

1st Group Limited

(Formerly known as 1st Available Ltd)

ABN 25 138 897 533

Annual Report - 30 June 2017

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Our vision is to improve people's lives by building a trusted community and platform where health providers and patients connect 1st. We connect patients to a variety of healthcare services and information anytime, anywhere, so they can get well sooner and stay well longer. By 30 June 2017, the group had signed agreements to support more than 5,000 installed sites and had facilitated more than 5.5 million appointments online.

Dear Shareholders,

2017 was a transformational year for 1st Group Limited.

We successfully introduced a number of new, value-added services to complement the Group's existing subscription-based offering; launched Australia's first online pet services marketplace ('PetYeti'); announced a strategic advertising partnership with Tonic Health Media; signed significant new client agreements; and demonstrated the potential of our business model by increasing monetisation of 1st Group Limited's services for the GP, dental, optometry, veterinarian and pharmacy sectors.

Since our first product launch in 2012, the Group has expanded from an online healthcare appointment booking service to a consumer-centric healthcare services platform, supporting a growing range of healthcare services and providing trusted healthcare content to improve health literacy and consumer engagement. In recognition of this expansion, during the year we changed the Company's name from '1st Available Limited' to '1st Group Limited' and rebranded our leading online health portal to 'MyHealth1st' from '1stAvailable'.

The Group's revenue for FY2017 was up 16% to \$2,306,207 (2016: \$1,989,776), with growth in the second half accelerating to 36% over the first half. The encouraging momentum in the second half of the financial year was driven partly by strong client uptake of the Group's digital engagement products, such as EasyRECALL, EasyFeedback and SMS Reminders that encourage loyalty and help to improve users' experience. The Group's after-tax loss of \$5.1 million for FY2017 was in line with the previous year (\$5.0 million), as we continued to invest in expanding our client footprint across additional segments of the healthcare industry.

In December 2016, we were delighted to launch 'PetYeti', Australia's first healthcare portal for pets. PetYeti, which already counts top veterinarian companies Greencross and National VetCare as clients, enables pet owners to find a local vet and book online appointments 24/7. In August 2017, we added pet grooming and washing services to PetYeti via a two year agreement with Petbarn. The agreement allows Petbarn customers to book grooming appointments online through the Petbarn website. We are delighted to have first mover advantage in a significant growth sector; Australia's eight million pet owners are estimated to spend approximately \$12 billion a year on food, grooming, veterinary services and insurance.

A key highlight in 2017 has been the Group's continued expansion in the optometry, pharmacy and veterinary markets. In June 2016, the Group provided services to just 75 optometry practices, approximately 3% of the independent optometry market. In the past twelve months, we have grown our penetration from 3% to 60%, announcing substantial deals with ProVision and Eye2Eye Media Group and adding approximately 1,200 independent optical stores to the MyHealth1st platform. We are now the leading booking platform in the independent optometry market, demonstrating the strength of our business model.

We also increased our penetration of the pharmacy market to approximately 60% of all pharmacies, including an agreement with Mylan subsidiary Alphapharm to deliver online appointments for 320 pharmacies and 90 retail stores. Customers are able to book online services such as flu shots, diabetes tests and beauty and make-up consultations.

In June, we were pleased to announce a strategic partnership with leading health advertising and content provider Tonic Health Media. This allows users of MyHealth1st to access Tonic's content, which includes over 700 health videos and 1,000 health articles. The agreement underpins the group's MyHealth1st TV & Health Guide, which will generate revenue through sponsored messages and advertising.

Despite our progress, the market's valuation of 1st Group Limited shares remains disappointing. We believe this reflects investors' concerns about the Company's revenue growth and cash flow, and we are taking steps to address these through containing costs and increasing revenue from our new value-added services.

After several years establishing our services in a number of healthcare markets, we are now moving to the third stage of the Group's corporate strategy: monetising our growing consumer networks through upselling additional digital products and a powerful form of highly targeted advertising to existing and new customers.

It is estimated that currently only 5% of all healthcare appointments are booked online; yet consumers make it clear they want this capability. Over 83% of Australians over the age of 14 have a smartphone and the Government's *Australian Digital Health Agency* is encouraging the uptake of digital services. With these tailwinds in place, we are excited about the Group's growth potential; we enter the 2018 financial year well positioned, with positive sales momentum, a healthy product pipeline and a 'roadmap' to achieve break-even cash flow.

In August 2017, we were pleased to announce a \$2 million standby loan facility provided by our cornerstone shareholder, Mr John Plummer, which will enable us to continue to execute the Group's business strategy and take advantage of market opportunities in FY2018.

We would like to thank our fellow board members for their enthusiasm and commitment to the Group, and especially thank our dedicated management team and employees for the hard work that has delivered our progress during the past year. We also thank our valued clients and partners, and look forward to continuing our journey with you, our shareholders, to build a strong and successful company.



Trevor Matthews
Chairman



Klaus Bartosch
Managing Director

26 September 2017

Sydney

Directors' report	4
Auditor's independence declaration	18
Statement of profit or loss and other comprehensive income	19
Statement of financial position	20
Statement of changes in equity	21
Statement of cash flows	22
Notes to the financial statements	23
Directors' declaration	50
Independent auditor's report to the members of 1st Group Limited	51
Shareholder information	55
Corporate directory	57

General information

The financial statements of 1st Group Limited are those of the Group consisting of 1st Group Limited as the parent entity 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 Whittens & McKeough
Level 29, 201 Elizabeth Street
Sydney, NSW 2000

Principal place of business

2C, Level 2, 2-12 Foveaux 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 accompanying these financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 26 September 2017. The Directors have the power to amend and reissue the financial statements.

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 2017.

Directors

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

Trevor Matthews
Klaus Bartosch
Richard Arnold
Amanda Hagan (appointed on 9 August 2016)
Garry Charny (resigned on 8 August 2016)

Principal activities

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

Dividends

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

Review of operations

The loss for the Group after providing for income tax amounted to \$5,129,847 (30 June 2016: \$5,022,295).

Financial Year 2017 ('FY17') has been a transformational year for the Group, with the launch and commercialisation of a number of new products for customers and users of our platforms. The new EasyRecall and EasyFeedback products complement the Group's existing subscription-based offerings, add additional usage based revenue streams and increase end users' interaction with our platforms.

The Group also announced new health sector partnerships, significant new client wins, the launch of new platforms and services, and changes in the company name and platform brands.

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

At the end of the financial year, the Group's platform supported more than 5,000 installed sites, and has taken over 5.5 million online appointments since the service was launched in 2012.

The Group's services include the MyHealth1st intuitive online healthcare search and appointment booking service portal, which is highly scalable, and the software as a service ('SaaS') platform, GObookings. In December 2016 the Group launched a new portal, PetYeti, which is Australia's first online appointment booking platform for veterinary and other pet services.

During the first half of FY17 technology staff who in previous periods had been allocated to major platform development projects were reallocated to smaller product builds and enhancements. As a result, in accordance with our accounting policies, the related staff costs were no longer capitalised. Gross employee expenses before technology staff capitalisation were in line with FY16.

Over the full year revenue increased by 16% with acceleration in the second half where the increase was 23% compared to 7% in the first half.

Financial Results

	Consolidated	
	2017	2016
	\$	\$
Revenue	2,306,207	1,989,776
Operating expenses before capitalised employee benefit expenses	(6,396,772)	(5,952,308)
Operating loss before capitalised and non-cash items	(4,090,565)	(3,962,532)
Capitalised employee benefit expenses	-	1,292,078
Operating loss before tax and non-cash items	(4,090,565)	(2,670,454)
Share-based payments	(146,601)	(379,446)
Net gain recognised on reversal of contingent consideration	93,738	-
Depreciation and amortisation expenses	(1,358,182)	(1,493,385)
Impairment	-	(1,059,102)
Finance costs	(17,472)	(27,672)
Net loss before tax benefit	(5,519,028)	(5,630,059)
Income tax benefit	389,235	607,764
Net loss after tax benefit	(5,129,847)	(5,022,295)

Operating costs before the capitalisation of internal software development costs were 7% higher than the prior corresponding period due to the investments made across sales, marketing and product. These activities started to bear fruit culminating in the Group's strongest ever sales performance in Q4 FY17 and Monthly Recurring Revenue as at the end of June 2017 of \$261k. As at 30 June 2017, the Group held \$2,933,127 in cash and subsequent to the end of the financial year, the Group entered into a \$2 million convertible debt facility (Standby Facility) with its cornerstone shareholder, Mr John Plummer. The Standby Facility will enable the Company to execute its business strategy confidently and drive continued sales growth.

The Group exited FY17 well positioned with positive sales momentum, a healthy pipeline from our new products released in the second half of FY17 and a number of additional products set for release in early FY18.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 2 August 2017, the Company entered into a convertible debt facility ('Standby facility') agreement with its cornerstone shareholder, Mr John Plummer, for a maximum drawdown of \$2,000,000. Interest is payable at the Reserve Bank of Australia ('RBA') cash rate plus 8.5% per annum, payable quarterly in arrears. The maximum term of the facility is 2 years ending 1 August 2019 and currently, the facility is undrawn. The facility is convertible to Equity in the Company at the election of the Company (subject to Shareholder approval and compliance with the Corporations Act) at a 15% discount to the 30 Day Volume weighted average share price ('VWAP') prior to conversion.

No other matter or circumstance has arisen since 30 June 2017 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 has been included in the Chairman and CEO's report preceding this report.

Environmental regulation

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

Information on Directors

Name: Trevor Matthews
Title: Non-Executive Chairman
Qualifications: Trevor holds a Master of Arts degree in Actuarial Studies from Macquarie University. Trevor is a Fellow of both the Institute of Actuaries of Australia and the Institute and Faculty of Actuaries in the United Kingdom. Trevor is a Fellow of the Australian Institute of Company Directors.
Experience and expertise: Trevor has more than 40 years' experience in the financial services industry in Australia, North America, Asia and Europe. He is currently a board member of AMP Limited, Bupa Australia and New Zealand, FNZ Asia Pacific, TokioMarine Asia, Edelweiss Tokio Life and chairman of the State Insurance Regulatory Authority and AMP Life. He was previously an executive director of Aviva Plc, a leading global life and general insurer and chairman of the UK and French businesses. Prior to that, he held CEO level positions in life and general insurance companies in the UK, Japan, Canada and Australia. Trevor has been a commissioner of the UK Commission for Employment and Skills, Chairman of the Financial Services Skills Council in the United Kingdom, President of the Chartered Insurance Institute and has served on the boards of several national life industry associations.
Other current directorships: Director of AMP Limited (ASX: AMP)
Former directorships (last 3 years): CoverMore Group Limited (ASX: CVO) - delisted on 18 April 2017
Special responsibilities: Chairman of the Board and member of the Audit and Risk Committee
Interests in shares: 4,200,000
Interests in options: 1,000,000

Name: Klaus Bartosch
Title: Managing Director and Chief Executive Officer
Qualifications: Klaus holds an AD in Civil Engineering obtained from the South East Queensland University. Klaus is a Member of the Australian Institute of Company Directors.
Experience and expertise: Klaus is an experienced company executive in both publicly listed and private companies and brings extensive expertise in the development and operation of large consumer focused online search and appointment booking engines, websites and aggregators. Klaus has been instrumental in the development of the Company's strategy and the formation of the Board and executive team. Klaus was the executive chairman of the Company from 16 December 2011 until 20 September 2013, at which time he accepted the appointment as managing director. Klaus was a founding executive and founding shareholder in CloudTech Group and Virtual Ark, where he led a global team in marketing cloud based services to enterprise consumers, and which was recognised in 2011 as a Gartner Cool Vendor. Klaus was formerly Sales and marketing director for the then publicly listed Hostworks Limited that was acquired by Broadcast Australia (then a part of the Macquarie Group) in 2007. During his tenure at Hostworks, the company was responsible for the management of the online systems for many leading online brands including wotif.com, seek.com, carsales.com.au, realestate.com.au, graysonline.com, ticketek.com, SBS.com.au, ninemsn.com.au, and ten.com.au. In previous roles, Klaus has served as the chief executive officer and has held various senior executive roles for major multi-national companies in the information technology industry.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 2,855,225
Interests in options: 4,906,943

Name:	Richard Arnold
Title:	Non-Executive Director
Qualifications:	Richard holds a Bachelor of Science degree in Psychology from Stanford University and has completed the Executive Program in Finance at Stanford's Graduate School of Business.
Experience and expertise:	Richard is the Executive Director, Strategy and Corporate Development at Wi-Tronix LLC., a leading provider of remote monitoring and predictive diagnostic solutions for the Transportation industry based in Chicago, Illinois, USA. Richard was appointed to the Board of the Company on 2 February 2012, and accepted the Chairmanship of the Company on 20 September 2013. Richard resigned as Chairman on 24 February 2015. Prior to joining Wi-Tronix, Richard served as CFO of CrowdFlower Inc., a venture funded crowdsourcing company in San Francisco from 2011 to 2015. He previously served from 2006 to March 2010 as Chief Operating Officer and Chief Financial Officer of Phoenix Technologies Ltd (NASDAQ: PTEC), the world's leading provider of core system software to the computer industry. Richard was a member of the Board of Directors and Chairman of the Audit Committee of Intellisync Corporation (NASDAQ: SYNC) from 2004 to 2006 and a member of the Board of Directors and Chairman of the Audit Committee of Saint Bernard Software, Inc. (NASDAQ: SBSW) from 2006 to 2007. Before returning to the USA in 2006, Richard served as a founding partner of Committed Capital Proprietary Limited, a private equity investment company based in Sydney, Australia, and as an executive director of Consolidated Press Holdings Limited, the Packer family's private investment company based in Sydney. Richard has also previously served as Managing Director of TD Waterhouse Australia, a securities dealer, as Chief Executive Officer of Integrated Decisions and Systems Inc., an application software company, as Managing Director of Eagleroo Proprietary Limited, a corporate advisory company, and in various senior management capacities including as Chief Financial Officer with Charles Schwab Corporation (NASDAQ: SCHW), a large securities brokerage and financial services company.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Audit and Risk Committee and member of the Nomination and Remuneration Committee
Interests in shares:	877,916
Interests in options:	473,751

Name: Amanda Hagan
Title: Non-Executive Director
Qualifications: Amanda holds a Bachelor of Science degree in Business Information Technology from the University of NSW, a graduate diploma in Applied Finance & Investment from the Securities Institute of Australia and is a graduate of the Australian Institute of Company Directors.
Experience and expertise: Amanda has over 20 years' experience in the healthcare, financial services and energy sectors, including experience in senior roles and consulting on strategic projects for a range of companies including AGL, Energy Australia, American Express and the Australian Securities Exchange. Amanda joined Australian Unity in May 2006. As Chief Executive Officer, Healthcare and Director of Australian Unity Health Limited, Grand United Corporate Health Limited and Remedy Healthcare, she is responsible for all elements of Australian Unity's healthcare operations and strategic development of the business. On 31 May 2016, Amanda took on the new and additional responsibility for executing the Australian Unity Group's digital agenda, leading the newly created Digital Transformation Centre. Before joining Australian Unity, Amanda held various executive roles with Perpetual Limited. Amanda is also a director of the Australian Health Service Alliance Limited (a cooperative hospital contracting company formed by 24 health insurance funds) and Members Own Health Funds Limited.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chair of the Nomination & Remuneration Committee (appointed on 9 August 2016)
Interests in shares: 769,230
Interests in options: 500,000

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

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

Company secretary

Andrew Whitten has held the role of company secretary since 18 September 2012. Andrew is currently the company secretary of a number of publicly listed companies. He holds a Bachelor of Arts (Economics) from the University of New South Wales, a Master of Laws and Legal Practice from the University of Technology, Sydney and a Graduate Diploma in Applied Corporate Governance from the Governance Institute.

Andrew is an admitted solicitor with a speciality in corporate finance and securities law and is a Solicitor Director of Whittens. Andrew is an elected Associate of the Governance Institute of Australia.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

	Full Board		Nomination and Remuneration Committee*		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Trevor Matthews	9	9	-	-	1	2
Klaus Bartosch	9	9	-	-	1	2
Garry Charny	1	1	-	-	-	-
Richard Arnold	8	9	-	-	2	2
Amanda Hagan	8	8	-	-	-	-

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 which has been audited, details the key management personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

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

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

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

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

Executive remuneration

The Group aims to reward executives with a level and mix of remuneration based on their positions and responsibilities. The remuneration 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, is 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 remuneration.

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

Variable remuneration

The short-term incentives ('STI') program is designed to align the financial performance of the Group to executives responsible for meeting those targets. STI payments are granted to executives based on specific annual targets and Key performance indicators ('KPIs') being achieved. KPIs include Earnings before interest, tax, depreciation and amortisation ('EBITDA'), closing monthly recurring revenue ('MRR') at the end of the reporting period and closing average monthly transaction revenue ('AMTR') at the end of the reporting period. The minimum performance targets for these KPIs were not achieved during the year and therefore no STI were awarded to KMPs in the period.

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.

Group performance and link to remuneration

During the financial year 2017 the board implemented a number of KPIs' for KMPs that directly linked the STI program to the financial performance of the Group. The payment of the cash bonus for KMPs will be dependent on the achievement of the financial targets determined by the board. The remaining portion of the cash bonus and incentive payments will be at the discretion of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is of the opinion that the results can be improved through the adoption of performance based compensation and is satisfied that this will continue to increase shareholder wealth if maintained over the coming years.

Use of remuneration consultants

During the financial year ended 30 June 2017, the consolidated entity engaged Ernst and Young, remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs. Ernst and Young was paid \$20,981 for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from key management personnel. The Board is satisfied that these protocols were followed and as such there was no undue influence.

Voting and comments made at the Company's 2016 Annual General Meeting ('AGM')

At the 2016 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2016. 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 KMP of the Group are set out in the following tables.

The KMP of the Group consisted of the Directors of 1st Group Limited and the following persons:

- Joel Reynolds - Chief Technology Officer
- Graham Mason - Chief Financial Officer

	Short-term benefits			Post-employment benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Shares	Options	
2017	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Trevor Matthews	60,000	-	-	5,700	-	15,182	80,882
Richard Arnold	43,800	-	-	-	-	7,558	51,358
Amanda Hagan*	32,464	-	-	3,084	-	3,332	38,880
Garry Charny**	4,203	-	-	399	-	23,510	28,112
<i>Executive Directors:</i>							
Klaus Bartosch	270,000	-	-	25,650	-	73,816	369,466
<i>Other Key Management Personnel:</i>							
Joel Reynolds	197,000	-	-	18,715	-	9,532	225,247
Graham Mason	230,000	-	-	21,850	-	3,811	255,661
	837,467	-	-	75,398	-	136,741	1,049,606

* Represents remuneration from the date of appointment as KMP on 9 August 2016

** Represents remuneration up to the date of resignation as KMP on 9 August 2016

2016	Short-term benefits			Post-employment benefits	Share-based payments		Total
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Shares \$	Options \$	
<i>Non-Executive Directors:</i>							
Trevor Matthews	60,000	-	-	5,700	-	31,300	97,000
Richard Arnold	43,800	-	-	-	-	22,198	65,998
Garry Charny	40,000	-	-	3,800	-	75,854	119,654
<i>Executive Directors:</i>							
Klaus Bartosch	280,385	-	-	26,637	-	168,612	475,634
<i>Other Key Management Personnel:</i>							
Joel Reynolds	197,000	-	-	18,715	-	5,247	220,962
Graham Mason*	199,038	-	-	18,909	-	22,267	240,214
	<u>820,223</u>	<u>-</u>	<u>-</u>	<u>73,761</u>	<u>-</u>	<u>325,478</u>	<u>1,219,462</u>

* Represents remuneration from the date of appointment as KMP on 24 August 2015

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

Name	Fixed remuneration		At risk - LTI	
	2017	2016	2017	2016
<i>Non-Executive Directors:</i>				
Trevor Matthews	81%	68%	19%	32%
Richard Arnold	85%	66%	15%	34%
Amanda Hagan	91%	-	9%	-
Garry Charny	16%	37%	84%	63%
<i>Executive Directors:</i>				
Klaus Bartosch	80%	65%	20%	35%
<i>Other Key Management Personnel:</i>				
Joel Reynolds	96%	98%	4%	2%
Graham Mason	98%	91%	2%	9%

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 executives are formalised in employment agreements. Details of the employment agreements are as follows:

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

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

Name: Graham Mason
Title: Chief Financial Officer ('CFO')
Agreement commenced: 24 August 2015
Term of agreement: Ongoing
Details: The CFO receives \$230,000 plus statutory superannuation. He is eligible to receive an STI of up to 25% of fixed remuneration subject to the achievement of key performance indicators, to be determined at the discretion of the Board. Either party may terminate the contract by giving 12 weeks' notice in writing. If employment is terminated (without cause), the CFO is entitled to pro-rata STI for the year. All STI that remains unvested at the end of the notice period will lapse. In case of termination of employment (with cause), STI is not awarded and all unvested LTI will lapse immediately.

KMPs 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 2017.

Options

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

Grant date	Particulars	Expiry date	Exercise price	Fair value per option at grant date
27/10/2014	1/6 vested on grant date. Remaining 5/6 vest in equal half year instalments.	27/10/2024	\$0.230	\$0.155
24/02/2015	1/4 vested on grant date. Remaining 3/4 vest over 3 years in equal annual instalments.	24/02/2020	\$0.350	\$0.092
23/03/2015	1/4 vested on grant date. Remaining 3/4 vest over 3 years in equal annual instalments.	23/03/2020	\$0.350	\$0.092
13/04/2015	1/3 vested on grant date. Remaining 2/3 vest over 3 years in equal annual instalments.	29/05/2020	\$0.230	\$0.092
13/04/2015	1/3 vested on grant date. Remaining 2/3 vest over 3 years in equal annual instalments.	13/04/2025	\$0.500	\$0.092
13/04/2015	1/3 vested on grant date. Remaining 2/3 vest over 3 years in equal annual instalments.	13/04/2025	\$0.700	\$0.092
14/04/2015	1/3 vest in equal annual instalments.	13/04/2025	\$0.350	\$0.092
17/09/2015	1/3 vest in equal annual instalments.	17/09/2020	\$0.350	\$0.027
13/12/2016	1/3 vest in equal annual instalments.	13/12/2021	\$0.105	\$0.020

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 in Directors and other KMP as part of compensation are set out below:

Name	Number of options granted during the year 2017	Number of options granted during the year 2016	Number of options vested during the year 2017	Number of options vested during the year 2016
Trevor Matthews	-	-	250,000	250,000
Klaus Bartosch	-	-	924,536	924,536
Richard Arnold	-	-	137,084	137,084
Amanda Hagan	500,000	-	-	-
Garry Charny	-	-	604,254	604,254
Joel Reynolds	-	-	166,666	166,666
Graham Mason	-	400,000	133,333	-

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 KMP 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	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Trevor Matthews	4,000,000	-	200,000	-	4,200,000
Klaus Bartosch	2,505,225	-	350,000	-	2,855,225
Richard Arnold	877,916	-	-	-	877,916
Amanda Hagan*	769,230	-	-	-	769,230
Garry Charny**	892,859	-	-	(892,859)	-
Joel Reynolds	341,177	-	-	-	341,177
	<u>9,386,407</u>	<u>-</u>	<u>550,000</u>	<u>(892,859)</u>	<u>9,043,548</u>

* Balance at the start of the year represents shares held on commencement as KMP.

** Disposal/other represents disposals of 732,144 shares during the period and 160,715 shares held at resignation date.

Option holding

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of KMP 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>					
Trevor Matthews	1,000,000	-	-	-	1,000,000
Klaus Bartosch	4,906,943	-	-	-	4,906,943
Richard Arnold	473,751	-	-	-	473,751
Amanda Hagan	-	500,000	-	-	500,000
Garry Charny*	1,812,750	-	-	(1,812,750)	-
Joel Reynolds	500,000	-	-	-	500,000
Graham Mason	400,000	-	-	-	400,000
	<u>9,093,444</u>	<u>500,000</u>	<u>-</u>	<u>(1,812,750)</u>	<u>7,780,694</u>

* Expired/forfeited/other represents 1,812,750 options held at resignation date.

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
<i>Options over ordinary shares</i>			
Trevor Matthews	750,000	-	750,000
Klaus Bartosch	3,051,386	-	3,051,386
Richard Arnold	411,251	-	411,251
Joel Reynolds	416,666	-	416,666
Graham Mason	133,333	-	133,333
	<u>4,762,636</u>	<u>-</u>	<u>4,762,636</u>

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
01/06/2014	01/01/2024	\$0.230	2,175,904
03/10/2014	02/10/2025	\$0.230	16,666
27/10/2014	27/10/2024	\$0.230	2,000,015
24/02/2015	24/02/2020	\$0.350	1,000,000
03/03/2015	03/03/2020	\$0.230	2,000,000
23/03/2015	23/03/2020	\$0.350	250,000
13/04/2015	29/05/2020	\$0.230	2,500,000
13/04/2015	13/04/2025	\$0.500	650,000
13/04/2015	13/04/2025	\$0.700	650,000
14/04/2015	13/04/2025	\$0.350	420,001
29/05/2015	09/06/2020	\$0.350	4,285,714
17/09/2015	17/09/2020	\$0.350	738,333
13/12/2016	13/12/2021	\$0.105	500,000
			17,186,633

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 2017 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 21 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 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Trevor Matthews
Chairman

26 September 2017
Sydney



Klaus Bartosch
Managing Director and Chief Executive Officer

1st Group Limited (Formerly known as 1st Available Ltd)
ABN: 25 138 897 533

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

As lead auditor for the audit of 1st Group Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in 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.



Bentleys NSW Audit Pty Ltd



Robert Evett
Director
Sydney

26 September 2017

	Note	Consolidated 2017 \$	2016 \$
Revenue	4	2,306,207	1,989,776
Net gain recognised on reversal of contingent consideration	19	93,738	-
Expenses			
Advertising and marketing expenses		(594,203)	(572,969)
Professional and consulting fees		(439,177)	(517,325)
Operations and administration expenses		(1,360,483)	(1,134,817)
Employee benefits		(4,149,510)	(2,814,565)
Depreciation and amortisation expenses	5	(1,358,182)	(1,493,385)
Impairment of assets		-	(1,059,102)
Finance costs	5	(17,472)	(27,672)
Loss before income tax benefit		(5,519,082)	(5,630,059)
Income tax benefit		389,235	607,764
Loss after income tax benefit for the year attributable to the owners of 1st Group Limited		(5,129,847)	(5,022,295)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of 1st Group Limited		<u>(5,129,847)</u>	<u>(5,022,295)</u>
		Cents	Cents
Basic earnings per share	28	(2.48)	(5.57)
Diluted earnings per share	28	(2.48)	(5.57)

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

	Note	Consolidated 2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	7	2,933,127	6,563,828
Trade and other receivables	8	279,047	314,589
Income tax claim receivable		137,000	406,323
Other	9	204,992	86,002
Total current assets		<u>3,554,166</u>	<u>7,370,742</u>
Non-current assets			
Property, plant and equipment	10	69,824	64,011
Intangibles	11	5,038,299	6,219,952
Total non-current assets		<u>5,108,123</u>	<u>6,283,963</u>
Total assets		<u>8,662,289</u>	<u>13,654,705</u>
Liabilities			
Current liabilities			
Trade and other payables	12	878,184	451,241
Employee benefits	13	155,270	201,297
Contingent consideration		-	94,958
Total current liabilities		<u>1,033,454</u>	<u>747,496</u>
Non-current liabilities			
Contingent consideration		-	81,308
Deferred tax	14	475,165	686,485
Total non-current liabilities		<u>475,165</u>	<u>767,793</u>
Total liabilities		<u>1,508,619</u>	<u>1,515,289</u>
Net assets		<u>7,153,670</u>	<u>12,139,416</u>
Equity			
Issued capital	15	23,269,987	23,237,986
Reserves	16	2,341,006	2,228,906
Accumulated losses		(18,457,323)	(13,327,476)
Total equity		<u>7,153,670</u>	<u>12,139,416</u>

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

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	16,016,235	2,033,610	(8,489,331)	9,560,514
Loss after income tax benefit for the year	-	-	(5,022,295)	(5,022,295)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,022,295)	(5,022,295)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	7,221,751	-	-	7,221,751
Share-based payments (note 29)	-	379,446	-	379,446
Transfer from reserves	-	(184,150)	184,150	-
Balance at 30 June 2016	23,237,986	2,228,906	(13,327,476)	12,139,416
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	23,237,986	2,228,906	(13,327,476)	12,139,416
Loss after income tax benefit for the year	-	-	(5,129,847)	(5,129,847)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,129,847)	(5,129,847)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	32,001	(34,501)	-	(2,500)
Share-based payments (note 29)	-	146,601	-	146,601
Balance at 30 June 2017	23,269,987	2,341,006	(18,457,323)	7,153,670

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

	Note	Consolidated 2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,596,021	2,019,545
Payments to suppliers and employees (inclusive of GST)		(6,420,067)	(4,785,327)
Interest received		29,550	25,915
Income taxes refunded		441,415	405,000
Net cash used in operating activities	27	<u>(3,353,081)</u>	<u>(2,334,867)</u>
Cash flows from investing activities			
Payment for prior year business combinations		(100,000)	(158,011)
Payments for property, plant and equipment		(27,620)	(31,255)
Payments for intangibles	11	<u>(150,000)</u>	<u>(1,298,525)</u>
Net cash used in investing activities		<u>(277,620)</u>	<u>(1,487,791)</u>
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		-	6,963,937
Net cash from financing activities		<u>-</u>	<u>6,963,937</u>
Net increase/(decrease) in cash and cash equivalents		(3,630,701)	3,141,279
Cash and cash equivalents at the beginning of the financial year		<u>6,563,828</u>	<u>3,422,549</u>
Cash and cash equivalents at the end of the financial year		<u><u>2,933,127</u></u>	<u><u>6,563,828</u></u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

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 2.

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 25.

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 2017 and the results of all subsidiaries for the year then ended. 1st Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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.

Note 1. Significant accounting policies (continued)

Operating segments

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Subscription fees

Subscription fees are recognised as revenue as the services are rendered, 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.

Setup and training

Setup and connection fees are recognised on the completion of the customer setup process and the product is ready for use by the customer. Training fees are recognised as the training sessions are delivered.

Development and customisation

Revenue from customisation and development fees are recognised in the accounting period in which the services are delivered.

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 or refundable 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 1. 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 with effect from 29 May 2015. 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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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 1. 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 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 and plant and equipment under lease 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.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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 useful life of ten years.

Note 1. Significant accounting policies (continued)

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 between three and ten 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 useful life of five years.

Technology platform

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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.

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 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.

Note 1. Significant accounting policies (continued)

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

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

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

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

If equity-settled awards are cancelled, they are treated as if they have 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.

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.

Fair value measurement

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

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

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

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

Issued capital

Ordinary shares are classified as equity.

Note 1. Significant accounting policies (continued)

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.

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.

Note 1. Significant accounting policies (continued)

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 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 and the impact of its adoption is not likely to be material.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group expects to adopt this standard from 1 July 2018 and is undertaking a comprehensive review of the implementation impact of AASB 15. The Group has not reached a determination as to the impact of this accounting standard and has not determined whether the retrospective method or cumulative effect method will be adopted.

Note 1. Significant accounting policies (continued)

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group expects to adopt this standard from 1 July 2019 and the impact of its adoption will be that operating leases, such as those detailed in note 23, will be brought onto the statement of financial position with a corresponding liability.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

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 the 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.

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 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

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

Income tax

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

Note 3. 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 4. Revenue

	Consolidated	
	2017	2016
	\$	\$
<i>Sales revenue</i>		
Subscription fees	1,806,176	1,536,980
Usage fees (recalls, SMS and booking fees)	181,153	85,321
Setup and training	160,316	124,348
Development and customisation	129,005	217,212
	<u>2,276,650</u>	<u>1,963,861</u>
<i>Other revenue</i>		
Interest	<u>29,557</u>	<u>25,915</u>
Revenue	<u><u>2,306,207</u></u>	<u><u>1,989,776</u></u>

Note 5. Expenses

	Consolidated	
	2017	2016
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	4,133	3,927
Plant and equipment	6,405	13,571
Computer equipment	15,991	14,387
Total depreciation	<u>26,529</u>	<u>31,885</u>
<i>Amortisation</i>		
Patents and trademarks	757	3,492
Customer contracts	156,984	158,399
Software	475	427
Technology platform	1,173,437	1,299,182
Total amortisation	<u>1,331,653</u>	<u>1,461,500</u>
Total depreciation and amortisation	<u>1,358,182</u>	<u>1,493,385</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>17,472</u>	<u>27,672</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>88,102</u>	<u>107,137</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	<u>302,197</u>	<u>283,412</u>
<i>Share-based payments expense</i>		
Share-based payments expense	<u>146,601</u>	<u>379,446</u>

Note 6. Income tax benefit

	Consolidated	Consolidated
	2017	2016
	\$	\$
<i>Income tax benefit</i>		
Current tax	(177,915)	(386,599)
Deferred tax - origination and reversal of temporary differences	(154,113)	(221,165)
Adjustment to deferred tax liabilities due to change in tax rate	(57,207)	-
	<u>(389,235)</u>	<u>(607,764)</u>
Aggregate income tax benefit		
Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 14)	(154,113)	(221,165)
	<u>(154,113)</u>	<u>(221,165)</u>
<i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>		
Loss before income tax benefit	(5,519,082)	(5,630,059)
	<u>(5,519,082)</u>	<u>(5,630,059)</u>
Tax at the statutory tax rate of 27.5% (2016: 30%)	(1,517,748)	(1,689,018)
	<u>(1,517,748)</u>	<u>(1,689,018)</u>
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	3,358	2,345
Legal expenses	6,316	3,266
Impairment of intangible assets	-	155,271
Acquisition costs	(20,973)	8,302
Share-based payments	40,315	113,834
Accounting expenditure subject to research and development tax incentive	88,961	134,000
Amortisation of intangible assets	43,170	51,020
Sundry items	255	67
	<u>(1,356,346)</u>	<u>(1,220,913)</u>
Current year tax losses not recognised	1,311,325	1,065,518
Current year temporary differences not recognised	45,021	155,395
Research and development tax incentives	(137,000)	(400,500)
Over/(under) provision in prior year	(40,915)	13,901
Deferred tax reversal of temporary differences	(154,113)	(221,165)
Adjustment to deferred tax liabilities due to change in tax rate	(57,207)	-
	<u>(389,235)</u>	<u>(607,764)</u>
Income tax benefit		
	<u>(389,235)</u>	<u>(607,764)</u>
	2017	2016
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	15,632,479	10,730,054
	<u>15,632,479</u>	<u>10,730,054</u>
Potential tax benefit at statutory tax rates	9,298,932	3,219,016
	<u>9,298,932</u>	<u>3,219,016</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. There is no expiry date on the unutilised tax losses.

Note 7. Current assets - cash and cash equivalents

	Consolidated 2017 \$	Consolidated 2016 \$
Cash on hand	78	284
Cash at bank	2,933,049	6,563,544
	<u>2,933,127</u>	<u>6,563,828</u>

Note 8. Current assets - trade and other receivables

	Consolidated 2017 \$	Consolidated 2016 \$
Trade receivables	286,217	294,123
Less: Provision for impairment of receivables	(7,170)	-
	<u>279,047</u>	<u>294,123</u>
Other receivables	-	20,466
	<u>279,047</u>	<u>314,589</u>

Impairment of receivables

The Group has recognised a loss of \$7,170 (2016: \$ nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2017 \$	Consolidated 2016 \$
0 to 3 months overdue	<u>7,170</u>	<u>-</u>

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2017 \$	Consolidated 2016 \$
Additional provisions recognised	<u>7,170</u>	<u>-</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$87,581 as at 30 June 2017 (\$138,386 as at 30 June 2016).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Note 8. Current assets - trade and other receivables (continued)

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2017	2016
	\$	\$
0 to 3 months overdue	76,659	103,189
3 to 6 months overdue	10,922	35,197
	<u>87,581</u>	<u>138,386</u>

Note 9. Current assets - other

	Consolidated	
	2017	2016
	\$	\$
Prepayments	183,782	62,989
Rental bonds	21,210	23,013
	<u>204,992</u>	<u>86,002</u>

Note 10. Non-current assets - property, plant and equipment

	Consolidated	
	2017	2016
	\$	\$
Leasehold improvements - at cost	12,125	12,125
Less: Accumulated depreciation	<u>(8,327)</u>	<u>(4,194)</u>
	3,798	7,931
Plant and equipment - at cost	28,961	26,407
Less: Accumulated depreciation	<u>(14,251)</u>	<u>(7,846)</u>
	14,710	18,561
Computer equipment - at cost	76,684	49,775
Less: Accumulated depreciation	<u>(25,368)</u>	<u>(12,256)</u>
	51,316	37,519
	<u>69,824</u>	<u>64,011</u>

Note 10. 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:

Consolidated	Leasehold improvements \$	Plant and equipment \$	Computer equipment \$	Total \$
Balance at 1 July 2015	9,658	36,778	25,704	72,140
Additions	2,200	2,785	26,765	31,750
Disposals	-	(7,431)	(563)	(7,994)
Depreciation expense	(3,927)	(13,571)	(14,387)	(31,885)
Balance at 30 June 2016	7,931	18,561	37,519	64,011
Additions	-	2,554	32,901	35,455
Write off of assets	-	-	(3,113)	(3,113)
Depreciation expense	(4,133)	(6,405)	(15,991)	(26,529)
Balance at 30 June 2017	<u>3,798</u>	<u>14,710</u>	<u>51,316</u>	<u>69,824</u>

Note 11. Non-current assets - intangibles

	Consolidated 2017 \$	2016 \$
Goodwill - at cost	3,018,025	3,018,025
Less: Impairment	(517,569)	(517,569)
	<u>2,500,456</u>	<u>2,500,456</u>
Patents and trademarks - at cost	34,782	34,782
Less: Accumulated amortisation	(6,705)	(5,948)
	<u>28,077</u>	<u>28,834</u>
Customer contracts - at cost	1,400,007	1,400,007
Less: Accumulated amortisation	(327,050)	(170,066)
	<u>1,072,957</u>	<u>1,229,941</u>
Software - at cost	1,901	1,901
Less: Accumulated amortisation	(902)	(427)
	<u>999</u>	<u>1,474</u>
Technology platform - at cost	3,520,294	3,520,294
Less: Accumulated amortisation	(2,234,484)	(1,061,047)
	<u>1,285,810</u>	<u>2,459,247</u>
Technology under development - at cost	150,000	-
	<u>5,038,299</u>	<u>6,219,952</u>

Note 11. 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:

Consolidated	Goodwill \$	Patents and trademarks \$	Customer contracts \$	Software \$	Technology platform \$	Technology under develop- ment \$	Total \$
Balance at 1 July 2015	3,018,025	32,326	1,388,340	-	3,003,338	-	7,442,029
Additions	-	-	-	1,901	1,296,624	-	1,298,525
Impairment of assets	(517,569)	-	-	-	(541,533)	-	(1,059,102)
Amortisation expense	-	(3,492)	(158,399)	(427)	(1,299,182)	-	(1,461,500)
Balance at 30 June 2016	2,500,456	28,834	1,229,941	1,474	2,459,247	-	6,219,952
Additions	-	-	-	-	-	150,000	150,000
Amortisation expense	-	(757)	(156,984)	(475)	(1,173,437)	-	(1,331,653)
Balance at 30 June 2017	<u>2,500,456</u>	<u>28,077</u>	<u>1,072,957</u>	<u>999</u>	<u>1,285,810</u>	<u>150,000</u>	<u>5,038,299</u>

Impairment testing for goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating units ('CGU'):

	Consolidated 2017 \$	Consolidated 2016 \$
CGU 1: Corporate and Government	2,500,375	2,500,375
CGU 2: Private Practice	81	81
Total Goodwill	<u>2,500,456</u>	<u>2,500,456</u>

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

Key assumptions used for impairment assessment

The following key assumptions were used in the discounted cash flow model for both CGUs:

- (a) 15.99% pre-tax discount rate (2016: 15.62%);
- (b) Sales and direct cost of sales were forecast for a five year period, plus a terminal value based on current levels; and
- (c) Overheads were forecast based on current levels adjusted for inflationary increases.

Sensitivity analysis

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

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

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$	\$
Trade payables	370,663	182,885
Accrued expenses	304,067	131,284
PAYG Withholding payable	91,673	103,354
Other payables	111,781	33,718
	<u>878,184</u>	<u>451,241</u>

Refer to note 18 for further information on financial instruments.

Note 13. Current liabilities - employee benefits

	Consolidated	
	2017	2016
	\$	\$
Annual leave and long service leave	<u>155,270</u>	<u>201,297</u>

Note 14. Non-current liabilities - deferred tax

	Consolidated	
	2017	2016
	\$	\$
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Customer contracts and acquired technology platform	<u>475,165</u>	<u>686,485</u>
Deferred tax liability	<u>475,165</u>	<u>686,485</u>
<i>Movements:</i>		
Opening balance	686,485	907,650
Credited to profit or loss (note 6)	(154,113)	(221,165)
Opening balance adjusted to tax rate	<u>(57,207)</u>	<u>-</u>
Closing balance	<u>475,165</u>	<u>686,485</u>

Note 15. Equity - issued capital

	Consolidated			
	2017	2016	2017	2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>206,884,408</u>	<u>206,785,834</u>	<u>23,269,987</u>	<u>23,237,986</u>

Note 15. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2015	77,892,451	16,016,235
Issue of shares	17 September 2015	283,464	36,000
Issue of shares	17 September 2015	1,192,114	151,398
Issue of shares	4 November 2015	10,000,000	1,200,000
Issue of shares	30 November 2015	240,000	28,800
Issue of shares - share purchase plan	27 January 2016	250,000	30,000
Issue of shares	11 May 2016	13,636,364	750,000
Issue of share - entitlement offer	20 June 2016	42,323,302	2,327,782
Issue of shares - entitlement offer	23 June 2016	438,958	24,143
Issue of shares - entitlement offer	24 June 2016	47,095,769	2,590,267
Issue of shares	27 June 2016	12,000,001	660,000
Issue of shares - in lieu of underwriting fees	27 June 2016	1,433,411	78,838
Share issue transaction costs, net of tax		-	(655,477)
Balance	30 June 2016	206,785,834	23,237,986
Issue of shares	13 December 2016	98,574	34,501
Share issue transaction costs, net of tax		-	(2,500)
Balance	30 June 2017	<u>206,884,408</u>	<u>23,269,987</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 objective 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.

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 capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Note 16. Equity - reserves

	Consolidated	
	2017	2016
	\$	\$
Share-based payments reserve	1,366,577	1,219,976
Acquisition reserve	974,429	1,008,930
	<u>2,341,006</u>	<u>2,228,906</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:

Consolidated	Share based payment \$	Acquisition reserve \$	Total \$
Balance at 1 July 2015	840,530	1,193,080	2,033,610
Share-based payments expense	379,446	-	379,446
Transfer to accumulated losses	-	(184,150)	(184,150)
Balance at 30 June 2016	1,219,976	1,008,930	2,228,906
Transfer to issued capital	-	(34,501)	(34,501)
Share-based payments expense	146,601	-	146,601
Balance at 30 June 2017	<u>1,366,577</u>	<u>974,429</u>	<u>2,341,006</u>

Note 17. Equity - dividends

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

Note 18. 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 rate and ageing analysis for credit risk.

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

Market risk

Foreign currency risk

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

Note 18. Financial instruments (continued)

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's exposure to interest rate risk is limited to cash at bank.

An official increase/decrease in interest rates of 50 (2016: 50) basis points would have a favourable/adverse effect on profit before tax of \$14,666 (2016: \$32,818) 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) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

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.

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2017					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	370,663	-	-	-	370,663
Other payables	111,781	-	-	-	111,781
Total non-derivatives	482,444	-	-	-	482,444

	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2016					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade payables	182,885	-	-	-	182,885
Other payables	33,718	-	-	-	33,718
Contingent consideration	100,000	100,000	-	-	200,000
Total non-derivatives	316,603	100,000	-	-	416,603

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

Note 19. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

There were no assets and liabilities measured at fair value as at 30 June 2017.

Consolidated - 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Liabilities</i>				
Contingent consideration	-	-	176,266	176,266
Total liabilities	-	-	176,266	176,266

There were no transfers between levels during the financial year.

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

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

Valuation techniques for fair value measurements categorised within level 2 and level 3

Contingent consideration arising on Clinic Connect business combinations

The fair value was determined using the discounted cash flow method. Significant unobservable valuation inputs in relation to contingent consideration include achievement of pre-determined sales targets and a discount rate of 15.62%. The maximum amount to be settled in cash was \$200,000.

Level 3 assets and liabilities

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

Consolidated	Contingent consideration \$
Balance at 1 July 2015	(148,594)
Unwinding of discount	(27,672)
Balance at 30 June 2016	(176,266)
Gains recognised in profit or loss	93,738
Payments made	100,000
Unwinding of discount	(17,472)
Balance at 30 June 2017	-

Note 20. 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	Consolidated
	2017	2016
	\$	\$
Short-term employee benefits	837,467	820,223
Post-employment benefits	75,398	73,761
Share-based payments	136,741	325,478
	<u>1,049,606</u>	<u>1,219,462</u>

Note 21. Remuneration of auditors

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

	Consolidated	Consolidated
	2017	2016
	\$	\$
<i>Audit services - Bentleys NSW Audit Pty Ltd</i>		
Audit or review of the financial statements	65,500	60,000
<i>Other services - Bentleys NSW Audit Pty Ltd</i>		
Tax services	19,200	18,000
Review of fair values for business acquisitions	-	5,000
Other advisory services	7,442	-
	<u>26,642</u>	<u>23,000</u>
	<u>92,142</u>	<u>83,000</u>

Note 22. Contingent liabilities

There were no contingent liabilities which would have a material effect on the Group's financial statements as at 30 June 2017 (2016: \$ nil).

Note 23. Commitments

	Consolidated	Consolidated
	2017	2016
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	71,912	84,807
One to five years	3,150	70,112
	<u>75,062</u>	<u>154,919</u>

Operating lease commitments includes contracted amounts for commercial leases under non-cancellable operating leases expiring within one to two years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 24. Related party transactions

Parent entity

1st Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Disclosures relating to key management personnel are set out in note 20 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 25. Parent entity information

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

Statement of profit or loss and other comprehensive income

	2017 \$	Parent 2016 \$
Loss after income tax	(6,289,867)	(5,941,584)
Total comprehensive income	(6,289,867)	(5,941,584)

Statement of financial position

	2017 \$	Parent 2016 \$
Total current assets	2,435,336	6,763,097
Total assets	8,283,624	13,070,819
Total current liabilities	3,261,660	1,821,781
Total liabilities	3,261,660	1,903,089
Equity		
Issued capital	23,269,987	23,237,986
Share-based payments reserve	1,366,577	1,219,976
Acquisition reserve	974,429	1,008,930
Accumulated losses	(20,589,029)	(14,299,162)
Total equity	5,021,964	11,167,730

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 2017 and 30 June 2016.

Note 25. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- 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 26. 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 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Clinic Connect Pty Limited	Australia	100%	100%
DocAppointments.com.au Pty Limited	Australia	100%	100%
GObookings Systems Pty Limited	Australia	100%	100%

Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2017 \$	2016 \$
Loss after income tax benefit for the year	(5,129,847)	(5,022,295)
Adjustments for:		
Depreciation and amortisation	1,358,182	1,493,385
Impairment of intangibles	-	1,059,102
Share-based payments	146,601	379,446
Other non-cash transactions	-	27,672
Net gain recognised on reversal of contingent consideration	(93,738)	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	35,542	(133,109)
Decrease in income tax refund due	269,323	13,677
Decrease/(increase) in other operating assets	(118,990)	59,246
Increase in trade and other payables	437,193	853
Decrease in deferred tax liabilities	(211,320)	(221,165)
Increase/(decrease) in employee benefits	(46,027)	8,321
Net cash used in operating activities	<u>(3,353,081)</u>	<u>(2,334,867)</u>

Note 28. Earnings per share

	Consolidated 2017 \$	2016 \$
Loss after income tax attributable to the owners of 1st Group Limited	(5,129,847)	(5,022,295)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	206,839,847	90,087,132
Weighted average number of ordinary shares used in calculating diluted earnings per share	206,839,847	90,087,132
	Cents	Cents
Basic earnings per share	(2.48)	(5.57)
Diluted earnings per share	(2.48)	(5.57)

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

Note 29. 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.

2017		Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Expiry date						
01/06/2014	01/01/2024	\$0.230	2,175,919	-	-	-	2,175,919
03/10/2014	02/10/2025	\$0.230	16,666	-	-	-	16,666
27/10/2014	27/10/2024	\$0.230	2,000,015	-	-	-	2,000,015
24/02/2015	24/02/2020	\$0.350	1,000,000	-	-	-	1,000,000
03/03/2015	03/03/2020	\$0.230	2,000,000	-	-	-	2,000,000
23/03/2015	23/03/2020	\$0.350	250,000	-	-	-	250,000
13/04/2015	29/05/2020	\$0.230	2,500,000	-	-	-	2,500,000
13/04/2015	13/04/2025	\$0.500	650,000	-	-	-	650,000
13/04/2015	13/04/2025	\$0.700	650,000	-	-	-	650,000
14/04/2015	13/04/2025	\$0.350	455,000	-	-	(23,333)	431,667
17/09/2015	17/09/2020	\$0.350	940,000	-	-	(201,667)	738,333
13/12/2016	13/12/2021	\$0.105	-	500,000	-	-	500,000
			12,637,600	500,000	-	(225,000)	12,912,600
Weighted average exercise price			\$0.290	\$0.105	\$0.000	\$0.350	\$0.285

Note 29. Share-based payments (continued)

2016

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
01/06/2014	01/01/2024	\$0.230	2,192,585	-	-	(16,666)	2,175,919
03/10/2014	02/10/2025	\$0.230	50,000	-	-	(33,334)	16,666
27/10/2014	27/10/2024	\$0.230	2,000,015	-	-	-	2,000,015
24/02/2015	24/02/2020	\$0.350	1,000,000	-	-	-	1,000,000
03/03/2015	03/03/2020	\$0.230	2,000,000	-	-	-	2,000,000
23/03/2015	23/03/2020	\$0.350	250,000	-	-	-	250,000
13/04/2015	29/05/2020	\$0.230	2,500,000	-	-	-	2,500,000
13/04/2015	13/04/2025	\$0.500	650,000	-	-	-	650,000
13/04/2015	13/04/2025	\$0.700	650,000	-	-	-	650,000
14/04/2015	13/04/2025	\$0.350	455,000	-	-	-	455,000
17/09/2015	17/09/2020	\$0.350	-	940,000	-	-	940,000
			11,747,600	940,000	-	(50,000)	12,637,600
Weighted average exercise price			\$0.290	\$0.350	\$0.000	\$0.230	\$0.290

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

Grant date	Expiry date	2017 Number	2016 Number
01/06/2014	01/01/2024	2,175,904	1,570,046
03/10/2014	02/10/2025	16,666	16,666
27/10/2014	27/10/2024	2,000,015	1,333,344
24/02/2015	24/02/2020	750,000	500,000
03/03/2015	03/03/2020	2,000,000	2,000,000
23/03/2015	23/03/2020	187,500	125,000
13/04/2015	13/04/2020	1,944,443	1,388,888
14/04/2015	13/04/2025	291,667	151,667
17/09/2015	19/09/2020	301,667	-
		9,667,862	7,085,611

The weighted average share price during the financial year was \$0.052 (2016: \$0.082)

The weighted average remaining contractual life of options outstanding at the end of the financial year was 5.7 years (2016: 6.9 years).

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
13/12/2016	13/12/2021	\$0.055	\$0.105	60.00%	-	2.15%	\$0.020

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

Share-based payments for the year ended 30 June 2017 amounted to \$146,601 (2016: \$379,446)

Note 30. Events after the reporting period

On 2 August 2017, the Company entered into a convertible debt facility ('Standby facility') agreement with its cornerstone shareholder, Mr John Plummer, for a maximum drawdown of \$2,000,000. Interest is payable at the Reserve Bank of Australia ('RBA') cash rate plus 8.5% per annum, payable quarterly in arrears. The maximum term of the facility is 2 years ending 1 August 2019 and currently, the facility is undrawn. The facility is convertible to Equity in the Company at the election of the Company (subject to Shareholder approval and compliance with the Corporations Act) at a 15% discount to the 30 Day Volume weighted average share price ('VWAP') prior to conversion.

No other matter or circumstance has arisen since 30 June 2017 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.

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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 1 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 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Trevor Matthews
Chairman

26 September 2017
Sydney



Klaus Bartosch
Managing Director and Chief Executive Officer

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1st Group Limited (Formerly known as 1st Available Ltd)
ABN: 25 138 897 533

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

Report on the Audit of the Financial Report

We have audited the financial report of 1st Group Limited (the Company) and its Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the Directors' Declaration of the Consolidated Entity comprising of the Company and the entities it controlled at the year's end or from time to time during the year.

In our opinion:

- a) the financial report of the Consolidated Entity 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 2017 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated Entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Going Concern The Consolidated Entity has incurred a loss of \$5.13m for the year ended 30 June 2017 and is expected to continue to be loss making for the year ended 30 June 2018. The entity also had net operating cash outflows of \$3.35m for the year ended 30 June 2017.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We have obtained the current cash flow forecasts and budgets and discussed the assumptions with management. • We have examined and reviewed the contract entered by the company with its cornerstone shareholder for a convertible debt facility ('Standby facility') agreement, for a maximum drawdown of \$2,000,000. This facility is undrawn up to the date of audit report.
<p>Impairment of Assets including Goodwill Due to the current reduced share price and ongoing losses there is a risk that the assets are impaired. Revenue forecasts have been slower to ramp up than as expected. Due to these impairment indicators a review of intangible assets has been carried out.</p>	<p>Our procedures included, amongst others;</p> <ul style="list-style-type: none"> • We have reviewed the impairment models prepared by management and discussed with them their assumptions and methodology. • We have carried out sensitivity analysis on the impairment models.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated Entity's annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Consolidated Entity 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 directors determine is necessary to enable the preparation of the financial report that are free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Australian Accounting Standards AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

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 management either intends to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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

We have audited the remuneration report included in pages 9 to 15 of the Directors' Report for the year ended 30 June 2017. The directors of the Consolidated Entity are responsible for the preparation and presentation of the remuneration report in accordance with s300A 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.

In our opinion the remuneration report of 1st Group Limited for the year ended 30 June 2017 complies with s300A of the *Corporations Act 2001*.



Bentleys NSW Audit Pty Ltd



Robert Evett
Director

Sydney, 26 September 2017

The shareholder information set out below was applicable as at 15 September 2017.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	11	-
1,001 to 5,000	14	-
5,001 to 10,000	55	1
10,001 to 100,000	266	13
100,001 and over	168	17
	514	31
Holding less than a marketable parcel	-	-

Equity security holders

Twenty largest quoted equity security holders

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

	Number held	Ordinary shares % of total shares issued
Mr John Charles Plummer	61,898,807	29.92
Mr Anthony Gandel & Mrs Helen Gandel	27,272,728	13.18
RJM Luu Pty Ltd	8,209,959	3.97
Mr Victor John Plummer	7,000,000	3.38
Moore Family Nominee Pty Ltd	5,829,850	2.82
Miller Holdings (International) Pty Ltd	4,601,204	2.22
Outlook Drive Investments Pty Ltd	4,464,285	2.16
T & M Matthews Pty Ltd & Matthews Securities Pty Limited	4,200,000	2.03
Mr Klaus Bartosch & Mrs Edith Bartosch & NGIGTO Pty Ltd	2,855,226	1.38
Iiwella Pty Ltd	2,316,638	1.12
Towns Corporation Pty Ltd	2,002,267	0.97
High Pass Holdings Pty Ltd	2,000,000	0.97
Foster Stockbroking Nominees Pty Ltd	1,940,932	0.94
Newton Holdings Pty Ltd	1,921,828	0.93
Inteq Limited	1,862,495	0.90
Barbary Coast Investments Pty Ltd	1,716,528	0.83
HSBC Custody Nominees (Australia) Limited	1,715,747	0.83
Merrill Lynch (Australia) Nominees Pty Ltd	1,669,667	0.81
PBC Investments Pty Limited	1,500,000	0.73
The Summit Hotel Bondi Beach Pty Ltd	1,396,429	0.67
	146,374,590	70.76

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	17,186,633	31

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

Name	Class	Number held
NGIGTO Pty Ltd	Options over ordinary shares issued	4,906,943

Substantial holders

Substantial holders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
Mr John Charles Plummer	61,898,807	29.92
Mr Anthony Gandel & Mrs Helen Gandel	27,272,728	13.18

Voting rights

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

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Directors	Trevor Matthews - Non-Executive Chairman Klaus Bartosch - Managing Director and Chief Executive Officer Richard Arnold - Non-Executive Director Amanda Hagan - Non-Executive Director
Details of Annual General Meeting	Whittens & McKeough Level 29, 201 Elizabeth Street Sydney, NSW 2000 2:00 PM on Tuesday 28 November 2017
Company secretary	Andrew Whitten
Registered office	C/o Whittens & McKeough Level 29, 201 Elizabeth Street Sydney, NSW 2000 Tel: 1300 266 517
Principal place of business	2C, Level 2, 2-12 Foveaux Street Surry Hills Sydney, NSW 2010 Tel: 1300 266 517
Share register	Link Market Services Limited Level 12, 680 George street Sydney, NSW 2000 Tel: 1300 554 474
Auditor	Bentleys NSW Audit Pty Ltd Level 10, 10 Spring Street Sydney, NSW 2000
Solicitors	Whittens & McKeough Level 29, 201 Elizabeth Street Sydney, NSW 2000
Stock exchange listing	1st Group Limited shares are listed on the Australian Securities Exchange (ASX code: 1ST)
Website	http://www.1stgrp.com
Corporate Governance Statement	The Corporate governance statement which will be approved at the same time as the Annual Report can be found at http://1stgrp.com/cgspolicy