

# **1st Group Limited**

**ABN 25 138 897 533**

**Annual Report - 30 June 2022**

Dear Shareholders

## **Our Vision – simple online connection with healthcare services**

***We believe digital technology can transform traditional access to healthcare. Connecting doctors & patients, in-person and virtually, anytime, anywhere, making high quality healthcare accessible to everyone, everywhere.***

## **A year of change for 1st Group**

During the year we reduced operating costs, managed through the impacts of COVID 19, and executed on our strategic roadmap - including the completion of the acquisition of Australian telehealth company, Visionflex, and an associated \$2.5m placement, positioning 1st Group for growth in FY23.

### **Results for the year to 30 June 2022:**

- Revenue \$5.09m, down 6.6% from \$5.45m in FY21
  - reflecting VIC and NSW Covid lockdowns in Q1; and
  - pharmacy customer cancellations that impacted Q3
- Reported loss (which included impairment charges), was (\$6.82m), greater by 5% from (\$6.47m) in FY21

### **Private hospital strategic channel partnership updates:**

- St Vincent's – expansion into VIC commenced
- Cabrini Health specialist onboarding continues
- Saint John of God initial phase in two hospitals in progress

### **Optometry market strategic partnerships - contact lens sales booster programs:**

- The phase 1 programs with two major contact lens manufacturers have commenced
- Subject to performance, expected to expand and extend into phase 2 in Q2 FY23

## **Outlook**

1st Group is now positioned for stronger growth in FY23

1st Group's revised strategy since the Visionflex acquisition is to work with the combined larger customer base to pursue new opportunities to expand its position in the allied and specialists markets and grow the Visionflex telehealth and remote diagnostics solutions into local and international markets.

1st Group has an experienced team and we would like to thank our dedicated employees and management for their hard work during the past year, in challenging conditions.

On behalf of the Board and our whole team we would also like to thank our valued clients, partners and our shareholders for their continuing support.

We look forward to making further progress towards our goal of being a strong, successful and sustainable company.



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Klaus Bartosch  
Managing Director

30 September 2022  
Sydney

|  |    |
|--|----|
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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 2022.

### **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:

|                    |   |
|--------------------|---|
| Klaus Bartosch     | Executive Director and CEO                      |
| Stephe Wilks       | Non-Executive Director and Chair                |
| Magali Azema-Barac | Non-Executive Director                          |
| John Nantes        | Non-Executive Director (Appointed 17 June 2022) |
| Brook Adcock       | Non-Executive Director (Appointed 17 June 2022) |

### **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 \$6,821,939 (30 June 2021: \$6,468,709).

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

### **Significant changes in the state of affairs**

#### *Convertible debt facility ('Standby facility')*

Given the company's growth prospects and progress, cornerstone shareholder Mr John Plummer has agreed to increase the current convertible loan facility which represents a low cost of capital, on the same terms, from \$2m to \$4m. During the year, changes occurred in the convertible debt facility ('Standard facility') with the Group's cornerstone shareholder, Mr Plummer as detailed below:

- In July 2021, the Group provided notice to Mr Plummer to draw down a further \$200,000 of the Standby facility.
- In August 2021, the Group provided notice to Mr Plummer to draw down a further \$150,000 of the Standby facility.
- In September 2021, the Group provided notice to Mr Plummer to draw down a further \$200,000 of the Standby facility.
- In January 2022, the Group provided notice to Mr Plummer to draw down a further \$200,000 of the Standby facility.

Accordingly, after these drawdowns were completed, the Standby facility has been fully drawn down.

Mr Plummer has extended repayments arising from the facility to 30 September 2023.

#### *Rights Issue Equity Raising*

On 8 September 2021, the Company announced a non-renounceable entitlement offer on a 1 for 3 basis to holders of ordinary shares in the Company, In September 2021, the Company closed its entitlement offer raising approximately \$1.26 million (before costs).

#### *Launches MyHealth1st 2.0*

On 27 September 2021, the company announced the launch of a completely redesigned MyHealth1st.com.au marketplace with a dramatically improved search and booking experience for patients seeking healthcare services.

#### *Deal with St John of God Health Care*

On 12 November 2021, the Company announced a new agreement with a major private hospital group in Australia, St John of God Health Care. Phase 1 of the contract will introduce the MyHealth1st specialist solution (MyHealth1st EasyReferrals) initially to specialists at two St John of God Health Care hospitals.

#### *Visionflex Limited Acquisition and Rights Issue*

On 25 January 2022, the Company announced its proposed acquisition of Visionflex Limited, a rapidly growing Australian-based international provider of integrated proprietary telehealth software and diagnostic devices that interface with most existing Medical Record and Medical Practice Systems.

On completion of the Acquisition, the Company had also undertaken a placement of shares to Adcock Private Equity (the largest current shareholder in Visionflex Limited) to raise \$2.5 million to provided growth funding for the combined group.

The Company had launched a non-renounceable entitlement offered to enable shareholders on the register at 31 January 2022 to subscribe for shares at the same price as the Placement. The Rights Issue was capped at \$0.5m.

On 17 June 2022, the Company announced that the Visionflex Limited acquisition was completed.

#### *Non-Renounceable Entitlement Offer*

On 24 February 2022, the Company announced the successful completion of its Non-Renounceable Entitlement Offer through a pro rata Non-Renounceable Entitlement Offer of one fully paid ordinary share in the capital of the Company for every ten shares held by eligible shareholders on 4 February 2022 at an issue price of \$0.01 per share raising approximately \$0.5m (before costs).

#### **Covid-19 impact**

The Group experienced some impact from Covid-19 during the year. Notably, during the Victoria and New South Wales Covid lockdowns in Q1, new sales to healthcare practices were reduced due to practice staff availability and willingness to sign up to new services. There was also some slowness in progress in rolling out our large deals with corporate customers, particularly in the hospital sector where the elective surgery bans caused uncertainty and delays.

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

#### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2022 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 Chair 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:                                | Klaus Bartosch  |
| Title:                               | Executive 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 Chair 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:         | Ngigto Pty Ltd, Melanoma Patients Australia   |
| 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:                 | 7,218,435   |
| Interests in options:                | 23,436,386  |
| Name:                                | Stephe Wilks  |
| Title:                               | Non-Executive Director and Chair  |
| Qualifications:                      | BSc LLM   |
| Experience and expertise:            | Stephe is an active non-executive Director on the Board of several public and private companies, with a particular emphasis on technology, governance, corporate finance and M&A.<br>Stephe has extensive corporate finance, CEO, senior management and operational experience, particularly in the Australian and US markets, building on earlier work for telcos in the UK, Australia and the Asia Pacific region.<br>He previously held roles as diverse as Chief Operating Officer of an aggressive wireless broadband infrastructure company, Consulting Director of NM Rothschild & Sons, and COO of Nextgen Networks.  |
| Other current directorships:         | BluGlass Limited  |
| Former directorships (last 3 years): | Over the Wire Holdings Limited, Speedcast International Limited, Brainchip Holdings Limited   |
| Special responsibilities:            | Chair, member of Audit and Risk Committee   |
| Interests in shares:                 | Nil   |
| Interests in options:                | 4,246,000   |

Name: Magali Azema-Barac  
Title: Non-Executive Director  
Qualifications: Magali is a graduate of the AICD, a Chartered Financial Analyst (CFA), and has a PhD in Artificial Intelligence from University College London and a Masters in Robotics & Computer Science from University Paul Sabatier, Toulouse, France.  
Experience and expertise: Magali is a highly analytical global executive with expertise in finance and technology. She has delivered strong performance through vigorous and open collaborative exchanges with her peers, having worked in a range of organisations such as PineBridge Investments (Australia), AIG (US), Citibank and Warburg (UK)  
Other current directorships: Total Risk Management (TRM) Pty Limited  
Former directorships (last 3 years): None  
Special responsibilities: Chair of the Audit and Risk Committee and member of the Nomination and Remuneration Committee  
Interests in shares: Nil  
Interests in options: 2,547,600

Name: John Nantes  
Title: Non-Executive Director (Appointed 17 June 2022)  
Qualifications: LLB, B.Comm., B.A., Dip FP.  
Experience and expertise: John has over 25 years' experience in Financial Services, Private Equity, Tax and Accounting, Corporate Finance, Capital Markets, M&A and tech based companies. John is the Chairman of Wisr, a leading Fintech in Australia, Executive Chairman for Income Asset Management, Director of Thinxtra a non-listed IOT company, and advises Adcock Private Equity in a CEO capacity. John has previously held senior executive roles in WHK/Crowe Horwath, St George Bank, Colonial State Bank.  
Other current directorships: Wisr Limited, Income Asset Management Group Limited, Thinxtra Ltd  
Former directorships (last 3 years): None  
Special responsibilities: Chair of the Nomination and Remuneration Committee and member of the Audit and Risk Committee  
Interests in shares: Nil  
Interests in options: Nil

Name: Brook Adcock  
Title: Non-Executive Director (Appointed 17 June 2022)  
Qualifications: BSc, MAICD  
Experience and expertise: Brook is a leading Entrepreneur and Private Investor in Australia, as Executive Chairman of his own Private Equity House, Adcock Private Equity. Adcock Private Equity has very strong positions in listed and unlisted companies across sectors such as Fintech, Healthtech and Legaltech where Brook invests and follows on regularly into companies that add value to all market participants. Brook's investment mandate has a strong ethical tilt and he is a high conviction investor. Brook was the owner of Pandora Jewellery, building it to the brand we see today. He has been actively involved in many other successful businesses, both directly at the executive or board level, and through investment of his own capital.  
Other current directorships: Income Asset Management Group Limited  
Former directorships (last 3 years): None  
Special responsibilities: Member of the Audit and Risk Committee  
Interests in shares: 502,766,004  
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**

Elizabeth Spooner was appointed as the company secretary since 3 June 2021. On 4 March 2022 Maggie Niewidok was appointed as joint Company Secretary.

Elizabeth is an experienced governance and compliance professional who works closely with a number of boards of both listed and unlisted public companies in her role at Automic.

She holds a double degree in Bachelor of Business Administration and Bachelor of Arts majoring in Human Resources, and a Graduate Diploma of Applied Corporate Governance from the Governance Institute. Elizabeth has most recently completed her Juris Doctor degree from Australian National University.

She is an Associate of the Governance Institute of Australia, a Member of the Australian Institute of Company Directors and a NSW Justice of the Peace. Prior to joining Automic, Elizabeth worked with a provider of outsourced governance services and supported a number of listed companies in addition to other public, private and not-for-profit entities.

Maggie Niewidok is an admitted lawyer who works at Automic Group across the Automic Legal and Company Secretarial teams. She works closely with a number of boards of both listed and unlisted public companies. Maggie holds a double degree, Bachelor of Laws and Bachelor of Commerce majoring in Finance and a Graduate Diploma of Applied Corporate Governance from the Governance Institute.

### Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

|                    | Full Board<br>Attended | Full Board<br>Held | Nomination<br>and<br>Remuneration<br>Committee*<br>Attended/Held | Audit and Risk<br>Committee<br>Attended | Audit and Risk<br>Committee<br>Held |
|--------------------|------------------------|--------------------|--|---|-------------------------------------|
| Klaus Bartosch     | 16                     | 16                 | -  | -                                       | -                                   |
| Stephe Wilks       | 16                     | 16                 | -  | 3                                       | 3                                   |
| Magali Azema-Barac | 16                     | 16                 | -  | 3                                       | 3                                   |
| John Nantes        | 1                      | 1                  | -  | -                                       | -                                   |
| Brook Adcock       | 1                      | 1                  | -  | -                                       | -                                   |

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 Chair's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. The Chair 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 \$150,000 to the Chair and \$60,000 for other Non-Executive Directors, plus statutory superannuation. The Non-Executive Directors' have offered to receive options in lieu of part or all of their salary entitlement, subject to approval at the next AGM. 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. No STI awards were granted in respect of the financial year ending 30 June 2022.

#### *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 2022, the Group did not engage any remuneration consultants.

#### *Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')*

At the 2021 AGM, 93.6% of the votes received supported the adoption of the remuneration report for the year ended 2021. 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:

- Richard Rogers - Chief Operating Officer

|  | Short-term benefits  |            |               | Post-employment benefits | Share-based payments |                | Total          |
|--|----------------------|------------|---------------|--------------------------|----------------------|----------------|----------------|
|  | Cash salary and fees | Cash bonus | Non-monetary* | Super-annuation          | Shares               | Options        |                |
| 30 June 2022                           | \$                   | \$         | \$            | \$                       | \$                   | \$             | \$             |
| <i>Non-Executive Directors:</i>        |                      |            |               |                          |                      |                |                |
| Stephe Wilks                           | 55,000               | -          | -             | -                        | -                    | 29,722         | 84,722         |
| Magali Azema-Barac                     | -                    | -          | -             | -                        | -                    | 17,833         | 17,833         |
| John Nantes <sup>(i)</sup>             | -                    | -          | -             | -                        | -                    | -              | -              |
| Brook Adcock <sup>(ii)</sup>           | -                    | -          | -             | -                        | -                    | -              | -              |
| Ross McCreath <sup>(iii)</sup>         | -                    | -          | -             | -                        | -                    | 9,508          | 9,508          |
| <i>Executive Directors:</i>            |                      |            |               |                          |                      |                |                |
| Klaus Bartosch                         | 360,000              | -          | -             | 36,000                   | -                    | 93,630         | 489,630        |
| <i>Other Key Management Personnel:</i> |                      |            |               |                          |                      |                |                |
| Richard Rogers                         | 270,000              | -          | -             | 27,000                   | -                    | 31,320         | 328,320        |
|  | <u>685,000</u>       | <u>-</u>   | <u>-</u>      | <u>63,000</u>            | <u>-</u>             | <u>182,013</u> | <u>930,013</u> |

\* Salary and fees paid in options.

(i) Appointed on 17 June 2022

(ii) Appointed on 17 June 2022

(iii) Resigned on 02 June 2021

|  | Short-term benefits  |            |               | Post-employment benefits | Share-based payments |          | Total            |
|--|----------------------|------------|---------------|--------------------------|----------------------|----------|------------------|
|  | Cash salary and fees | Cash bonus | Non-monetary* | Super-annuation          | Shares               | Options  |                  |
| 30 June 2021                           | \$                   | \$         | \$            | \$                       | \$                   | \$       | \$               |
| <i>Non-Executive Directors:</i>        |                      |            |               |                          |                      |          |                  |
| Trevor Matthews <sup>(i)</sup>         | 22,857               | -          | -             | 2,171                    | -                    | -        | 25,028           |
| Louise McElvogue <sup>(ii)</sup>       | 126,993              | -          | -             | 2,189                    | -                    | -        | 129,182          |
| Paul Welch <sup>(iii)</sup>            | 61,413               | -          | -             | 5,834                    | -                    | -        | 67,247           |
| Michael Emmett <sup>(iv)</sup>         | 46,021               | -          | -             | 4,372                    | -                    | -        | 50,393           |
| Stephe Wilks                           | 5,068                | -          | 10,137        | -                        | -                    | -        | 15,205           |
| Magali Azema-Barac                     | -                    | -          | 4,767         | -                        | -                    | -        | 4,767            |
| Ross McCreath <sup>(v)</sup>           | -                    | -          | -             | -                        | -                    | -        | -                |
| <i>Executive Directors:</i>            |                      |            |               |                          |                      |          |                  |
| Klaus Bartosch                         | 319,848              | -          | -             | 30,386                   | -                    | -        | 350,234          |
| <i>Other Key Management Personnel:</i> |                      |            |               |                          |                      |          |                  |
| Joel Reynolds <sup>(vi)</sup>          | 239,860              | -          | -             | 15,476                   | -                    | -        | 255,336          |
| Richard Rogers                         | 240,000              | -          | -             | 22,800                   | -                    | -        | 262,800          |
|  | <u>1,062,060</u>     | <u>-</u>   | <u>14,904</u> | <u>83,228</u>            | <u>-</u>             | <u>-</u> | <u>1,160,192</u> |

\* Salary and fees paid in options.

- (i) Resigned on 17 November 2020
- (ii) Resigned on 25 May 2021
- (iii) Resigned on 25 May 2021
- (iv) Resigned on 25 May 2021
- (v) Resigned on 02 June 2021
- (vi) Resigned on 23 April 2021

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

| Name                                   | Fixed remuneration |              | At risk - STI |              | At risk - LTI |              |
|--|--------------------|--------------|---------------|--------------|---------------|--------------|
|  | 30 June 2022       | 30 June 2021 | 30 June 2022  | 30 June 2021 | 30 June 2022  | 30 June 2021 |
| <i>Non-Executive Directors:</i>        |                    |              |               |              |               |              |
| Trevor Matthews                        | -                  | 100%         | -             | -            | -             | -            |
| Louise McElvogue                       | -                  | 100%         | -             | -            | -             | -            |
| Paul Welch                             | -                  | 100%         | -             | -            | -             | -            |
| Michael Emmett                         | -                  | 100%         | -             | -            | -             | -            |
| Stephe Wilks                           | 100%               | 100%         | -             | -            | -             | -            |
| Magali Azema-Barac                     | 100%               | 100%         | -             | -            | -             | -            |
| Ross McCreath                          | -                  | 100%         | -             | -            | -             | -            |
| John Nantes                            | -                  | -            | -             | -            | -             | -            |
| Brook Adcock                           | -                  | -            | -             | -            | -             | -            |
| <i>Executive Directors:</i>            |                    |              |               |              |               |              |
| Klaus Bartosch                         | 73%                | 100%         | -             | -            | 27%           | -            |
| <i>Other Key Management Personnel:</i> |                    |              |               |              |               |              |
| Joel Reynolds                          | -                  | 100%         | -             | -            | -             | -            |
| Richard Rogers                         | 90%                | 100%         | -             | -            | 10%           | -            |

**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: 1 June 2021  
Term of agreement: Ongoing  
Details: The CEO receives fixed remuneration of \$360,000, 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 12 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.

Under the terms contained in Mr Bartosch's letter of appointment as CEO, Mr Bartosch's remuneration will be paid partly in options and partly in cash with the option component subject to shareholder approval.

Subject to shareholder approval, the Company has agreed the Mr Bartosch's remuneration will be paid partly as options in the Company, which would be issued in the name of Ngigto Pty Ltd atf The Melrose Discretionary Trust. 12,800,000 Plan options at an exercise price of \$0.022 will be issued subject to shareholder approval.

Name: Richard Rogers  
Title: Chief Financial Officer/Chief Operating Officer('CFO/COO')  
Agreement commenced: 1 July 2021  
Term of agreement: Ongoing  
Details: The CFO/COO receives \$270,000 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/COO 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 2022.

### 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                             |
| 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                             |
| 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                             |
| 01/07/2019 | Immediate vest  | 01/07/2022  | \$0.060        | \$0.029                             |
| 02/01/2020 | Immediate vest  | 02/01/2023  | \$0.098        | \$0.024                             |
| 25/06/2021 | 1/3 vest in equal annual instalments  | 25/06/2026  | \$0.020        | \$0.022                             |
| 30/11/2021 | Immediate vest  | 30/11/2026  | \$0.020        | \$0.022                             |

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 2022 are set out below:

| Name                         | Number of options granted during the year 30 June 2022 | Number of options granted during the year 30 June 2021 | Number of options vested during the year 30 June 2022 | Number of options vested during the year 30 June 2021 |
|------------------------------|--|--|---|---|
| Klaus Bartosch               | 13,160,000   | -  | 1,186,666   | 2,000,000   |
| Richard Rogers               | 3,000,000  | -  | 1,666,667   | 999,999   |
| Stephe Wilks                 | 4,246,000  | -  | 4,246,000   | -   |
| Magali Azema-Barac           | 2,547,600  | -  | 2,547,600   | -   |
| John Nantes                  | -  | -  | -   | -   |
| Brook Adcock                 | -  | -  | -   | -   |
| Ross McCreath <sup>(i)</sup> | 849,200  | -  | -   | -   |

(i) Resigned on 02 June 2021

### 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 |
|-----------------------------|----------------------------------|----------------------------------|--------------------|-----------------|--------------------------------|
| <i>Ordinary shares</i>      |                                  |                                  |                    |                 |                                |
| Richard Rogers              | 2,403,666                        | -                                | 1,121,713          | -               | 3,525,379                      |
| Klaus Bartosch              | 4,064,940                        | -                                | 3,198,516          | (45,021)        | 7,218,435                      |
| Stephe Wilks                | -                                | -                                | -                  | -               | -                              |
| Magali Azema-Barac          | -                                | -                                | -                  | -               | -                              |
| John Nantes                 | -                                | -                                | -                  | -               | -                              |
| Brook Adcock <sup>(i)</sup> | -                                | -                                | 502,766,004        | -               | 502,766,004                    |
|                             | <u>6,468,606</u>                 | <u>-</u>                         | <u>507,086,233</u> | <u>(45,021)</u> | <u>513,509,818</u>             |

(i) Additions to the shareholding of Brook Adcock occurred as follows:

- 252,766,004 ordinary shares issued on 17 June 2022 as consideration for Brook Adcock's proportional vendor shareholding in Visionflex Limited, as part of the business acquisition. Refer to note 28.
- 250,000,000 ordinary shares issued via a placement of shares on 17 June 2022 at \$0.01 per share. Refer to note 17.

#### 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 |
|-------------------------------------|----------------------------------|-------------------|-----------|---------------------------|--------------------------------|
| <i>Options over ordinary shares</i> |                                  |                   |           |                           |                                |
| Klaus Bartosch                      | 10,276,386                       | 13,160,000        | -         | -                         | 23,436,386                     |
| Richard Rogers                      | 2,000,000                        | 3,000,000         | -         | -                         | 5,000,000                      |
| Stephe Wilks                        | -                                | 4,246,000         | -         | -                         | 4,246,000                      |
| Magali Azema-Barac                  | -                                | 2,547,600         | -         | -                         | 2,547,600                      |
| John Nantes                         | -                                | -                 | -         | -                         | -                              |
| Brook Adcock                        | -                                | -                 | -         | -                         | -                              |
| Ross McCreath <sup>(i)</sup>        | -                                | 849,200           | -         | -                         | 849,200                        |
|                                     | <u>12,276,386</u>                | <u>23,802,800</u> | <u>-</u>  | <u>-</u>                  | <u>36,079,186</u>              |

(i) Resigned on 02 June 2021

***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        | 949,838             |
| 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        | 110,000             |
| 17/09/2015 | 17/09/2025  | \$0.350        | 120,000             |
| 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        | 1,175,000           |
| 12/12/2018 | 12/12/2023  | \$0.105        | 1,200,000           |
| 15/08/2019 | 15/08/2024  | \$0.105        | 1,000,000           |
| 15/11/2019 | 19/11/2024  | \$0.105        | 3,000,000           |
| 01/07/2019 | 01/07/2022  | \$0.060        | 713,413             |
| 02/01/2020 | 02/01/2023  | \$0.097        | 142,850             |
| 25/06/2021 | 25/06/2026  | \$0.020        | 13,590,000          |
| 30/11/2021 | 30/11/2026  | \$0.020        | 20,442,800          |
|            |             |                | 51,073,260          |

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 2022 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 22 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 23 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 PKF(NS) Audit & Assurance Limited Partnership**

There are no officers of the Company who are former directors of PKF(NS) Audit & Assurance Limited Partnership.

**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**

PKF(NS) Audit & Assurance Limited Partnership is 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



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Stephe Wilks  
Chair



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Klaus Bartosch  
Executive Director & CEO

30 September 2022  
Sydney

## Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of 1<sup>st</sup> Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of 1<sup>st</sup> Group Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



PKF



PAUL PEARMAN  
PARTNER

30 SEPTEMBER 2022  
SYDNEY, NSW

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

Liability limited by a scheme approved  
under Professional Standards Legislation

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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

PKF (NS) Audit & Assurance Limited Partnership is a member firm of the PKF International Limited family of separately owned firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

For our office locations visit [www.pkf.com.au](http://www.pkf.com.au)

**1st Group Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2022**



|   | Note | Consolidated<br>30 June 2022<br>\$ | 30 June 2021<br>\$ |
|---|------|------------------------------------|--------------------|
| <b>Revenue</b>  | 5    | 5,088,167                          | 5,446,876          |
| <b>Expenses</b>   |      |                                    |                    |
| Loss on disposal of assets  | 7    | -                                  | (26,068)           |
| Advertising and marketing expenses  |      | (215,461)                          | (468,767)          |
| Professional and consulting fees  |      | (573,487)                          | (673,246)          |
| Operations and administration expenses  |      | (3,501,012)                        | (3,088,806)        |
| Employee benefits   |      | (4,144,218)                        | (4,274,668)        |
| Depreciation and amortisation expenses  | 7    | (25,329)                           | (172,480)          |
| Impairment of assets  | 14   | (3,083,565)                        | (3,187,153)        |
| Finance costs   | 7    | (343,364)                          | (203,832)          |
| <b>Loss before income tax (expense)/benefit</b>   |      | (6,798,269)                        | (6,648,144)        |
| Income tax (expense)/benefit  | 8    | (23,670)                           | 179,435            |
| <b>Loss after income tax (expense)/benefit for the year attributable to the owners of 1st Group Limited</b> | 19   | (6,821,939)                        | (6,468,709)        |
| Other comprehensive income for the year, net of tax   |      | -                                  | -                  |
| <b>Total comprehensive income for the year attributable to the owners of 1st Group Limited</b>              |      | <u>(6,821,939)</u>                 | <u>(6,468,709)</u> |
|   |      | <b>Cents</b>                       | <b>Cents</b>       |
| Basic loss per share  | 33   | (1.29)                             | (1.52)             |
| Diluted loss per share  | 33   | (1.29)                             | (1.52)             |

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

|  | Note | Consolidated<br>30 June 2022<br>\$ | 30 June 2021<br>\$ |
|--|------|------------------------------------|--------------------|
| <b>Assets</b>                            |      |                                    |                    |
| <b>Current assets</b>                    |      |                                    |                    |
| Cash and cash equivalents                | 9    | 2,007,121                          | 235,994            |
| Trade and other receivables              | 10   | 384,848                            | 592,146            |
| Inventories at fair value on acquisition | 11   | 569,123                            | -                  |
| Income tax claim receivable              | 8    | 850,000                            | 23,670             |
| Other                                    | 12   | 305,102                            | 647,185            |
| <b>Total current assets</b>              |      | <u>4,116,194</u>                   | <u>1,498,995</u>   |
| <b>Non-current assets</b>                |      |                                    |                    |
| Property, plant and equipment            | 13   | 48,536                             | 40,300             |
| Intangibles                              | 14   | 12,379                             | 8,148              |
| <b>Total non-current assets</b>          |      | <u>60,915</u>                      | <u>48,448</u>      |
| <b>Total assets</b>                      |      | <u>4,177,109</u>                   | <u>1,547,443</u>   |
| <b>Liabilities</b>                       |      |                                    |                    |
| <b>Current liabilities</b>               |      |                                    |                    |
| Trade and other payables                 | 15   | 3,691,348                          | 2,030,225          |
| Employee benefits                        |      | 257,025                            | 221,367            |
| <b>Total current liabilities</b>         |      | <u>3,948,373</u>                   | <u>2,251,592</u>   |
| <b>Non-current liabilities</b>           |      |                                    |                    |
| Borrowings                               | 16   | 4,000,000                          | 3,250,000          |
| Employee benefits                        |      | 117,871                            | 39,566             |
| <b>Total non-current liabilities</b>     |      | <u>4,117,871</u>                   | <u>3,289,566</u>   |
| <b>Total liabilities</b>                 |      | <u>8,066,244</u>                   | <u>5,541,158</u>   |
| <b>Net liabilities</b>                   |      | <u>(3,889,135)</u>                 | <u>(3,993,715)</u> |
| <b>Equity</b>                            |      |                                    |                    |
| Issued capital                           | 17   | 39,289,042                         | 32,577,175         |
| Reserves                                 | 18   | 2,831,921                          | 2,617,269          |
| Accumulated losses                       | 19   | (46,010,098)                       | (39,188,159)       |
| <b>Total deficiency in equity</b>        |      | <u>(3,889,135)</u>                 | <u>(3,993,715)</u> |

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

| <b>Consolidated</b>  | <b>Issued<br/>capital<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total<br/>deficiency in<br/>equity<br/>\$</b> |
|--|----------------------------------|------------------------|--------------------------------------|--|
| Balance at 1 July 2020                                       | 32,577,175                       | 2,575,750              | (32,719,450)                         | 2,433,475  |
| Loss after income tax benefit for the year                   | -                                | -                      | (6,468,709)                          | (6,468,709)                                      |
| Other comprehensive income for the year, net of tax          | -                                | -                      | -                                    | -  |
| Total comprehensive income for the year                      | -                                | -                      | (6,468,709)                          | (6,468,709)                                      |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                        |                                      |  |
| Share-based payments (note 34)                               | -                                | 41,519                 | -                                    | 41,519   |
| Balance at 30 June 2021                                      | <u>32,577,175</u>                | <u>2,617,269</u>       | <u>(39,188,159)</u>                  | <u>(3,993,715)</u>                               |
| <b>Consolidated</b>  | <b>Issued<br/>capital<br/>\$</b> | <b>Reserves<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total<br/>deficiency in<br/>equity<br/>\$</b> |
| Balance at 1 July 2021                                       | 32,577,175                       | 2,617,269              | (39,188,159)                         | (3,993,715)                                      |
| Loss after income tax expense for the year                   | -                                | -                      | (6,821,939)                          | (6,821,939)                                      |
| Other comprehensive income for the year, net of tax          | -                                | -                      | -                                    | -  |
| Total comprehensive income for the year                      | -                                | -                      | (6,821,939)                          | (6,821,939)                                      |
| Capital Raising (net of transaction costs)                   | 1,559,324                        | -                      | -                                    | 1,559,324  |
| Acquisition (net of transaction costs)                       | 5,152,538                        | -                      | -                                    | 5,152,538  |
| Issued capital required as part of the acquisition           | 5                                | -                      | -                                    | 5  |
| Foreign exchange reserve                                     | -                                | (5)                    | -                                    | (5)  |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |                        |                                      |  |
| Share-based payments (note 34)                               | -                                | 214,657                | -                                    | 214,657  |
| Balance at 30 June 2022                                      | <u>39,289,042</u>                | <u>2,831,921</u>       | <u>(46,010,098)</u>                  | <u>(3,889,135)</u>                               |

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

|  | <b>Note</b> | <b>Consolidated</b>     | <b>30 June 2021</b>   |
|--|-------------|-------------------------|-----------------------|
|  |             | <b>30 June 2022</b>     | <b>30 June 2021</b>   |
|  |             | <b>\$</b>               | <b>\$</b>             |
| <b>Cash flows from operating activities</b>                      |             |                         |                       |
| Receipts from customers (inclusive of GST)                       |             | 6,016,644               | 5,592,774             |
| Payments to suppliers and employees (inclusive of GST)           |             | (8,586,309)             | (8,948,332)           |
| Interest paid  |             | (227,300)               | (200,262)             |
| Interest received  |             | 9                       | 435                   |
| Government grant – Cashflow boost                                |             | -                       | 62,000                |
| Net cash used in operating activities                            | 31          | <u>(2,796,956)</u>      | <u>(3,493,385)</u>    |
| <b>Cash flows from investing activities</b>                      |             |                         |                       |
| Payments for property, plant and equipment                       | 13          | <u>(21,835)</u>         | <u>(24,547)</u>       |
| Net cash used in investing activities                            |             | <u>(21,835)</u>         | <u>(24,547)</u>       |
| <b>Cash flows from financing activities</b>                      |             |                         |                       |
| Proceeds from issue of shares, net of transaction costs          | 17          | 3,839,918               | -                     |
| Proceeds from convertible notes facility                         |             | 750,000                 | 1,700,000             |
| Net cash from financing activities                               |             | <u>4,589,918</u>        | <u>1,700,000</u>      |
| Net increase/(decrease) in cash and cash equivalents             |             | 1,771,127               | (1,817,932)           |
| Cash and cash equivalents at the beginning of the financial year |             | 235,994                 | 2,053,926             |
| Cash and cash equivalents at the end of the financial year       | 9           | <u><u>2,007,121</u></u> | <u><u>235,994</u></u> |

*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**

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

### **Principal place of business**

Level 3/1-9 Buckingham 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 2022. 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 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**

For the financial year the group made a loss \$6,821,939 (2021: \$6,468,709) and had net operating cash outflow of \$2,796,956 (2021: \$3,493,385). These conditions give rise to a material uncertainty which may cast doubt over the Group's ability to continue as a going concern.

The Directors have reviewed the Group's profit and loss forecast for year ended 30 June 2023, and the 15-month cash flow forecast for the period 1 July 2022 to 30 September 2023.

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**

Revenues have been assessed in three broad sub-categories.

Organic revenue growth has been assessed for the 4 main revenue types across each of the 3 SaaS brands operated by the company. These revenues have been trended in line with historic monthly increases (excluding large or unusual deals).

Onboarding of practitioners related to previously won large deals. These have been individually assessed for both the timing is the commencement of rollouts to practitioners and the likely speed of onboarding assessed for each of the large customers involved. Particular assessment has been made for St Vincents Health rollout into VIC, Cabrini Hospital Group and the contact lens sales booster programs.

## **Note 2. Significant accounting policies (continued)**

New deals recently signed or yet to be signed, have been assessed based on the proposed execution plan for each customer. Includes the rollout of our Buy-Now-Pay-Later partnerships to practitioners within the merchants of each BNPL partner. Several other large new customer programs have been assessed and included where discussions of our proposal are at an advanced stage in terms of timing and extent of the rollout to practices under these deals.

Hardware sales have been assessed based on the existing pipeline of potential orders, and follow-on purchases by existing customers.

Operating costs have been based on recent historic trends with expenses in line with actuals from the first quarter of FY23.

The cashflows have been modelled based on the relationship to operating profit, based on the history of receipts compared to revenue and the history of payments compared to outflows in recent years plus an assessment of the timing of receipts and payments for components related to hardware sales

The Directors have determined the Group will be able to pay its debts as and when they fall due after considering the following relevant factors:

Sensitivities to the forecast have been considered, including revenue scenarios where the year on year growth is reduced by half or 100% compared to that included in the forecast. Trade payables have been modelled in line with previous experience including managing certain suppliers using agreed payment plans where necessary to more closely align payments to the timing of customer receipts. The impact of these scenarios is more than previous forecast deviation and accommodate the potential for slippage in timing of major new revenues. Recent trading results including the first quarter of FY23 and the past and potential impacts of Covid have also been considered in assessing the potential for any downside to the forecasted revenue growth.

In the Directors' opinion, the ability of the Group to continue as a going concern is primarily dependent upon:

- 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 January 2021 agreement extended the credit facility and extended maturity dates for previously drawn amounts. Mr John Plummer has extended repayments arising from the January 2021 extension, to 12 months beyond the signing date of the 30 June 2022 audit report;
- The Group raised \$1.26 million and \$0.5 million (before costs) via entitlement offers which closed in September 2021 and February 2022 respectively;
- The Group intends to continue the long-time practice for Visionflex of borrowing funds in advance of the R&D tax credit to be claimed in the October following the end of FY23; and
- The Group is confident of securing additional credit lines on similar terms to the existing one as needed, should working capital shortfalls arise during the forecast period.

The Directors are confident in the Group's ability to achieve the forecasts or cover any shortfall to them and have, therefore, concluded that it is appropriate to adopt, and have adopted, the going concern basis in preparing the consolidated financial statements. The Directors are of the view that the Group will be able to pay its debts as and when they become due from net cash from operating activities and from existing funds on hand.

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.

### **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').



## **Note 2. Significant accounting policies (continued)**

### *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 27.

### **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 2022 and the results of all subsidiaries for the year then ended. 1st Group Limited and its subsidiaries as outlined in note 29 together, are referred to in these financial statements as the 'Group'.

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

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

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

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

### **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.

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is 1st Group Limited's functional and presentation currency.

### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## Note 2. Significant accounting policies (continued)

### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **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.

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.

## **Note 2. Significant accounting policies (continued)**

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**

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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.

### **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.

## Note 2. Significant accounting policies (continued)

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.

#### *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.

## Note 2. Significant accounting policies (continued)

### 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.

### 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.

#### *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.

## **Note 2. Significant accounting policies (continued)**

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.

### **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.

### **Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

## Note 2. Significant accounting policies (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### 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 2021. 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 and revenue. 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.

#### *Provision for impairment of inventories*

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories, advancements in components to newer versions and other factors that affect inventory obsolescence.

#### *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. An impairment write down was made during the year as outlined in note 14.



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

#### 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.

#### 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.

#### Business combinations

As permitted by AASB 3 *Business Combinations*, the accounting entries relating to the acquisition of Visionflex Pty Limited are made on a provisional accounting basis. There is uncertainty and hence critical judgements and estimates have been applied to items which will impact the goodwill calculation and subsequent impairment entries. This includes the fair value estimation of the Research and Development tax credit for which the final calculation is not available at the date of this report. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

### 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

|  | <b>Consolidated</b>     |                         |
|--|-------------------------|-------------------------|
|  | <b>30 June 2022</b>     | <b>30 June 2021</b>     |
|  | \$                      | \$                      |
| <i>Sales revenue</i>                       |                         |                         |
| Subscription fees                          | 3,917,971               | 4,173,205               |
| Usage fees (recalls, SMS and booking fees) | 305,312                 | 288,335                 |
| Advertising revenue                        | 168,390                 | 127,073                 |
| Setup and customisation                    | 437,378                 | 793,597                 |
|  | <u>4,829,051</u>        | <u>5,382,210</u>        |
| <i>Other revenue</i>                       |                         |                         |
| Interest                                   | 9                       | 435                     |
| Other revenue                              | 259,107                 | 64,231                  |
|  | <u>259,116</u>          | <u>64,666</u>           |
| Revenue                                    | <u><u>5,088,167</u></u> | <u><u>5,446,876</u></u> |

## Note 6. COVID-19 impact

The impact that Covid-19 had on the business as outlined in the FY21 annual report has mostly ended. Landmark contracts were reactivated during the year and revenue contribution is expected in the coming financial year. We continue to monitor the situation and government-imposed measures along with the progress and results of the vaccinations which are ongoing.

## Note 7. Expenses

|  | <b>Consolidated</b> |                     |
|--|---------------------|---------------------|
|  | <b>30 June 2022</b> | <b>30 June 2021</b> |
|  | \$                  | \$                  |
| Loss before income tax includes the following specific expenses: |                     |                     |
| <i>Depreciation</i>  |                     |                     |
| Leasehold improvements   | -                   | 1,284               |
| Plant and equipment  | 30                  | 13,805              |
| Computer equipment   | 24,542              | 23,901              |
| Total depreciation   | <u>24,572</u>       | <u>38,990</u>       |
| <i>Amortisation</i>  |                     |                     |
| Patents and trademarks   | 757                 | 758                 |
| Customer contracts   | -                   | 132,732             |
| Total amortisation   | <u>757</u>          | <u>133,490</u>      |
| Total depreciation and amortisation                              | <u>25,329</u>       | <u>172,480</u>      |
| <i>Finance costs</i>   |                     |                     |
| Interest and finance charges paid/payable on borrowings          | <u>361,657</u>      | <u>203,832</u>      |
| <i>Net loss on disposal</i>                                      |                     |                     |
| Net loss on disposal of property, plant and equipment            | <u>-</u>            | <u>26,068</u>       |
| <i>Superannuation expense</i>                                    |                     |                     |
| Superannuation expense   | <u>322,364</u>      | <u>322,030</u>      |
| <i>Share-based payments expense</i>                              |                     |                     |
| Share-based payments expense                                     | <u>214,657</u>      | <u>41,519</u>       |

**Note 8. Income tax**

|   | <b>Consolidated</b> | <b>Consolidated</b> |
|---|---------------------|---------------------|
|   | <b>30 June 2022</b> | <b>30 June 2021</b> |
|   | <b>\$</b>           | <b>\$</b>           |
| <i>Income tax expense/(benefit)</i>   |                     |                     |
| Current tax   | 23,670              | (179,435)           |
| Aggregate income tax expense/(benefit)  | <u>23,670</u>       | <u>(179,435)</u>    |
| <i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i> |                     |                     |
| Loss before income tax (expense)/benefit  | (6,798,269)         | (6,648,144)         |
| Tax at the statutory tax rate of 25% (2021: 26%)  | (1,699,567)         | (1,728,517)         |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income:          |                     |                     |
| Amortisation of intangibles   | 189                 | 34,510              |
| Impairment of intangibles   | 770,891             | 785,266             |
| Entertainment expenses  | 1,001               | 950                 |
| Legal expenses  | -                   | 4,940               |
| Share-based payments  | 53,664              | 10,795              |
| Sundry items  | 8                   | (11,100)            |
| Deductible Blackhole expenditure  | -                   | (32,029)            |
|   | (873,814)           | (935,185)           |
| Current year tax losses not recognised  | 733,084             | 995,842             |
| Current year temporary differences not recognised   | 140,730             | (60,657)            |
| Deferred tax reversal of temporary differences  | -                   | (169,647)           |
| Adjustment to deferred tax liabilities due to change in tax rate                              | -                   | (9,788)             |
| Prior year adjustment   | 23,670              | -                   |
| Income tax expense/(benefit)  | <u>23,670</u>       | <u>(179,435)</u>    |
|   | <b>Consolidated</b> | <b>Consolidated</b> |
|   | <b>30 June 2022</b> | <b>30 June 2021</b> |
|   | <b>\$</b>           | <b>\$</b>           |
| <i>Tax losses not recognised</i>  |                     |                     |
| Unused tax losses for which no deferred tax asset has been recognised                         | 36,983,510          | 34,051,174          |
| Potential tax benefit @ 25% (2021: 26%)   | <u>9,245,878</u>    | <u>8,853,305</u>    |
|   | <b>Consolidated</b> | <b>Consolidated</b> |
|   | <b>30 June 2022</b> | <b>30 June 2021</b> |
|   | <b>\$</b>           | <b>\$</b>           |
| <i>Research and Development Tax Credit</i>  |                     |                     |
| Research and Development Tax Credit   | <u>850,000</u>      | <u>23,670</u>       |

**Note 9. Current assets - cash and cash equivalents**

|              | <b>Consolidated</b> | <b>Consolidated</b> |
|--------------|---------------------|---------------------|
|              | <b>30 June 2022</b> | <b>30 June 2021</b> |
|              | <b>\$</b>           | <b>\$</b>           |
| Cash at bank | <u>2,007,121</u>    | <u>235,994</u>      |

**Note 10. Current assets - trade and other receivables**

|  | <b>Consolidated</b> |                     |
|--|---------------------|---------------------|
|  | <b>30 June 2022</b> | <b>30 June 2021</b> |
|  | <b>\$</b>           | <b>\$</b>           |
| Trade receivables                          | 386,638             | 658,128             |
| Less: Allowance for expected credit losses | (1,790)             | (65,982)            |
|  | <u>384,848</u>      | <u>592,146</u>      |

*Allowance for impairment of receivables*

The consolidated entity has recognised a loss of \$318,911 (2021: \$50,319) in profit or loss in respect of the expected credit losses for the year ended 30 June 2022.

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

| <b>Consolidated</b>   | <b>Expected credit loss rate</b> |                     | <b>Carrying amount</b> |                     | <b>Allowance for expected credit losses</b> |                     |
|-----------------------|----------------------------------|---------------------|------------------------|---------------------|---|---------------------|
|                       | <b>30 June 2022</b>              | <b>30 June 2021</b> | <b>30 June 2022</b>    | <b>30 June 2021</b> | <b>30 June 2022</b>                         | <b>30 June 2021</b> |
|                       | <b>%</b>                         | <b>%</b>            | <b>\$</b>              | <b>\$</b>           | <b>\$</b>                                   | <b>\$</b>           |
| Not overdue           | -                                | -                   | 272,258                | 385,734             | -   | -                   |
| 0 to 3 months overdue | -                                | -                   | 111,782                | 200,650             | -   | -                   |
| 3 to 6 months overdue | 50%                              | 50%                 | 1,616                  | 11,524              | 808   | 5,762               |
| Over 6 months overdue | 100%                             | 100%                | 982                    | 60,220              | 982   | 60,220              |
|                       |                                  |                     | <u>386,638</u>         | <u>658,128</u>      | <u>1,790</u>                                | <u>65,982</u>       |

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

|  | <b>Consolidated</b> |                     |
|--|---------------------|---------------------|
|  | <b>30 June 2022</b> | <b>30 June 2021</b> |
|  | <b>\$</b>           | <b>\$</b>           |
| Opening balance  | 65,982              | 34,897              |
| Additional provisions recognised                         | 254,719             | 81,404              |
| Receivables written off during the year as uncollectable | (318,911)           | (50,319)            |
| Closing balance  | <u>1,790</u>        | <u>65,982</u>       |

*Trade receivables*

The consolidated entity 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.

**Note 11. Current assets - inventories at fair value on acquisition**

|  | <b>Consolidated</b> |                     |
|--|---------------------|---------------------|
|  | <b>30 June 2022</b> | <b>30 June 2021</b> |
|  | <b>\$</b>           | <b>\$</b>           |
| <i>Current assets</i>                  |                     |                     |
| Finished goods and component - at cost | 569,123             | -                   |
| Less: Provision for impairment         | -                   | -                   |
|  | <u>569,123</u>      | <u>-</u>            |
| <b>Inventories reconciliation</b>      |                     |                     |
| Inventories, gross                     | 569,123             | -                   |
| Provision for obsolescence             | -                   | -                   |
| Inventories, net                       | <u>569,123</u>      | <u>-</u>            |

**Note 12. Current assets - other**

|                 | <b>Consolidated</b> |                     |
|-----------------|---------------------|---------------------|
|                 | <b>30 June 2022</b> | <b>30 June 2021</b> |
|                 | <b>\$</b>           | <b>\$</b>           |
| Accrued revenue | 114,856             | 368,215             |
| Prepayments     | 190,246             | 234,869             |
| Rental bonds    | -                   | 44,101              |
|                 | <u>305,102</u>      | <u>647,185</u>      |

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

|                                  | <b>Consolidated</b> |                     |
|----------------------------------|---------------------|---------------------|
|                                  | <b>30 June 2022</b> | <b>30 June 2021</b> |
|                                  | <b>\$</b>           | <b>\$</b>           |
| Leasehold improvements - at cost | -                   | 13,627              |
| Less: Accumulated depreciation   | -                   | (13,627)            |
|                                  | <u>-</u>            | <u>-</u>            |
| Plant and equipment - at cost    | 19,119              | 28,801              |
| Less: Accumulated depreciation   | (13,859)            | (28,801)            |
|                                  | <u>5,260</u>        | <u>-</u>            |
| Computer equipment - at cost     | 116,907             | 124,840             |
| Less: Accumulated depreciation   | (73,631)            | (84,540)            |
|                                  | <u>43,276</u>       | <u>40,300</u>       |
|                                  | <u>48,536</u>       | <u>40,300</u>       |

**Note 13. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

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

| <b>Consolidated</b>     | Leasehold<br>improvements<br>\$ | Plant and<br>equipment<br>\$ | Computer<br>equipment<br>\$ | Total<br>\$   |
|-------------------------|---------------------------------|------------------------------|-----------------------------|---------------|
| Balance at 1 July 2020  | 12,082                          | 21,881                       | 55,265                      | 89,228        |
| Additions               | -                               | 689                          | 15,441                      | 16,130        |
| Disposals               | (10,798)                        | (8,765)                      | (6,505)                     | (26,068)      |
| Depreciation expense    | (1,284)                         | (13,805)                     | (23,901)                    | (38,990)      |
|                         | <hr/>                           | <hr/>                        | <hr/>                       | <hr/>         |
| Balance at 30 June 2021 | -                               | -                            | 40,300                      | 40,300        |
| Additions               | -                               | 5,290                        | 27,519                      | 32,809        |
| Depreciation expense    | -                               | (30)                         | (24,543)                    | (24,573)      |
|                         | <hr/>                           | <hr/>                        | <hr/>                       | <hr/>         |
| Balance at 30 June 2022 | <u>-</u>                        | <u>5,260</u>                 | <u>43,276</u>               | <u>48,536</u> |

**Note 14. Non-current assets - intangibles**

|  | <b>Consolidated</b> |                     |
|--|---------------------|---------------------|
|  | <b>30 June 2022</b> | <b>30 June 2021</b> |
|  | \$                  | \$                  |
| Goodwill - at cost                     | 3,083,565           | 3,018,025           |
| Less: Impairment                       | (3,083,565)         | (3,018,025)         |
|  | <hr/>               | <hr/>               |
|  | -                   | -                   |
| Patents and trademarks - at cost       | 17,883              | 34,782              |
| Less: Accumulated amortisation         | (10,492)            | (9,735)             |
| Less: Impairment                       | -                   | (16,899)            |
|  | <hr/>               | <hr/>               |
|  | 7,391               | 8,148               |
| Customer contracts - at cost           | 880,209             | 1,400,007           |
| Less: Accumulated amortisation         | (880,209)           | (880,209)           |
| Less: Impairment                       | -                   | (519,798)           |
|  | <hr/>               | <hr/>               |
|  | -                   | -                   |
| Software - at cost                     | 14,906              | 1,901               |
| Less: Accumulated amortisation         | (12,500)            | (1,901)             |
|  | <hr/>               | <hr/>               |
|  | 2,406               | -                   |
| Technology platform - at cost          | 3,540,094           | 3,520,294           |
| Less: Accumulated amortisation         | (3,537,512)         | (3,520,294)         |
|  | <hr/>               | <hr/>               |
|  | 2,582               | -                   |
| Technology under development - at cost | -                   | 150,000             |
| Less: Impairment                       | -                   | (150,000)           |
|  | <hr/>               | <hr/>               |
|  | -                   | -                   |
|  | <hr/>               | <hr/>               |
|  | 12,379              | 8,148               |

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

*Reconciliations*

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

| <b>Consolidated</b>     | Goodwill<br>\$ | Patents and<br>trademarks<br>\$ | Customer<br>contracts<br>\$ | Software<br>\$ | Technology<br>platform<br>\$ | Technology<br>under<br>development<br>\$ | Total<br>\$   |
|-------------------------|----------------|---------------------------------|-----------------------------|----------------|------------------------------|--|---------------|
| Balance at 1 July 2020  | 2,500,456      | 25,805                          | 652,530                     | -              | -                            | 150,000                                  | 3,328,791     |
| Impairment of assets    | (2,500,456)    | (16,899)                        | (519,798)                   | -              | -                            | (150,000)                                | (3,187,153)   |
| Amortisation expense    | -              | (758)                           | (132,732)                   | -              | -                            | -  | (133,490)     |
| Balance at 30 June 2021 | -              | 8,148                           | -                           | -              | -                            | -  | 8,148         |
| Additions               | 3,083,565      | -                               | -                           | 2,406          | 2,582                        | -  | 3,088,553     |
| Impairment of assets    | (3,083,565)    | -                               | -                           | -              | -                            | -  | (3,083,565)   |
| Amortisation expense    | -              | (757)                           | -                           | -              | -                            | -  | (757)         |
| Balance at 30 June 2022 | <u>-</u>       | <u>7,391</u>                    | <u>-</u>                    | <u>2,406</u>   | <u>2,582</u>                 | <u>-</u>                                 | <u>12,379</u> |

*Impairment testing for goodwill*

Goodwill acquired through business combinations is allocated into cash generating units (CGUs). The recoverable amount of each CGU is determined by a value-in-use calculation using a discounted cash flow model.

*Key assumptions used for impairment assessment*

- (a) 15.40% (2021:10.39%) 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.

Based on the above, an impairment charge of \$3,083,565 has been applied as the carrying amount of the Visionflex medical equipment CGU exceed the recoverable amount.

*Sensitivity analysis*

Management have made judgements and estimates in respect of impairment testing for goodwill. Management believes that any reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the recoverable amount to exceed the CGU carrying amount.

**Note 15. Current liabilities - trade and other payables**

|                  | <b>Consolidated</b><br><b>30 June 2022</b> | <b>30 June 2021</b> |
|------------------|--|---------------------|
|                  | \$   | \$                  |
| Trade payables   | 1,423,271                                  | 892,337             |
| Accrued expenses | 789,397                                    | 638,069             |
| BAS payable      | 135,405                                    | 188,628             |
| Other payables   | 1,343,275                                  | 311,191             |
|                  | <u>3,691,348</u>                           | <u>2,030,225</u>    |

Refer to note 21 for further information on financial instruments.

## Note 16. Non-current liabilities - borrowings

|                           | Consolidated |              |
|---------------------------|--------------|--------------|
|                           | 30 June 2022 | 30 June 2021 |
|                           | \$           | \$           |
| Convertible notes payable | 4,000,000    | 3,250,000    |

Refer to note 21 for further information on financial instruments.

The credit standby arrangements relate to a \$4 million facility with a cornerstone shareholder investor Mr John Plummer.

The key terms of the facility are:

- Note repayable 24 months from date of each draw. Repayments falling due prior to 30 September 2023 have been extended until that date;
- Line fee 1% pa;
- Interest rate of RBA Cash Rate plus 8.5% pa, therefore currently 9.85% 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

In July 2021, the Group provided notice to Mr Plummer to draw down a further \$200,000 of the Standby facility.

In August 2021, the Group provided notice to Mr Plummer to draw down a further \$150,000 of the Standby facility.

In September 2021, the Group provided notice to Mr Plummer to draw down a further \$200,000 of the Standby facility.

In January 2022, the Group provided notice to Mr Plummer to draw down a further \$200,000 of the Standby facility leaving the facility fully drawn down.

The Board appreciates Mr John Plummer's ongoing support for 1st Group.

### Financing arrangements

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

|                              | Consolidated |              |
|------------------------------|--------------|--------------|
|                              | 30 June 2022 | 30 June 2021 |
|                              | \$           | \$           |
| Total facilities             |              |              |
| Convertible notes            | 4,000,000    | 4,000,000    |
| Used at the reporting date   |              |              |
| Convertible notes            | 4,000,000    | 3,250,000    |
| Unused at the reporting date |              |              |
| Convertible notes            | -            | 750,000      |

## Note 17. Equity - issued capital

|                              | Consolidated  |              |              |              |
|------------------------------|---------------|--------------|--------------|--------------|
|                              | 30 June 2022  | 30 June 2021 | 30 June 2022 | 30 June 2021 |
|                              | Shares        | Shares       | \$           | \$           |
| Ordinary shares - fully paid | 1,288,173,816 | 424,616,903  | 39,289,042   | 32,577,175   |



**Note 17. Equity - issued capital (continued)**

*Movements in ordinary share capital*

| Details  | Date             | Shares               | \$                |           |
|--|------------------|----------------------|-------------------|-----------|
| Balance  | 1 July 2020      | 424,616,903          | 32,577,175        |           |
| Balance  | 30 June 2021     | 424,616,903          | 32,577,175        |           |
| Non-renounceable entitlement offer                 | 04 October 2021  | 63,534,024           | \$0.016           | 1,016,545 |
| Non-renounceable entitlement offer                 | 06 October 2021  | 9,375,000            | \$0.016           | 150,000   |
| Non-renounceable entitlement offer                 | 14 October 2021  | 6,250,000            | \$0.016           | 100,000   |
| Right issue offer                                  | 24 February 2022 | 50,377,881           | \$0.010           | 503,779   |
| Placement  | 17 June 2022     | 250,000,000          | \$0.010           | 2,500,000 |
| Placement  | 17 June 2022     | 484,020,008          | \$0.006           | 2,904,120 |
| Issued capital required as part of the acquisition | 17 June 2022     | -                    | \$0.000           | 5         |
| Less Cost of capital raising                       |                  | -                    | \$0.000           | (211,000) |
| Less share issue costs                             |                  | -                    | \$0.000           | (251,582) |
| Balance  | 30 June 2022     | <u>1,288,173,816</u> | <u>39,289,042</u> |           |

*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.

The capital risk management policy remains unchanged from the 30 June 2021 Annual Report.

## Note 18. Equity - reserves

|                              | <b>Consolidated</b> |                     |
|------------------------------|---------------------|---------------------|
|                              | <b>30 June 2022</b> | <b>30 June 2021</b> |
|                              | <b>\$</b>           | <b>\$</b>           |
| Foreign currency reserve     | (5)                 | -                   |
| Share-based payments reserve | 1,857,497           | 1,642,840           |
| Acquisition reserve          | 974,429             | 974,429             |
|                              | <u>2,831,921</u>    | <u>2,617,269</u>    |

### *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:

| <b>Consolidated</b>          | <b>Share based<br/>payment<br/>\$</b> | <b>Acquisition<br/>reserve<br/>\$</b> | <b>Total<br/>\$</b> |
|------------------------------|---------------------------------------|---------------------------------------|---------------------|
| Balance at 1 July 2020       | 1,601,321                             | 974,429                               | 2,575,750           |
| Share-based payments expense | 41,519                                | -                                     | 41,519              |
| Balance at 30 June 2021      | 1,642,840                             | 974,429                               | 2,617,269           |
| Share-based payments expense | 214,657                               | -                                     | 214,657             |
| Foreign exchange reserve     | (5)                                   | -                                     | (5)                 |
| Balance at 30 June 2022      | <u>1,857,492</u>                      | <u>974,429</u>                        | <u>2,831,921</u>    |

## Note 19. Equity - accumulated losses

|   | <b>Consolidated</b> |                     |
|---|---------------------|---------------------|
|   | <b>30 June 2022</b> | <b>30 June 2021</b> |
|   | <b>\$</b>           | <b>\$</b>           |
| Accumulated losses at the beginning of the financial year | (39,188,159)        | (32,719,450)        |
| Loss after income tax (expense)/benefit for the year      | (6,821,939)         | (6,468,709)         |
| Accumulated losses at the end of the financial year       | <u>(46,010,098)</u> | <u>(39,188,159)</u> |

## Note 20. Equity - dividends

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

## Note 21. 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.

## Note 21. Financial instruments (continued)

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

### Market risk

#### Foreign currency risk

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

#### Price risk

The Group is not exposed to any significant price risk.

#### Interest rate risk

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:

| <b>Consolidated</b>                          | <b>30 June 2022</b><br><b>Balance</b><br><b>\$</b> | <b>30 June 2021</b><br><b>Balance</b><br><b>\$</b> |
|--|--|--|
| Convertible notes payable                    | 4,000,000  | 3,250,000  |
| Cash at bank                                 | (2,007,121)  | (235,994)  |
| Net exposure to cash flow interest rate risk | <u>1,992,879</u>                                   | <u>3,014,006</u>                                   |

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 (2021: 50) basis points would have a favourable/adverse effect on profit before tax of \$9,964. (2021: adverse/favourable \$15,070) 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.

#### Financing arrangements

Unused borrowing facilities at the reporting date:

|                   | <b>Consolidated</b><br><b>30 June 2022</b><br><b>\$</b> | <b>30 June 2021</b><br><b>\$</b> |
|-------------------|---|----------------------------------|
| Convertible notes | -   | <u>750,000</u>                   |

## Note 21. Financial instruments (continued)

### 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 - 30 June 2022          | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|--------------------------------------|----------------------------------|-------------------|--------------------------|--------------------------|-----------------|-------------------------------------|
| <b>Non-derivatives</b>               |                                  |                   |                          |                          |                 |                                     |
| <i>Non-interest bearing</i>          |                                  |                   |                          |                          |                 |                                     |
| Trade payables                       | -                                | 1,423,271         | -                        | -                        | -               | 1,423,271                           |
| Other payables                       | -                                | 1,343,275         | -                        | -                        | -               | 1,343,275                           |
| <i>Interest-bearing - variable</i>   |                                  |                   |                          |                          |                 |                                     |
| Convertible notes payable            | -                                | -                 | -                        | -                        | -               | -                                   |
| <i>Interest-bearing - fixed rate</i> |                                  |                   |                          |                          |                 |                                     |
| Convertible notes payable            | 8.83%                            | 258,000           | 4,106,425                | -                        | -               | 4,364,425                           |
| Total non-derivatives                |                                  | 3,024,546         | 4,106,425                | -                        | -               | 7,130,971                           |

| Consolidated - 30 June 2021        | Weighted average interest rate % | 1 year or less \$ | Between 1 and 2 years \$ | Between 2 and 5 years \$ | Over 5 years \$ | Remaining contractual maturities \$ |
|------------------------------------|----------------------------------|-------------------|--------------------------|--------------------------|-----------------|-------------------------------------|
| <b>Non-derivatives</b>             |                                  |                   |                          |                          |                 |                                     |
| <i>Non-interest bearing</i>        |                                  |                   |                          |                          |                 |                                     |
| Trade payables                     | -                                | 892,337           | -                        | -                        | -               | 892,337                             |
| Other payables                     | -                                | 311,191           | -                        | -                        | -               | 311,191                             |
| <i>Interest-bearing - variable</i> |                                  |                   |                          |                          |                 |                                     |
| Convertible notes payable          | 9.16%                            | 279,500           | 3,417,700                | -                        | -               | 3,697,200                           |
| Total non-derivatives              |                                  | 1,483,028         | 3,417,700                | -                        | -               | 4,900,728                           |

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 22. 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 30 June 2022 \$ | Consolidated 30 June 2021 \$ |
|------------------------------|------------------------------|------------------------------|
| Short-term employee benefits | 685,000                      | 1,076,964                    |
| Post-employment benefits     | 63,000                       | 83,228                       |
| Share-based payments         | 182,013                      | -                            |
|                              | <u>930,013</u>               | <u>1,160,192</u>             |

**Note 23. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by PKF(NS) Audit & Assurance Limited Partnership, the auditor of the Company:

|   | <b>Consolidated</b> |                     |
|---|---------------------|---------------------|
|   | <b>30 June 2022</b> | <b>30 June 2021</b> |
|   | <b>\$</b>           | <b>\$</b>           |
| <i>Audit services - PKF(NS) Audit &amp; Assurance Limited Partnership</i> |                     |                     |
| Audit or review of the financial statements                               | 108,500             | 65,000              |
| <i>Audit services - Bentleys NSW Audit Pty Ltd</i>                        |                     |                     |
| Audit or review of the financial statements                               | 2,000               | 31,000              |
|   | -                   | -                   |
| <i>Other services - Bentleys NSW Pty Ltd</i>                              |                     |                     |
| Tax Services  | 20,800              | 20,800              |
|   | 22,800              | 51,800              |
|   | <u>131,300</u>      | <u>116,800</u>      |

**Note 24. Contingent liabilities**

There were no contingent liabilities which would have a material effect on the Group's financial statements as at 30 June 2022 (30 June 2021: nil).

**Note 25. Commitments**

Operating lease commitments includes contracted amounts of \$75,600 for commercial leases under non-cancellable operating leases expiring within one year. Operating leases with a commitment of less than 12 months from the end of the financial year, are not capitalised with a corresponding liability recorded under AASB 16 where there is significant doubt lease will continue beyond expiry date.

The Group occupies leased premises arising from the acquisition of Visionflex.

**Note 26. Related party transactions**

*Parent entity*

1st Group Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 29.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 22 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 27. Parent entity information**

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

*Statement of profit or loss and other comprehensive income*

|   | Parent<br>30 June 2022<br>\$ | Parent<br>30 June 2021<br>\$ |
|---|------------------------------|------------------------------|
| <b>Statement of profit or loss and other comprehensive income</b> |                              |                              |
| Loss after income tax   | (6,203,577)                  | (6,847,433)                  |
| Total comprehensive income  | <u>(6,203,577)</u>           | <u>(6,847,433)</u>           |

|  | Parent<br>30 June 2022<br>\$ | Parent<br>30 June 2021<br>\$ |
|--|------------------------------|------------------------------|
| <b>Statement of financial position</b> |                              |                              |
| Total current assets                   | <u>2,219,890</u>             | <u>828,408</u>               |
| Total assets                           | <u>10,009,524</u>            | <u>5,719,075</u>             |
| Total current liabilities              | <u>18,691,611</u>            | <u>15,911,793</u>            |
| Total liabilities                      | <u>22,852,914</u>            | <u>19,285,408</u>            |
| Issued capital                         | 39,289,042                   | 32,577,175                   |
| Foreign currency reserve               | (4)                          | -                            |
| Share-based payments reserve           | 1,857,497                    | 1,642,840                    |
| Acquisition reserve                    | 974,429                      | 974,429                      |
| Accumulated losses                     | (54,964,354)                 | (48,760,777)                 |
| Total deficiency in equity             | <u>(12,843,390)</u>          | <u>(13,566,333)</u>          |

*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 2022.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2022.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022.

*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 28. Business combinations

On 17 June 2022, the Company acquired 100% of the ordinary shares of Visionflex Pty Limited. The Visionflex transaction was approved by shareholders at an Extraordinary General Meeting (EGM), which was held on Thursday, 16 June 2022. The formal completion of the transaction subsequently occurred on 17 June 2022.

The acquisition of Visionflex enables 1st Group to add leading telehealth and diagnostic medical devices and related software to its portfolio of products. It represents a synergistic and complementary business with associated expertise that is poised for accelerated revenue and customer growth and the 1st Group team will work with the Visionflex team to accelerate its commercialisation plans.

### Upfront consideration

On completion of the Acquisition, the company issued 484,020,008 new fully paid ordinary shares being shares to the value of \$2,904,120, based on a deemed issue price of \$0.006 per share, which was the price of the Company's shares on the day prior to the issue. Those shares are subject (with minor exceptions) to escrow for a period of 12 month after completion. Under AASB 3, the shares have been valued as at acquisition date at a total of \$2,904,120. At the same time, a \$2,500,000 placement was made to Adcock Private Equity (a related entity to Mr Brook Adcock) by issuing 250,000,000 ordinary shares at a value of \$0.01 each.

The acquired business contributed revenues of \$255,132 and profit before tax of \$39,369 to the consolidated entity for the period from 17 June 2022 to 30 June 2022. The values identified in relation to the acquisition of Visionflex have been accounted for on a provisional basis as at 30 June 2022.

Details of the acquisition are as follows:

|  | Fair value<br>\$   |
|--|--------------------|
| Cash and cash equivalents  | 14,581             |
| Trade receivables  | (12,606)           |
| Inventories  | 587,642            |
| Plant and equipment  | 17,622             |
| R&D tax refundable   | 850,000            |
| Trade payables   | (987,223)          |
| R&D tax credit finance   | (650,010)          |
|  | <hr/>              |
| Net liabilities acquired   | (179,994)          |
| Goodwill   | 3,083,565          |
|  | <hr/>              |
| Acquisition-date fair value of the total consideration transferred | <u>2,903,571</u>   |
| Representing:  |                    |
| 1st Group Limited shares issued to vendor                          | <u>484,020,000</u> |
| Cash used to acquire business, net of cash acquired:               |                    |
| Acquisition-date fair value of the total consideration transferred | 2,904,120          |
| Less: shares issued by Company as part of consideration            | <u>(2,904,120)</u> |
| Net cash used  | <u><u>-</u></u>    |
| Additional capital raised related to the acquisition               |                    |
| 1st Group Limited shares issued to vendor (Share value)            | <u>2,500,000</u>   |
| 1st Group Limited shares issued to vendor (Share number)           | <u>250,000,000</u> |

Refer to note 14 for details on goodwill impairment.

## Note 29. 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:

| Name                               | Principal place of business /<br>Country of incorporation | Ownership interest |                   |
|------------------------------------|---|--------------------|-------------------|
|                                    |   | 30 June 2022<br>%  | 30 June 2021<br>% |
| Clinic Connect Pty Limited         | Australia   | 100.00%            | 100.00%           |
| DocAppointments.com.au Pty Limited | Australia   | 100.00%            | 100.00%           |
| GObokings Systems Pty Limited      | Australia   | 100.00%            | 100.00%           |
| Visionflex Pty Ltd                 | Australia   | 100.00%            | -                 |

## Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 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 31. Reconciliation of loss after income tax to net cash used in operating activities

|   | Consolidated       |                    |
|---|--------------------|--------------------|
|   | 30 June 2022<br>\$ | 30 June 2021<br>\$ |
| Loss after income tax (expense)/benefit for the year  | (6,821,939)        | (6,468,709)        |
| Adjustments for:                                      |                    |                    |
| Depreciation and amortisation                         | 25,329             | 172,480            |
| Net loss on disposal of property, plant and equipment | -                  | 26,068             |
| Share-based payments                                  | 214,657            | 41,519             |
| Other non-cash transactions                           | (4,632)            | 8,418              |
| Impairment of intangibles                             | 3,083,565          | 3,187,153          |
| Change in operating assets and liabilities:           |                    |                    |
| Decrease/(increase) in trade and other receivables    | 225,442            | (104,816)          |
| Decrease/(increase) in other operating assets         | 276,174            | (42,039)           |
| Increase/(decrease) in trade and other payables       | 193,135            | (190,055)          |
| Decrease in deferred tax liabilities                  | -                  | (179,435)          |
| Increase in employee benefits                         | 11,313             | 56,031             |
| Net cash used in operating activities                 | <u>(2,796,956)</u> | <u>(3,493,385)</u> |

## Note 32. Changes in liabilities arising from financing activities

| Consolidated            | Convertible<br>notes<br>\$ | Derivative<br>liability<br>\$ | Total<br>\$      |
|-------------------------|----------------------------|-------------------------------|------------------|
| Balance at 1 July 2020  | 1,491,870                  | 58,130                        | 1,550,000        |
| Other changes           | 1,758,130                  | (58,130)                      | 1,700,000        |
| Balance at 30 June 2021 | 3,250,000                  | -                             | 3,250,000        |
| Other changes           | 750,000                    | -                             | 750,000          |
| Balance at 30 June 2022 | <u>4,000,000</u>           | <u>-</u>                      | <u>4,000,000</u> |



**Note 33. Loss per share**

|   | <b>Consolidated</b> |                     |
|---|---------------------|---------------------|
|   | <b>30 June 2022</b> | <b>30 June 2021</b> |
|   | <b>\$</b>           | <b>\$</b>           |
| Loss after income tax attributable to the owners of 1st Group Limited                     | <u>(6,821,939)</u>  | <u>(6,468,709)</u>  |
|   | <b>Number</b>       | <b>Number</b>       |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>528,633,225</u>  | <u>424,616,903</u>  |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>528,633,225</u>  | <u>424,616,903</u>  |
|   | <b>Cents</b>        | <b>Cents</b>        |
| Basic loss per share  | (1.29)              | (1.52)              |
| Diluted loss per share  | (1.29)              | (1.52)              |

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

**Note 34. 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).

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 34. Share-based payments (continued)**

The balance of 51,073,260 options outstanding is made up of options issued under the Plan: 9,295,000 and those issued at the discretion of the board:41,778,260.

**30 June 2022**

| 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  | \$0.000        | 949,838                          | -          | -         | -                         | 949,838                        |
| 30/06/2014                      | 01/06/2024  | \$0.000        | 350,000                          | -          | -         | -                         | 350,000                        |
| 27/10/2014                      | 27/10/2024  | \$0.000        | 1,965,935                        | -          | -         | -                         | 1,965,935                      |
| 05/12/2014                      | 01/01/2024  | \$0.000        | 368,981                          | -          | -         | -                         | 368,981                        |
| 13/04/2015                      | 13/04/2025  | \$0.000        | 1,944,443                        | -          | -         | -                         | 1,944,443                      |
| 14/04/2015                      | 14/04/2025  | \$0.000        | 110,000                          | -          | -         | -                         | 110,000                        |
| 17/09/2015                      | 17/09/2025  | \$0.000        | 155,000                          | -          | -         | (35,000)                  | 120,000                        |
| 29/11/2017                      | 29/11/2022  | \$0.000        | 2,000,000                        | -          | -         | -                         | 2,000,000                      |
| 29/11/2017                      | 29/11/2022  | \$0.000        | 2,000,000                        | -          | -         | -                         | 2,000,000                      |
| 22/12/2017                      | 22/12/2022  | \$0.000        | 1,925,000                        | -          | -         | (750,000)                 | 1,175,000                      |
| 12/12/2018                      | 12/12/2023  | \$0.000        | 1,200,000                        | -          | -         | -                         | 1,200,000                      |
| 15/08/2019                      | 15/08/2024  | \$0.000        | 1,000,000                        | -          | -         | -                         | 1,000,000                      |
| 15/11/2019                      | 19/11/2024  | \$0.000        | 3,000,000                        | -          | -         | -                         | 3,000,000                      |
| 01/07/2019                      | 01/07/2022  | \$0.000        | 713,413                          | -          | -         | -                         | 713,413                        |
| 02/01/2020                      | 02/01/2023  | \$0.000        | 142,850                          | -          | -         | -                         | 142,850                        |
| 25/06/2021                      | 25/06/2026  | \$0.000        | -                                | 13,590,000 | -         | -                         | 13,590,000                     |
| 30/11/2021                      | 30/11/2026  | \$0.000        | -                                | 20,442,800 | -         | -                         | 20,442,800                     |
|                                 |             |                | 17,825,460                       | 34,032,800 | -         | (785,000)                 | 51,073,260                     |
| Weighted average exercise price |             |                | \$0.150                          | \$0.020    | \$0.000   | \$0.120                   | \$0.070                        |

**30 June 2021**

| 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                        | -       | -         | (250,000)                 | 949,838                        |
| 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                        |
| 13/04/2015                      | 13/04/2025  | \$0.230        | 1,944,443                        | -       | -         | -                         | 1,944,443                      |
| 14/04/2015                      | 14/04/2025  | \$0.350        | 360,000                          | -       | -         | (250,000)                 | 110,000                        |
| 17/09/2015                      | 17/09/2025  | \$0.350        | 155,000                          | -       | -         | -                         | 155,000                        |
| 13/12/2016                      | 13/12/2021  | \$0.110        | 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  | \$0.110        | 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        | 2,125,000                        | -       | -         | (200,000)                 | 1,925,000                      |
| 12/12/2018                      | 12/12/2023  | \$0.110        | 1,700,000                        | -       | -         | (500,000)                 | 1,200,000                      |
| 15/08/2019                      | 15/08/2024  | \$0.105        | 2,000,000                        | -       | -         | (1,000,000)               | 1,000,000                      |
| 15/11/2019                      | 19/11/2024  | \$0.105        | 3,500,000                        | -       | -         | (500,000)                 | 3,000,000                      |
| 01/07/2019                      | 01/07/2022  | \$0.060        | -                                | 713,413 | -         | -                         | 713,413                        |
| 02/01/2020                      | 02/01/2023  | \$0.097        | -                                | 142,850 | -         | -                         | 142,850                        |
|                                 |             |                | 21,369,197                       | 856,263 | -         | (4,400,000)               | 17,825,460                     |
| Weighted average exercise price |             |                | \$0.160                          | \$0.070 | \$0.000   | \$0.130                   | \$0.170                        |

**Note 34. Share-based payments (continued)**

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

| Grant date | Expiry date | 30 June 2022<br>Number | 30 June 2021<br>Number |
|------------|-------------|------------------------|------------------------|
| 19/06/2014 | 01/06/2024  | 949,838                | 949,838                |
| 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                |
| 13/04/2015 | 13/04/2025  | 1,944,443              | 1,944,443              |
| 14/04/2015 | 14/04/2025  | 110,000                | 110,000                |
| 17/09/2015 | 17/09/2020  | 120,000                | 155,000                |
| 29/11/2017 | 29/11/2022  | 4,000,000              | 4,000,000              |
| 22/12/2017 | 22/12/2022  | 1,175,000              | 1,925,000              |
| 12/12/2018 | 12/12/2023  | 1,200,000              | 800,000                |
| 01/07/2019 | 01/07/2022  | 713,413                | 713,413                |
| 15/08/2019 | 15/08/2024  | 666,666                | 333,333                |
| 15/11/2019 | 19/11/2024  | 2,000,000              | 1,000,000              |
| 02/01/2020 | 02/01/2023  | 142,850                | 142,850                |
| 25/06/2021 | 25/06/2026  | 4,529,995              | -                      |
| 30/11/2021 | 30/11/2026  | 7,642,800              | -                      |
|            |             | <u>27,879,921</u>      | <u>14,758,793</u>      |

The weighted average share price during the financial year was \$0.013 (2021 \$0.040).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.36 years (2021: 2.5 years).

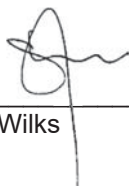
In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 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 2022 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



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Stephe Wilks  
Chair

30 September 2022  
Sydney



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Klaus Bartosch  
Executive Director & CEO

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 1ST GROUP LIMITED

### Report on the Audit of the Financial Report

#### Qualified Opinion

We have audited the accompanying Financial Report of 1st Group Limited (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration of the Group comprising the Company and the entities it controlled at the year-end or from time to time during the financial year.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying Financial Report of 1st Group Limited is in accordance with the Corporations Act 2001, including:

- i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### Basis for Qualified Opinion

The financial report has been prepared on the going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

We draw attention to Note 2 to the Financial Report, which describes that the Group has reported a loss for the financial year ended 30 June 2022 of \$6,821,939, negative net assets position of \$3,889,135 and net operating cash outflow of \$2,796,956. The ability of the group to continue as a going concern is dependent on the Board achieving the assumptions and estimates noted in the future forecast cashflow model, raising of sufficient capital over the coming 12 months as and when required, and/or access to external funding.

These conditions, along with other matters as set forth in Note 2, casts significant doubt on the group's ability to continue as a going concern. Therefore, the group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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

#### Independence

We are independent of the consolidated entity in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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ABN 91 850 861 839

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For our office locations visit [www.pkf.com.au](http://www.pkf.com.au)

## 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. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report. For the matter below, our description of how our audit addressed the matter is provided in that context.

### 1. Impairment of Intangibles

#### Why significant

For the year ended 30 June 2022, a total of \$3,083,565 impairment of assets was written off as disclosed in Note 14 of the Financial Report in relation to the Goodwill recognised for the acquisition of VisionFlex Pty Limited.

The Group's accounting policy in respect of intangibles is outlined in Note 2 and Note 14 including the significant judgement required assessing impairment of intangibles.

Accordingly, given the complexity of judgement in the assessing impairment indicators for intangibles, we have determined this to be a key audit matter.

#### How our audit addressed the key audit matter

Our work included, but was not limited to, the following procedures:

- Obtaining an understanding of management's assessment of significant judgements and estimates;
- Reviewing the impairment model prepared by management including discussing the assumptions and methodology applied and performing sensitivity analysis;
- Reviewing management's acquisition accounting of VisionFlex Pty Limited and how goodwill was derived.
- Assessing the appropriateness of the related disclosures in Note 14.

## Other Information

Other information is financial and non-financial information in the annual report of the Group which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Chairman's Letter, the Chief Executive's Report, the Financial and Operational Review, and the Directors' report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

## Directors' Responsibilities for the Financial Report

The Directors of the Group 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 consolidated entity's ability 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 consolidated entity or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in 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 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 consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and other 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 consolidated entity'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 consolidated entity 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 consolidated entity to express an opinion on the Group Financial Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

## Auditor's Responsibilities for the Audit of the Financial Report (continued)

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

## Report on the Remuneration Report

### Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of 1st Group Limited for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

### Responsibilities

The Directors of the Group 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.



PKF



PAUL PEARMAN  
PARTNER

30 SEPTEMBER 2022  
SYDNEY, NSW



The shareholder information set out below was applicable as at 21 September 2022.

**Distribution of equitable securities**

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

|  | Number of holders of ordinary shares | Number of option holders of options over ordinary shares |
|--|--------------------------------------|--|
| above 0 up to and including 1,000        | 38                                   | -  |
| above 1,000 up to and including 5,000    | 20                                   | -  |
| above 5,000 up to and including 10,000   | 76                                   | -  |
| above 10,000 up to and including 100,000 | 694                                  | 1  |
| above 100,000                            | 439                                  | 34   |
| <b>Total</b>                             | <b>1,267</b>                         | <b>35</b>  |
| Holding less than a marketable parcel    | 591                                  | -  |

**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<br>Number held | % of total shares issued |
|--|--------------------------------|--------------------------|
| John Plummer   | 152,804,129                    | 25.99%                   |
| Moore Family Nominee Pty Ltd (Moore Family Super Fund A/C) | 35,423,248                     | 6.03%                    |
| Facooory   | 24,637,507                     | 4.19%                    |
| Peter Shandley   | 19,875,219                     | 3.38%                    |
| Towns Corporation Pty Ltd                                  | 17,777,777                     | 3.02%                    |
| David Oakley   | 14,922,534                     | 2.54%                    |
| Vanilla Milkshake Enterprises Pty Ltd                      | 13,795,739                     | 2.35%                    |
| Tom Love   | 12,540,000                     | 2.13%                    |
| Trevor Matthews  | 12,452,926                     | 2.12%                    |
| Phil Miller  | 8,250,000                      | 1.40%                    |
| Rjm Luu Pty Ltd (Rick & Jeannie Luu Family Trust)          | 8,209,959                      | 1.40%                    |
| Bartosch – All holdings                                    | 7,218,435                      | 1.23%                    |
| Rylimiro Pty Ltd (Romik A/C)                               | 7,041,666                      | 1.20%                    |
| Walsh  | 6,464,852                      | 1.10%                    |
| Mr Mark Broglio  | 6,200,000                      | 1.05%                    |
| Genrun Pty Ltd   | 5,000,000                      | 0.85%                    |
| BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP) | 4,630,335                      | 0.79%                    |
| Raceland Holdings Pty Ltd                                  | 4,605,853                      | 0.78%                    |
| Outlook Drive Investments Pty Ltd                          | 4,464,285                      | 0.76%                    |
| Miss Ching Ping Yu   | 4,000,000                      | 0.68%                    |
|  | <b>370,314,464</b>             |                          |

*Unquoted equity securities*

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

| <b>Name</b>    | <b>Class</b>                 | <b>Number held</b> |
|----------------|------------------------------|--------------------|
| Klaus Bartosch | Options over ordinary shares | 23,436,386         |

**Substantial holders**

Substantial holders in the Company are set out below:

|  | <b>Ordinary shares</b> | <b>% of total shares issued</b> |
|--|------------------------|---------------------------------|
| <b>Substantial holders in the Company are set out below:</b> |                        |                                 |
| Mr John Charles Plummer                                      | <u>152,804,129</u>     | 25.99%                          |

**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                      | Klaus Bartosch - Managing Director, CEO<br>Stephe Wilks - Non-Executive Director and Chair<br>Magali Azema-Barac - Non-Executive Director<br>John Nantes - Non-Executive Director (Appointed 17 June 2022)<br>Brook Adcock - Non-Executive Director (Appointed 17 June 2022) |
| Joint Company secretary        | Elizabeth Spooner<br>Maggie Niewidok (Appointed 4 March 2022)  |
| Registered office              | Automic Group<br>Level 5, 126 Phillip Street<br>Sydney, NSW 2000   |
| Principal place of business    | Level 3/1-9 Buckingham Street<br>Surry Hills<br>Sydney, NSW 2010   |
| Share register                 | Automic Registry Services<br>Level 5, 126 Phillip Street<br>Sydney, NSW 2000   |
| Auditor                        | PKF(NS) Audit & Assurance Limited<br>Level 8, 1 O'Connell Street<br>Sydney, NSW 2000   |
| Solicitors                     | Highgate Legal<br>31 Highgate CCT<br>North Kellyville NSW 2155   |
| Stock exchange listing         | 1st Group Limited shares are listed on the Australian Securities Exchange (ASX code: 1ST)  |
| Website                        | <a href="http://www.1stgrp.com">http://www.1stgrp.com</a>  |
| Corporate Governance Statement | The Corporate governance statement which will be approved at the same time as the Annual Report can be found at <a href="https://www.1stgrp.com/investor-info">https://www.1stgrp.com/investor-info</a>  |