convertible loan facility to the company should it be required which represents a low cost of capital, on the same terms, from $2m to $3m. The Board appreciates John's ongoing support for 1st Group.

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 been included in the Chairman and CEO's report preceding this report.

Environmental regulation

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

Information on Directors

Name:	Trevor Matthews
Title:	Non-Executive Chairman
Qualifications:	Trevor holds a Master of Arts degree in Actuarial Studies from Macquarie University. Trevor is a Fellow of both the Institute of Actuaries of Australia and the Institute and Faculty of Actuaries in the United Kingdom. Trevor is also a Fellow of the Australian Institute of Company Directors.
Experience and expertise:	Trevor has more than 40 years' experience in the financial services industry in Australia, North America, Asia and Europe. He is currently a board member of Bupa Australia and New Zealand, AMP Life, Resolution Life Australia, Edelweiss Tokio Life and chairman of the State Insurance Regulatory Authority, FNZ Asia Pacific, and CMC Markets Australia. He was previously a Board member of AMP Limited, AMP Bank and an executive director of Aviva Plc, a leading global life and general insurer and chairman of the UK and French businesses. Prior to that, he held CEO level positions in life and general insurance companies in the UK, Japan, Canada and Australia. Trevor has been a commissioner of the UK Commission for Employment and Skills, Chairman of the Financial Services Skills Council in the United Kingdom, President of the Chartered Insurance Institute and Institute of Actuaries of Australia and has served on the boards of several national life industry associations.
Other current directorships:	None
Former directorships (last 3 years):	AMP Limited (ASX: AMP)
Special responsibilities:	Chairman of the Board; Member of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee
Interests in shares:	10,000,000
Interests in options:	Nil

Name:	Klaus Bartosch
Title:	Managing Director and Chief Executive Officer
Qualifications:	Klaus holds an AD in Civil Engineering obtained from the South East Queensland University. Klaus is a Member of the Australian Institute of Company Directors.
Experience and expertise:	Klaus is an experienced company executive in both publicly listed and private companies and brings extensive expertise in the development and operation of large consumer focused online search and appointment booking engines, websites and aggregators. Klaus has been instrumental in the development of the Company's strategy and the formation of the Board and executive team. Klaus was the executive chairman of the Company from 16 December 2011 until 20 September 2013, at which time he accepted the appointment as managing director. Klaus was a founding executive and founding shareholder in CloudTech Group and Virtual Ark, where he led a global team in marketing cloud based services to enterprise consumers, and which was recognised in 2011 as a Gartner Cool Vendor. Klaus was formerly Sales and marketing director for the then publicly listed Hostworks Limited that was acquired by Broadcast Australia (then a part of the Macquarie Group) in 2007. During his tenure at Hostworks, the company was responsible for the management of the online systems for many leading online brands including wotif.com, seek.com, carsales.com.au, realestate.com.au, graysonline.com, ticketek.com, SBS.com.au, ninemsn.com.au, and ten.com.au. In previous roles, Klaus has served as the chief executive officer and has held various senior executive roles for major multi-national companies in the information technology industry.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and Member of the Nomination and Remuneration Committee
Interests in shares:	4,064,940
Interests in options:	10,276,386

Name:	Paul Welch
Title:	Non-Executive Director
Experience and expertise:	Paul has extensive commercial experience in the technology sector having advised a broad array of growing and established businesses in Australia and Silicon Valley. Paul continues to advise a number of businesses and entrepreneurs in both a governance and advisory capacity. Paul is also a practicing solicitor, a Fellow of the Governance Institute of Australia and a Member of the Society of Trust and Estate Planners. Paul is Chief Executive Officer of JR Richards & Sons, a waste management business. Paul was previously a partner at PricewaterhouseCoopers Australia, Baker McKenzie and Deloitte Australia.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	666,666
Interests in options:	500,000

Name:	Michael Emmett
Title:	Non-Executive Director
Experience and expertise:	Mike is Chief Executive Officer and Managing Director at AUB Group an ASX-listed provider of insurance broking, underwriting and risk services in Australia and New Zealand. He is also a Non-Executive Director of Gold Coast SUNS Football Club. Prior to this Mike was Group CEO for Cover-More, previously an ASX-listed global travel insurer and now part of the Zurich Group. Mike also held senior roles in Australia at QBE as Group Executive, Operations and at EY leading the Financial Services Advisory business. Before moving to Australia, Mike spent several years working in London including at IBM leading the Insurance and Banking consulting teams and at Morse PLC (Application Services) as Managing Director. Mike’s earlier career in South Africa included senior roles in consulting at IBM, Accenture and PricewaterhouseCoopers Australia.
Other current directorships:	CEO and Managing Director of AUB Group (ASX: AUB)
Former directorships (last 3 years):	Nil
Interests in shares:	7,041,666
Interests in options:	500,000

Name:	Louise McElvogue
Title:	Non-Executive Director (Appointed 1 September 2020)
Qualifications:	Louise holds a BA, MA and FAICD
Experience and expertise:	Louise is experienced in building digital businesses, leading innovation and managing risk for boards, corporates and start-ups globally. She is an Industry Professor, Data and Digital at the UTS Business School and a Fellow of the Australian Institute of Company Directors. Louise's board roles include the government 's health information service Healthdirect and cybersecurity board WhiteHawk. From streaming video to utilities and banking applications, Louise has led more than 30 digital products over two decades in the US, Europe and Australia, working on consumer digital applications, business change and growth strategies for companies including McDonald's, British Gas, News Corp and the BBC.
Other current directorships:	WhiteHawk Limited (ASX: WHK)
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Nil
Interests in options:	Nil

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Andrew Whitten has held the role of company secretary since 18 September 2012.

Andrew is an admitted solicitor and an Executive Director of the Automic Group of Companies, Australia's only professional service provider that delivers a complete and integrated ecosystem of Registry, Company Secretarial, Legal, CFO and Accounting services.

Andrew is currently the company secretary for a number of publicly listed companies. He has been involved in numerous corporate and investment transactions including IPOs on the ASX and NSX, corporate reconstructions, reverse mergers and takeovers over two decades.

Andrew holds a Bachelor of Arts (Economics, UNSW); Master of Laws and Legal Practice (Corporate Finance and Securities Law, UTS); Graduate Diploma in Applied Corporate Governance from the Governance Institute and is an elected Associate of that institute.

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:

	Full Board		Nomination and Remuneration Committee*	Audit and Risk Committee	
	Attended	Held	Attended/Held	Attended	Held
Trevor Matthews	10	10	-	1	1
Klaus Bartosch	10	10	-	1	1
Paul Welch	10	10	-	1	1
Mike Emmett	10	10	-	-	-

Held: represents the number of meetings held during the time the Director held office.

* The Board considered nomination and remuneration matters in a full session of the Board.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the Group depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-Executive Directors remuneration
Fees and payments to Non-Executive Directors reflect the demands and responsibilities of their role. Non-Executive Directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration. Non-Executive Directors may receive shares and options as part of their remuneration.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 24 November 2015, where the shareholders approved a maximum annual aggregate remuneration of $500,000.

The annual Non-Executive Directors’ fees currently agreed to be paid are $60,000 to the Chairman and $40,000 for other Non-Executive Directors, plus statutory superannuation. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to shareholder approval in accordance with ASX listing rules.

In addition to their annual remuneration, the Directors may also be reimbursed for expenses properly incurred by them in connection with the affairs of the Group including travel and other expenses. Non-Executive Directors may be paid such additional or special remuneration as the Board decide is appropriate where a Director performs extra work or services which are not in the capacity as Director. Directors are not currently entitled to any additional remuneration for time spent in connection with acting as a member of any committee of the Board.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee or a full session of the independent Non-Executive Directors based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Variable remuneration
The short-term incentives ('STI') program is designed to align the financial performance of the Group to executives responsible for meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPIs') being achieved. KPIs include earnings before interest, tax, depreciation and amortisation ('EBITDA'), closing monthly recurring revenue ('MRR') at the end of the reporting period and closing average monthly transaction revenue ('AMTR') at the end of the reporting period. The performance against KPI targets for the previous year were assessed and the resulting partial payments of the eligible STI were made in July and August 2019. No STI awards were granted in respect of the financial year ending 30 June 2020.

Long term incentives ('LTI')
The objective of the LTI program is to reward KMPs in a manner which aligns this element of remuneration with the creation of shareholder value. The incentive portion is payable based upon attainment of objectives related to the KMPs' roles and responsibilities. The objectives vary by individual, but all are targeted to relate directly to the Group's business and financial performance and thus to shareholder value.

LTI grants to KMP are delivered in the form of share options. The options are issued at an exercise price determined by the Board at the time of issue. The exercise price is usually set at or above the current 30 day volume weighted average price ('VWAP') in order to link the benefit to the creation of shareholder value.

The objective of granting options to KMP is to align remuneration with the creation of long term shareholder value. The level of LTI granted is dependent on the Company's recent share price performance, the seniority of the KMP and their responsibilities, the requirements of the ASX listing rules and the Company's option plan rules.

Typically, the grant of LTI occurs at the commencement of employment for key individuals in order to attract and retain high performing individuals.

No LTI grants were made in respect of the financial year.

Use of remuneration consultants
During the financial year ended 30 June 2020, the Group did not engage any remuneration consultants.

Voting and comments made at the Company's 2019 Annual General Meeting ('AGM')
At the 2019 AGM, 99.1% of the votes received supported the adoption of the remuneration report for the year ended 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the Directors and the following Employees of 1st Group Limited:

- Joel Reynolds - Chief Technology Officer
- Richard Rogers - Chief Financial Officer

	Short-term benefits			Post-employment benefits	Share-based payments		
2020	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Shares $	Options $	Total $
Non-Executive Directors:							
Trevor Matthews	60,000	-	-	5,700	-	-	65,700
Paul Welch	40,000	-	-	3,800	-	1,035	44,835
Michael Emmett	40,000	-	-	3,800	-	5,721	49,521
Executive Directors:							
Klaus Bartosch	270,000	-	-	25,650	-	43,563	339,213
Other Key Management Personnel:							
Joel Reynolds	197,000	-	-	18,715	-	15,945	231,660
Richard Rogers	240,000	-	-	25,175	-	11,969	277,144
	847,000	-	-	82,840	-	78,233	1,008,073

	Short-term benefits			Post-employment benefits	Share-based payments		
2019	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Shares $	Options $	Total $
Non-Executive Directors:							
Trevor Matthews	55,000	-	-	5,225	-	-	60,225
Amanda Hagan*	14,889	-	-	1,414	-	1,817	18,120
Paul Welch	36,667	-	-	3,483	-	569	40,719
Michael Emmett**	16,667	-	-	1,583	-	-	18,250
Executive Directors:							
Klaus Bartosch***	289,231	67,500	-	27,432	-	29,023	413,186
Other Key Management Personnel:							
Joel Reynolds	197,000	-	-	18,715	-	3,664	219,379
Richard Rogers****	230,769	25,000	-	21,923	-	1,138	278,830
Graham Mason*****	28,172	-	-	1,681	-	-	29,853
	868,395	92,500	-	81,456	-	36,211	1,078,562

* Represents remuneration up to the date of resignation as Non-Executive Director on 14 November 2018
** Represents remuneration from the date of appointment as Non-Executive Director on 1 January 2019
*** Includes pay-down of annual leave balance $19,231
**** Represents remuneration from the date of appointment as KMP on 11 July 2018
***** Represents remuneration up to the date of resignation as KMP on 27 July 2018

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2020	Fixed remuneration 2019	At risk - STI 2020	At risk - STI 2019	At risk - LTI 2020	At risk - LTI 2019
Non-Executive Directors:						
Trevor Matthews	100%	100%	-	-	-	-
Amanda Hagan	-	90%	-	-	-	10%
Paul Welch	98%	99%	-	-	2%	1%
Michael Emmett	88%	100%	-	-	12%	-
Executive Directors:						
Klaus Bartosch	87%	77%	-	16%	13%	7%
Other Key Management Personnel:						
Joel Reynolds	93%	98%	-	-	7%	2%
Graham Mason	-	100%	-	-	-	-
Richard Rogers	96%	91%	-	9%	4%	-

Service agreements

Non-Executive Directors do not have fixed term contracts with the Company. On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation. Non-Executive directors retire by whichever is the longer period: the third annual general meeting following their appointment, or the third anniversary date of appointment, but may then be eligible for re-election.

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Klaus Bartosch
Title:	Managing Director and Chief Executive Officer ('CEO')
Agreement commenced:	13 April 2015
Term of agreement:	Ongoing
Details:	The CEO receives fixed remuneration of $270,000, plus statutory superannuation. He is eligible to receive a STI of up to 50% of fixed remuneration subject to the achievement of key performance indicators, as agreed at the beginning of each financial year. Either party may terminate the contract by giving six months' notice in writing. In case of termination of employment (without cause), the CEO is entitled to pro-rata STI for the year. All LTI that remains unvested at the end of the notice period will lapse. In case of termination of employment (with cause), STI is not awarded and all unvested LTI will lapse immediately.

Name:	Joel Reynolds
Title:	Chief Technology Officer ('CTO')
Agreement commenced:	6 July 2015
Term of agreement:	Ongoing
Details:	The CTO receives a fixed remuneration of $197,000, plus statutory superannuation. He is eligible to receive an STI of up to 25% of fixed remuneration subject to the achievement of key performance indicators, to be determined at the discretion of the Board. The Company may terminate the contract by giving three months' notice in writing. The CTO may terminate the contract by providing eight weeks' notice. In case of termination of employment (without cause), the CTO is entitled to pro-rata STI for the year. All LTI that remains unvested at the end of the notice period will lapse. In case of termination of employment (with cause), STI is not awarded and all unvested LTI will lapse immediately.

Name:	Richard Rogers
Title:	Chief Financial Officer ('CFO')
Agreement commenced:	11 July 2018
Term of agreement:	Ongoing
Details:	The CFO receives $240,000 plus statutory superannuation. He is eligible to receive a STI of up to 25% of fixed remuneration subject to the achievement of key performance indicators, to be determined at the discretion of the Board. Either party may terminate the contract by giving 4 weeks' notice in writing. If employment is terminated (without cause), the CFO is entitled to pro-rata STI for the year. All STI that remains unvested at the end of the notice period will lapse. In case of termination of employment (with cause), STI is not awarded and all unvested LTI will lapse immediately.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

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
The terms and conditions of each grant of options over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Particulars	Expiry date	Exercise price	Fair value per option at grant date
19/06/2014	1/3 vest in equal annual instalments	01/06/2024	$0.230	$0.148
30/06/2014	1/3 vest in equal annual instalments	01/06/2024	$0.230	$0.020
27/10/2014	1/6 vested on grant date. Remaining 5/6 vest in equal half year instalments	27/10/2024	$0.230	$0.159
05/12/2014	1/6 vested on grant date. Remaining 5/6 vest in equal half year instalments	01/01/2024	$0.230	$0.159
24/02/2015	1/4 vested on grant date. Remaining 3/4 vest over 3 years in equal annual instalments	24/02/2020	$0.350	$0.092
03/03/2015	Vested 3 months after grant date	03/03/2020	$0.230	$0.116
13/04/2015	1/3 vested on grant date. Remaining 2/3 vest over 3 years in equal annual instalments	13/04/2025	$0.230	$0.092
14/04/2015	1/3 vest in equal annual instalments	14/04/2025	$0.350	$0.092
17/09/2015	1/3 vest in equal annual instalments	17/09/2025	$0.350	$0.027
13/12/2016	1/3 vest in equal annual instalments	13/12/2021	$0.105	$0.020
03/08/2017	1/2 vest immediately, 1/2 vest in 12 months	03/08/2027	$0.105	$0.018
03/08/2017	1/2 vest in 24 months, 1/2 vest in 36 months	03/08/2027	$0.150	$0.021
29/11/2017	1/4 vested on grant date. Remaining 3/4 vest over 3 years in equal annual instalments	29/11/2022	$0.105	$0.021
29/11/2017	1/2 vest in 24 months, 1/2 vest in 36 months	29/11/2022	$0.150	$0.018
22/12/2017	1/3 vest in equal annual instalments	22/12/2022	$0.105	$0.019
12/12/2018	1/3 vest in equal annual instalments	12/12/2023	$0.105	$0.006
15/08/2019	1/3 vest in equal annual instalments	15/08/2024	$0.105	$0.034
15/11/2019	1/3 vest in equal annual instalments	19/11/2024	$0.105	$0.055

Options granted carry no dividend or voting rights. Vesting is subject to continuity of service and there are no performance conditions.

The number of options over ordinary shares granted to and vested by Directors and other key management personnel as part of compensation during the year ended 30 June 2020 are set out below:

Name	Number of options granted during the year 2020	Number of options granted during the year 2019	Number of options vested during the year 2020	Number of options vested during the year 2019
Klaus Bartosch	3,000,000	-	-	-
Michael Emmett	500,000	-	-	-
Richard Rogers	1,000,000	1,000,000	-	-
Paul Welch	-	500,000	-	-
Joel Reynolds	1,000,000	-	-	-

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Other changes	Balance at the end of the year
Ordinary shares					
Trevor Matthews	9,375,000	-	625,000	-	10,000,000
Richard Rogers	2,041,666	-	362,000	-	2,403,666
Klaus Bartosch	3,932,559	-	132,381	-	4,064,940
Joel Reynolds	341,177	-	-	-	341,177
Michael Emmett	7,041,666	-	-	-	7,041,666
Paul Welch	666,666	-	-	-	666,666
Louise McElvogue*	-	-	-	-	-
	23,398,734	-	1,119,381	-	24,518,115

* Louise McElvogue was appointed as Non-Executive Director 1 September 2020.

Option holding
The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Trevor Matthews	1,000,000	-	-	(1,000,000)	-
Klaus Bartosch	7,276,386	3,000,000	-	-	10,276,386
Joel Reynolds	1,700,000	1,000,000	-	-	2,700,000
Paul Welch	500,000	-	-	-	500,000
Richard Rogers	1,000,000	1,000,000	-	-	2,000,000
Michael Emmett	-	500,000	-	-	500,000
Louise McElvogue*	-	-	-	-	-
	11,476,386	5,500,000	-	(1,000,000)	15,976,386

* Louise McElvogue was appointed as Non-Executive Director 1 September 2020.

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Klaus Bartosch	6,143,053	-	6,143,053
Joel Reynolds	1,400,000	-	1,400,000
Paul Welch	166,667	-	166,667
Richard Rogers	333,333	-	333,333
	8,043,053	-	8,043,053

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of 1st Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
19/06/2014	01/06/2024	$0.230	1,199,838
30/06/2014	01/06/2024	$0.230	350,000
27/10/2014	27/10/2024	$0.230	1,965,935
05/12/2014	01/01/2024	$0.230	368,981
13/04/2015	13/04/2025	$0.230	1,944,443
14/04/2015	14/04/2025	$0.350	360,000
17/09/2015	17/09/2025	$0.350	155,000
13/12/2016	13/12/2021	$0.105	500,000
03/08/2017	03/08/2027	$0.150	600,000
03/08/2017	03/08/2027	$0.105	600,000
29/11/2017	29/11/2022	$0.105	2,000,000
29/11/2017	29/11/2022	$0.150	2,000,000
22/12/2017	22/12/2022	$0.105	2,125,000
12/12/2018	12/12/2023	$0.105	1,700,000
15/08/2019	15/08/2024	$0.105	2,000,000
15/11/2019	19/11/2024	$0.105	3,500,000
			21,369,197

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of 1st Group 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

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Bentleys NSW Audit Pty Ltd

There are no officers of the Company who are former directors of Bentleys NSW Audit Pty Ltd.

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.

Auditor

Bentleys NSW Audit Pty Ltd 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

Trevor Matthews
Chairman

Klaus Bartosch
Managing Director & CEO

30 September 2020
Sydney

Bentleys
THINKING AHEAD

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1st Group Limited
ABN: 25 138 897 533

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of 1st Group Limited

As lead auditor for the audit of 1st Group Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Kevin Cranfield

Bentleys NSW Audit Pty Ltd

KEVIN CRANFIELD
Director
Sydney

BENTLEYS NSW AUDIT PTY LTD
Chartered Accountants

Dated: 30 September 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Revenue	5	4,950,003	3,959,158
Expenses			
Loss on disposal of assets	7	(812)	(788)
Advertising and marketing expenses		(1,251,699)	(984,307)
Professional and consulting fees		(629,127)	(475,408)
Operations and administration expenses		(3,450,342)	(2,895,462)
Employee benefits		(4,337,651)	(3,489,597)
Depreciation and amortisation expenses	7	(159,108)	(396,288)
Finance costs	7	(164,808)	(162,502)
Loss before income tax benefit		(5,043,544)	(4,445,194)
Income tax benefit	8	36,504	141,102
Loss after income tax benefit for the year attributable to the owners of 1st Group Limited	23	(5,007,040)	(4,304,092)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of 1st Group Limited		(5,007,040)	(4,304,092)
		Cents	**Cents**
Basic earnings per share	37	(1.28)	(1.75)
Diluted earnings per share	37	(1.28)	(1.75)

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

1st Group Limited
Statement of financial position
As at 30 June 2020

	Note	Consolidated 2020 $	Consolidated 2019 $
Assets			
Current assets			
Cash and cash equivalents	9	2,053,926	2,772,686
Trade and other receivables	10	487,330	369,591
Inventories	11	7,146	7,146
Income tax claim receivable	8	23,670	23,670
Other	12	598,001	343,805
Total current assets		3,170,073	3,516,898
Non-current assets			
Property, plant and equipment	13	89,228	32,140
Intangibles	14	3,328,791	3,462,328
Total non-current assets		3,418,019	3,494,468
Total assets		6,588,092	7,011,366
Liabilities			
Current liabilities			
Trade and other payables	15	2,220,280	1,618,934
Employee benefits	16	165,140	118,517
Total current liabilities		2,385,420	1,737,451
Non-current liabilities			
Borrowings	17	1,491,870	1,835,854
Derivative financial instruments	18	58,130	64,146
Deferred tax	19	179,435	215,939
Employee benefits	20	39,762	27,120
Total non-current liabilities		1,769,197	2,143,059
Total liabilities		4,154,617	3,880,510
Net assets		2,433,475	3,130,856
Equity			
Issued capital	21	32,577,175	28,383,399
Reserves	22	2,575,750	2,459,867
Accumulated losses	23	(32,719,450)	(27,712,410)
Total equity		2,433,475	3,130,856

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

1st Group Limited
Statement of changes in equity
For the year ended 30 June 2020

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	23,269,987	2,482,142	(23,093,399)	2,658,730
Adjustment for change in accounting policy - AASB 15	-	-	(314,919)	(314,919)
Balance at 1 July 2018 - restated	23,269,987	2,482,142	(23,408,318)	2,343,811
Loss after income tax benefit for the year	-	-	(4,304,092)	(4,304,092)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,304,092)	(4,304,092)
Capital Raising (net of transaction costs) (note 21)	5,113,412	-	-	5,113,412
Transactions with owners in their capacity as owners:				
Share-based payments (note 38)	-	(22,275)	-	(22,275)
Balance at 30 June 2019	28,383,399	2,459,867	(27,712,410)	3,130,856

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	28,383,399	2,459,867	(27,712,410)	3,130,856
Loss after income tax benefit for the year	-	-	(5,007,040)	(5,007,040)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,007,040)	(5,007,040)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	4,193,776	-	-	4,193,776
Share-based payments (note 38)	-	115,883	-	115,883
Balance at 30 June 2020	32,577,175	2,575,750	(32,719,450)	2,433,475

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

	Note	Consolidated 2020 $	Consolidated 2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,932,681	4,297,463
Payments to suppliers and employees (inclusive of GST)		(9,197,580)	(7,871,641)
Interest paid		(132,031)	(144,063)
Interest received		2,158	1,176
Income taxes refunded		-	132,178
Government grant – Cashflow boost		50,000	-
Net cash used in operating activities	35	(4,344,772)	(3,584,887)
Cash flows from investing activities			
Payments for property, plant and equipment	13	(83,471)	(8,569)
Net cash used in investing activities		(83,471)	(8,569)
Cash flows from financing activities			
Proceeds from convertible notes facility		(350,000)	900,000
Proceeds from issue of shares, net of transaction costs		4,059,483	5,188,982
Net cash from financing activities		3,709,483	6,088,982
Net increase/(decrease) in cash and cash equivalents		(718,760)	2,495,526
Cash and cash equivalents at the beginning of the financial year		2,772,686	277,160
Cash and cash equivalents at the end of the financial year	9	2,053,926	2,772,686

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

Note 1. General information

The financial statements cover 1st Group Limited as a Group consisting of 1st Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is 1st Group Limited's functional and presentation currency.

1st Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
C/o Automic Group Level 5, 126 Phillip Street Sydney, NSW 2000	Level 4/17-21 Bellevue Street Surry Hills Sydney, NSW 2010

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 30 September 2020. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant 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.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases
The Group has adopted AASB 16 from 1 January 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. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Management has completed an assessment by reviewing all leases. Based on the work performed to date the findings indicate that the application of AASB 16 will not have an impact on the consolidated entity's financial statements as the leases are held for a period of less than 12 months and any applicable option periods may not be taken up.

Going concern

For the financial year the group made a loss $5,007,040 (2019: $4,304,092) and had net operating cash outflow of $4,344,772 (2019: $3,584,887). These conditions give rise to a material uncertainty which may cast doubt over the Group's ability to continue as a going concern.

Cash flow forecasts based on projected activity and business volumes indicate that the Group will be able to pay its creditors as and when due for at least 12 months from the date of approval of the financial statements, and no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements as at 30 June 2020. Accordingly, these financial statements have been prepared on a going concern basis.

Note 2. Significant accounting policies (continued)

The following matters have been considered by the Directors in determining the appropriateness of the going concern basis of preparation in the financial statements:

- As a Company listed on Australian Securities Exchange, the Directors are confident the Group will have the ability to raise capital in the future, if required;
- The Group has undrawn credit lines at the reporting date of $450,000. Refer to note 17 for further details; and
- The Group is confident of securing additional credit lines as needed to allow the Group to continue as a going concern.
- Given the company's growth prospects and progress, cornerstone shareholder Mr John Plummer has agreed to increase the current convertible loan facility to the company should it be required which represents a low cost of capital, on the same terms, from $2m to $3m.

Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

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 derivative financial instruments at fair value.

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 3.

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 1st Group Limited ('Company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. 1st Group 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.

Note 2. Significant accounting policies (continued)

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.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

The Group recognises revenue as follows:

Subscription fees
Subscription fees are recognised as revenue when the service has been provided, in accordance with the terms and conditions of the subscription agreement.

Usage fees (recalls, SMS and booking fees)
Usage revenue for recalls and SMS fees are recognised when the recall or SMS are sent by the customer.

Advertising revenue
Advertising revenue is recognised as the services are rendered, in accordance with the terms of the advertising agreement.

Setup and customisation
Most engagements with 1st Group customers involve set-up configuration services and training to be provided as a separately chargeable service before the other services commence. Any such “up front pricing” is deferred and amortised over the life of the contract (or over expected customer life-time for those products being set up). However, to the extent that the set-up fees represent a genuine fee for services provided to set up and enable the customer’s use of other products, they continue to be recognisable in advance of the usage stage.

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.

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.

Note 2. Significant accounting policies (continued)

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.

1st Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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.

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.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Note 2. Significant accounting policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	5 years
Plant and equipment	5 years
Computer equipment	4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of twenty years.

Customer contracts
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of five years.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of five years.

Note 2. Significant accounting policies (continued)

Technology
Significant costs associated with the technology platform are deferred and amortised on a straight-line basis over the period of their expected benefit. Internally generated technology platform and the acquired technology platform are amortised over three years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 2. Significant accounting policies (continued)

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of 1st Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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

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. There are no standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 3. 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 3. Critical accounting judgements, estimates and assumptions (continued)

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Revenue from contracts with customers involving sale of goods
When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 4. Operating segments

The Group's 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.

The Directors have determined that there is one operating segment identified and located in Australia. The information reported to the CODM is the consolidated results of the Group.

The segment result is as shown in the statement of profit or loss and other comprehensive income. Refer to statement of financial position for assets and liabilities.

Note 5. Revenue

	Consolidated	
	2020	2019
	$	$
Sales revenue		
Subscription fees	3,703,904	3,012,014
Usage fees (recalls, SMS and booking fees)	296,120	262,120
Advertising revenue	47,810	-
Setup and customisation	798,922	675,968
	4,846,756	3,950,102
Other revenue		
Interest	2,158	699
Other revenue	101,089	8,357
	103,247	9,056
Revenue	4,950,003	3,959,158

Note 6. COVID-19 impact

While the Group’s subscription revenues and usage fees have remained largely intact through the Coronavirus (COVID-19) restrictions, many of our customers’ operations were interrupted. 282 customer sites temporarily suspended their billings in April. This softened the opportunity for new site growth and impacted progress with the landmark agreements but presented new opportunities for sales of additional products and services to existing customers. Most sites have now re-opened for business.

COVID-19 caused unexpected delays to previously announced landmark agreements. We have made significant investment in these projects during FY20. We now anticipate these projects to be completed during FY21.

Note 6. COVID-19 impact (continued)

COVID-19 has brought forward the structural shift to online in the healthcare market. For example, during the pandemic patients and healthcare providers increasingly turned to ‘telehealth’ to deliver easier and improved access to healthcare services. The ‘phone’ was the predominant telehealth platform due to COVID-19 Medicare measures introduced by government. However, we anticipate an increasing shift to video-based telehealth as consumer preferences mature.

The impact of the pandemic is ongoing but it is not practicable to estimate the impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Note 7. Expenses

	Consolidated	
	2020 $	2019 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	218	-
Plant and equipment	5,080	4,082
Computer equipment	20,273	18,686
Total depreciation	25,571	22,768
Amortisation		
Patents and trademarks	757	757
Customer contracts	132,732	143,793
Software	48	476
Technology platform	-	228,494
Total amortisation	133,537	373,520
Total depreciation and amortisation	159,108	396,288
Finance costs		
Interest and finance charges paid/payable on borrowings	164,808	162,502
Net loss on disposal		
Net loss on disposal of property, plant and equipment	812	788
Leases		
Minimum lease payments	133,988	95,587
Superannuation expense		
Superannuation expense	327,328	278,103
Share-based payments expense		
Share-based payments expense	115,883	(22,275)

Note 8. Income tax

	Consolidated 2020 $	Consolidated 2019 $
Income tax benefit		
Current tax	-	(104,598)
Deferred tax - origination and reversal of temporary differences	(36,504)	(36,504)
Aggregate income tax benefit	(36,504)	(141,102)
Deferred tax included in income tax benefit comprises:		
Increase in deferred tax assets	(36,504)	(36,504)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit	(5,043,544)	(4,445,194)
Tax at the statutory tax rate of 27.5%	(1,386,975)	(1,222,428)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	36,501	39,543
Entertainment expenses	1,135	1,718
Legal expenses	5,866	5,044
Share-based payments	31,868	(6,126)
Accounting expenditure subject to research and development tax incentive	-	14,964
Sundry items	(13,850)	312
Deductible Blackhole expenditure	(69,928)	(55,332)
AASB 15 deferred income adjustment	(31,657)	(54,946)
	(1,427,040)	(1,277,251)
Current year temporary differences not recognised	1,486,131	1,333,441
Research and development	(59,091)	(56,190)
Over/(under) provision in prior year	-	(23,670)
Deferred tax reversal of temporary differences	-	(80,928)
Adjustment to deferred tax liabilities due to change in tax rate	(36,504)	(36,504)
Income tax benefit	(36,504)	(141,102)

	Consolidated 2020 $	Consolidated 2019 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	30,221,012	24,762,489
Potential tax benefit @ 27.5%	8,310,778	6,809,684

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 8. Income tax (continued)

	Consolidated 2020 $	Consolidated 2019 $
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer contracts and acquired technology platform	(179,435)	(215,939)
Deferred tax liability	(179,435)	(215,939)
Movements:		
Opening balance	(215,939)	(252,443)
Credited to profit or loss	36,504	36,504
Closing balance	(179,435)	(215,939)

	Consolidated 2020 $	Consolidated 2019 $
Income tax claim receivable		
Income tax claim receivable	23,670	23,670

Note 9. Current assets - cash and cash equivalents

	Consolidated 2020 $	Consolidated 2019 $
Cash at bank	2,053,926	2,772,686

Note 10. Current assets - trade and other receivables

	Consolidated 2020 $	Consolidated 2019 $
Trade receivables	522,227	376,917
Less: Allowance for expected credit losses	(34,897)	(7,326)
	487,330	369,591

Allowance for impairment of receivables
The consolidated entity has recognised a loss of $24,613 (2019: $92,991) in profit or loss in respect of the expected credit losses for the year ended 30 June 2020.

Note 10. Current assets - trade and other receivables (continued)

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2020 %	Carrying amount 2020 $	Allowance for expected credit losses 2020 $
Not overdue	-	248,992	-
0 to 3 months overdue	-	224,890	-
3 to 6 months overdue	50%	26,896	13,448
Over 6 months overdue	100%	21,449	21,449
		522,227	34,897

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2020 $	2019 $
Opening balance	7,326	14,576
Additional provisions recognised	52,184	86,313
Receivables written off during the year as uncollectable	(24,613)	(92,991)
Unused amounts reversed	-	(572)
Closing balance	34,897	7,326

Note 11. Current assets - inventories

	Consolidated 2020 $	2019 $
Stock on hand - at cost	7,146	7,146

Note 12. Current assets - other

	Consolidated 2020 $	2019 $
Accrued revenue	330,633	160,750
Prepayments	223,267	156,299
Rental bonds	44,101	26,756
	598,001	343,805

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2020 $	Consolidated 2019 $
Leasehold improvements - at cost	24,425	12,125
Less: Accumulated depreciation	(12,343)	(12,125)
	12,082	-
Plant and equipment - at cost	36,877	27,227
Less: Accumulated depreciation	(14,996)	(22,889)
	21,881	4,338
Computer equipment - at cost	115,904	87,298
Less: Accumulated depreciation	(60,639)	(59,496)
	55,265	27,802
	89,228	32,140

Reconciliations

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

Consolidated	Leasehold improvements $	Plant and equipment $	Computer equipment $	Total $
Balance at 1 July 2018	-	8,312	39,292	47,604
Additions	-	108	8,461	8,569
Disposals	-	-	(1,265)	(1,265)
Depreciation expense	-	(4,082)	(18,686)	(22,768)
Balance at 30 June 2019	-	4,338	27,802	32,140
Additions	12,300	22,657	48,514	83,471
Disposals	-	(34)	(778)	(812)
Depreciation expense	(218)	(5,080)	(20,273)	(25,571)
Balance at 30 June 2020	12,082	21,881	55,265	89,228

Note 14. Non-current assets - intangibles

	Consolidated 2020 $	Consolidated 2019 $
Goodwill - at cost	3,018,025	3,018,025
Less: Impairment	(517,569)	(517,569)
	2,500,456	2,500,456
Patents and trademarks - at cost	34,782	34,782
Less: Accumulated amortisation	(8,977)	(8,220)
	25,805	26,562
Customer contracts - at cost	1,400,007	1,400,007
Less: Accumulated amortisation	(747,477)	(614,745)
	652,530	785,262
Software - at cost	1,901	1,901
Less: Accumulated amortisation	(1,901)	(1,853)
	-	48
Technology platform - at cost	3,520,294	3,520,294
Less: Accumulated amortisation	(3,520,294)	(3,520,294)
	-	-
Technology under development - at cost	150,000	150,000
	3,328,791	3,462,328

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

Consolidated	Goodwill $	Patents and trademarks $	Customer contracts $	Software $	Technology platform $	Technology under development $	Total $
Balance at 1 July 2018	2,500,456	27,319	929,055	524	228,494	150,000	3,835,848
Amortisation expense	-	(757)	(143,793)	(476)	(228,494)	-	(373,520)
Balance at 30 June 2019	2,500,456	26,562	785,262	48	-	150,000	3,462,328
Amortisation expense	-	(757)	(132,732)	(48)	-	-	(133,537)
Balance at 30 June 2020	2,500,456	25,805	652,530	-	-	150,000	3,328,791

Impairment testing for goodwill
Goodwill acquired through business combinations have been allocated to the following cash generating units (CGU):

	Consolidated 2020 $	Consolidated 2019 $
CGU 1: Corporate and Government	2,500,375	2,500,375
CGU 2: Private Practice	81	81
Total goodwill	2,500,456	2,500,456

Note 14. Non-current assets - intangibles (continued)

The recoverable amount of each CGU has been determined by a value-in-use calculation using a discounted cash flow model.

Key assumptions used for impairment assessment

(a) 11.55% (2019: 22%) pre-tax discount rate
(b) Sales and direct cost of sales were forecast for a five year period, plus a terminal value based on current levels; and
(c) Overheads were forecast based on current levels adjusted for inflationary increases.

Sensitivity analysis

Management have made judgements and estimates in respect of impairment testing for goodwill. Should these judgements and estimates not occur the resulting carrying amounts may decrease.

For both CGUs, any reasonable change in the key assumptions on which the recoverable amount is based would not cause the CGU carrying amounts to exceed their recoverable amounts.

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2020	2019
	$	$
Trade payables	950,061	665,218
Accrued expenses	785,477	477,154
BAS payable	117,795	88,874
Other payables	366,947	387,688
	2,220,280	1,618,934

Refer to note 25 for further information on financial instruments.

Note 16. Current liabilities - employee benefits

	Consolidated	
	2020	2019
	$	$
Annual leave and long service leave	165,140	118,517

Note 17. Non-current liabilities - borrowings

	Consolidated	
	2020	2019
	$	$
Convertible notes payable	1,491,870	1,835,854

Refer to note 25 for further information on financial instruments.

The convertible notes payable arrangements relate to a $2 million facility ("Facility") with a cornerstone shareholder investor Mr John Plummer. The key terms include:

Note 17. Non-current liabilities - borrowings (continued)

- Note extended to 1 August 2021 for drawdown (repayable by 1 August 2022);
- Line fee reduced to 1% pa (from 2% pa);
- Interest rate of RBA Cash Rate plus 8.5% pa, therefore currently 9.25% per annum, payable quarterly in arrears;
- Agreement to renegotiate interest rate further downwards following the Company achieving a cash flow breakeven quarter and an additional rate reduction on delivering three consecutive cash flow positive quarters;
- Consent, anti-dilution provisions; and
- Facility can be repaid in full or reduced at any time at the election of the Company.

On 19 August 2019, $1.3 million of the previous convertible note facility was repaid from recent capital raise funds, leaving $0.6 million drawn and $1.4 million undrawn and available.

The company received a further drawdown of $0.35 million in October 2019, $0.35 million in November 2019 and $0.25 million in December 2019 before the successful capital raise, resulting in a balance of $1.55 million drawndown and $0.45 million undrawn at 30 June 2020.

Given the company’s growth prospects and progress, cornerstone shareholder Mr John Plummer has agreed to increase the current convertible loan facility to the company should it be required which represents a low cost of capital, on the same terms, from $2m to $3m. The Board appreciates John’s ongoing support for 1st Group.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2020 $	Consolidated 2019 $
Total facilities		
Convertible notes	2,000,000	2,000,000
Used at the reporting date		
Convertible notes	1,550,000	1,900,000
Unused at the reporting date		
Convertible notes	450,000	100,000

Note 18. Non-current liabilities - derivative financial instruments

	Consolidated 2020 $	Consolidated 2019 $
Derivative liability on convertible notes - at fair value	58,130	64,146

Refer to note 25 for further information on financial instruments.

Refer to note 26 for further information on fair value measurement.

Note 19. Non-current liabilities - deferred tax

	Consolidated 2020 $	Consolidated 2019 $
Deferred tax liability	179,435	215,939

Note 20. Non-current liabilities - employee benefits

	Consolidated 2020 $	Consolidated 2019 $
Long service leave	39,762	27,120

Note 21. Equity - issued capital

	Consolidated 2020 Shares	2019 Shares	2020 $	2019 $
Ordinary shares - fully paid	424,616,903	355,386,134	32,577,175	28,383,399

Movements in ordinary share capital

Details	Date	Shares	$
Balance	1 July 2018	206,884,408	23,269,987
Non-renounceable rights issue	19 December 2018	54,569,226	1,637,077
Placement	17 May 2019	65,362,500	2,640,750
Share purchase plan	11 June 2019	28,570,000	1,142,800
Transaction costs		-	(307,215)
Balance	30 June 2019	355,386,134	28,383,399
Placement	18 December 2019	69,230,769	4,500,000
Transaction costs		-	(306,224)
Balance	30 June 2020	424,616,903	32,577,175

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.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

Note 21. Equity - issued capital (continued)

The capital risk management policy remains unchanged from the 30 June 2019 Annual Report.

Note 22. Equity - reserves

	Consolidated 2020 $	Consolidated 2019 $
Share-based payments reserve	1,601,321	1,485,438
Acquisition reserve	974,429	974,429
	2,575,750	2,459,867

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Acquisition reserve
The reserve is used to recognise equity benefits provided to the vendors on acquisition of subsidiaries. This includes fair value of shares and options which is expected to be converted into issued capital in the future.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share based payment $	Acquisition reserve $	Total $
Balance at 1 July 2018	1,507,713	974,429	2,482,142
Share-based payments expense	(22,275)	-	(22,275)
Balance at 30 June 2019	1,485,438	974,429	2,459,867
Share-based payments expense	115,883	-	115,883
Balance at 30 June 2020	1,601,321	974,429	2,575,750

Note 23. Equity - accumulated losses

	Consolidated 2020 $	Consolidated 2019 $
Accumulated losses at the beginning of the financial year	(27,712,410)	(23,093,399)
Adjustment for change in accounting policy - AASB 15	-	(314,919)
Accumulated losses at the beginning of the financial year - restated	(27,712,410)	(23,408,318)
Loss after income tax benefit for the year	(5,007,040)	(4,304,092)
Accumulated losses at the end of the financial year	(32,719,450)	(27,712,410)

Note 24. Equity - dividends

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

Note 25. Financial instruments

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. 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 rates and ageing analysis for credit risk.

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
The Group's main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

Consolidated	2020 Balance $	2019 Balance $
Convertible notes payable	1,550,000	1,900,000
Cash at bank	(2,053,926)	(2,772,686)
Net exposure to cash flow interest rate risk	(503,926)	(872,686)

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An official increase/decrease in interest rates of 50 (2019: 50) basis points would have a favourable/adverse effect on profit before tax of $2,520 (2019: adverse/favourable $4,363) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

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 maximum exposure to credit risk at the reporting date to recognised financial assets 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.

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.

Note 25. Financial instruments (continued)

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2020 $	Consolidated 2019 $
Convertible notes	450,000	100,000

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2020	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	950,061	-	-	-	950,061
Other payables	-	366,947	-	-	-	366,947
Interest-bearing - variable						
Convertible notes payable	9.16%	135,625	1,604,688	-	-	1,740,313
Total non-derivatives		1,452,633	1,604,688	-	-	3,057,321

Consolidated - 2019	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	665,218	-	-	-	665,218
Other payables	-	387,688	-	-	-	387,688
Interest-bearing - variable						
Convertible notes payable	9.50%	180,500	1,978,811	-	-	2,159,311
Total non-derivatives		1,233,406	1,978,811	-	-	3,212,217

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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

Note 26. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Derivative liability on convertible notes - at fair value	-	-	58,130	58,130
Total liabilities	-	-	58,130	58,130

Consolidated - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Liabilities				
Derivative liability on convertible notes - at fair value	-	-	64,146	64,146
Total liabilities	-	-	64,146	64,146

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative liability on convertible notes - at fair value
The fair value was determined using a discount rate equal to the coupon rate currently 10% per annum plus an estimate of 2% per annum of additional coupon rate that would be required if the conversion option did not exist.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Derivative liability $	Total $
Balance at 1 July 2018	35,098	35,098
Increase in drawn standby facility	29,048	29,048
Balance at 30 June 2019	64,146	64,146
Decrease in drawn standby facility	(6,016)	(6,016)
Balance at 30 June 2020	58,130	58,130

Note 27. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated 2020 $	Consolidated 2019 $
Short-term employee benefits	847,000	960,895
Post-employment benefits	82,840	81,456
Share-based payments	78,233	36,211
	1,008,073	1,078,562

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Bentleys NSW Audit Pty Ltd, the auditor of the Company:

	Consolidated 2020 $	Consolidated 2019 $
Audit services - Bentleys NSW Audit Pty Ltd		
Audit or review of the financial statements	90,000	70,900
Other services - Bentleys NSW Pty Ltd		
Tax Services	12,040	19,540
Other advisory services	-	2,600
	12,040	22,140
	102,040	93,040

Note 29. Contingent liabilities

There were no contingent liabilities which would have a material effect on the Group's financial statements as at 30 June 2020 and 30 June 2019.

Note 30. Commitments

	Consolidated 2020 $	Consolidated 2019 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	141,350	89,185

Operating lease commitments includes contracted amounts for commercial leases under non-cancellable operating leases expiring within one year with options to extend. Operating leases with a commitment of less than 12 months from the end of the financial year and having an option to extend at that time, are not capitalised with a corresponding liability recorded under AASB 16 where there is significant doubt that the option will be exercised. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 31. Related party transactions

Parent entity
1st Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 33.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

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

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	(7,897,274)	(6,867,214)
Total comprehensive income	(7,897,274)	(6,867,214)

Statement of financial position

	Parent	
	2020 $	2019 $
Total current assets	2,365,027	363,708
Total assets	7,455,381	5,397,799
Total current liabilities	12,626,037	6,643,464
Total liabilities	14,215,799	8,570,583
Equity		
Issued capital	32,577,175	28,383,399
Share-based payments reserve	1,601,321	1,485,438
Acquisition reserve	974,429	974,429
Accumulated losses	(41,913,344)	(34,016,070)
Total equity	(6,760,418)	(3,172,804)

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 20 June 2019.

Note 32. Parent entity information (continued)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 20 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 20 June 2019.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity; and
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2020 %	2019 %
Clinic Connect Pty Limited	Australia	100.00%	100.00%
DocAppointments.com.au Pty Limited	Australia	100.00%	100.00%
GObookings Systems Pty Limited	Australia	100.00%	100.00%

Note 34. Events after the reporting period

Given the company's growth prospects and progress, cornerstone shareholder Mr John Plummer has agreed to increase the current convertible loan facility to the company should it be required which represents a low cost of capital, on the same terms, from $2m to $3m. The Board appreciates John's ongoing support for 1st Group.

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.

Note 35. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2020 $	Consolidated 2019 $
Loss after income tax benefit for the year	(5,007,040)	(4,304,092)
Adjustments for:		
Depreciation and amortisation	159,109	396,288
Net loss on disposal of property, plant and equipment	812	788
Share-based payments	115,883	50,383
Other non-cash transactions	134,291	(75,156)
Adjustment to prior year share-based payments reserve	-	(72,658)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(117,738)	143,405
Decrease in income tax refund due	-	21,580
Increase in other operating assets	(254,196)	(158,225)
Increase in trade and other payables	601,346	493,762
Decrease in deferred tax liabilities	(36,504)	(36,504)
Increase/(decrease) in employee benefits	59,265	(44,458)
Net cash used in operating activities	(4,344,772)	(3,584,887)

Note 36. Changes in liabilities arising from financing activities

Consolidated	Convertible notes $	Derivative liability $	Total $
Balance at 1 July 2018	964,902	35,098	1,000,000
Other changes	870,952	29,048	900,000
Balance at 30 June 2019	1,835,854	64,146	1,900,000
Other changes	(343,984)	(6,016)	(350,000)
Balance at 30 June 2020	1,491,870	58,130	1,550,000

Note 37. Earnings per share

	Consolidated 2020 $	2019 $
Loss after income tax attributable to the owners of 1st Group Limited	(5,007,040)	(4,304,092)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	392,460,535	245,512,195
Weighted average number of ordinary shares used in calculating diluted earnings per share	392,460,535	245,512,195
	Cents	**Cents**
Basic earnings per share	(1.28)	(1.75)
Diluted earnings per share	(1.28)	(1.75)

Options have been excluded from the diluted earnings per share calculation as their inclusion would be anti-dilutive.

Note 38. Share-based payments

The Company established the 1st Group Limited Share Option Plan ('Plan') on 29 November 2013 to align long term incentives for senior management and employees with the delivery of sustainable value to shareholders. Eligible participants include full or part-time employees, Directors and contractors, including any related body corporate. Participants are granted options which vest over time, subject to meeting specific criteria. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Company. The number of options that may be issued by the Company under the Plan when aggregated with the number of options or shares issued during the previous five years under all other employee equity plans established by the Company (including as a result of exercise of options or shares granted during the previous five years) must not exceed 5% of the total number of shares on issue. Options are forfeited automatically after the participant ceases to be employed by the Company, unless the Board determines otherwise (this is usually only in the case of redundancy, death or disablement).

During the financial year 6,500,000 options were granted (2019: 1,700,000). The share-based payment expense for the year was $96,021 (2019: ($22,275)).

In addition to the Plan, the Board at its discretion has issued share options to Non-Executive Directors, executive management and advisors. Set out below are summaries of options granted under the plan and those issued at the discretion of the Board.

Note 38. Share-based payments (continued)

The balance of 21,369,197 options outstanding is made up of options issued under the Plan: 2,840,000 and those issued at the discretion of the board: 18,529,197.

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/06/2014	01/06/2024	$0.230	1,199,838	-	-	-	1,199,838
30/06/2014	01/06/2024	$0.230	350,000	-	-	-	350,000
27/10/2014	27/10/2024	$0.230	1,965,935	-	-	-	1,965,935
05/12/2014	01/01/2024	$0.230	368,981	-	-	-	368,981
24/02/2015	24/02/2020	$0.350	1,000,000	-	-	(1,000,000)	-
03/03/2015	03/03/2020	$0.230	2,000,000	-	-	(2,000,000)	-
13/04/2015	13/04/2025	$0.230	1,944,443	-	-	-	1,944,443
14/04/2015	14/04/2025	$0.350	360,000	-	-	-	360,000
17/09/2015	17/09/2025	$0.350	155,000	-	-	-	155,000
13/12/2016	13/12/2021	$0.105	500,000	-	-	-	500,000
03/08/2017	03/08/2027	$0.150	600,000	-	-	-	600,000
03/08/2017	03/08/2027	$0.105	600,000	-	-	-	600,000
29/11/2017	29/11/2022	$0.105	2,000,000	-	-	-	2,000,000
29/11/2017	29/11/2022	$0.150	2,000,000	-	-	-	2,000,000
22/12/2017	22/12/2022	$0.105	2,275,000	-	-	(150,000)	2,125,000
12/12/2018	12/12/2023	$0.105	1,700,000	-	-	-	1,700,000
15/08/2019	15/08/2024	$0.105	-	3,000,000	-	(1,000,000)	2,000,000
15/11/2019	19/11/2024	$0.105	-	3,500,000	-	-	3,500,000
			19,019,197	6,500,000	-	(4,150,000)	21,369,197
Weighted average exercise price			$0.182	$0.105	$0.000	$0.224	$0.151

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/06/2014	01/06/2024	$0.230	1,673,589	-	-	(473,751)	1,199,838
30/06/2014	01/06/2024	$0.230	350,000	-	-	-	350,000
27/10/2014	27/10/2024	$0.230	2,000,015	-	-	(34,080)	1,965,935
05/12/2014	01/01/2024	$0.230	368,981	-	-	-	368,981
24/02/2015	24/02/2020	$0.350	1,000,000	-	-	-	1,000,000
03/03/2015	03/03/2020	$0.230	2,000,000	-	-	-	2,000,000
13/04/2015	13/04/2025	$0.230	1,944,443	-	-	-	1,944,443
14/04/2015	14/04/2025	$0.350	360,000	-	-	-	360,000
17/09/2015	17/09/2025	$0.350	555,000	-	-	(400,000)	155,000
13/12/2016	13/12/2021	$0.105	500,000	-	-	-	500,000
03/08/2017	03/08/2027	$0.150	1,600,000	-	-	(1,000,000)	600,000
03/08/2017	03/08/2027	$0.105	1,600,000	-	-	(1,000,000)	600,000
29/11/2017	29/11/2022	$0.105	2,000,000	-	-	-	2,000,000
29/11/2017	29/11/2022	$0.150	2,000,000	-	-	-	2,000,000
22/12/2017	22/12/2022	$0.105	2,275,000	-	-	-	2,275,000
12/12/2018	12/12/2023	$0.105	-	1,700,000	-	-	1,700,000
			20,227,028	1,700,000	-	(2,907,831)	19,019,197
Weighted average exercise price			$0.190	$0.105	$0.000	$0.176	$0.182

Note 38. Share-based payments (continued)

Set out below are summaries of the options exercisable at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
19/06/2014	01/06/2014	1,199,838	1,199,838
30/06/2014	01/06/2024	350,000	350,000
27/10/2014	27/10/2024	1,965,935	1,965,935
05/12/2014	01/01/2024	368,981	368,981
24/02/2015	24/02/2020	-	1,000,000
03/03/2015	03/03/2020	-	2,000,000
13/04/2015	13/04/2025	1,944,443	1,944,443
14/04/2015	14/04/2025	360,000	360,000
17/09/2015	17/09/2020	155,000	155,000
13/12/2016	13/12/2021	500,000	500,000
03/08/2017	03/08/2027	300,000	600,000
03/08/2017	03/08/2027	600,000	-
29/11/2017	29/11/2022	3,000,000	2,000,000
22/12/2017	22/12/2022	1,533,330	991,655
12/12/2018	12/12/2023	566,667	-
		12,844,194	13,435,852

The weighted average share price during the financial year was $0.046 (2019 $0.051).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.0 years (2019: 4.0 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
15/08/2019	15/08/2024	$0.078	$0.105	60.00%	-	0.90%	$0.034
15/11/2019	19/11/2024	$0.085	$0.105	60.00%	-	0.90%	$0.039

The expected price volatility is based on the historic volatility of comparable micro-cap ASX listed companies, adjusted for any changes to future volatility.

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 2 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

Trevor Matthews
Chairman

Klaus Bartosch
Managing Director & CEO

30 September 2020
Sydney

Bentleys
THINKING AHEAD

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1st Group Limited
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Independent Auditor's Report to the Members of 1st Group Limited and Controlled Entities

Report on the Audit of the Financial Report

We have audited the financial report of 1st Group Limited ("the Company") and its Controlled Entities ("the Group"), which comprises the statement of financial position as at 30 June 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 the Group is in accordance with the *Corporations Act 2001* including:

i. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended; and

ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis of 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* (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 confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Emphasis of matter

We draw attention to Note 2 of the financial report, which describes that the Group made a loss for the financial year ended 30 June 2020 of $5,007,040. The Group has also reported a net operating cash outflow of $4,344,772. As stated in Note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 our audit addressed the key audit matter
Going Concern The Group has incurred a loss of $5m for the year ended 30 June 2020 and is expected to continue to be loss making for the year ended 30 June 2021. The Group also had net operating cash outflows of $4.3m for the year ended 30 June 2020.	Our procedures included, amongst others: • We have obtained the current cash flow forecasts and budgets and discussed the assumptions with management. We have carried out sensitivity analysis on these. • We have reviewed the convertible note facility documentation including agreement by a cornerstone shareholder to increase the current convertible loan facility available to the company, should it be required, from $2m to $3m (refer to Note 17 for further detail).
Impairment of Assets including Goodwill Due to the current reduced share price and ongoing losses there is a risk that the assets are impaired. Revenue forecasts have been slower to ramp up than as expected. Due to these impairment indicators a review of intangible assets has been carried out.	Our procedures included, amongst others; • We have reviewed the impairment models prepared by management and discussed with them their assumptions and methodology. • We have carried out sensitivity analysis on the impairment models.

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 statements 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 has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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 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 financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, amongst 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 our 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 our 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 our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Bentleys
THINKING AHEAD

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 12 of the Directors' Report for the year ended 30 June 2020.

In our opinion the Remuneration Report of 1st Group 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.

Kevin Cranfield. Bentleys NSW Audit Pty Ltd

KEVIN CRANFIELD
Director
Sydney

BENTLEYS NSW AUDIT PTY LTD
Chartered Accountants

Dated: 30 September 2020

The shareholder information set out below was applicable as at 28 September 2020.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	32	-
1,001 to 5,000	19	-
5,001 to 10,000	117	-
10,001 to 100,000	799	6
100,001 and over	407	22
	5	28
Holding less than a marketable parcel	-	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
John Plummer	107,017,140	25.20
Kinderhook Partners LLC	20,187,963	4.75
Mr Tony Gandel & Mrs Helen Gandel	17,881,057	4.21
Trevor Matthews	10,000,000	2.36
Mr Ruairi O'Mainian	9,258,267	2.18
Rjm Luu Pty Ltd (Rick & Jeanine Luu Family Trust)	8,209,959	1.93
David Oakley	7,570,000	1.78
NJT Family Company Pty Limited (NJT Family A/C)	7,355,000	1.73
Moore Family Nominee Pty Ltd (Moore Family Super Fund A/C)	7,070,911	1.67
Rylimiro Pty Ltd (Romik A/C)	7,041,666	1.66
Mr Craig Graeme Chapman (NAMPAC Discretionary A/C)	5,683,000	1.34
Miller Holdings (International) Pty Ltd (The Miller A/C)	4,601,204	1.08
Scintilla Strategic Investments Limited	4,500,000	1.06
Outlook Drive Investments Pty Ltd	4,464,285	1.05
Bartosch - All Holdings	4,064,940	0.96
GEAT Incorporated (GEAT-Preservation Fund)	3,846,000	0.91
Towns Corporation Pty Ltd (PAE Family A/C)	3,617,500	0.85
Newton Holdings Pty Ltd (Newton Provident Fund)	2,690,559	0.63
Mr Paul Ehrlich & Mrs Lauren Ehrlich (PAE & LSE Super Fund A/C)	2,600,000	0.61
Barbary Coast Investments Pty Ltd	2,403,139	0.57
	240,062,590	56.53

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	21,369,197	28

The following person holds 20% or more of unquoted equity securities:

Name	Class	Number held
Ngigto Pty Ltd	Options over ordinary shares issued	7,051,386

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
John Plummer	107,017,140	25.20

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
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.

There are no other classes of equity securities.

Directors	Trevor Matthews - Chairman Klaus Bartosch - Managing Director, CEO Paul Welch - Non-Executive Director Michael Emmett - Non-Executive Director Louise McElvogue - Non-Executive Director
Company secretary	Andrew Whitten
Registered office	Automic Group Level 5, 126 Phillip Street Sydney, NSW 2000
Principal place of business	Level 4/17-21 Bellevue Street Surry Hills Sydney, NSW 2010
Share register	Automic Registry Services Level 5, 126 Phillip Street Sydney, NSW 2000
Auditor	Bentleys NSW Audit Pty Ltd Level 14, 60 Margaret Street Sydney, NSW 2000
Solicitors	Automic Legal Pty Ltd (An Automic Group company) Level 5, 126 Phillip Street Sydney, NSW 2000
Stock exchange listing	1st Group Limited shares are listed on the Australian Securities Exchange (ASX code: 1ST)
Website	http://www.1stgrp.com
Corporate Governance Statement	The Corporate governance statement which will be approved at the same time as the Annual Report can be found at https://www.1stgrp.com/investor-info