

1. Company details

Name of entity: 1st Group Limited
ABN: 25 138 897 533
Reporting period: For the year ended 30 June 2019
Previous period: For the year ended 30 June 2018

	30-Jun-19 \$	30-Jun-18 \$	Movement \$	%
2. Results for announcement to the market				
Revenues from continuing operations	3,950,102	3,426,645	523,457	15.3%
Loss from ordinary activities after tax attributable to members	(4,339,116)	(4,636,076)	296,960	6.4%
Net loss for the period attributable to members	(4,339,116)	(4,636,076)	296,960	6.4%

Comments

The loss for the Group after providing for income tax amounted to \$4,339,116 (30 June 2018: \$4,636,076). Please refer to the accompanying market release (Preliminary Full Year Results Announcement) for detailed commentary on the results.

3. Net tangible assets

Net tangible asset backing per ordinary share (cents per share)	(0.09)	(0.57)
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4. Dividends

Current period

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

Previous period

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

5. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements are in the process of being audited.

6. Signed

Signed 
Trevor Matthews
Chairman
Sydney

Date: 28 August 2019

1st Group Limited

ABN 25 138 897 533

Preliminary Final Report - 30 June 2019

1st Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019



	Note	2019 \$	2018 \$
Revenue	1	3,950,102	3,426,645
Other income		8,357	-
Interest		699	5,478
Expenses			
Loss on disposal of assets	2	(788)	-
Advertising and marketing expenses		(984,307)	(627,211)
Professional and consulting fees		(475,408)	(577,671)
Operations and administration expenses		(2,895,462)	(2,230,265)
Employee benefits		(3,524,621)	(3,635,998)
Depreciation and amortisation expenses		(396,288)	(1,232,127)
Finance costs	2	(162,502)	(56,644)
Loss before income tax benefit		(4,480,218)	(4,927,793)
Income tax benefit		141,102	291,717
Loss after income tax benefit for the year attributable to the owners of 1st Group Limited		(4,339,116)	(4,636,076)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of 1st Group Limited		<u>(4,339,116)</u>	<u>(4,636,076)</u>
		Cents	Cents
Basic earnings per share	16	(1.77)	(2.24)
Diluted earnings per share	16	(1.77)	(2.24)

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

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	3	2,772,686	277,160
Trade and other receivables	4	369,591	505,850
Inventories	5	7,146	8,144
Income tax claim receivable		23,670	45,250
Other	6	343,805	191,727
Total current assets		<u>3,516,898</u>	<u>1,028,131</u>
Non-current assets			
Property, plant and equipment	7	32,140	47,604
Intangibles	8	3,462,328	3,835,848
Total non-current assets		<u>3,494,468</u>	<u>3,883,452</u>
Total assets		<u>7,011,366</u>	<u>4,911,583</u>
Liabilities			
Current liabilities			
Trade and other payables	9	1,618,934	810,316
Employee benefits		118,517	190,094
Total current liabilities		<u>1,737,451</u>	<u>1,000,410</u>
Non-current liabilities			
Borrowings	10	1,835,854	964,902
Derivative financial instruments	11	64,146	35,098
Deferred tax		215,939	252,443
Employee benefits		27,120	-
Total non-current liabilities		<u>2,143,059</u>	<u>1,252,443</u>
Total liabilities		<u>3,880,510</u>	<u>2,252,853</u>
Net assets		<u>3,130,856</u>	<u>2,658,730</u>
Equity			
Issued capital	12	28,383,399	23,269,987
Reserves	14	2,494,891	2,482,142
Accumulated losses		(27,747,434)	(23,093,399)
Total equity		<u>3,130,856</u>	<u>2,658,730</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 2017	23,269,987	2,341,006	(18,457,323)	7,153,670
Loss after income tax benefit for the year	-	-	(4,636,076)	(4,636,076)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,636,076)	(4,636,076)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 14)	-	141,136	-	141,136
Balance at 30 June 2018	<u>23,269,987</u>	<u>2,482,142</u>	<u>(23,093,399)</u>	<u>2,658,730</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	23,269,987	2,482,142	(23,093,399)	2,658,730
Adjustment for change in accounting policy - AASB 15 (Note 1)	-	-	(314,919)	(314,919)
Balance at 1 July 2018 - restated	23,269,987	2,482,142	(23,408,318)	2,343,811
Loss after income tax benefit for the year	-	-	(4,339,116)	(4,339,116)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(4,339,116)	(4,339,116)
Capital Raising (net of transaction costs)	5,113,412	-	-	5,113,412
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 14)	-	12,749	-	12,749
Balance at 30 June 2019	<u>28,383,399</u>	<u>2,494,891</u>	<u>(27,747,434)</u>	<u>3,130,856</u>

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

	Note	Consolidated 2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,297,463	3,508,987
Payments to suppliers and employees (inclusive of GST)		(8,015,704)	(7,321,766)
Interest received		1,176	5,478
Income taxes refunded		132,178	160,745
Net cash used in operating activities	15	<u>(3,584,887)</u>	<u>(3,646,556)</u>
Cash flows from investing activities			
Payments for property, plant and equipment	7	<u>(8,569)</u>	<u>(9,411)</u>
Net cash used in investing activities		<u>(8,569)</u>	<u>(9,411)</u>
Cash flows from financing activities			
Proceeds from convertible notes facility		900,000	1,000,000
Proceeds from issue of shares, net of transaction costs		5,188,982	-
Net cash from financing activities		<u>6,088,982</u>	<u>1,000,000</u>
Net increase/(decrease) in cash and cash equivalents		2,495,526	(2,655,967)
Cash and cash equivalents at the beginning of the financial year		<u>277,160</u>	<u>2,933,127</u>
Cash and cash equivalents at the end of the financial year	3	<u><u>2,772,686</u></u>	<u><u>277,160</u></u>

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

Note 1. Revenue

	Consolidated 2019 \$	2018 \$
Subscription fees	3,012,014	2,456,625
Usage fees (recalls, SMS and booking fees)	262,120	266,029
Advertising revenue	-	162,390
Setup and customisation	675,968	541,601
Revenue	<u>3,950,102</u>	<u>3,426,645</u>

Impact of first time adoption of AASB 15 Revenue from Contracts with Customers

During the period, the Group adopted AASB 15 which has led to a change for reported revenue.

As disclosed in the June 2018 annual report, the Group has assessed the impact on its revenue streams. The impact is limited to setup, development, customisation and training fees. These have previously been recognised as revenue when the services were rendered; this is now required to be recognised over the performance obligation being life of the customers.

The Group elected to recognise the impact of AASB 15 retrospectively with the cumulative effect of the change on 1 July 2018 (date of initial application). As a result the opening balance of the accumulated losses was adjusted by \$314,919. The impact of the new standard resulted in increased revenue (setup and training) for the year ended 30 June 2019 by \$49,133. If the year to 30 June 2018 were adjusted, the revenue would have been decreased by \$220,937.

The impact of AASB 15 can be analysed as follows:

	Consolidated 2019 \$	2018 \$
Revenue on previous basis	3,900,969	3,426,645
Impact of that period revenue deferral	(192,271)	(305,625)
Prior periods revenue deferred recognised in current periods	241,404	84,688
Revenue reported under AASB 15	<u>3,950,102</u>	<u>3,205,708</u>

Note 2. Expenses

	Consolidated 2019 \$	2018 \$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	-	3,798
Plant and equipment	4,082	5,426
Computer equipment	18,686	20,452
Total depreciation	22,768	29,676
<i>Amortisation</i>		
Patents and trademarks	757	758
Customer contracts	143,793	143,902
Software	476	475
Technology platform	228,494	1,057,316
Total amortisation	373,520	1,202,451
Total depreciation and amortisation	396,288	1,232,127
<i>Finance costs</i>		
Interest and finance charges paid/payable	162,502	56,644
<i>Net loss on disposal</i>		
Net loss on disposal of property, plant and equipment	788	-
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	95,587	79,020
<i>Superannuation expense</i>		
Defined contribution superannuation expense	278,103	261,715
<i>Share-based payments expense</i>		
Share-based payments expense	12,749	141,136

Note 3. Current assets - cash and cash equivalents

	Consolidated 2019 \$	2018 \$
Cash at bank	2,772,686	277,160

Note 4. Current assets - trade and other receivables

	Consolidated 2019 \$	2018 \$
Trade receivables	376,917	520,426
Less: Allowance for impairment of receivables	(7,326)	(14,576)
	<u>369,591</u>	<u>505,850</u>

Note 5. Current assets - inventories

	Consolidated 2019 \$	2018 \$
Stock on hand - at cost	<u>7,146</u>	<u>8,144</u>

Note 6. Current assets - other

	Consolidated 2019 \$	2018 \$
Accrued revenue	160,750	14,900
Prepayments	156,299	150,724
Rental bonds	26,756	26,103
	<u>343,805</u>	<u>191,727</u>

Note 7. Non-current assets - property, plant and equipment

	Consolidated 2019 \$	2018 \$
Leasehold improvements - at cost	12,125	12,125
Less: Accumulated depreciation	(12,125)	(12,125)
	<u>-</u>	<u>-</u>
Plant and equipment - at cost	27,227	27,119
Less: Accumulated depreciation	(22,889)	(18,807)
	<u>4,338</u>	<u>8,312</u>
Computer equipment - at cost	87,298	83,655
Less: Accumulated depreciation	(59,496)	(44,363)
	<u>27,802</u>	<u>39,292</u>
	<u>32,140</u>	<u>47,604</u>

Note 7. 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 2017	3,798	14,710	51,316	69,824
Additions	-	533	8,878	9,411
Disposals	-	(1,505)	(450)	(1,955)
Depreciation expense	(3,798)	(5,426)	(20,452)	(29,676)
Balance at 30 June 2018	-	8,312	39,292	47,604
Additions	-	108	8,461	8,569
Disposals	-	-	(1,265)	(1,265)
Depreciation expense	-	(4,082)	(18,686)	(22,768)
Balance at 30 June 2019	-	4,338	27,802	32,140

Note 8. Non-current assets - intangibles

	Consolidated 2019 \$	2018 \$
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	(8,220)	(7,463)
	<u>26,562</u>	<u>27,319</u>
Customer contracts - at cost	1,400,007	1,400,007
Less: Accumulated amortisation	(614,745)	(470,952)
	<u>785,262</u>	<u>929,055</u>
Software - at cost	1,901	1,901
Less: Accumulated amortisation	(1,853)	(1,377)
	<u>48</u>	<u>524</u>
Technology platform - at cost	3,520,294	3,520,294
Less: Accumulated amortisation	(3,520,294)	(3,291,800)
	<u>-</u>	<u>228,494</u>
Technology under development - at cost	150,000	150,000
	<u>3,462,328</u>	<u>3,835,848</u>

Note 8. 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 development \$	Total \$
Balance at 1 July 2017	2,500,456	28,077	1,072,957	999	1,285,810	150,000	5,038,299
Amortisation expense	-	(758)	(143,902)	(475)	(1,057,316)	-	(1,202,451)
Balance at 30 June 2018	2,500,456	27,319	929,055	524	228,494	150,000	3,835,848
Amortisation expense	-	(757)	(143,793)	(476)	(228,494)	-	(373,520)
Balance at 30 June 2019	<u>2,500,456</u>	<u>26,562</u>	<u>785,262</u>	<u>48</u>	<u>-</u>	<u>150,000</u>	<u>3,462,328</u>

Note 9. Current liabilities - trade and other payables

	Consolidated 2019 \$	2018 \$
Trade payables	665,218	298,343
Accrued expenses	477,154	302,788
BAS payable	88,874	117,530
Other payables	387,688	91,655
	<u>1,618,934</u>	<u>810,316</u>

Note 10. Non-current liabilities - borrowings

	Consolidated 2019 \$	2018 \$
Convertible notes payable	<u>1,835,854</u>	<u>964,902</u>

Note 10. Non-current liabilities - borrowings (continued)

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

- Maximum term of 2 years ending on 1st August 2019;
- Drawdown in \$0.5 million tranches on 30 days' notice;
- Interest rate of Reserve Bank of Australia ("RBA") Cash Rate + 8.5% (currently 10% per annum), payable quarterly in arrears;
- Convertible to Equity in the Company at the election of the Company (subject to Shareholder Approval and compliance with the Corporations Act 2001) at a 15% discount to the 30 Day volume weighted average price (VWAP) prior to conversion;
- Usual covenants of a Facility of this nature and scope including: unsecured obligation, no debt subordination without consent, anti-dilution provisions etc.; and
- Can be repaid in full or Facility reduced at any time at the election of the Company.

On 27 September 2018, the Company entered into an additional convertible debt facility agreement with Mr Plummer, for a maximum draw-down of \$1 million on the same terms as the existing \$2 million Standby facility.

In December 2018, Mr Plummer converted \$1 million of the original \$2 million facility into equity, leaving \$1 million of the original facility in place fully drawn.

In accordance with the Standby facility, the Company issued \$1.9 million convertible notes during the year. 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.

Financing arrangements

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

	Consolidated	
	2019	2018
	\$	\$
Total facilities		
Convertible notes	2,000,000	2,000,000
Used at the reporting date		
Convertible notes	1,900,000	1,000,000
Unused at the reporting date		
Convertible notes	100,000	1,000,000

Note 11. Non-current liabilities - derivative financial instruments

	Consolidated	
	2019	2018
	\$	\$
Derivative liability on convertible notes - at fair value	64,146	35,098

Note 12. Equity - issued capital

	2019	2018	2019	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	355,386,134	206,884,408	28,383,399	23,269,987

Note 12. Equity – issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2017	206,884,408	23,269,987
Balance	30 June 2018	206,884,408	23,269,987
Non-renounceable rights issue	19 December 2018	54,569,226	1,637,077
Placement	17 May 2019	65,362,500	2,640,750
Share purchase plan	11 June 2019	28,570,000	1,142,800
Transaction costs		-	(307,215)
Balance	30 June 2019	<u>355,386,134</u>	<u>28,383,399</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.

Note 13. Equity - dividends

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

Note 14. Equity - reserves

	Consolidated	
	2019	2018
	\$	\$
Share-based payments reserve	1,520,462	1,507,713
Acquisition reserve	974,429	974,429
	<u>2,494,891</u>	<u>2,482,142</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.

Note 14. Equity – reserves (continued)

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 2017	1,366,577	974,429	2,341,006
Share-based payment expense	141,136	-	141,136
Balance at 30 June 2018	1,507,713	974,429	2,482,142
Share-based payments expense	12,749	-	12,749
Balance at 30 June 2019	1,520,462	974,429	2,494,891

Note 15. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2019 \$	2018 \$
Loss after income tax benefit for the year	(4,339,116)	(4,636,076)
Adjustments for:		
Depreciation and amortisation	396,288	1,232,127
Loss on disposal of property, plant and equipment	788	-
Share-based payments	12,749	141,136
Other non-cash transactions	(75,156)	1,981
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	143,405	(226,803)
Decrease in income tax refund due	21,580	91,750
Decrease/(increase) in other operating assets	(158,225)	5,121
Increase/(decrease) in trade and other payables	493,762	(67,894)
Decrease in deferred tax liabilities	(36,504)	(222,722)
Increase/(decrease) in employee benefits	(44,458)	34,824
Net cash used in operating activities	(3,584,887)	(3,646,556)

Note 16. Earnings per share

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax attributable to the owners of 1st Group Limited	<u>(4,339,116)</u>	<u>(4,636,076)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>245,512,195</u>	<u>206,884,408</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>245,512,195</u>	<u>206,884,408</u>
	Cents	Cents
Basic earnings per share	(1.77)	(2.24)
Diluted earnings per share	(1.77)	(2.24)

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

Note 17. Events after the reporting period

On 19 August 2019, the Group reduced and extended its convertible note loan facility provided by cornerstone shareholder Mr Plumber on new and more favourable terms.

The key terms of the new facility are:

- Note extended to 1 August 2021 for drawdown (repayable one year later);
- Line fee reduced to 1% pa (from 2% pa);
- Interest rate of RBA Cash Rate plus 8.5% pa, therefore currently 9.5% per annum, payable quarterly in arrears;
- Agreement to renegotiate interest rate further downwards following the Company achieving a cash flow breakeven quarter and an additional rate reduction on delivering three consecutive cash flow positive quarters;
- Usual covenants for a facility of this nature and scope including: unsecured obligation, no debt subordination without consent, anti-dilution provisions etc.; and
- Facility can be repaid in full or reduced at any time at the election of the Company.

On 19 August 2019, \$1.3m of convertible note facility was repaid from recent capital raise funds, leaving \$600,000 drawn and \$1.4m undrawn and available.

No other matter or circumstance has arisen since 30 June 2019 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.

Compliance Statement

1. This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.
2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts to which one of the following applies (*Tick one*)
 - The accounts have been audited.
 - ✓ The accounts are in the process of being audited or subject to review.
 - The accounts have been subject to review.
 - The accounts have not yet been audited or reviewed.

Signed  _____

Date: 28 August 2019

Trevor Matthews
Chairman
Sydney