1st Group Limited

Appendix 4D
Half-year report

1. Company details

Name of entity:	1st Group Limited
ABN:	25 138 897 533
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

Key Information				
Revenues from ordinary activities	Up	27.9%	to	3,127,449
Loss from ordinary activities after tax attributable to the owners of 1st Group Limited	Up	69.1%	to	(3,282,300)
Loss for the half-year attributable to the owners of 1st Group Limited	Up	69.1%	to	(3,282,300)

Dividends

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

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.57)	(0.30)

4. Control gained over / loss of entities having material effect

Not applicable.

5. Significant information

There have been numerous significant events for the company for the Half-year ended 31st December 2022.

Refer to the 'Directors' Report' within the Half-year report below for details.

6. Attachments

The Interim Report of 1st Group Limited for the half-year ended 31 December 2022 is attached.

7. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year Interim Report.

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8. Signed

Signed

Date: 28 February 2023

Christopher Whitehead
Chair
Sydney

1st Group Limited

ABN 25 138 897 533

Interim Report

For the half-year ended 31 December 2022

CONTENTS

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or '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 half-year ended 31 December 2022.

Directors

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

Appointed

Christopher Whitehead	Non-Executive Director and Chair (Appointed15/12/22)
Geoff Neate	Non-Executive Director (Appointed 29/11/2022)
John Nantes	Non-Executive Director
Brook Adcock	Non-Executive Director

Resigned

Klaus Bartosch	Executive Director and CEO (Resigned 03/10/2022)
Stephe Wilks	Non-Executive Director and Chair (Resigned 29/11/2022)
Magali Azema-Barac	Non-Executive Director (Resigned 29/11/2022)

Principal activities

During the financial half-year, the principal continuing activities of the Group consisted of the provision of healthcare and corporate online search and appointment booking services, telehealth, and remote diagnostic solutions into both local and international markets.

Review of operations

Overview of Group

1ST (ASX:1ST) is a healthcare technology group currently consisting of the following four businesses:

- MyHealth1st,
- Visionflex,
- GoBookings, and
- PetYeti.

My Health First

MyHealth1st (MH1) is a digital booking SaaS platform that allows patients to easily stay connected with their healthcare providers at every stage of their healthcare journey.

Patients can find and engage with a wide range of healthcare practitioners, including GPs, Optometrists, Dentists, Psychologists and Physiotherapists.

It has developed great relationships with a range of world class medical providers in that are also mutually beneficial for Visionflex business.

The medical booking sector is an incredibly competitive sector, and despite our booking platform being robust and reliable it has yet to achieve the required scale and efficiency to become profitable. The Board have concluded that current market-driven pricing would not support sustainable profits on a purely standalone basis in the foreseeable future. This is a key consideration in the formulation of our future strategy.

Visionflex

Visionflex was founded in 2015 and was acquired by 1ST Group on the 20th of June 2022.

Visionflex products assist organisations across Australia and around the Globe in treating medically isolated patients including Aged & Residential Care Facilities, the Royal Flying Doctor Service (RFDS), Australian Antarctic Division, Aboriginal Medical Services, Justice Health Facilities, Siemens Stroke Ambulances along with Oil, Gas and Mining worksites, Hospitals, State Health Departments and Primary Health Networks.

Visionflex has developed a scalable and powerful web-based telehealth platform with unique clinical functions that transform internet-connected devices including computers, laptops, tablets, and smart phones into powerful and portable diagnostic tools. Vision’s integrated clinical tools include a HD Examination Camera, real-time auscultation using Digital Stethoscopes, Temperature Sensors, Blood-Pressure Cuff, Blood-Glucose Monitors, ECG Monitors, Pulse Oximeters, and Weight Scales, making it possible to perform evidence-based decision making in remote clinical settings.

The Visionflex platform has been designed to significantly minimise latency during the consultation and has dual communications channels to allow both voice and data to be optimised separately with the added advantage of being able to control devices from either end. Improved access to healthcare is now achievable, over wireless networks, 4G/5G or satellite (Starlink) in remote regions. In areas where internet access is limited, data captured during the examination can be stored on the device for later transmission to the electronic health record software or a consulting GP.

The Vision software also supports a dedicated patient facing monitor and remote controlled PTZ cameras to personalize consultations with the GP or specialist. Medical colleagues can also collaborate via Vision's multi-camera view, 2-way telestrations, and snapshot functions along with our 'over bed' and 'mobile cart' PTZ camera control. Solutions are available on medical grade Mobile Carts, on Tablets, Notebook PC's or using our Wall Mounted Cabinets to save space and store equipment securely.

GoBookings

GoBookings provides a SaaS booking platform for cloud-based enterprise level rules-based appointments and resource bookings. It services large corporate and public sector customers with customised booking solutions tailored to customers systems and workflows.

PetYeti

PetYeti provides online appointment booking for vet and pet services providers. The SaaS booking platform helps animal owners and vets to connect online across Australia and New Zealand. The booking platform integrates with several industry-leading vet practice management systems to ensure real-time availability and bookings are continuously updated.

Significant changes in the state of affairs

The company was suspended from trading on 11 October 2022 following qualification by its auditors of the 2022 accounts. This qualification was based on concerns regarding valuation of its assets as a 'going concern' given the financial trends and lack of committed further funding.

The main initiatives undertaken by the company to address these concerns were:

- In October 2022 Mr Adcock via his company Adcock Private Equity agreed to provide the company $1.2M of funding via a convertible note on identical terms as the existing Plummer facility which at the time was fully drawn at $4.0M.
- In October 2022 Mr Plummer also agreed to extend his facility by another $500K taking its limit to $4.5M.
- At the end of the period the company had $589K of cash and unused funding available.

Further significant changes, some precipitated by these circumstances, included:

- The previous CEO resigned on 4 October 2022 with Mr Josh Mundey being appointed as Acting CEO. Mr Mundey had been working within the business as the Chief Revenue Officer since the merger with Visionflex.
- Mr Stephe Wilks and Ms Magali Azema-Barac both Non-Executive Directors of the Company retired by rotation at the 2022 Annual General Meeting and chose not to stand for re-election

- Mr Geoff Neate was appointed as a Non-Executive Director at the 2022 Annual General Meeting.
- Mr Chris Whitehead was appointed as a Non-Executive Director and Chair on 15 December.

See 'matters subsequent to the end of the financial half-year' for details of subsequent financing arrangements and 'Overview of the Group's forward-looking strategy' for details of our ongoing medium-term capital management plans.

Review of financial performance

On appointment as Acting Chief Executive Officer Mr Josh Mundey commenced a review of operations to both identify areas to reduce costs and to restructure our sales and marketing resources to better facilitate short and long-term revenue growth opportunities:

- Head count was reduced by 51%, reducing wages by $252k per month.
- Additional cost savings of $116k per month were identified across administration, software development, and operations.
- Combined, these represent total annualised savings of $4.4M.
- These reductions were predominantly from the legacy My Health 1st business which was none the less able to increase subscription sales by 3%.

These changes resulted in one-off redundancy costs of $461K which adversely impacted the 1H FY23 results but will improve the results for the full year FY23, and FY24.

The loss for the consolidated entity after providing for income tax was $3,282,300 compared to a loss of $1,940,806 for the same period last year. The original 1ST Group parts of the business accounted for $2,348,243 of this while Visionflex accounted for $1,012,276 before providing for a collective income tax benefit of $78,219.

Full year outlook

The outlook for 2H FY23 includes continued growth of the Visionflex revenue from the orders received during 1H FY23 that will ship in this half combined with new orders from a strong pipeline of sales opportunities including those from some large government backed health entities continuing our recent sales made to regional Primary Health Networks (PHNs).

Some of these PHN projects include the roll out for both the Darling Downs and Murray PHN's with Darling Downs to be shipped by end of Feb & Murray (currently in production) to be shipped by end of March. Product training has commenced across 40+ sites with some opportunities for expansion with both PHN's are promising.

We are actively progressing a combined $4M in sales opportunities across several other PHN's. We anticipate securing additional order confirmations from individual aged care facilities in March as Federal grant funding for telehealth is received. Our focus is to secure orders in March & April that will be reflected in Q4 sales.

A summary of the PHN tenders we are actively progressing are below:

a) Murray PHN from 35 sites to 90 sites.

b) Western Australia PHN at 60 sites.

c) Tasmania health at 62 sites.

d) North Sydney PHN at 120 sites.

e) Western Victoria PHN at 140 sites.

We continue to explore opportunities in India with CRT Bionics. CRT have signed an initial purchase order for 5 ProEX Mobile kits. We are cautiously optimistic that this initial order will lead to more significant opportunities in the Indian market.

The Visionflex team continue to make enhancements to its set of products to meet the needs of the existing and prospective customers. The now reduced team working on the legacy 1st Group bookings businesses have completed some significant enhancements to the hospital specialists booking system which will be rolled out and support signing up of new practitioners onto the platform during 2H FY23.

Revenue in the legacy 1st Group bookings businesses is expected to be stable outside of the cessation of the advertising revenue from the contact lens sales programs.

We will continue to make modest marketing investments on initiatives to support growing the customer base in both Visionflex and the 1st Group bookings business. We are making some investments to further optimise and reduce the costs of our technology platforms while maintaining or improving performance and reliability, with additional savings expected to commence late in 2H FY23.

Overview of the Group's forward-looking strategy

As previously noted in the "Group Overview" there are very good prospects for the Visionflex business given its unique products which are now well proven and highly competitive in a very significant, growing, global market. There are several challenges faced by the other businesses within the group, which are sub-scale and face significant price competition.

Hence the Board is of the view that further capital support should primarily be focused on Visionflex.
There are synergies across the Group's businesses and is seeking to work with existing significant clients of MH1 to integrate Visionflex into their workflows, along-side the booking system, in order to expand their own capabilities, opportunities, and efficiencies. Visionflex could potentially use the MH1 online booking platform along with MH1's existing industry relationships to build a B2C telehealth business.

However, Visionflex is best positioned as a business that is agnostic with regards to booking systems and helps others to provide world class tele health services. Visionflex can enable a range of truly B2C remote or tele health services to flourish. Connecting Aged Care residents, NDIS clients, or other patients, directly to their practitioners via online booking platforms and the Visionflex suite of tools and software would put Australia at the forefront of Tele Health globally.

The Board is reviewing opportunities to enhance the performance of MH1 via partnering opportunities and considering whether it would be better owned by another business that can generate additional income opportunities through the platform to those available to 1ST Group.

GoBookings and PetYeti contribute to the bottom line and are helping while we integrate some aspects of the MH1 platform with Visionflex and vice versa and become more of a pure Telehealth Systems provider.

We value the clients that we look after with these businesses so continuing to support their needs is also paramount. Despite our recent redundancies our reinvigorated sales team are working closely with our clients and working to grow these businesses.

There are several material business risks to be managed in the delivery of our strategy:

- Given the competitive nature of the booking systems market, retention of our existing clients is essential to achieving our forecast subscription revenues.
- A major opportunity for our Visionflex business is the PHN market, these are competitive tenders, and we will need to continue to win a reasonable proportion of the bids we submit.
- Information security is vital in the healthcare business and significant reputational damage could result from a privacy breach, potentially impacting revenues.
- We are reliant upon overseas suppliers for many of our hardware products including China. Although there has been recent general disruption to supply chains, this has not materially impacted 1ST Group to date.
- As a relatively small organisation we face key person risks which have increased with the recent reduction in headcount. It is important that we retain these key staff and as the business grows develop stronger succession plans. This is particularly important in our IT support team, much of which is based in India.

Governance and senior management

As previously noted there has been a complete transformation of the Board and a new CEO has been appointed. The Board is committed to continuous improvement and best practice governance. This includes the appointment of a strong leadership team then empowering and supporting them to run the business well and deliver on the agreed strategy, It also encompasses diligent oversight to manage risks and ensure ethical conduct from the Board through the entire organisation. Most importantly the Board is committed to generating strong returns for shareholders through prudent investment in the business and sound financial management

Matters subsequent to the end of the financial half-year

On the 25th of January 2023, Joshua Mundey was appointed as the permanent CEO. He had been serving in the role as acting CEO since the 3rd of October 2022.

On 30 January Mr Plummer agreed to further extend his Standby facility from $4.5m to $5.2m. The agreement includes terms that reschedule any repayments of amounts already borrowed under the facility, to 24 months from the date of the agreement. That means that the first principal repayment for the Plummer facility is not due until the 30th of January 2025.

In January the $669,677 short term debt facility secured by the R&D Loan was repaid.

On 3 February, the Company provided notice to draw down the remaining $747K from this facility. This will result in the facility being fully drawn at $5.2M.

The company intends to give notice of a debt conversion for an amount of $985,452 to Plummer which will result in the company issuing him 128,817,381 shares at a price of 0.0765 cents being a 15% discount to the 30-day VWOP as per the terms of the Agreement.

There is a redraw agreement in place for the Plummer facility and the company intends to access $650K of that in March and a further 300K in April. It is not envisaged that any further debt conversions or limit extensions will be required on the Plummer facility, meaning it will remain just below the $5.2M limit.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Christopher Whitehead
Chair

28 February 2023

1st Group Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022, there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and

b) no contraventions of any applicable code of professional conduct in relation to the review.

PKF

PKF

P. Pearman.

PAUL PEARMAN
PARTNER

28 FEBRUARY 2023
SYDNEY, NSW

PKF (NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

General information

The financial statements cover 1st Group Limited as a consolidated entity consisting of 1st Group Limited and the entities it controlled at the end of, or during, the half-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

C/o Automic Group
Level 5, 126 Phillip Street
Sydney, NSW 2000

Principal place of business

1/8 Prosperity Parade
Warriewood
Sydney, NSW 2102

A description of the nature of the consolidated entity'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 28 February 2023.

Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated 31 December 2022 $	31 December 2021 $
Revenue	3	3,127,449	2,445,560
Expenses			
Loss on disposal of assets		(5,487)	-
Cost of sales		(518,387)	-
Advertising and marketing expenses		(238,631)	(53,818)
Professional and consulting fees		(515,128)	(310,118)
Operations and administration expenses		(1,993,718)	(1,848,756)
Employee benefits		(2,884,773)	(1,968,915)
Depreciation and amortisation expenses		(20,430)	(11,334)
Finance costs		(311,414)	(169,755)
Loss before income tax (expense)/benefit		(3,360,519)	(1,917,136)
Income tax (expense)/benefit		78,219	(23,670)
Loss after income tax (expense)/benefit for the half-year attributable to the owners of 1st Group Limited		(3,282,300)	(1,940,806)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of 1st Group Limited		(3,282,300)	(1,940,806)
		Cents	**Cents**
Basic earnings per share	11	(0.25)	(0.42)
Diluted earnings per share	11	(0.25)	(0.42)

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

Statement of financial position
As at 31 December 2022

	Note	Consolidated 31 December 2022 $	Consolidated 30 June 2022 $
Assets			
Current assets			
Cash and cash equivalents		91,565	2,007,121
Trade and other receivables		426,505	384,848
Inventories		381,001	569,123
Income tax claim receivable		878,219	850,000
Other		319,874	400,102
Total current assets		2,097,164	4,211,194
Non-current assets			
Property, plant and equipment		38,103	48,536
Intangible assets	4	17,268	12,379
Total non-current assets		55,371	60,915
Total assets		2,152,535	4,272,109
Liabilities			
Current liabilities			
Trade and other payables	5	3,506,440	3,136,338
Borrowings	6	669,677	650,010
Employee benefits		109,308	257,025
Total current liabilities		4,285,425	4,043,373
Non-current liabilities			
Borrowings	7	5,203,000	4,000,000
Employee benefits		22,398	117,871
Total non-current liabilities		5,225,398	4,117,871
Total liabilities		9,510,823	8,161,244
Net liabilities		(7,358,288)	(3,889,135)
Equity			
Issued capital	8	39,288,573	39,289,037
Reserves		2,712,168	2,831,927
Accumulated losses		(49,359,029)	(46,010,099)
Total deficiency in equity		(7,358,288)	(3,889,135)

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

Statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2021	32,577,175	2,617,269	(39,188,159)	(3,993,715)
Loss after income tax expense for the half-year	-	-	(1,940,806)	(1,940,806)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,940,806)	(1,940,806)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	1,163,181	-	-	1,163,181
Share-based payments	-	58,659	-	58,659
Balance at 31 December 2021	33,740,356	2,675,928	(41,128,965)	(4,712,681)

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2022	39,289,042	2,831,921	(46,010,098)	(3,889,135)
Opening Adjustment	-	-	(66,631)	(66,631)
Balance at 1 July 2022 – restated	39,289,042	2,831,921	(46,076,729)	(3,955,765)
Loss after income tax benefit for the half-year	-	-	(3,282,300)	(3,282,300)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(3,282,300)	(3,282,300)
Transactions with owners in their capacity as owners:				
Share-based payments	-	(119,758)	-	(119,758)
Foreign exchange reserve	(469)	5	-	(464)
Balance at 31 December 2022	39,288,573	2,712,168	(49,359,029)	(7,358,288)

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

Statement of cash flows
For the half-year ended 31 December 2022

	Note	Consolidated 31 December 2022 $	31 December 2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,426,299	2,731,592
Payments to suppliers and employees (inclusive of GST)		(6,167,226)	(4,302,665)
Interest paid		(283,307)	(142,929)
Interest received		238	5
Net cash used in operating activities		(3,023,996)	(1,713,997)
Cash flows from investing activities			
Payments for property, plant, and equipment		(12,575)	(11,193)
Payments for intangible assets	4	(9,558)	-
Net cash used in investing activities		(22,133)	(11,193)
Cash flows from financing activities			
Proceeds from convertible notes facility		1,203,000	550,000
Proceeds from issue of shares		(72,427)	1,152,844
Net cash from financing activities		1,130,573	1,702,844
Net decrease in cash and cash equivalents		(1,915,556)	(22,346)
Cash and cash equivalents at the beginning of the financial half-year		2,007,121	235,994
Cash and cash equivalents at the end of the financial half-year		91,565	213,648

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

Note 1. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The Group made a loss for the financial half-year ended 31 December 2022 of $3,282,300 (31 December 2021: $1,940,806). The Group has also reported a net operating cash outflow of $3,023,996 (31 December 2021: $1,713,997).

These conditions give rise to uncertainty which cast doubt over the Group's ability to continue as a going concern. This uncertainty however is addressed in the section ‘Forecast methodology’ below.

The Directors have reviewed the Group's profit and loss forecast for FY23 and FY24, and the 18-month cash flow forecast for the period 1 January 2023 to 30 June 2024.

AASB 101 Presentation of Financial Statements requires Directors to determine the Group’s ability to continue as a going concern for the purposes of preparing the consolidated financial statements. As such these profit and loss forecasts have been prepared to assist the Directors determine the Group’s ability to continue as a going concern as follows.

Forecast methodology

The forecast has the following sensitive line items; Revenue, COGS, Wages, Other Overheads, and Interest, which in turn depends upon capital management. We will address each of these in some detail below.

Assessment of revenue is divided between Subscription revenue that come predominantly from the 1ST Group of businesses and Visionflex sales which fall into the following main categories, Hardware Device sales, Peripheral sales, Software License sales, System support agreements, and Vision video conferencing subscriptions. At present most of these sales are non-recurring hardware and peripheral sales, however we expect the mix to shift more towards recurring sales over time. We will begin reporting this mix in future periods.

Subscription revenues have been quite stable for many years so the main variable we consider here is whether we sell any of the 1ST Group businesses. The case where we don’t sell any of the businesses is the one with the highest capital requirements, so we have conservatively used this case when assessing our capital needs.

We have conservatively built in a small decline in subscription revenue when assessing our capital requirements.

Visionflex sales are recognised when we have dispatched the goods following payment. Sales in the second half of FY23 are conservatively estimated to be the same as in the first half. We already have orders for more than half this amount with over 4 months still to run. We are therefore confident of making this forecast.

COGS vary with sales or as a result in a change in margin. We have addressed sales above, so we address margin here. Visionflex margin varies along with its mix of software or hardware sales. We have conservatively reduced our Gross Margin in FY24 for the purpose of assessing our capital requirements and the Directors Declaration.

Wages were reduced by $252K per month or 51% in October 2022 with an annualised saving of $3.0M. We have conservatively forecast a moderate growth in wages in 2H FY23 and FY24 to support various new sales opportunities and growth in the business, plus some wage growth. We have therefore, conservatively planned for additional costs but not the additional sales that we would expect to come with them.

Remaining overheads were collectively reduced by $116K per month in October 2022 with an annualised saving of $1.4M. We expect to be able to maintain most of these savings but have none the less planned for some increase in overheads.

Cash losses are forecast to be reduced to $1.8M for H2 FY23.

Directors' assessment of going concern

The company had $589K in total funding available at the end of December 2022. The company has already extended the Plummer facility by $700K to $5.2M. As previously advised the company has the option to convert part of this facility to equity, although there is a total cap of 15% of issued equity to avoid triggering takeover rules. Accordingly, the company has documented the conversion and redrawing of $985K from that facility should it be necessary. These measures increase the amount of funds available to cover future losses to $2.3M.

The company is extremely grateful for Mr Plummers on-going support.

To provide further comfort the company has agreed with Adcock Private Equity to extend the Adcock Debt Facility to $3.2M. Any draw-down on this loan is solely for the purpose of meeting any liabilities that fall due and general corporate purposes of the Borrower.

In addition to the above debt facility, Mr Adcock has also provided a letter of comfort to cover any resulting cash shortfall up to the value of $3M, until end the end of August 2024.

Thus, the Board has several options available to source further capital support to ensure maintenance of its 'going concern' status into the future, also noting the progress already made in the 1st half of 2023 financial year.

Despite interest on the accumulated debt costing 8.5% above the RBA cash rate, the board has chosen to fund the company via debt rather than equity to date to afford the company time to demonstrate sales growth and value particularly from the Visionflex side of the business.

It is possible to summarise our modelling and capital management as follows:

1. We have already reduced costs by $4.4M when annualised as previously announced in our FY23 Q2 quarterly update.

2. Funding to date has been secured from the company's two largest shareholders and whilst this will incur interest, it will also allow the company time to grow sales and raise capital on more favourable terms if required later in 2023.

3. As a company listed on the Australian Securities Exchange, the Directors are confident the Group will have the ability to raise capital within this time frame if or when required.

The Directors are confident in the modelling, the measures taken to date to recapitalise the business, and the measures available on and off market to further capitalise the business if necessary, including a letter of support from Adcock up until the end of FY24, and an extension of the Adcock Debt Facility to $3.2M.

Accordingly, the Directors have determined that the Group will be able to pay its debts when they fall due.

However, in the event that the Group is unable to achieve the outcomes in relation to the aforementioned, such circumstances would indicate that a material uncertainty exists that may cast significant doubt as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the consolidated financial statements.

The consolidated financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Note 2. 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 are two operating segments identified and located in Australia. These are the 1st Group and Visionflex. The information reported to the CODM is the consolidated results of the Group.

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

Relevant information is reported to the CODM monthly.

Types of products and services
The principal products and services of each of these operating segments are as follows:

1st Group
The provision of healthcare and corporate online search and appointment booking services.

Visionflex
The provision of video conferencing and diagnostics platform specifically designed for telehealth.

The segment results for the interim period and the segments assets and liabilities are shown below.

Intersegment transactions
There were no material intersegment transactions during the period.

Intersegment receivables, payables, and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 2. Operating segments *(continued)*

Consolidated - 31 December 2022	1st Group $	Visionflex $	Total $
Revenue			
Sales to external customers	2,085,549	995,283	3,080,832
Other revenue	1,609	45,008	46,617
Total revenue	2,087,158	1,040,291	3,127,449
EBITDA	(2,088,964)	(881,767)	(2,970,731)
Depreciation and amortisation	(14,320)	(6,110)	(20,430)
Impairment of assets	-	(66,630)	(66,630)
Finance costs	(244,959)	(57,769)	(302,728)
Loss before income tax benefit	(2,348,243)	(1,012,276)	(3,360,519)
Income tax benefit			78,219
Loss after income tax benefit			(3,282,300)
Assets			
Segment assets	1,745,891	406,644	2,152,535
Total assets			2,152,535
Liabilities			
Segment liabilities	8,172,500	1,338,323	9,510,823
Total liabilities			9,510,823

Note 3. Revenue

	Consolidated 31 December 2022 $	Consolidated 31 December 2021 $
Sales revenue		
Subscription fees	1,885,403	1,982,240
Usage fees (recalls, SMS and booking fees)	131,655	133,115
Advertising revenue	30,038	92,967
Medical hardware revenue	993,234	-
Set up and customisation	38,453	237,233
Software revenue	47,807	-
	3,126,590	2,445,555
Other revenue		
Interest	859	5
Revenue	3,127,449	2,445,560

Note 4. Non-current assets - intangibles

	Consolidated	
	31 December 2022 $	30 June 2022 $
Goodwill - at cost	-	3,083,565
Less: Impairment	-	(3,083,565)
	-	-
Patents and trademarks - at cost	27,441	17,883
Less: Accumulated amortisation	(12,862)	(10,492)
	14,579	7,391
Customer contracts - at cost	880,209	880,209
Less: Accumulated amortisation	(880,209)	(880,209)
	-	-
Software - at cost	14,906	14,906
Less: Accumulated amortisation	(12,803)	(12,500)
	2,103	2,406
Technology platform - at cost	3,540,094	3,540,094
Less: Accumulated amortisation	(3,539,508)	(3,537,512)
	586	2,582
	17,268	12,379

Reconciliations

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

Consolidated	Patents and trademarks $	Software $	Technology platform $	Total $
Balance at 1 July 2022	7,391	2,406	2,582	12,379
Additions	9,558	-	-	9,558
Amortisation expense	(2,370)	(303)	(1,996)	(4,669)
Balance at 31 December 2022	14,579	2,103	586	17,268

Note 5. Current liabilities - trade and other payables

	Consolidated	
	31 December 2022 $	30 June 2022 $
Trade payables	1,561,057	1,423,271
Accrued expenses	1,207,153	789,397
BAS payable	82,816	135,405
Other payables	655,414	788,265
	3,506,440	3,136,338

Note 6. Current liabilities – borrowings

	Consolidated	
	31 December 2022 $	30 June 2022 $
Short Term Finance	669,677	650,010

Note 7. Non-current liabilities - borrowings

	Consolidated	
	31 December 2022 $	30 June 2022 $
Convertible notes payable (non-current)	5,203,000	4,000,000

The credit standby arrangements relate to two facility agreements with investors. The first relates to a facility with a corner stone investor Mr Plummer which was originally of $2 million, was extended to $4.5M in October 22. and again to $5.2M in Jan 23. In October 2022 the Group also signed an agreement for an additional $1.2M facility with Adcock Private Equity, which was further extended to $3.2M in Feb 23.

The key terms of both facilities include:

- Note repayable 24 months from date of each draw. Repayments of amounts drawn prior to January 2023 have been extended until January 2025.
- Line fee 1% pa.
- Interest rate of RBA Cash Rate plus 8.5% pa, therefore currently 11.6% 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.
- Usual covenants for a facility of this nature and scope including unsecured obligation, no debt subordination without consent, anti-dilution provisions, and
- Facility can be repaid in full or reduced at any time at the election of the Company.
- The agreement with Mr Plummer includes provisions allowing for conversion into shares of a portion of the existing debt and the redraw of an equivalent amount in new drawing against the facility within the same total of $5.2M.

In October 2022 the Group withdrew $453K from the Plummer Facility and $750K from the Adcock facility which left $47K and $450K unused in each facility respectively at 31 Dec 22.

In January 2023, the Group provided notice to draw down a further $747K from the Plummer facility after extending it by $700K and a further $450K from the Adcock facility.

By the end of Feb 2023 both facilities will be fully drawn.

In March 2023 the Group intends to convert $985,452 of the Plummer facility to equity and will extend the Adcock facility to $3.2M. This will provide an additional $3M in unused funds.

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	31 December 2022 $	30 June 2022 $
Short Term Finance (R&D loan repaid in Jan23)	669,677	650,010

Financing arrangements

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

	Consolidated	
	31 December 2022 $	30 June 2022 $
Total facilities		
Convertible notes	6,400,000	4,000,000
Used at the reporting date		
Convertible notes	5,203,000	4,000,000
Unused at the reporting date		
Convertible notes	1,197,000	-

Note 8. Equity - issued capital

	Consolidated			
	31 December 2022 Shares	30 June 2022 Shares	31 December 2022 $	30 June 2022 $
Ordinary shares - fully paid	1,288,173,816	1,288,173,816	39,288,573	39,289,037

Movements in ordinary share capital

Details	Date	Shares	$
Balance	1 July 2022	1,288,173,816	39,289,037
Foreign Exchange Reserve		-	(464)
Balance	31 December 2022	1,288,173,816	39,288,573

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.

Note 9. Equity - dividends

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

Note 10. Related party transactions

Parent entity
1st Group Limited is the parent entity.

Loans to/from related parties

During the current financial half-year the entity entered into a credit note facility agreement with Adcock Private Equity, a company owned and controlled by one of the non-executive directors of 1st Group, Mr. Brook Adcock. The facility has a maximum draw down limit of $1.2M and this amount has been drawn to $750K at period end.

Receivable from and payable to related parties
Interest accrued on the related party facility with Mr. Brook Adcock throughout the period amounted to $11K. None of this amount had been paid at the end of the financial half-year.

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

Note 11. Earnings per share

	Consolidated	
	31 December 2022 $	31 December 2021 $
Loss after income tax attributable to the owners of 1st Group Limited	(3,282,300)	(1,940,806)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,288,173,816	462,464,203
Weighted average number of ordinary shares used in calculating diluted earnings per share	1,288,173,816	462,464,203
	Cents	Cents
Basic earnings per share	(0.25)	(0.42)
Diluted earnings per share	(0.25)	(0.42)

Note 12. Events after the reporting period

No matter or circumstance, other than those outlined in the Directors Report, has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Christopher Whitehead
Chair

28th February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF 1ST GROUP LIMITED

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of 1st Group Limited (the 'consolidated entity'), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of 1st Group Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022, and of its financial performance for the half year ended on that date; and

(b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Material Uncertainty Regarding Going Concern

We draw attention to Note 1 in the half year financial report, which describes management's assessment of the consolidated entity's ability to continue as a going concern. The matters described in Note 1 indicate a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors of the consolidated entity a written Auditor's Independence Declaration.

Directors' Responsibility for the Half Year Financial Report

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

PKF (NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved
under Professional Standards Legislation

Sydney
Level 8, 1 O'Connell Street
Sydney NSW 2000 Australia
GPO Box 5446 Sydney NSW 2001
p +61 2 8346 6000
f +61 2 8346 6099

Newcastle
755 Hunter Street
Newcastle West NSW 2302 Australia
PO Box 2368 Dangar NSW 2309
p +61 2 4962 2688
f +61 2 4962 3245

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of 1st Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

PKF

PKF

P. Pearman.

PAUL PEARMAN
PARTNER

28 FEBRUARY 2023
SYDNEY, NSW