# 1st Available Ltd

**ABN 25 138 897 533**

# Annual Report - 30 June 2014

# 1ST AVAILABLE LTD ABN: 25 138 897 533
# DIRECTORS REPORT

## Directors' Report

The directors of 1st Available Ltd (the "**Company"** or "**1stAvailable"**) submit this annual report (the "**Annual Report"**) of the Company for the financial year ended 30 June 2014 (the "**Financial Year"**). In order to comply with the provisions of the Corporations Act 2001, the directors of the Company report the following:

## Board of Directors

The names and particulars of the Directors of the Company during or since the end of the Financial Year are:

**Richard Arnold – Non-Executive Chairman**

Richard is the Chief Financial Officer, and Vice President of Strategy and Corporate Development at CrowdFlower Inc., the world's leading enterprise crowdsourcing company, based in San Francisco, California. Richard was appointed to the Board of the Company on 2 February 2012, and accepted the Chairmanship of the Company on 20 September 2013.

Prior to joining CrowdFlower, Richard 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. He previously served as a member of the Board of Directors and Chairman of the Audit Committee of Intellisync Corporation (NADSAQ: SYNC) from 2004 to 2006 and as a member of the board of Directors and Chairman of the Audit Committee of Saint Bernard Software, Inc. (NASDAQ: SBSW) from 2006 to 2007.

From 2001 to 2006, Richard served as a founding partner of Committed Capital Proprietary Limited, a private equity investment company based in Sydney, Australia. From 1999 to 2001, he served as 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 CFO with Charles Schwab Corporation (NASDAQ: SCHW), a large securities brokerage and financial services company.

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.

Richard is a Fellow of the Australian Institute of Company Directors.

**Klaus Bartosch – Managing Director, Founder**

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 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 together with the Company's founder, Dr Rick Luu. Klaus acted as Executive Chairman of the Company from 16 December 2011 until 20 September 2013, at which time he accepted the appointment as Managing Director.

He 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 customers, and which was recognised in 2011 as a Gartner Cool Vendor.

Klaus was formerly Sales and Marketing Director for the then publically listed Hostworks where he helped increase shareholder value by over 400% in just 4 years, prior to it being acquired by Macquarie Group in 2007 for approximately $69 million. 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 CEO of MSI Solutions and has held various senior executive roles for major multi-national companies in the IT industry.

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.

**Dr Rick Luu – Non-Executive Director, Founder**

Rick graduated with a Bachelor of Dental Surgery (Honours) from the University of Sydney in 2001. He followed in the medical tradition of his family, his eldest sister is a pharmacist and another is a practicing Endocrinologist. To complete the skills required for the foundation on which the Company was built, Rick's other siblings are an accountant and an IT networking specialist. It was this wealth of knowledge at Rick's disposal that helped him to formulate the initial vision for 1stAvailable.

Upon graduation, Rick worked in both the public and private health sectors as a practicing dentist. He purchased his own dental surgery in 2003, opened a branch practice in January 2006, relocated and expanded the initial practice in March 2007 and sold the branch practice in October 2007. In March 2009 he sold the primary practice to Dental Partners.

Rick understands the demands and pressures facing health professionals running their own small businesses, the business model of private health care and the industry's need to acquire and retain patients.

Rick is a Member of the Australian Institute of Company Directors.

**Garry Charny, Proposed Non-Executive Director**

Garry is the Managing Director and Principal of Wolseley Corporate & Media, a Sydney based advisory house. Prior to that, he was joint Managing Director of Accord Capital, a Sydney based venture capital group and before that practiced for over a decade as a barrister at the Sydney Bar with a specialty in corporate, mergers and acquisitions and media.

A longtime advisor to some of Australia's largest corporate investors and media owners, Garry has advised on numerous transactions in Australia and abroad. He is currently President of the New York based Boost Media International LLC and one of the founding shareholders of Boost Media International, an international media business operating throughout South-East Asia, India and the USA and is a director of Boost Media International.

Garry was responsible for the creation of the April Entertainment Group, which was one of Australia's leading private equity financiers of feature films in Australia, and which he chaired for almost a decade.

Garry has sat on numerous boards over the past two decades including The Macquarie Radio Network, Manboom, Magic Millions, April Entertainment, the Apparel Group and 360 Capital Property Group Limited (formerly Trafalgar Corporate Group Limited).

Garry will be appointed to the board in November 2014.

**Andrew Whitten - Company Secretary**

Andrew is an admitted solicitor with a specialty in Corporate Finance and Securities Law and is a Solicitor Director of Whittens Lawyers & Consultants.

Andrew is currently the company secretary of a number of publicly listed companies. He is also a responsible officer of a Nominated Advisor to the National Stock Exchange of Australia Limited.

Andrew 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 Institute of Chartered Secretaries.

Andrew is an elected Associate of the Institute of Chartered Secretaries.

## Principal Activities

1st Available is an unlisted Australian public company whose mission is *"to deliver an online service that ensures anyone can find and book all their healthcare appointments from one online site via a 1stAvailable mobile app or a PC, even after hours."*

The Company is commercialising its online healthcare appointment booking service developed by its founders, Dr Rick Luu and Klaus Bartosch. 1st Available is modelled on the enormously successful online booking agencies which have evolved to dominate industries such as travel, accommodation and entertainment.

The Company commercially launched its service in April 2012 and targets the GP, Dental, Physiotherapy, Massage Therapists and Chiropractic markets as well as other sectors of the Australian healthcare industry. The Company has spent over four years developing its proprietary search and appointment booking technology, and two years maturing its product capability, marketing and sales processes and tools which has resulted in a successful model for attracting and retaining new customers. The Company intends to accelerate an aggressive sales and marketing campaign to drive growth into its target market estimated at 400,000 Practitioners in Australia. The directors estimate that this target market has a market value in excess of $100 million of sustainable annual revenue potential.

1st Available provides a much needed alternative to the existing clumsy, inefficient and hard-to-use methods by which most healthcare consumers find and schedule their appointments with doctors, dentists, and other healthcare professionals. It also provides healthcare professionals with an ability to secure new patients and retain existing ones cost-effectively – a one stop location that will list all healthcare professionals irrespective of whether they have subscribed to 1st Available's service.

While the Company has no current international activities, growth initiatives into New Zealand and other markets are envisaged once the Company becomes firmly established in the Australian market.

## Review of Operations

During the Financial Year, the Company continued to commercialise its online healthcare appointment booking service, resulting in a substantial increase in practitioners using the site and booking volumes and a loss after providing for income tax of $2,317,402 (2013: loss of $1,707,966).

The following review of operations is provided:

### Strategic Partnering

During the Financial Year, the Company extended considerable resources developing a strategic relationship with the insurer NIB, as a result of which the Company signed an important strategic partnering agreement with NIB in August 2014.

Over the past several months, the Company has been working closely to integrate NIB's Whitecoat.com.au website with that of 1stAvailable. It is intended that all 1stAvailable customers will appear on the Whitecoat site, enhancing the opportunity for the Company's customers to attract new patients. NIB will shortly commence direct marketing campaigns to an initial 30,000 practitioners to encourage them to sign up to 1st Available, and then to the further 95,000 practitioners who are in their database through jointly developed campaigns.

In addition, subject to successful sales growth from these activities, NIB intend to then market 1st Available/Whitecoat to their one million insured members, suggesting that they visit the Whitecoat website to book an appointment with a healthcare provider through 1stAvailable. The formal launch of the NIB/1st Available partnership is planned to occur later this calendar year.

Also during the Financial Year, the Company worked to develop and commence a similar trial with a second major health insurer. This trial is ongoing and will continue until 1 November 2014 during which time the insurer has informed the Company that it intends to integrate the 1stAvailable solution for its customers within its primary "Find a Provider" search site. This will mean that the insurer's members searching for new providers each month will now be presented with the opportunity to book an appointment online through their primary insurer's site

### Practice Management Software (PMS) Integrations

1st Available partners with a number of PMS vendors in Australia across GP, Dental, Allied and Specialists healthcare markets. PMS integration with 1stAvailable reduces the workload of our clients' reception personnel and streamlines appointment selection by their patients, and is important to the successful adoption of our services amongst practices that use PMS systems.

Since February 2014, the Company has developed a number of upgrades or replacements to our current integrations to improve performance or reliability. We expect to add at least four new PMS integrations to the eight that we already have within the next six months which is important to supporting our strategic partnering arrangements, and to more extensively serve the requirements of the allied healthcare and dental markets. Others integrations are planned to follow.

As at the date of this Annual Report, we estimate that through completed integrations with PMS systems we are able to provide integrated solutions to around 90% of the GP and 40% of the dental markets, 60% of the specialist market and 15% of the allied health markets. We also estimate that there are approximately 100,000 allied health practitioners in Australia that do not use a PMS and are able to use 1stAvailable.com.au without PMS integration, as a stand alone, full function appointment booking solution. Our solution can also be used without integration with an existing PMS system.

In the past, we have sought to rely upon our PMS partners to develop these integrations. During the Financial Year we determined that this approach has resulted in lengthy delays and as a result, we are now developing integrations through our own development activities and resources whenever possible.

We believe that the completion of the PMS integrations described above gives us a significant competitive advantage over our competitors and will enable us to deliver on our strategy of providing true convenience to the consumer – the ability to book all of their healthcare services in a single place.

**Growth in Practitioner Numbers / Subscribers**

As at 30 Sep 2014, the Company had 699 active Practitioner Members (part and full-time) using 1st Available in GP, Dental, Physiotherapy, Massage Therapists and Chiropractic markets as well as other sectors. This excludes a strategic relationship with a large corporate healthcare provider to make the Company's services available to its ~2,500 GPs which we expect to be adding during 2015. This deployment has been delayed due to a major change in the internal PMS system that is now being rolled out by this corporate provider.

Our practitioner customers are charged for their use of our service on a per appointment book basis per month, which is determined on a full-time equivalent basis.

The strategic partnering arrangement with companies such as NIB are expected to deliver significantly increased subscribers and resultant revenues.

**Growth in Booking Volumes**

We are continuing to see growth in booking volumes which we expect will ramp up once the marketing campaign with NIB is implemented. We recognize the importance of consumers having a good experience when using our site and have purposely not conducted extensive consumer marketing campaigns until such time as our practitioner subscriber numbers have increased.

Our highest number of online bookings were achieved in September 2014 with 3,593 appointments for the month – a 100% increase from the 1,797 bookings completed in July of 2013.

**Growth in Patient Member Volumes**

New patient registrations show that 24,061 patients were registered on the Company's system at September 2014 – an increase of 478 % from the 5,025 registered at 31 July 2013. We attribute a substantial portion of this growth to the strategy that we implemented during the Financial Year to encourage our new practitioner subscribers to promote the use of our site to their own existing client base and increased focus on the GP sector.

**Success of our Mobile App**

Our mobile apps continue to be well received by our patient users, with over 14,000 downloads to date across Apple and Android devices.

We have also been releasing co-branded mobile applications that have the branding of some of our larger corporate clients with the tagline "*powered by 1stAvailable.*" The co-branded mobile applications provide the same functionality as the 1stAvailable mobile application and provides a strong incentive for corporate clients to market 1stAvailable to all of their patients on all of their marketing. A great example of the co-branding can be seen at www.medicross.com.au. You can search for the co-branded apps in either the Apple or Android app store under "1stAvailable."

**Competitor Update**

Your Board is mindful of the competitive environment, and is continuing to explore various strategic options that will enable the Company to compete effectively in its market. These options include, amongst other things, potential acquisitions and strategic partnering arrangements with other entities who provide services to our existing marketplace.

**Resignation of Non-Executive Directors**

It was with great reluctance that your board accepted the resignations of Grant Harrod and Mark Kehoe in July 2014. Each of these individuals had been appointed to the Board in part due to their previous experience as directors of larger enterprises. In resigning each indicated that their external responsibilities prevented them from having the time required to properly fulfil their responsibilities as directors of a smaller, earlier stage company still evolving its strategy.

Both Grant and Mark remain as shareholders of 1stAvailable and are supportive of the Company's future direction.

We are delighted that Garry Charny who has significant business expertise and a track record in assisting early-stage businesses with their growth and development, joined our Board in November 2014.

**Capital Raisings**

During the Financial Year, the Company raised $2,975,590 after offer costs from sophisticated or professional investors from private placements of ordinary shares. Details of these capital raisings are described in note 15 to the Financial Statements included in this Annual Report.

**Convertible Notes**

The Company issued convertible notes totalling $65,000 in July 2013 and subsequently redeemed convertible notes totalling $65,000 in April 2014.

Noteholders representing $516,774 in face value, agreed to extend the redemption date of their convertible notes to 1 June 2015. Details of these convertible notes are set out in notes 12 and 16 to the financial statements.

## Changes in State of Affairs

During the Financial Year, there was no significant change in the state of the affairs of the Company other than as referred to in the Financial Report.

**Subsequent Events**

There has not been any matter or circumstance, other than those referred to in the Financial Report or itemized below, occurring subsequent to the end of the Financial Year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

**Issue of ordinary shares**

Subsequent to the Financial Year, the Company:

(a) allotted 52,344,465 ordinary shares to sophisticated or professional investors that complied with section 708 of the Corporations Law that raised $1,172,517 before offer costs; and

(b) allotted 3,348,214 restricted shares ("**Restricted Shares**") with a total value of $75,000 to Garry Charny upon his appointment as a director. These Restricted Shares vest in equal annual instalments over three years, with the first one-third vesting to occur one year from the date of Mr Charny joining the Board. Vesting would cease upon Mr Charny's departure from the Board and would fully accelerate in the event of any sale of the Company or of the majority of its assets. The Company retains the right to terminate vesting of these restricted shares in the event that it elects to convert to paying Mr Charny's Board Fees in cash. In the event of termination of vesting as a result of either of the above events, partial year vesting shall be provided up to the date of the termination.

**Research and Development Tax Offset Claim**

The Company submitted a claim to the Australian Tax Office in August 2014 of $573,677 in respect of a research and development tax offset which was received on 30 August 2014.

**Proposed Initial Public Offering on ASX**

The Company intends to undertake a listing on the ASX during 2015. To this effect, the Company has retained Inteq Limited and Claymore Capital Pty Limited as joint lead managers for the listing. The directors expect that a resolution to consolidate the number of shares and options on issue will be included in the Notice of Meeting for the upcoming annual general meeting to be held in late November 2014.

The directors are mindful that a successful IPO will depend upon the Company achieving certain commercial milestones and also the investment market conditions being favourable at that time.

**Future Developments**

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this Annual Report.

**Environmental Regulations**

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

**Shares under Option**

Shareholders approved the establishment of the Company's Employee Share Option Plan ("1st Available Ltd Option Plan") at the meeting held on 27 November 2013. As at the end of the Financial Year, the Company had granted 38,688,214 options pursuant to this Plan, details of which are set out in note 23 to the financial statements. Subsequent to the end of the Financial Year, the Company granted additional options as described in note 22 to the financial statements.

**Shares Issued on the Exercise of Options**

There were no shares of the Company issued on the exercise of options during the Financial Year and up to the date of this Annual Report.

## Dividends

There were no dividends paid, recommended or declared by the directors in respect of the Financial Year or previous year.

## Indemnification 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 liability and the amount of the premium.

## Indemnification and Insurance of Auditor

The Company has not, during or since 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.

## Directors' Meetings

During the Financial Year, 9 meetings of the directors were held, which were attended by all directors at that time.

Additional matters for the Board of Directors were also dealt with by Circular Resolutions or special meetings.

## Directors' Meetings

During the Financial Year, 9 meetings of the directors were held, which were attended by all directors at that time.

Additional matters for the Board of Directors were also dealt with by Circular Resolutions or special meetings.

## Auditor's Independence Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 3 of the Annual Report.

This Directors' Report is signed in accordance with a resolution of the directors made pursuant to s.298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

.....
**Klaus Bartosch**
**Director**

.....
**Richard Arnold**
**Director**

Sydney, 4th November 2014

logicca

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**1ST AVAILABLE LIMITED ABN: 25138897533**
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF 1ST AVAILABLE LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 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.

Name of Firm: Logicca Assurance Pty Limited

Name of Partner: Peter Hersh

Address: Level 6
151 Macquarie Street
SYDNEY NSW 2001

Dated this 5th day of November 2014

## Contents



## General information

The financial statements cover 1st Available Ltd as an individual entity. The financial statements are presented in Australian dollars, which is 1st Available Ltd's functional and presentation currency.

1st Available Ltd is a company limited by shares.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 4th November 2014. The directors have the power to amend and reissue the financial statements.

**1st Available Ltd**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2014**

| | Note | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| **Revenue** | 3 | 99,229 | 165,246 |
| Other income | 4 | - | 106 |
| **Expenses** | | | |
| Advertising and marketing expenses | | (456,880) | (484,081) |
| Operations and administration expenses | | (1,221,074) | (769,624) |
| Employee expenses | | (1,025,263) | (1,262,474) |
| Depreciation and amortisation expense | | (286,990) | (170,497) |
| **Loss before income tax benefit** | | (2,890,978) | (2,521,324) |
| Income tax benefit | 5 | 573,677 | 813,358 |
| **Loss after income tax benefit for the year attributable to the owners of 1st Available Ltd** | 17 | (2,317,301) | (1,707,966) |
| Other comprehensive income for the year, net of tax | | - | - |
| **Total comprehensive income for the year attributable to the owners of 1st Available Ltd** | | (2,317,301) | (1,707,966) |

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

**1st Available Ltd**
**Statement of financial position**
**As at 30 June 2014**

| | Note | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 381,823 | 104,235 |
| Trade and other receivables | 7 | 700,129 | 531,388 |
| Other | 8 | 74,776 | 63,556 |
| Total current assets | | 1,156,728 | 699,179 |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 41,430 | 39,310 |
| Intangibles | 10 | 1,240,159 | 896,878 |
| Total non-current assets | | 1,281,589 | 936,188 |
| **Total assets** | | 2,438,317 | 1,635,367 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 11 | 297,046 | 280,521 |
| Borrowings | 12 | 463,846 | 409,199 |
| Provisions | 13 | 50,603 | 49,708 |
| Other | 14 | 181,373 | 108,779 |
| Total current liabilities | | 992,868 | 848,207 |
| **Total liabilities** | | 992,868 | 848,207 |
| **Net assets** | | 1,445,449 | 787,160 |
| **Equity** | | | |
| Issued capital | 15 | 6,578,106 | 3,602,516 |
| Convertible notes | 16 | 14,317 | 14,317 |
| Accumulated losses | 17 | (5,146,974) | (2,829,673) |
| **Total equity** | | 1,445,449 | 787,160 |

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

**1st Available Ltd**
**Statement of changes in equity**
**For the year ended 30 June 2014**

| | Convertible Notes $ | Share capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2012 | - | 2,012,249 | (1,121,707) | 890,542 |
| Loss after income tax benefit for the year | - | - | (1,707,966) | (1,707,966) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (1,707,966) | (1,707,966) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Convertible notes | 14,317 | - | - | 14,317 |
| Issue of ordinary shares | - | 1,590,267 | - | 1,590,267 |
| Balance at 30 June 2013 | 14,317 | 3,602,516 | (2,829,673) | 787,160 |

| | Convertible Notes $ | Share Capital $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2013 | 14,317 | 3,602,516 | (2,829,673) | 787,160 |
| Loss after income tax benefit for the year | - | - | (2,317,301) | (2,317,301) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive income for the year | - | - | (2,317,301) | (2,317,301) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Issue of ordinary shares | - | 2,975,590 | - | 2,975,590 |
| Balance at 30 June 2014 | 14,317 | 6,578,106 | (5,146,974) | 1,445,449 |

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

**1st Available Ltd**
**Statement of cash flows**
**For the year ended 30 June 2014**

| | Note | 2014<br>$ | 2013<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 87,714 | 168,172 |
| Payment to suppliers and employees | | (2,664,808) | (2,304,350) |
| | | (2,577,094) | (2,136,178) |
| Interest received | | 9,884 | 5,544 |
| Other revenue | | - | 106 |
| Interest and other finance costs paid | | (94,077) | - |
| Income taxes refunded/(paid) | | 593,309 | 302,605 |
| Net cash used in operating activities | | (2,067,978) | (1,827,923) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 9 | (21,541) | (733) |
| Payments for intangibles | 10 | (611,513) | (567,956) |
| Loans and (repayments) from related parties | | - | (60,248) |
| Proceeds from release of security deposits | | 3,030 | 2,513 |
| Net cash used in investing activities | | (630,024) | (626,424) |
| **Cash flows from financing activities** | | | |
| Redemption of convertible notes | | (65,000) | - |
| Issue of convertible notes | | 65,000 | 516,774 |
| Convertible notes transaction costs | | - | (93,258) |
| Net proceeds from issue of shares | | 2,975,590 | 1,590,267 |
| Net cash from financing activities | | 2,975,590 | 2,013,783 |
| Net increase/(decrease) in cash and cash equivalents | | 277,588 | (440,564) |
| Cash and cash equivalents at the beginning of the financial year | | 104,235 | 544,799 |
| Cash and cash equivalents at the end of the financial year | 6 | 381,823 | 104,235 |

*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, revised or amending Accounting Standards and Interpretations adopted

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

Any new, revised or amending 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 - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

*Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

*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 company'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.

### Revenue recognition

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

*Sale of goods*

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

*Rendering of services*

Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

*Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

**Note 1. Significant accounting policies (continued)**

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply 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 each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**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 current when: it is expected to be realised or intended to be sold or consumed in 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 current when: it is expected to be settled in 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 company 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 60 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.

**Note 1. Significant accounting policies (continued)**

**Investments and other financial assets**
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

*Impairment of financial assets*
The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

**Property, plant and equipment**
Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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

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

| Class of fixed asset | Depreciation rate |
|---|---|
| Computer equipment | 25% |
| Plant and equipment | 20% |
| Leasehold improvements | 20% |

The depreciation rates used for each class of depreciable assets are as follows:

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

**Note 1. Significant accounting policies (continued)**

**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.

*Patents and trademarks*
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

*Software*
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

*Research and Development*
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

**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 company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

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

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

**Note 1. Significant accounting policies (continued)**

**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, including interest on short-term and long-term borrowings.

**Provisions**
Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company 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 within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

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

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

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

**Note 1. Significant accounting policies (continued)**

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

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

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

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

**Issued capital**
Ordinary shares are classified as equity.

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

**Convertible Notes**
Convertible notes are separated into liability and equity components based on the terms of the contract. On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised costs (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity.

Transaction costs are apportioned between liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

**Goods and Services Tax ('GST') and other similar taxes**
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Going Concern**
The financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

**Note 1. Significant accounting policies (continued)**

The Company has incurred losses since inception and, as at 30 June 2014, had an accumulated losses of $5,146,974. As at 30 June 2014, the Company had cash on hand of $381,823. The Company has intangibles assets totalling $1,240,159 as at 30 June 2014 whose recoverability would be doubtful should the going concern assumption be incorrect.

The directors have prepared cash flow projections that support the ability of the Company to continue as a going concern. These cash flow projections assume the Company obtains sufficient additional funding from shareholders or other parties that, when supplemented by existing resources, will finance the business until such time as it becomes profitable and cash flow positive.

Subsequent to the end of the Financial Year, the Company lodged a claim to the Australian Taxation Office of $573,677 in respect of a research and development tax offset, which claim was paid to the Company on 30 August 2014. In addition, the Company allotted 52,344,465 ordinary shares to sophisticated or professional investors that complied with section 708 of the Corporations Law, raising $1,172,517 before offer costs.

The Company has also entered into a strategic marketing agreement with NIB which is expected to assist the Company to secure subscribers, and continues to market its services using both direct and indirect strategies.

**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.

*Provision for impairment of receivables*
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

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

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

*Goodwill and other indefinite life intangible assets*
The Company 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.

## Note 2. Critical accounting judgements, estimates and assumptions (continued)

*Income tax*
The Company 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 Company recognises liabilities for anticipated tax audit issues based on the Company'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. Revenue

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Subscriptions fees | 89,345 | 159,702 |
| Interest | 9,884 | 5,544 |
| Revenue | 99,229 | 165,246 |

## Note 4. Other income

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Miscellaneous income | - | 106 |

## Note 5. Income tax benefit

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| *Income tax benefit* | | |
| Current tax | (573,677) | (813,358) |
| Aggregate income tax benefit | (573,677) | (813,358) |
| *Numerical reconciliation of income tax benefit and tax at the statutory rate* | | |
| Loss before income tax benefit | (2,890,978) | (2,521,324) |
| Tax at the statutory tax rate of 30% | (867,293) | (756,397) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Tax losses not taken up as deferred tax asset | 867,293 | 756,397 |
| | - | - |
| Research and development tax incentives | (573,677) | (813,358) |
| Income tax benefit | (573,677) | (813,358) |

## Note 6. Current assets - cash and cash equivalents

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Cash on hand | 700 | 500 |
| Cash at bank | 381,123 | 103,735 |
| | 381,823 | 104,235 |

## Note 7. Current assets - trade and other receivables

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Trade receivables | 1,631 | - |
| Other receivables | 100,749 | - |
| Australian Taxation Office - R&D claim | 573,677 | 511,756 |
| BAS receivable | 24,072 | 19,632 |
| | 700,129 | 531,388 |

## Note 8. Current assets - other

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Prepayments | 44,332 | 30,082 |
| Security deposits | 10,444 | 10,444 |
| Rental bond | 20,000 | 23,030 |
| | 74,776 | 63,556 |

## Note 9. Non-current assets - property, plant and equipment

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Leasehold improvements - at cost | 14,657 | - |
| Less: Accumulated depreciation | (6,718) | - |
| | 7,939 | - |
| Plant and equipment - at cost | 38,449 | 37,019 |
| Less: Accumulated depreciation | (16,673) | (9,031) |
| | 21,776 | 27,988 |
| Computer equipment - at cost | 19,762 | 15,774 |
| Less: Accumulated depreciation | (8,047) | (4,452) |
| | 11,715 | 11,322 |
| | 41,430 | 39,310 |

| | Leasehold Improvements<br>$ | Plant and Equipment<br>$ | Computer Equipment<br>$ | Total<br>$ |
|---|---|---|---|---|
| Balance at 1 July 2013 | - | 27,988 | 11,322 | 39,310 |
| Additions | 14,657 | 1,416 | 5,468 | 21,541 |
| Disposals | - | - | (663) | (663) |
| Depreciation expense | (6,718) | (7,628) | (4,412) | (18,758) |
| Balance at 30 June 2014 | 7,939 | 21,776 | 11,715 | 41,430 |

## Note 10. Non-current assets - intangibles

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Patents and trademarks - at cost | 15,146 | 15,146 |
| Less: Accumulated amortisation | (1,697) | (939) |
| | 13,449 | 14,207 |
| Software - at cost | 3,261 | 3,207 |
| Less: Accumulated amortisation | (1,606) | (804) |
| | 1,655 | 2,403 |
| Technology platform - at cost | 1,574,831 | 963,372 |
| Less: Accumulated amortisation | (403,366) | (155,148) |
| | 1,171,465 | 808,224 |
| Marketing strategy report - at cost | 92,273 | 92,273 |
| Less: Accumulated amortisation | (41,420) | (22,966) |
| | 50,853 | 69,307 |
| Other intangibles - at cost | 2,737 | 2,737 |
| | 1,240,159 | 896,878 |

| | Patents and trademarks<br>$ | Software<br>$ | Technology platform<br>$ | Marketing strategy report<br>$ | Other intangibles<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| Balance at 1 July 2013 | 14,207 | 2,403 | 808,224 | 69,307 | 2,737 | 896,878 |
| Additions | - | 54 | 611,459 | - | - | 611,513 |
| Amortisation expense | (758) | (802) | (248,218) | (18,454) | - | (268,232) |
| Balance at 30 June 2014 | 13,449 | 1,655 | 1,171,465 | 50,853 | 2,737 | 1,240,159 |

## Note 11. Current liabilities - trade and other payables

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Trade payables | 199,439 | 198,634 |
| PAYG witholding payable | 68,785 | 57,666 |
| Other payables | 28,822 | 24,221 |
| | 297,046 | 280,521 |

## Note 12. Current liabilities - borrowings

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Convertible notes payable | 463,846 | 409,199 |

Refer to Note 16 for further information on Convertible Notes.

## Note 13. Current liabilities - provisions

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Annual leave | 50,603 | 49,708 |

## Note 14. Current liabilities - other

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Audit Fees | 25,000 | 12,500 |
| Inteq Fees | 11,321 | - |
| BSI Fees (R&D) | 57,368 | 51,175 |
| MathMarketing | 24,101 | - |
| Wages | 42,008 | 20,623 |
| Other | 21,575 | 24,481 |
| | 181,373 | 108,779 |

## Note 15. Equity - issued capital

| | 2014<br>Shares | 2013<br>Shares | 2014<br>$ | 2013<br>$ |
|---|---|---|---|---|
| Ordinary shares - fully paid | 441,160,892 | 293,908,344 | 6,578,106 | 3,602,516 |

*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.

## Note 16. Equity - convertible notes

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Convertible Notes | 14,317 | 14,317 |

The Company issued 516.774 Convertible Notes ("Notes") for a face value of $516,774 during 2013. The discounted value of the equity portion was $14,317 and the liability portion was $409,199. Total transactions costs were $93,258.

During 2014, 65 Notes were issued and subsequently 65 Notes were redeemed. Each Note has the following terms:

Term Date
The term date for the Notes has been extended from 8 June 2014 to 1 June 2015.

Interest Rate
Interest rate is 12% per annum compounded daily. Interest on each Note was prepaid for six months from 8 June 2014.

Conversion
(a) the Notes can be converted into ordinary shares at a conversion price of $0.0255 for each share; or
(b) the Notes will be repaid together with all accrued and outstanding interest thereon.

## Note 17. Equity - accumulated losses

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (2,829,673) | (1,121,707) |
| Loss after income tax benefit for the year | (2,317,301) | (1,707,966) |
| Accumulated losses at the end of the financial year | (5,146,974) | (2,829,673) |

## Note 18. Equity - dividends

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

## Note 19. Key management personnel disclosures

The totals of remuneration paid to key management personnel during the year are as follows:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Short-term employee benefits | 538,771 | 537,011 |
| Termination benefits | 65,550 | - |
| Total | 604,321 | 537,011 |

## Note 20. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor:
Audit and review of financial reports and other audit work under the Corporations Act 2001.

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Logicca Assurance Pty Limited | 25,000 | 13,000 |

## Note 21. Related party transactions

*Key management personnel*
Disclosures relating to key management personnel are set out in note 19.

*Transactions with related parties*
The following transactions occurred with related parties:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Payment for other expenses: | | |
| Consulting fees paid to key management personnel | 227,119 | 228,769 |

One of the directors provides consulting services to the company.

*Receivable from and payable to related parties*
The following balances are outstanding at the reporting date in relation to transactions with related parties:

| | 2014<br>$ | 2013<br>$ |
|---|---|---|
| Current payables: | | |
| Trade payables to Rick Luu Pty Ltd | 7,054 | - |

## Note 21. Related party transactions (continued)

*Loans to/from related parties*
The Board approved an unsecured short-term loan of $30,000 provided by a company related to a director on 28 March 2014 as the Company required non-recourse funding in anticipation of a placement of ordinary shares to sophisticated or professional investors that complied with section 708 of the Corporations Law. The loan was fully repaid on 8 April 2014 with an amount of $15,000 paid as interest on the loan. Having considered the alternatives the Board believed the loan and interest repayment was the best financial option available at the time. The director connected with the loan abstained from voting on this item at the Board meeting.

Restricted shares with a total value of $75,000, 1,235,000 employee share options and 18,765,000 options were allotted to one of the director subsequent to year end as described in Note 22.

## Note 22. Events after the reporting period

Subsequent to the Financial Year, the Company:

(a) allotted 52,344,465 ordinary shares to sophisticated or professional investors that complied with section 708 of the Corporations Law that raised $1,172,517 before offer costs;

(b) allotted 3,348,214 restricted shares ("Restricted Shares") with a total value of $75,000 to Garry Charny upon his appointment as a director. These Restricted Shares vest in equal annual instalments over three years, with the first one-third vesting to occur one year from the date of Mr Charny joining the Board. Vesting would cease upon Mr Charny's departure from the Board and would fully accelerate in the event of any sale of the Company or of the majority of its assets. The Company retains the right to terminate vesting of these restricted shares in the event that it elects to convert to paying Mr Charny's Board Fees in cash. In the event of termination of vesting as a result of either of the above events, partial year vesting shall be provided up to the date of the termination;

(c) granted an additional 1,235,000 options under the 1st Available Ltd Option Plan to Garry Charny in his capacity as a non-executive director;

(d) granted 18,765,000 options that are subject to various vesting conditions to entities associated with or affiliated to Mr Charny for the provision of consulting services to be provided to the Company in lieu of future cash payments.

The terms and conditions of the unvested Options are as follows:

a) 1/6 of the Options vest immediately upon issue (Initial Vesting Date);
b) of the remaining 5/6 of the Options (the Remaining Options):
   i. 1/3 of the Remaining Options vest on the first anniversary from the Initial Vesting Date provided that Mr Charny remains a director or consultant to the Company;
   ii. a further 1/3 of the Remaining Options vest on the second anniversary from the Initial Vesting Date provided that Mr Charny remains a director or consultant to the Company; and
   iii. the final 1/3 of the Remaining Options vest on the third anniversary from the Initial Vesting Date provided that Mr Charny remains a director or consultant to the Company.
c) any Options that do not vest in accordance with the above terms immediately lapse;
d) subject to having vested in accordance with the above terms, the Options are exercisable at $0.023 per Option within five years from the date that the Company undertakes an initial public offering of its shares on a recognised stock exchange but, in any event, no longer than on or before the tenth anniversary from the Initial Vesting Date;and
e) if the Company undertakes a share consolidation, then the Options will be adjusted in the same proportion as the share consolidation.

The directors consider that that remuneration in the form of a mix of vested and unvested Options are a cost effective and efficient remuneration to be provided to Mr Charny as payment for his future services to the Company, as opposed to alternative forms of remuneration, such as the payment of cash consideration.

Other than as disclosed in this Annual Report, no other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

## Note 23. Share-based payments

On 1 June 2014, 38,938,214 share options were purchased by employees under the 1st Available Ltd Option Plan to take up ordinary shares at an exercise price of $0.023 each, of which 250,000 share options were forfeited prior to the end of the Financial Year. The options are exercisable on or before 1 January 2024. The options hold no voting or dividend rights and are not transferable.

A further 2,487,504 share options were forfeited in July 2014.

Options granted to key management personnel are as follows:

| Grant Date | Number |
|---|---|
| 1/06/2014 | 33,588,214 |

These options vest over a three year period with a percentage vesting on grant date. Vesting subsequent to grant date is also subject to key management personnel meeting specified performance criteria. Further details of these options are provided in the director's report. The options hold no voting or dividend rights. The options may lapse when a director or employee ceases their employment with the entity.

On 30 June 2014 Mr Kevin Morgan, the former Operations Manager, was made redundant by the Company and the Board resolved to vest his options as a condition of his redundancy package. These options have subsequently vested. Since balance date, Grant Harrod and Mark Kehoe resigned from the Company and options granted to them were subsequently forfeited. Other than the options vested above to Kevin Morgan (to an entity associated with Kevin Morgan) there were no other options vested with key management personnel during the financial year.

The Company established the 1st Available Ltd Share Option Plan on 29 November 2013 to align long term incentives for senior executives with the delivery of sustainable value to shareholders. Eligible Participants include full or part-time employees, directors and contractors, including any related body corporate. Employees are granted options which vest over time, subject to meeting specified criteria. The options are issued for 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 holder ceases to be employed by the Company, unless the Board determines otherwise (this is usually only in the case of redundancy, death or disablement).
A summary of the movements of all company options issued is as follows:

| | Number | Weighted average exercise price |
|---|---|---|
| Options Outstanding as at 1 July 2013 | - | - |
| Granted | 38,938,214 | $0.023 |
| Exercised | - | - |
| Forfeited | (250,000) | $0.023 |
| Options outstanding as at 30 June 2014 | 38,688,214 | $0.023 |

Options exercisable as at 30 June 2014: -

The weighted average remaining contractual life of options outstanding at year end was 4 years. The exercise price of outstanding shares at reporting date was $0.023.

The fair value of the options granted to employees is considered to represent the value of the employee services received over the vesting period.

**Note 23. Share-based payments (continued)**

The weighted average fair value of options granted during the year was $0.0200 (2013: $0). These values were calculated using the Black Scholes option pricing model applying the following inputs:

| | |
|---|---|
| Weighted average exercise price: | $0.0200 |
| Weighted average life of the option: | 9.5 years |
| Expected share price volatility: | 0.50% |
| Risk free interest rate: | 2.50% |

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

There were no Shares granted to key management personnel as share based payments during the Financial Year.

**1st Available Ltd**
**Directors' declaration**
**30 June 2014**

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 30 June 2014 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.

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

Klaus Bartosch
Director

Richard Arnold
Director

4th November 2014
Sydney

logicca

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**1ST AVAILABLE LIMITED**
**ABN: 25138897533**
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF 1ST AVAILABLE LIMITED**

*Report on the Financial Report*

We have audited the accompanying financial report of 1st Available Limited (the company), which comprises the statement of financial position as at 30 June 2014 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 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the company's constitution. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of 1st Available Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 1 in the annual report which indicates that the company incurred a net loss of $2,317,301. During the year ended 30 June 2014 and, as of that date, the company has accumulated losses totalling $5,146,974 and cash of $381,823. The company has intangible assets totalling $1,240,159 as at 30 June 2014 whose recoverability would be doubtful should the going concern assumption be incorrect.

logicca
CHARTERED ACCOUNTANTS

*Auditor's Opinion*

In our opinion;

(a) the financial report of 1st Available Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

Name of Firm: Logicca Assurance Pty Ltd

Name of Partner: Peter Hersh

Address: Level 6
151 Macquarie Street
SYDNEY NSW 2001

Dated this 5th day of November 2014