

Real Estate CRM Pty Ltd

ACN 639 096 156

Annual Report

For the period from 13 February 2020 to 30 June 2020

Real Estate CRM Pty Ltd
Directors' report
30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Real Estate CRM Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period from 13 February 2020 to 30 June 2020.

Directors

The following persons were directors of Real Estate CRM Pty Ltd during the period from 13 February 2020 (date of incorporation) to 30 June 2020 and up to the date of this report, unless otherwise stated:

Sam Plowman— Appointed on 02 March 2020

Joseph Hanna – Appointed on 13 February 2020, ceased on 2 March 2020 and then Appointed on 06 March 2020

Scott Wulff— Appointed on 20 March 2020

Simon Baker— Appointed on 20 March 2020

Michael Fiorenza – Appointed 13 February 2020, ceased on 20 March 2020

Principal activities

The company was incorporated on 13 February 2020. During the financial period, the principal activities of the consolidated entity consisted of Real Estate CRM software offered to Real Estate agents via its platforms MyDesktop and VaultRE , it also offered auxiliary services such as Rent Find Inspector, a tool for property managers, Specialised Software Development and Consultancy Services, these products and services were offered mostly throughout Australia, the United Kingdom and New Zealand.

Dividends

No dividends were paid during the period.

Review of operations

The loss for the consolidated entity after tax income tax amounted to \$131,581.

Significant changes in the state of affairs

On 13 March 2020, the company acquired 100% of the ordinary shares in Commerce Australia Pty Ltd (trading as "MyDesktop") from Domain Holdings Australia Limited. MyDesktop is a leading real estate industry CRM tool in ANZ, with features covering the whole property and contact life cycle. MyDesktop offers its products on a SaaS basis to customers in ANZ and Indonesia with training and support on an ongoing basis.

On 13 March 2020, the company acquired 100% of the ordinary shares in Vault Group Pty Limited by virtue of a share-exchange arrangement. Vault Group Pty Limited and its controlled entities are engaged in the business of Real Estate CRM software via its software VaultRE, Rent Find Inspector, a tool for property managers, Specialised Software Development and Consultancy Services offered throughout Australia, the United Kingdom and New Zealand.

There were no other significant changes in the state of affairs of the consolidated entity during the period.

Matters subsequent to the end of the financial year

Impact of COVID-19

As at the date of signing this financial report, the consolidated entity had not been significantly impacted by the Coronavirus (COVID-19) pandemic. The COVID-19 pandemic is ongoing and therefore the extent and full effect of this pandemic on the consolidated entity's results for the financial year 2021 and its operations cannot be reliably estimated or quantified. The situation is rapidly developing and is dependent upon measures imposed by the Australian Government such as maintaining social distancing requirements, travel restrictions and any economic stimulus that may be provided to support the businesses.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

Shares under option

There were no unissued ordinary shares of the Company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the Company issued on the exercise of options during the period ended 30 June 2020 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the period, the parent entity paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the period, 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.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

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

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

On behalf of the directors



Joseph Hanna
Director

30 September 2020

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Real Estate Ltd CRM Pty Ltd and its controlled entities for the period ended 30 June 2020, 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.

A stylized, handwritten signature in grey ink that reads "RSM".**RSM AUSTRALIA PARTNERS**A handwritten signature in grey ink, appearing to read "RJM".

R J MORILLO MALDONADO
Partner

Melbourne, Victoria
Dated: 30 September 2020

Real Estate CRM Pty Ltd**Contents****30 June 2020**

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General information

The financial statements cover Real Estate CRM Pty Ltd as a consolidated entity consisting of Real Estate CRM Pty Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Real Estate CRM Pty Ltd's functional and presentation currency.

Real Estate CRM Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 7
416-420 Collins Street
Melbourne
VIC 3000

Principal place of business

Level 21
156 Rose Street
Fitzroy
VIC 3065

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2020. The directors have the power to amend and reissue the financial statements.

Real Estate CRM Pty Ltd
Consolidated statement of profit or loss and other comprehensive income
For the period commencing 13 February 2020 and ended 30 June 2020

	Note	Period commencing 13 Feb 2020 and ended 30 June 2020 \$
Revenue	3	2,860,676
Other Income	4	140,582
Expenses		
Employee benefits expense	28	(1,254,388)
Operating expenses	5	(891,538)
Depreciation and amortisation expense	5	(514,799)
Other expenses	5	<u>(339,164)</u>
Profit before income tax expense		1,369
Income tax expense	6	<u>(132,950)</u>
Loss after income tax expense for the period attributable to the owners of Real Estate CRM Pty Ltd		<u>(131,581)</u>
Other comprehensive income for the period, net of tax <i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation		<u>14,589</u>
Other comprehensive income for the year, net of tax		<u>14,589</u>
Total comprehensive loss for the period attributable to the owners of Real Estate CRM Pty Ltd		<u><u>(116,992)</u></u>

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

Real Estate CRM Pty Ltd
Consolidated statement of financial position
As at 30 June 2020

	Note	2020 \$
Assets		
Current assets		
Cash and cash equivalents	7	2,474,815
Trade and other receivables	8	351,280
Total current assets		<u>2,826,095</u>
Non-current assets		
Plant and equipment		18,014
Intangible assets	9	23,132,662
Deferred tax assets	10	557,756
Total non-current assets		<u>23,708,432</u>
Total assets		<u>26,534,527</u>
Liabilities		
Current liabilities		
Trade and other payables	11	1,034,921
Income tax	12	145,790
Employee benefits	28	168,041
Vendor payables	14	6,000,000
Total current liabilities		<u>7,348,752</u>
Non-current liabilities		
Employee benefits	28	110,561
Deferred tax liability	13	32,894
Vendor payables	14	3,000,000
Total non-current liabilities		<u>3,143,455</u>
Total liabilities		<u>10,492,207</u>
Net assets		<u>16,042,320</u>
Equity		
Issued capital	15	16,159,312
Reserves	17	14,589
Accumulated losses	16	<u>(131,581)</u>
Total equity		<u>16,042,320</u>

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

Real Estate CRM Pty Ltd
Consolidated statement of changes in equity
For the period commencing 13 February 2020 and ended 30 June 2020

	Issued capital	Foreign currency reserve	Accumulated losses	Total equity
	\$	\$	\$	\$
Balance at 13 February 2020 (incorporation)	-	-	-	-
Loss after income tax expense for the period			(131,581)	(131,581)
Other comprehensive income for the period, net of tax	-	14,589	-	14,589
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income / (loss) for the period	-	14,589	(131,581)	(116,992)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 15)	16,159,312			16,159,312
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	<u>16,159,312</u>	<u>14,589</u>	<u>(131,581)</u>	<u>16,042,320</u>

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

Real Estate CRM Pty Ltd
Consolidated statement of cash flows
For the period commencing 13 February 2020 and ended 30 June 2020

		Period commencing 13 Feb 2020 and ended 30 June 2020 \$
	Note	
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		3,208,100
Payments to suppliers and employees (inclusive of GST)		(1,828,404)
Receipt from government - cash flow boost		140,348
Interest received		34
Income taxes paid		<u>(5,110)</u>
Net cash from operating activities	30	<u>1,514,968</u>
Cash flows from investing activities		
Payment for purchase of business, net of cash acquired	23	(4,927,402)
Payment for property, plant and equipment		<u>(18,725)</u>
Net cash used in investing activities		<u>(4,946,127)</u>
Cash flows from financing activities		
Proceeds from issue of shares		5,975,012
Share issue transaction costs		<u>(65,700)</u>
Net cash from investing activities		<u>5,909,312</u>
Net increase in cash and cash equivalents		2,478,153
Cash and cash equivalents at the beginning of the financial period		-
Effects of exchange rate changes on cash and cash equivalents		<u>(3,338)</u>
Cash and cash equivalents at the end of the financial period	7	<u><u>2,474,815</u></u>

The above consolidated 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 the financial period presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 13 February 2020 (date of incorporation). The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

The initial application of this standard had no material impact on the results for the period.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and 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.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 24.

Note 1. Significant accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$131,581 for the period ended 30 June 2020. As at that date, the current liabilities of the consolidated entity exceeded its current assets by \$4,522,657.

The above factors and events indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The directors concluded that there are reasonable grounds to believe that the consolidated entity will continue as a going concern, after taking into consideration the following factors:

- On 3 March 2020, Real Estate CRM Pty Ltd entered into an implementation deed with Real Estate Investar Group Limited ("REV"), an ASX-listed company. REV intends to, among other things, complete the acquisition of Real Estate CRM Pty Ltd and complete a capital raise of circa \$10.6 Million by issuing new shares in REV (both subject to shareholder approval), which is expected to be completed during the calendar year ending 31 December 2020;

If the proposed transaction is voted down by the shareholders of REV, the board believes that there are sufficient strategies and cash resources for the Group to meet all commitments and working capital requirements, including the following plans:

- The Board will look to fund the vendor payable of \$6,000,000 via a mix of cash flow from operations and private fund-raising activities which will be either via debt or equity or a combination of the two; and
- The directors have reviewed the cash flow forecasts and believe that for a period in excess of 12 months from the date of signature of the financial report, the consolidated entity has the ability to meet all other commitments and working capital requirements.

Accordingly, the directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Real Estate CRM Pty Ltd ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the period from 13 February 2020 to 30 June 2020. Real Estate CRM Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the policies adopted by the consolidated entity.

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

Note 1. Significant accounting policies (continued)

Principles of consolidation (continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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

Foreign currency translation

The financial statements are presented in Australian dollars, which is Real Estate CRM Pty Ltd's functional and presentation currency.

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Rendering of services

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly/monthly rate.

Subscription services

Subscription services are treated as a single performance obligation; access to digital platforms and data under the subscription is a series of services substantially integrated with the same pattern of transfer. Accordingly, subscription revenue is recognised evenly over the subscription period.

Note 1. Significant accounting policies (continued)

Revenue recognition (continued)

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.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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 classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 1. Significant accounting policies (continued)

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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Plant and equipment

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment	3-7 years
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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 consolidated entity. 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.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

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.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life between 3 to 5 years.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life ranging from 2 to 5 years.

Software

Significant costs associated with software are capitalised and amortised on a straight-line basis over the period of their expected benefit, being their finite life ranging from 2 to 5 years.

Impairment of non-financial assets

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

Recoverable amount is the higher of an asset's fair value less costs of disposal and its 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 consolidated entity 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.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

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.

Note 1. Significant accounting policies (continued)

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down

Employee benefits

Short-term employee benefits

This is represented by liabilities for wages and salaries, including non-monetary benefits and annual leave as these are expected to be settled wholly within 12 months of the reporting date. Accordingly, these liabilities are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave is deemed to be other long-term employee benefits, because is not expected to be wholly settled within 12 months of the reporting date and consequently, is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

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

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

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

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.

Note 1. Significant accounting policies (continued)

Business combinations

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

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

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

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

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

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

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

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.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material

AASB 2018-7 is applicable to annual reporting periods beginning on or after 1 July 2020. The amendments refine the definition of "material" in AASB 101 to clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material. The consolidated entity has assessed that there is unlikely to be any impact on adoption of AASB 2018-7 on the reported financial position, performance or cash flows in the financial statements.

AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a business

AASB 2018-6 is applicable for the annual reporting periods beginning on 1 July 2020. This standard amends AASB 3 to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The application of the AASB 2018-6 from 1 July 2020 is not expected to have a material impact on the consolidated entity's financial statements.

AASB 2020 – 4 Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions

AASB 2020-4 is applicable for the annual reporting periods beginning on or after 1 June 2020 and early adoption of this standard is strongly encouraged. This Standard amends AASB 16 *Leases* to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications. Whilst the consolidated entity, as a lessee, has not received a COVID-19 related rent concession which meets the conditions in AASB 2020-4 as yet, in the event of such a rent concession, when the consolidated entity elects to use the practical expedient, it will save time and effort in the accounting for the concession.

AASB 2020-1 Amendments to Australian Accounting Standards – Classifications of Liabilities as Current or Non-Current

This Standard is applicable for annual reporting periods beginning on or after 1 July 2022. The standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. the amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified. The consolidated entity has assessed that there is unlikely to be any impact on the financial statements when these amendments will be first adopted.

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.

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to past experience with respect to the goods returned to the consolidated entity where the customer maintains a right of return pursuant to the customer contract or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Goodwill and other indefinite life intangible assets

The consolidated entity 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. Refer to note 9 for further information.

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

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

Income tax

The consolidated entity 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 consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity'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.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Real Estate CRM Pty Ltd
Notes to the consolidated financial statements
30 June 2020

Note 3. Revenue

	2020 \$
<i>Revenue from contracts with customers</i>	
Rendering of services	2,860,676
Revenue	<u>2,860,676</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	2020 \$
<i>Major service lines</i>	
SaaS revenue	2,649,034
Mobile Services	183,267
Set-up and training fees	28,052
Consultancy and other revenues	323
	<u>2,860,676</u>
<i>Geographical regions</i>	
Australia	2,496,117
New Zealand	250,981
Indonesia	29,160
United Kingdom	84,418
	<u>2,860,676</u>
<i>Timing of revenue recognition</i>	
Services transferred over time	2,832,301
Services transferred at a point in time	28,375
	<u>2,860,676</u>

Note 4. Other income

	2020 \$
Government cash flow boost	140,348
Interest income	34
Other income	200
	<u>140,582</u>

Real Estate CRM Pty Ltd
Notes to the consolidated financial statements
30 June 2020

Note 5. Expenses

2020
\$

Loss before income tax includes the following specific expenses:

Operating expenses:

Data and production costs	773,967
Occupancy costs (including short-term lease payments of \$12,000)	21,733
Marketing expenses	15,190
IT and legal expenses	2,760
Bad debts and allowances for expected credit losses	6,476
General and administration expenses	65,987
Travel and motor vehicle costs	5,425

Total operating expenses	891,538
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Depreciation and amortisation expenses:

Depreciation - Plant and equipment	4,819
Amortisation - software costs	505,307
Amortisation - trademarks	4,673

Total depreciation and amortization expenses	514,799
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Other expenses:

Acquisition costs	335,826
Foreign exchange losses (net)	3,338

Total other expenses	339,164
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Note 6. Income tax expense

2020
\$

Income tax expense

Current tax	151,109
Deferred tax - origination and reversal of temporary differences	(18,159)

Income tax expense	132,950
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Deferred tax included in income tax expense comprises:

(Increase) / decrease in deferred tax assets (note 10)	(38,902)
Increase/(decrease) in deferred tax liabilities (note 13)	20,743
Deferred tax - origination and reversal of temporary differences	(18,159)

Numerical reconciliation of income tax expense and tax at the statutory rate:

Profit before income tax expense	1,369
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Tax expense at the statutory tax rate of 27.5%	376
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Tax effect amounts which are not deductible in calculating taxable income:

Tax losses not recognised	147,523
Non-deductible expenses	22,993
Non-assessable income	(37,942)
	132,574

Income tax expense	132,950
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Real Estate CRM Pty Ltd
Notes to the consolidated financial statements
30 June 2020

Note 6. Income tax expense (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the statement of financial position for the following items:

	2020
	\$
Unused tax losses ¹	2,366,627
Deductible temporary differences	176,098
Total	<u>2,542,725</u>
Potential benefit at 27.5%	<u>699,249</u>

¹The above balances includes the tax losses of the parent since incorporation and the tax losses pertaining to Vault Group Pty Limited and its controlled entities as at 30 June 2020.

The deferred tax asset has not been brought to account on the basis that at this stage it is not probable that sufficient taxable income will be generated to utilize the losses or to offset the temporary differences.

The deferred tax asset relating to carry forward losses and temporary differences will only be recognized if:

- a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realized;
- b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- c) the consolidated entity is able to meet the continuity of business and or continuity of ownership tests.

Note 7. Current assets - cash and cash equivalents

	2020
	\$
Cash at bank	<u>2,474,815</u>

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	<u>2,474,815</u>
Balance as per statement of cash flows	<u>2,474,815</u>

Real Estate CRM Pty Ltd
Notes to the consolidated financial statements
30 June 2020

Note 8. Current assets - trade and other receivables

	2020
	\$
Trade receivables	167,042
Less: Allowance for expected credit losses	(3,399)
	<u>163,643</u>
Accrued revenues	159,872
Other receivables	27,765
	<u><u>351,280</u></u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$6,476 in profit or loss in respect of the expected credit losses for the period ended 30 June 2020.

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

	Expected credit loss rate %	Carrying amount 30 June 2020 \$	Expected credit loss \$
Not overdue	0.15%	96,992	(144)
0 to 1 months overdue	0.29%	33,809	(98)
1 to 2 months overdue	1.08%	22,012	(238)
2 to 3 months overdue	4.33%	6,147	(266)
3 to 4 months overdue	12.87%	2,137	(275)
Over 5 months overdue	40.00%	5,945	(2,378)
		<u>167,042</u>	<u>(3,399)</u>

Movement in allowance for expected credit losses are as follows:

	2020
	\$
Opening balance	-
Additions through business combinations (note 23)	17,158
Additional provision recognised	6,476
Receivables written off as uncollectable	(20,235)
	<u>3,399</u>
Closing balance	<u><u>3,399</u></u>

Refer note 26 for further information on financial instruments.

Note 9. Non-current assets - intangibles

	2020 \$
Goodwill	22,218,239
Less: Impairment	-
	<u>22,218,239</u>
Software - at cost	1,411,487
Less: Accumulated amortisation	(505,307)
	<u>906,180</u>
Patents and trademarks - at cost	12,916
Less: Accumulated amortisation	(4,673)
	<u>8,243</u>
Total	<u>23,132,662</u>

Reconciliations

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

	Goodwill \$	Software \$	Patents and Trademarks \$	Total \$
Balance at 13 February 2020	-	-	-	-
Additions through business combinations (note 23)	22,218,239	1,411,487	12,916	23,642,642
Impairment of assets	-	-	-	-
Amortisation expense	-	(505,307)	(4,673)	(509,980)
Balance at 30 June 2020	<u>22,218,239</u>	<u>906,180</u>	<u>8,243</u>	<u>23,132,662</u>

Impairment testing

Goodwill acquired through business combinations have been allocated to a single cash-generating unit (CGU) - Real Estate CRM with a balance as at 30 June 2020 of \$22,218,239.

The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management and extrapolated for a further 4 years using a steady rate, together with a terminal value.

Key assumptions

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the discounted cash flow model for the computer retailing division:

- 21.9% pre-tax discount rate;
- 10% per annum projected revenue growth rate;
- 10% per annum increase in operating costs and overheads.
- 2.5% long-term growth rate

The discount rate of 21.9% pre-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital being determined as the factor of the risk-free rate, historical market risk premiums, the volatility of the share prices of comparable listed companies relative to market movements and the performance of comparative listed companies relative to the benchmark index.

Note 9. Non-current assets – intangibles (continued)

Management believes the projected 10% revenue growth rate is prudent and justified, based on historical performance of the acquired businesses and taking into consideration, the general slowing in the market.

Results

Based on the above, the recoverable amount of the Real Estate CRM CGU exceeded the carrying amount by \$6,226,000.

Sensitivity

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill. Should these judgements and estimates not occur the resulting goodwill carrying amount may decrease. The sensitivities are as follows:

- Revenue would need to decrease by more than 2.9% before goodwill would need to be impaired, with all other assumptions remaining constant.
- The pre-tax discount rate would be required to increase by 4.8% before goodwill would need to be impaired, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of the consolidated entity's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

If there are any negative changes in the key assumptions on which the recoverable amount of goodwill is based, this would result in a further impairment charge for the consolidated entity's goodwill.

Note 10. Non-current assets - Deferred tax assets

	2020
	\$
Deferred tax assets	<u>557,756</u>
<i>Represents timing differences attributable to amounts recognised in profit or loss:</i>	
Payables and accruals	8,000
Employee benefits	44,126
Intangible assets	504,894
Allowances for expected credit losses	<u>736</u>
	<u>557,756</u>
<i>Movements</i>	
Opening balance	-
Additions through business combinations (note 23)	513,099
Credited / (debited) to profit or loss (note 6)	38,902
Adjustment	<u>5,755</u>
Closing balance	<u>557,756</u>

Real Estate CRM Pty Ltd
Notes to the consolidated financial statements
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Note 11. Current liabilities – Trade and other payables

	2020
	\$
Trade payables	605,347
GST payable	218,006
Accruals and other payables	211,568
	<u>1,034,921</u>
	<u><u>1,034,921</u></u>

Refer note 26 for further information on financial instruments.

Note 12. Current liabilities - income tax

	2020
	\$
Provision for income tax	145,790
	<u>145,790</u>

Note 13. Non-current liabilities - Deferred tax liability

	2020
	\$
Deferred tax liability	32,894
	<u>32,894</u>
<i>Represents timing differences attributable to amounts recognised in profit or loss:</i>	
Cash and cash equivalents	(12,152)
Accrued income	45,046
	<u>32,894</u>
	<u><u>32,894</u></u>
<i>Movements</i>	
Opening balance	-
Acquired as part of business combination (note 23)	12,151
Debited / (credited) to profit or loss (note 6)	20,743
	<u>32,894</u>
Closing balance	<u><u>32,894</u></u>

Real Estate CRM Pty Ltd
Notes to the consolidated financial statements
30 June 2020

Note 14. Vendor payables

	2020
	\$
Current	
Deferred consideration payable ¹	2,000,000
Contingent consideration payable ²	4,000,000
	<u>6,000,000</u>
Non-current	
Contingent consideration payable ²	3,000,000
	<u>3,000,000</u>
	<u>9,000,000</u>

¹Payable to the vendors of Commerce Australia Pty Ltd in March 2021

²Payable to the vendors of Commerce Australia Pty Ltd is split into two mutually exclusive conditions which are as follows:

Contingent consideration (1)

Up to \$4 million cash on or around 31 January 2021 conditional upon the ongoing retention of an agreed customer base between the date of completion and the contingent payment date. The total amount payable is determined by a slide scale based on the customer retention percentage.

Where the Retention Percentage Achieved is less than or equal to 60%, the amount shall be zero.

Contingent consideration (2)

Up to \$3 million cash on or around 30 September 2021 conditional upon the retention of a key franchise group licensing MyDesktop via a current global enterprise agreement. The qualification for this hurdle requires that customer extend the contract (migrating to VaultRE) for a minimum term of 2 years beyond the current contract expiry date of 1 July 2021. The total amount payable is tied to the extension for each country being Australia, New Zealand and Indonesia (noting that Australia accounts for over 80%).

Refer note 26 for further information on financial instruments.

Note 15. Equity - issued capital

	2020	2020
	Shares	\$
Ordinary shares - fully paid	<u>16,225,012</u>	<u>16,159,312</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Issue of shares on incorporation	13-Feb-20	12	\$1.00	12
Issue of shares	28-Feb-20	750,000	\$1.00	750,000
Issue of shares	3-Mar-20	1,000,000	\$1.00	1,000,000
Issue of shares	6-Mar-20	1,925,000	\$1.00	1,925,000
Issue of shares	9-Mar-20	2,175,000	\$1.00	2,175,000
Issue of shares	10-Mar-20	125,000	\$1.00	125,000
Issue of shares	13-Mar-20	250,000	\$1.00	250,000
Issue of shares to Vault Group Pty Limited	13-Mar-20	10,000,000	\$1.00	10,000,000
Share issue transaction costs		-		(65,700)
Balance	30-Jun-20	<u>16,225,012</u>		<u>16,159,312</u>

Note 15. Equity - issued capital (continued)

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.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 16. Equity – Accumulated losses

	2020 \$
Accumulated losses at 13 February 2020 (date of incorporation)	-
Loss after income tax expense for the period	<u>(131,581)</u>
Accumulated losses at the end of the period	<u><u>(131,581)</u></u>

Note 17. Equity - reserves

	2020 \$
Foreign currency reserve	<u>14,589</u>
	<u><u>14,589</u></u>

Foreign currency reserve

The reserve is used to recognize exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Movements in foreign currency reserve during the current and previous financial year are set out below:

	\$
Balance at 13 February 2020 (date of incorporation)	-
Foreign currency translation	<u>14,589</u>
Balance at 30 June 2020	<u><u>14,589</u></u>

Real Estate CRM Pty Ltd
Notes to the consolidated financial statements
30 June 2020

Note 18. Remuneration of auditors

During the period, the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:

	2020 \$
<i>Audit services – RSM Australia Partners</i>	
Audit of the financial statements	<u>11,000</u>

Note 19. Contingent assets and contingent liabilities

The consolidated entity had no contingent assets or contingent liabilities as at 30 June 2020.

Note 20. Commitments

The consolidated entity had no commitments for expenditure as at 30 June 2020.

Note 21. Parent entity

Real Estate CRM Pty Ltd is the parent entity.

Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %
Commerce Australia Pty Ltd	Australia	100.00%
Vault Group Pty Limited	Australia	100.00%
Vaultrealestate Pty Ltd*	Australia	100.00%
Clientvault Pty Ltd*	Australia	100.00%
Rentfind Technologies Pty Ltd*	Australia	100.00%
Rentfind.com.au Pty Ltd*	Australia	100.00%
Rentfind Inspector UK Pty Ltd*	Australia	100.00%
Complete RE Solutions Pty Ltd*	Australia	100.00%

*Subsidiaries of Vault Group Pty Limited

Real Estate CRM Pty Ltd
Notes to the consolidated financial statements
30 June 2020

Note 23. Business combinations

Commerce Australia Pty Ltd (trading as "MyDesktop") acquisition

On 13 March 2020, Real Estate CRM Pty Ltd acquired 100% of the ordinary shares of Commerce Australia Pty Ltd (trading as "MyDesktop") for total consideration of \$14,416,110 which was made up of an agreed consideration for MyDesktop of \$14,000,000, with a payment for working capital adjustment of \$416,110.

MyDesktop is a leading real estate industry CRM tool in ANZ, with features covering the whole property and contact life cycle. MyDesktop offers its products on a SaaS basis to customers in ANZ and Indonesia with training and support on an ongoing basis. The goodwill of \$12,097,521 represents the expected future economic benefits from the software and consumer base acquisition. The acquired business contributed revenues of \$2,235,836 and profit after tax of \$400,084 to the consolidated entity for the period from 13 March to 30 June 2020. If the acquisition occurred on 1 July 2019, the full year contributions would have been revenues of \$8,250,327 and profit after tax of \$1,224,408. The values identified in relation to the acquisition of Commerce Australia Pty Ltd are provisional as at 30 June 2020.

Details of the acquisition are as follows:

	Fair value of Assets/ (liabilities) \$
Intangibles assets - software	1,411,487
Deferred tax assets	513,099
Cash and cash equivalents	460,966
Trade and other receivables	279,103
Allowance for expected credit losses	(17,158)
Current assets – other	28,711
Accrued expenses	(15,190)
Deferred revenues	(226,319)
Deferred tax liabilities	(12,151)
Unearned revenues	(28,477)
Annual leave provisions of transferring employees	(31,287)
Long service leave provisions of transferring employees	(44,195)
	<hr/>
Net assets acquired	2,318,589
Goodwill	12,097,521
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>14,416,110</u>
	<hr/>
Representing:	
Cash paid	5,416,110
Deferred payment	2,000,000
Contingent consideration payable	7,000,000
	<hr/>
	14,416,110
	<hr/>
Acquisition costs expensed to profit or loss	198,282
	<hr/>
Cash used to acquire business, net of cash acquired:	
	\$
Acquisition-date fair value of the total consideration payable	14,416,110
Less: Cash and cash equivalents acquired	(460,966)
Less: Deferred and contingent consideration payable	(9,000,000)
	<hr/>
Net cash used as at 30 June 2020	<u>4,955,144</u>

Note 23. Business combinations (continued)

Vault Group acquisition

On 13 March 2020, Real Estate CRM Pty Ltd acquired 100% of the ordinary shares of Vault Group Pty Limited ("Vault Group") for the total consideration of \$10,000,000, which was settled by way of issue of ordinary shares of Real Estate CRM Pty Ltd to the former shareholders of Vault Group Pty Limited. Acquisition of 100% of the ordinary shares of Vault Group Pty Limited gives Real Estate CRM Pty Ltd control over six subsidiaries of the Vault Group. Vault Group and its controlled entities offer a best of breed real estate industry CRM tool which operates is offered in Australia, New Zealand and the United Kingdom. Vault Group also offers auxiliary services that assist with the whole property and contact life cycle.

The goodwill of \$10,120,718 represents the expected future economic benefits from the best of breed real estate industry CRM tool that offers not just sales but also property management functionality , other SaaS products, a consumer base which also gives a foot into the UK market and the experienced management and development team that developed and operated MyDesktop before being sold to Domain. The acquired business contributed revenues of \$782,874 and loss after tax of \$192,901 to the consolidated entity for the period from 13 March 2020 to 30 June 2020. If the acquisition occurred on 1 July 2019, the full year contributions would have been revenues of \$1,496,698 and a loss after tax of \$645,212. The values identified in relation to the acquisition of Vault Group Pty Limited are provisional as at 30 June 2020.

Details of the acquisition are as follows:

	Clientvault Pty Ltd	Complete RE Solutions Pty Ltd	Rentfind Technologies Pty Ltd	Rentfind.com. au Pty Ltd	Rent Find Inspector UK	Fair value of assets/ (liabilities)
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	236,783	3,531	22,526	2,869	23,902	289,611
Trade receivables	39,173	52,413	9,634	-	27,016	128,236
Plant and equipment	2,839	908	-	-	361	4,108
Intangible assets	12,916	-	-	-	-	12,916
Trade payables	(110,485)	(52,112)	(29,900)	(18,223)	(20,316)	(231,036)
Borrowings	(251,730)	-	(5,000)	(5,139)	-	(261,869)
Income tax payable	-	-	(1,314)	-	(4,871)	(6,185)
Annual leave provision	(41,602)	(3,459)	-	-	-	(45,061)
Long Service leave provision	(11,438)	-	-	-	-	(11,438)
Net assets / (liabilities)	<u>(123,544)</u>	<u>1,281</u>	<u>(4,054)</u>	<u>(20,493)</u>	<u>26,092</u>	<u>(120,718)</u>

	Fair value of assets/ (liabilities)
	\$
Net assets acquired / (liabilities assumed) – as above	(120,718)
Goodwill	<u>10,120,718</u>
Acquisition-date fair value of the total consideration transferred	<u><u>10,000,000</u></u>

Representing:

Issue of equity shares of Real Estate CRM Pty Ltd to the former shareholders of Vault Group Pty Limited (10,000,000 equity shares at an issue price of \$1.00 per share)	<u>10,000,000</u>
Acquisition costs expensed to profit or loss	<u>137,542</u>
Cash used to acquire business, net of cash acquired:	\$
Acquisition-date fair value of the total consideration payable	10,000,000
Less: Cash and cash equivalents acquired (net of borrowings repaid)	(27,742)
Less: Equity shares issued	<u>(10,000,000)</u>
Net cash used / (acquired) as at 30 June 2020	<u><u>(27,742)</u></u>

Note 24. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2020 \$
Loss after income tax	(338,764)
Total comprehensive loss	(338,764)

Statement of financial position

Total current assets	222,151
Total assets	24,884,249
Total current liabilities	6,063,701
Total liabilities	9,063,701
Equity	
Issued capital	16,159,312
Accumulated losses	(338,764)
Total equity	15,820,548

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020.

Significant accounting policies

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

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 25. Events after the reporting period

Impact of COVID-19

As at the date of signing this financial report, the consolidated entity had not been significantly impacted by the Coronavirus (COVID-19) pandemic. The COVID-19 pandemic is ongoing and therefore the extent and full effect of this pandemic on the consolidated entity's results for the financial year 2021 and its operations cannot be reliably estimated or quantified. The situation is rapidly developing and is dependent upon measures imposed by the Australian Government such as maintaining social distancing requirements, travel restrictions and any economic stimulus that may be provided to support the businesses.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 26. Financial instruments

Financial risk management objectives

The consolidated entity's directors monitor and manage the financial risks relating to the operation of the consolidated entity. These risks include credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on managing these risks and implementing and monitoring of controls around the cash management function.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework which is summarised below:

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount of those assets, net of any allowance for expected credit losses, as disclosed in the statement of financial position and note 8 to the financial statements. The consolidated entity's cash at bank is deposited with Westpac Banking Corporation, National Australia Bank, Bank of New Zealand (BNZ) and Clydesdale bank, UK.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the consolidated entity, and a failure to make contractual payments for a period of greater than 120 days past due. The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

To measure the expected credit losses, trade and other receivables have been grouped based on the days past due.

The consolidated entity holds material contracts with which, the material credit risk exposure is low as the nature of the business being core to the management and day to day operations of the customers' business, this creates a natural hedge. The expected loss rates for the consolidated entity reflect current and forward-looking information mainly, changes in the macro economic environment which have placed significant downward pressure on all businesses in Australia and New Zealand. On that basis, the loss allowance as at 30 June 2020 has been calculated in Note 8 which contains the reconciliation of the opening and closing loss allowances.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated - 2020	%	\$	\$	\$	\$	\$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	1,034,921	-	-	-	1,034,921
Vendor payables	-	6,000,000	3,000,000	-	-	9,000,000
Total non-derivatives		7,034,921	3,000,000	-	-	10,034,921

Note 26. Financial instruments (continued)

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Management has put in place a policy requiring the consolidated entity to manage their foreign exchange risk against their functional currency. The consolidated entity is required to bring significant foreign currency transactions to the attention of the central finance function for evaluation as to the use of hedging using forward foreign currency contracts.

Foreign currency denominated financial assets and liabilities which expose the consolidated entity to currency risk are disclosed below. The amounts shown are those translated into \$AUD at the closing rate and shows the impact of the Australian dollar strengthening or weakening 10% against the respective foreign currency.

The percentage change is the expected overall volatility of the foreign currency, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months and the spot rate at each reporting date.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date (expressed in Australian Dollars) were as follows:

Consolidated - 30 June 2020	GBP	NZD	Total	Sensitivity	
				Strengthening AUD + 10% Profit or (Loss) impact	Weakening AUD - 10% Profit or (Loss) impact
	\$	\$	\$	\$	\$
Financial assets	45,644	232,964	278,608	27,860	(27,860)
Financial liabilities	(39,961)	-	(39,961)	(3,996)	3,996
Net exposure	5,683	232,964	238,647	23,864	(23,864)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the consolidated entity's exposure to currency risk.

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity holds its surplus cash in bank deposits with floating interest rates. The consolidated entity analyses its interest rate exposure on an ongoing basis. Currently there are no assets or liabilities that are materially exposed to variations in interest rate changes.

Note 27. Fair value measurement

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

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

No financial assets or liabilities are readily traded on organised markets in standardised form.

Note 28. Employment Expenses

Employee benefits expense

Expenses recognised for employee benefits are analysed below:

	2020
	\$
Salaries, wages and leave allowances (including consultancy charges)	1,131,879
Defined benefit superannuation expenses	78,489
Short-term employee benefits	<u>1,210,368</u>
Other long-term benefits	32,936
On-costs	11,084
Total	<u><u>1,254,388</u></u>

Employee liabilities

Liabilities recognised for employee benefits are analysed below:

	2020
	\$
<i>Employee benefits expenses</i>	
Provision for employee entitlements - current	168,041
Provision for employee entitlements – non-current	<u>110,561</u>
	<u><u>278,602</u></u>

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current since the consolidated entity does not have an unconditional right to defer settlement. Based on past experience, it is expected that there may be some employees which will not take the full amount of accrued leave within the next 12 months.

Note 29. Related party transactions

Parent entity

Real Estate CRM Pty Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Transactions with related parties

On 13 March 2020, Real Estate CRM Pty Ltd entered into an agreement with Real Estate Investar Group Limited, an entity with common directors, to receive consulting and corporate services. These services were provided by the executive and senior team of Real Estate Investar Group Limited.

	2020
	\$
Consulting and corporate services fee expenses	<u>109,573</u>

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2020
	\$
Current payables	
Trade payables to Real Estate Investar Group Limited (an entity with common directors)	<u><u>39,558</u></u>

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 30. Reconciliation of loss after income tax to net cash from operating activities

	2020
	\$
Loss after income tax expense for the year	(131,581)
Adjustments for:	
Depreciation and amortisation	514,799
Unrealised exchange losses	3,338
Issue of shares in consideration for corporate and consultancy charges	250,000
Bad debts and allowance for expected credit losses	6,476
Change in operating assets and liabilities:	
(Increase) / decrease in trade and other receivables	61,136
(increase)/decrease in deferred tax assets	(44,657)
Increase/ (decrease) in trade and other payables	536,337
Increase/ (decrease) in provision for income tax	139,603
Increase/(decrease) in employee benefits	32,894
Increase/ (decrease) in staff leave provisions	146,623
Net cash from/ (used in) operating activities	<u><u>1,514,968</u></u>

Real Estate CRM Pty Ltd
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial period 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



Joe Hanna
Director

30 September 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Real Estate CRM Pty Ltd

Opinion

We have audited the financial report of Real Estate CRM Pty Ltd ("the company") and its subsidiaries ("the Group") which comprises the consolidated statement of financial position as at 30 June 2020, 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 period from 13 February 2020 to 30 June 2020, 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the period from 13 February 2020 to 30 June 2020; and
- (ii) complying with Australian Accounting Standards 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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a loss of \$131,581 for the period ended 30 June 2020 and as at that date, the current liabilities of the Group exceeded its current assets by \$4,522,657. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors of the company are responsible for the other information. The other information comprises the information included in the Group's annual report for the period ended 30 June 2020 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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 in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

**RSM AUSTRALIA PARTNERS****R J MORILLO MALDONADO**

Partner

Dated: 30 September 2020
Melbourne, Victoria