Digital Castle Pty Ltd and its controlled entities

A.B.N. 69 169 102 523

Annual report for the period ended 30 June 2017

Special purpose financial statements for the period ended 30 June 2017

Directors' report

The directors of Digital Castle Pty Ltd and its controlled entities submit herewith the annual financial statements of the company for the period ended 30 June 2017.

The names of the directors of the company during, or since the end of the period are:

Name
David Williams
Mark Amstrong
Xavier Perronnet

The above named directors held office during and since the end of the period.

Principal activities

The principal activities of the Group during the course of the financial year was real estate agent ratings and statistics services provided via an online platform on ratemyagent.com.au.

Review of operations

The loss of the company for the period ended 30 June 2017 after providing for income tax amounted to $2,912,071 (2016: $1,517,622).

Changes in state of affairs

There were no significant changes in the state of affairs of the company during the period.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the 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.

Future developments

Disclosures 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 report.

Environmental regulations

The company complies with the governing environmental regulations under laws of the Commonwealth and of any State or Territory. The directors are not aware of any breaches of such legislation.

Dividends

There were no dividends paid or declared by the Company (2016: nil).

Share options

No share options have been granted since the start of the year.

Indemnification of officers and auditors

During or since the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of auditor.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 3 of the annual report

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

On behalf of the Directors

David Williams
Director
3 November 2017

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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3 November 2017

The Board of Directors
Digital Castle Pty Ltd
Level 1, 118-120 Balmain Street
RICHMOND VIC 3121

Dear Directors

Digital Castle Pty Ltd

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Digital Castle Pty Ltd and its controlled entities.

As lead audit partner for the audit of the financial statements Digital Castle Pty Ltd and its controlled entities for the financial period ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke du Toit
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Digital Castle Pty Ltd and its controlled entities

Opinion

We have audited the financial report, being a special purpose financial report, of Digital Castle Pty Ltd (the "Company) and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Company and Group's financial position as at 30 June 2017 and of their financial performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 3 and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Deloitte.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the Directors Report, but does not include the financial report and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 3 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for the audit opinion.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke Du Toit
Partner
Chartered Accountants
Melbourne, 3 November 2017

Directors' declaration

As detailed in Note 3 to the financial statements, the company is not a reporting entity because in the opinion of the Directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the *Corporations Act 2001*.

In accordance with a resolution of the Directors of Digital Castle Pty Ltd and its controlled entities, the directors declare that:

(a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) the attached financial statements and notes thereto are in accordance with *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.

This declaration is made in accordance with a resolution of the Directors pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

David Williams
Director
3 November 2017

Consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2017

		2017 $	2016 $
Continuing operations			
Revenue	4	2,504,439	598,220
Cost of sales		(156,878)	-
Gross profit		2,347,561	598,220
Other income	4	498,107	23,933
Transaction fees		(49,165)	(14,321)
Employee benefits expense	5	(3,479,932)	(1,328,319)
Consulting expense		(786,086)	(216,068)
Marketing expense		(203,198)	(101,515)
Technology expense		(627,757)	(190,600)
Operations and Administration expense		(574,516)	(284,455)
Depreciation expense	5	(37,085)	(3,990)
Finance costs	5	-	(507)
Loss before tax		(2,912,071)	(1,517,622)
Income tax expense		-	-
Loss for the period		**(2,912,071)**	**(1,517,622)**
Other comprehensive income		-	-
Total comprehensive loss for the period		**(2,912,071)**	**(1,517,622)**

The accompanying notes form part of these financial statements.

Consolidated statement of financial position at 30 June 2017

	Notes	2017 $	2016 $
Current assets			
Cash and cash equivalent	6	1,165,090	703,441
Trade and other receivables	7	43,670	37,895
Other financial assets	8	100,000	3,500,000
Other assets	9	-	11,318
Total current assets		1,308,760	4,252,654
Non-current assets			
Other assets	9	135,828	-
Plant and equipment	10	165,124	21,818
Intangible asset	11	5,454	-
Total non-current assets		306,406	21,818
Total assets		1,615,166	4,274,472
Current liabilities			
Trade and other payables	12	395,522	404,476
Borrowings	13	12,293	8,476
Provisions	14	134,432	89,626
Other liabilities	15	167,708	55,158
Total current liabilities		709,955	557,736
Non-current liabilities			
Trade and other payables	12	100,524	-
Provisions	14	2,726	2,704
Total non-current liabilities		103,250	2,704
Total liabilities		813,205	560,440
Net assets		801,961	3,714,032
Equity			
Share capital	17	6,270,683	6,270,683
Accumulated losses		(13,125,316)	(10,213,245)
Share buyback Reserve		7,656,594	7,656,594
Total equity		801,961	3,714,032

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity for the period ended 30 June 2017

	Share capital $	Accumulated loss	Share based payment reserve $	Total $
Balance at 1 July 2015	1,443,406	(8,695,623)	7,656,594	404,377
Loss for the period	-	(1,517,622)	-	(1,517,622)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(1,517,622)	-	(1,517,622)
Issue of ordinary shares, net of equity transaction costs	4,827,277	-	-	4,827,277
Total transactions with owners of the company	4,827,277	-	-	4,827,277
Balance at 30 June 2016	**6,270,683**	**(10,213,245)**	**7,656,954**	**3,714,032**

	Share capital $	Accumulated Loss	Share based payment reserve $	Total $
Balance at 1 July 2016	6,270,683	(10,213,245)	7,656,594	3,714,032
Loss for the period	-	(2,912,071)	-	(2,912,071)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(2,912,071)	-	(2,912,071)
Balance at 30 June 2017	**6,270,683**	**(13,125,316)**	**7,656,594**	**801,961**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows for the period ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		2,861,658	661,027
Payments to employees and suppliers		(6,107,134)	(1,578,473)
Income tax paid		-	(507)
Interest received		26,004	-
Receipts from research and development government grants		466,966	263,948
Net cash used in operating activities	16(b)	(2,752,506)	(654,455)
Cash flows from investing activities			
Payments for property, plant & equipment		(180,391)	(21,011)
Payments for intangible assets		(5,454)	-
Proceeds from / (investment in) term deposits		3,400,000	(3,500,000)
Net cash generated from/(used in) investing activities		3,214,155	(3,521,011)
Cash flows from financing activities			
Proceeds from issue of share capital		-	5,041,004
Payment of equity transaction costs		-	(172,727)
Net cash generated from financing activities		-	4,868,277
Net increase in cash and cash equivalents		461,649	692,811
Cash and cash equivalents at the beginning of the period		703,441	10,630
Cash and cash equivalents at the end of the period	16(a)	**1,165,090**	**703,441**

The accompanying notes form part of these financial statements.

1. General information

Digital Castle Pty Ltd is a proprietary company limited by shares, incorporated and operating in Australia.

The entity's registered office and principal place of business is as follows:
Level 1, 118-120 Balmain Street
Richmond VIC 3121

The principal activities of the Group during the course of the financial year was real estate agent ratings and statistics services provided via an online platform on ratemyagent.com.au.

2. Adoption of new and revised Accounting Standards

2.1 Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for an accounting period that begins on or after 1 July 2016.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the entity include:

- AASB 1057 *Application of Australian Accounting Standards* and AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs*
- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation*
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*
- AASB 2015-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101*

The adoption of these standards did not have a material impact on the financial statements.

2. Adoption of new and revised Accounting Standards (cont'd)

2.2 New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Group has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	**Effective for annual reporting periods beginning on or after**
AASB 9 *Financial Instruments*	1 July 2018
AASB 15 Revenue from Contracts with Customers, 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*, 2015-8 *Amendments to Australian Accounting Standards – Effective date of AASB 15*, 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	1 July 2018
AASB 16 *Leases*	1 July 2019
AASB 2015-*10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*	1 July 2018
AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)*	1 July 2017
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 July 2017

The directors have not yet determined whether the above will have a material impact on the financial statements.

3. Significant accounting policies

Financial reporting framework
The group is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial statements who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the director's reporting requirements under the Corporations Act 2001.

For the purposes of preparing the financial statements, the company is a for-profit entity.

Statement of compliance
The financial statements have been prepared in accordance with the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of *Accounting Standards AASB 101 Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*', AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* and *AASB1054 'Australian Additional Disclosures'.*

Basis of preparation
The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Critical accounting judgements and key sources of estimation uncertainty
In the application of the company's accounting policies, which are described below, the directors are required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. In the case of depreciation on plant and equipment as described in note 3(c) estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Cash and cash equivalents
Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition.

(b) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

3. Significant accounting policies (cont'd)

(c) Plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charges against fair value reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of profit or loss and other comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets are depreciated over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

The following estimated useful lives are used in the calculation of depreciation:

Plant and Equipment	2 years

(d) Intangible assets

Software costs

Software costs are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight line basis over their estimated useful lives of 3 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

3. Significant accounting policies (cont'd)

(e) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

<u>Loans and receivables</u>

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

<u>Impairment of financial assets</u>

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

<u>Derecognition of financial assets</u>

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. Significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(g) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing and are netted off against the borrowings.

3. Significant accounting policies (cont'd)

(h) Provisions

Provisions are recognised when the group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Sale of services</u>

Revenue from the rendering of subscription services is recognised on a straight-line basis over the period in which the subscription is delivered, at which time all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

<u>Interest income</u>

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

<u>Research and development government grants</u>

Government grants are not recognised until there is reasonable assurance that:
(a) the entity will comply with the conditions attaching to them; and
(b) the grants will be received.

(j) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

4. Revenue

	2017 $	2016 $
Subscription services revenue	**2,504,439**	**598,220**
Interest income	26,004	23,933
Research and development government grants	466,966	-
Other income	5,137	-
	498,107	**23,933**
Total Revenue	**3,002,546**	**622,153**

5. Loss for the year

Loss for the year has been arrived at after charging/(crediting) the following items of expense and income:

	2017 $	2016 $
(a) Expenses:		
Finance costs		
- parent entity	**-**	**507**
Depreciation of non-current assets		
- plant and equipment	**37,085**	**3,990**
Employee benefits expense:		
Superannuation expenditure	258,279	114,982
Salaries and wages	3,221,653	1,213,337
Total employee benefits expense	**3,479,932**	**1,328,319**
Remuneration of the auditors for:		
- Audit of financial statements	20,000	15,000
- Tax Compliance	10,000	-
- Other services	5,000	6,667
	35,000	**21,667**

The auditor of the company in the current year is Deloitte Touche Tohmatsu.

The auditor in the prior year was KPMG.

	2017 $	2016 $

6. Cash and cash equivalents

	2017 $	2016 $
Cash at bank	**1,165,090**	**703,441**

7. Trade and other receivables

	2017 $	2016 $
Current		
Trade receivables	33,403	-
Sundry debtors	10,267	20,576
GST receivable	-	17,319
	43,670	**37,895**

8. Other financial assets

	2017 $	2016 $
Term deposits	**100,000**	**3,500,000**

9. Other assets

	2017 $	2016 $
Current		
Prepayments	**-**	**11,328**
Non-current		
Other deposits	**135,828**	**-**

10. Plant and equipment

	2017 $	2016 $
Plant and Equipment- at cost	207,449	27,058
Accumulated depreciation	(42,325)	(5,240)
	165,124	**21,818**

11. Intangible assets

	2017 $	2016 $
Computer software	**5,454**	**-**

12. Trade and other payables

	2017 $	2016 $
Current		
Trade payables	33,046	42,581
Sundry creditors and accruals	315,398	362,035
Lease liability	8,000	-
Good Services Tax payable	39,078	-
	395,522	**404,616**
Non-current		
Lease liability	**100,524**	**-**

	2017 $	2016 $

13. Borrowings

Current

	2017 $	2016 $
Loan from Elantis Insurance Premium funding	**12,293**	**8,476**

14. Provisions

	2017 $	2016 $
Current		
Employee benefits	**134,432**	**89,626**
Non-current		
Employee benefits	**2,726**	**2,704**

15. Other liabilities

	2017 $	2016 $
Deferred Income	**167,708**	**55,158**

16. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2017 $	2016 $
Cash at bank	**1,165,090**	**703,431**

(b) Reconciliation of loss for the year to net cash flows from operating activities

	2017 $	2016 $
Loss for the year	(2,912,071)	(1,517,622)
Depreciation	37,085	3,990
Non-cash charges	-	310,000
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Trade and other receivables	(5,775)	(40,609)
Current tax asset	-	263,498
Other assets	(124,510)	-
Increase/(decrease) in liabilities:		
Trade and other payables	95,247	335,032
Provisions	44,968	(52,316)
Other liabilities	112,550	43,572
Net cash used in operating activities	**(2,752,506)**	**(654,455)**

	2017 $	2016 $

17. Share capital

	2017 $	2016 $
26,666,672 fully paid ordinary shares (30 June 2016 :26,666,672)	**6,270,683**	**6,270,683**

18. List of subsidiaries

Set out below is a list of subsidiaries of the Group. The ultimate controlling entity is Digital Castle Pty Ltd.

		Ownership interest	
Name	**Principal place of business**	**2017**	**2016**
DC Global Pty Ltd[2]	Australia	100%	100%
Property Results Online Pty. Ltd[3]	Australia	100%	100%
Propertyresultsonline.com.au[3]	Australia	100%	100%
Property Tycoon Pty. Ltd[3]	Australia	100%	100%
Propertytycoon.com.au Pty. Ltd[3]	Australia	100%	100%
Ratemyagent.com Pty Ltd[1, 2]	Australia	100%	100%
Digital Castle LLC [4]	Australia	100%	-

[1] Ratemyagent.com. Pty Ltd is 100% owned by DC Global Pty Ltd. Ratemyagent.com Pty Ltd was formerly known as a Ratemyagent.com.au Pty Ltd prior to 25 November 2016

[2] Incorporated 15 April 2014

[3] Incorporated 23 April 2014

[4] Incorporated 14 July 2016

19. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2017, the parent entity of the Group was Digital Castle Pty Ltd

	2017 $	2016 $
Results of parent entity		
Loss for the year	6,284,275	23,859
Other comprehensive income	-	-
Total comprehensive loss for the year	6,284,275	23,859
Financial position of parent entity at year end		
Current assets		
Receivable from subsidiary, Ratemyagent.com Pty Ltd	-	2,056,703
Other	10,267	4,237,839
Total current assets	10,267	6,294,542
Non-current assets		
Investments	600	600
Total non-current assets	600	600
Total assets	10,867	6,295,142

	2017 $	2016 $
Current liabilities		
Owing to subsidiaries	600	600
Total liabilities	600	600
Net assets	10,267	6,294,542
Total equity of parent entity comprising of:		
Share capital	6,270,683	6,270,683
Accumulated losses	(13,917,010)	(7,632,735)
Share based payment reserve	7,656,594	7,656,594
Total equity	10,267	6,294,542

There were no contractual commitments or contingent liabilities by the parent entity at the end of the financial year (2016: $nil).

20. Contingencies

There are no contingent liabilities as at 30 June 2017.

21. Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the 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.