engage:BDR Limited

ACN 621 160 585

Annual Report - 31 December 2017

engage:BDR Limited
Content
31 December 2017

Directors	Mr Ted Dhanik Mr Kurtis Rintala Mr Tom Anderson Mr Bruce McMenamin Mr Ron Phillips
Company secretary	Mr Bruce McMenamin
Registered office	Scottish House Level 4 90 William Street Melbourne Victoria 3000 Australia
Principal place of business	Suite 100 9220 Sunset Boulevard West Hollywood California 90069 USA
Share register	Computershare Investor Services 452 Johnston Street Abbotsford Victoria 3067 Telephone: (03) 9415 5000
Auditor	Ernst & Young Melbourne 8 Exhibition Street Melbourne Victoria 3000 Australia
Stock exchange listing	engage:BDR Limited securities are listed on the Australian Securities Exchange (ASX code: EN1 and EN1O).
Website	engagebdr.com
Corporate Governance Statement	The Company's 2017 Corporate Governance Statement has been released to ASX on 29 March 2018 and is available on the Company's website.

engage:BDR Limited
Director's Report
31 December 2017

The Directors present their report, together with the financial report of engage:BDR Limited comprising engage:BDR Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2017 (referred to hereafter as 'engage:BDR' or the 'Group').

Directors

The following persons were directors of engage:BDR Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Ted Dhanik (Co-Founder and Executive Chairman) (appointed 17 August 2017)
Mr Kurtis Rintala (Con-Founder and Executive Director) (appointed 17 August 2017)
Mr Tom Anderson (Non-Executive Director) (appointed 17 August 2017)
Mr Bruce McMenamin (Non-Executive Director) (appointed 17 August 2017)
Mr Ron Phillips (Non-Executive Director) (appointed 17 August 2017)

Principal activities

engage:BDR is an internet-based marketplace platform and associated technology solution provider. engage:BDR's proprietary technology is used to optimise the sale of advertising inventory from digital publishers (websites and apps) to advertisers and their agents (brands, agencies and advertising platforms). The ability to optimise the inventory from digital publishers to advertisers and their agents allows engage:BDR to play an active role in managing the ad exchange platform.

engage:BDR allows digital publishers to monetise their available advertising space by making the inventory available to multiple advertisers, as well as providing various related technologies designed to help publishers create additional incremental revenue streams. engage:BDR's ad exchange platform also allows publishers to sell space for video advertising on webpages that do not have video content.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to $10,566,001 (31 December 2016: $3,671,809). engage:BDR's operating loss after tax after excluding significant items was $7,128,931. Significant expenses included $3,437,070 relating to share-based payments granted to employees as part of a re-organisation of the capital of engage:BDR LLC which took place prior to the IPO. This report also includes certain non-IFRS measures. These measures are used internally by Mangement to assess the performance of the business and are included in this report to provide greater understanding of the underlying financial performance of the Group's operations. When reviewing business performance, this non-IFRS information should be used in addition to, and not as a replacement of, measures prepared in accordance with IFRS. The non-IFRS information has not been subject to audit by engage:BDR Limited's external auditor.

The Company was incorporated on 17 August 2017. On 14 December 2017, the Company listed on ASX and, as a consequence, completed the final pre-condition for the acquisition of engage:BDR LLC's issued share capital, which resulted in the Company becoming the ultimate parent of engage:BDR LLC. The Company was incorporated specifically to acquire all of the shares of engage:BDR LLC. The Company has not conducted any business other than to be the holding company of engage:BDR LLC, with the legal acquisition of engage:BDR LLC being treated as a business reorganisation with the establishment of the new parent entity, engage:BDR Limited. Therefore, the principles of business combination accounting and reverse acquisition accounting have not been applied. Instead, the Group is considered to be a continuation of engage:BDR LLC and has been accounted for as such in this financial report.

The Company completed its listing on the ASX on 14 December 2017 after a significantly oversubscribed initial public offering ('IPO') which closed on 29 September 2017 raising $10,000,000. There were some financial consequences of the delay in the Company's completion of the IPO on 29 September 2017 and the actual listing of the Company on ASX on 14 December 2017 which are dealt with further in the Annual Report.

The Group provides the following review of its operations for the 2017 financial year and its recent progress since listing on ASX. engage:BDR generates revenue from four principal activities (which under two revenue streams – programmatic and non-programmatic):

Non-programmatic display advertising sales

The Group's Non-programmatic display advertising sales business is tag-based, traditionally sold and managed banner advertising campaigns run for direct advertisers. This was the Group's first product, initially launched in 2009 and remained a significant revenue contributor in 2017. The Group anticipates that this part of the Group's business will continue to decline as advertising buyers continue to migrate their business to more efficient and cost effective programmatic buying. engage:BDR is expecting to be able to deliver significantly increased trading margins as a consequence of moving to a near totally automated programmatic operation during 2018.

Programmatic display advertising sales

The Group's Programmatic display advertising sales business includes selling banner advertising inventory through the Group's digital auctioning technology to platforms and marketplaces. The Group developed this product to replace the traditional Non-Programmatic display advertising channel. Many of the Group's Non-programmatic buyers are still bidding on the Group's inventory through server-to-server connections. The adoption of programmatic display advertising has proved extremely successful in 2017 and opened additional revenue opportunities from many of the Company's existing clients, largely because programmatic buying and selling of advertising is much more efficient and significantly more cost effective to operate, thus increasing the Group's overall operating and gross profit margins.

Non-programmatic video advertising sales

The Group's Non-Programmatic video advertising sales business includes selling video inventory through tag-based technology to direct advertisers, platforms and marketplaces. The Group has spent the last two years developing its own proprietary video ad serving technologies and further expanding this part of the business by enabling both buying and selling of video in addition to its display business. The Group has significantly increased revenue per customer by integrating the video channel with the display buyers and sellers and opening business on the display ad side to customers that were originally integrating into the video business. The Company anticipates that the programmatic video business will eclipse this and all other ad formats over the next three to five years and accordingly has dedicated significant financial resources to this part of the business in 2017 to encourage this shift.

Programmatic video advertising sales

The Group's Programmatic video advertising sales business grew significantly during the year as the Group continued to progress the development and launch of its programmatic and video advertising platforms. Significant achievements in the reporting period included considerable expansion of programmatic display and video partnerships and integrations and the launch of its true programmatic, real-time bidding buy-side and sell-side marketplace for video. The Group achieved a #9 US comScore video ranking of all video advertising companies measured in the U.S.A in 2017.

The Group's recently developed proprietary programmatic technology significantly increases the Group's operating margins by reducing payroll and associated sales commissions. With the rapid adoption of programmatic buying, brands, agencies and digital media buyers have moved their budgets to auction-based buying, in contrast to buying from sales people, individual RFP (request for proposal) and insertion orders. This behavioural change has made the marketplace much more efficient, significantly reducing the staff overhead required to sell advertising in the traditional way.

Advertising buyers, through the Group's programmatic platform, are essentially bidding for advertising inventory in real time in dynamic auctions, which occur in milliseconds while the relevant web page is loading. This new engage:BDR format has created significant barriers to entry for new companies looking to enter the digital advertising arena. Companies must realistically own and develop their own proprietary technology to be able to participate in the rapidly developing programmatic advertising ecosystem as licensing third party technologies is cost-prohibitive. engage:BDR has developed its own real-time auctioning and bidding technologies which provide it with a significant competitive advantage. engage:BDR has established thousands of direct publisher relationships which is a key differentiator and competitive advantage for the Group in an ecosystem which is experiencing inventory quality issues, brokers and middlemen.

Significant changes in the state of affairs

The Company achieved a successful listing on the ASX on 14 December 2017, after completing a significantly over-subscribed IPO. The Company raised $10 million in the IPO and had a market capitalisation on listing of $49.9 million.

The Group prior to the IPO had acquired an interest in an unlisted entity, Galaxy Group LA, LLC ('Galaxy Group'), as detailed in Note 23 of the financial report contained in this Annual Report which was initially accounted for as an investment in an associate and had a carrying value of nil at 31 December 2016. On 23 May 2017, Galaxy Group listed on the Canadian Stock Exchange as LottoGopher Holdings Inc ('LottoGopher'). The fair value of the Group's investment in LottoGopher as at the date of this financial report is $666,978 for which some of the securities are held in escrow and will be released in tranches over a 36 month period following the listing date. As a result of this listing, the Group no longer had significant influence over Galaxy Group and hence ceased to be an associate of the Group. It is now accounted for as an available-for-sale financial asset and measured at fair value. Refer to Note 7 of the financial report contained in this Annual Report which details the profit and loss impact of this item.

The Group is continuing the integration of partners into its video platform. After completion of the development of the Groups proprietary video ad serving platform in late 2015, the Group began selling and integrating several demand partnerships. With these relationships established and technologically now being integrated, the Group will be able to auction video advertising on its platform on a significantly larger scale which will have a corresponding positive effect on revenues. The Group had 42 integrations completed as at July 2017 and had 82 integrations completed as at the end of January 2018.

The Group is continuing to migrate its non-programmatic display business to programmatic. As planned, the Group grew its programmatic display revenues and further scaled back resources and attention devoted to the non-programmatic display business.

The Group has continued the development of its "IconicReach" influencer marketing platform. As the market for influencer based advertising grows, the Group has developed a platform that allows brands and influencers to connect and transact digitally. This proprietary technology developed by the Group utilises the shift to programmatic in display advertising and applies the same principles to the influencer marketing space.

As part of an internal corporate re-organisation of engage:BDR LLC that took place prior to the IPO, the Group issued 24,583,239 shares to various employees and contractors of the Group on 26 August 2017. This resulted in a non-cash share based payment expense of $3,437,070. The consequences of this transaction are outlined in more detail in the financial report contained in this Annual Report at Note 29.

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

Matters subsequent to the end of the financial year

On 8 February 2018, the Group announced that it had signed an agreement with cryptocurrency company IvyKoin TM which is building a blockchain based cryptocurrency for business transactions, particularly larger financial transactions and those that require extensive verification.

engage:BDR has been appointed the agency of record for ivyKoin TM and accordingly will be handling all of the media buying and marketing activities for the Company. The agreement initially provided for an USD $500,000 (AUD $623,000) marketing campaign, to be undertaken by IvyKoin TM which is to be executed through engage:BDR's Influence Marketing platform, "IconicReach". Subsequent to signing this agreement, the parties verbally agreed to increase the spend on this campaign to USD $1,000,000 (AUD $1,246,000).

On 12 February 2018, the Group signed a one year lease for a new operating premises at 9220 Sunset Boulevard, West Hollywood.

On 27 February 2018, the Group issued 2,745,721 fully paid ordinary shares on conversion of the Convertible Notes at $0.20 (20 cents) per share. The consequences of this transaction are outlined in more detail in the financial report contained in this Annual Report at Note 26.

No other matter or Group's entity's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Growth of video revenue on the proprietary platforms (programmatic and tagbased)

As a consequence of the fact that the Group's programmatic platform is now completed and a number of partnerships have been established, the Group expects to grow video revenues significantly in 2018. This revenue will be less dependent on third parties than prior video advertising revenues were.

In addition, the gross margins expected to be achieved by the Group are likely to increase significantly as the Group is no longer required to rely on third-party platforms which charge a significant (almost 50%) share of the Group's gross margin. In addition to the growth of the video business (tag-based), the addition of programmatic video will enable much quicker scale and greater revenue per client (and shorter ramp-up periods). As the supply and demand partnerships are integrated by the engineering teams, the revenue is expected to steadily grow throughout the year.

Continued growth of programmatic display revenue

The Group also expects to see continued growth of its programmatic display business. Through monetisation of existing partnerships and creation of new ones, the Group expects to be able to significantly scale revenue while maintaining its lower cost operations. As more non-programmatic buyers and sellers migrate to purely programmatic environments, the Group expects revenue per customer to increase dramatically. This enables optimisation of the Group's existing relationships and the ability to attract new buyers and sellers.

Growth of influencer marketing revenue

The Group launched its social influencer marketing platform in mid-2017. It brought in additional incremental revenue through this platform and further diversification of the Group's product and service offering. With Instagram influencers becoming extremely popular, new marketing channels for advertisers and platform efficiencies are required to scale this new form of media. IconicReach, engageBDR's Instagram influencer self-serve platform, is focused on being the largest marketplace focused on advertiser-supplied creative, creating a scalable and efficient revenue stream for micro-and influencers with large audiences. The Group anticipates that several thousand influencers and hundreds of brands will join the IconicReach platform in 2018.

The Board wants to thank those shareholders who participated in the Company's successful significantly oversubscribed IPO and more recently is extremely confident of the Group's continued progress as it moves more of its business to the significantly more efficient, scalable and higher margin programmatic format.

Environmental regulation

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

Information on directors

Name:	Mr Ted Dhanik
Title:	Co-Founder, Executive Chairman and Chief Executive Officer (appointed 17 August 2017)
Experience and expertise:	Ted Dhanik is one of the co-founders of engage:BDR LLC. He serves as Chief Executive Officer overseeing corporate development, strategic marketing, sales and business development, and product strategy. From 2003 to 2008, Ted worked with MySpace.com developing strategic marketing initiatives. He worked very closely with founders Chris DeWolfe and Tom Anderson and was responsible for launching the brand in its early days through a combination of on and offline campaigns. Ted also worked in business development at LowerMyBills.com until its acquisition by Experian. Ted was also an integral part of the development and launch of the consumer lending program at NexTag Corporation. He has worked for, or been a partner at, several other companies in business development, sales, and managerial positions, including Xoriant Corporation, Atesto Technologies, Brigade Solutions, Beyond.com/Cybersource Corporation and Merrill Corporation. Ted also advises a number of technology startups including Fighter, LottoGopher and Schizo Pictures and is an active mentor at Los Angeles-based startup accelerator Start Engine. He is passionate about being a thought leader in the industry and he is regularly published in leading publications. He regularly contributes to discussions about industry standards and achieving positive change, sitting on IAB committees including the Anti-fraud Workgroup, Anti-malware Workgroup, Traffic of Good intent Task Force, Programmatic Counsel, Digital Video Committee, Mobile Advertising Committee and Performance Marketing Committee.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	55,949,870 fully paid ordinary shares (100% escrowed for 12 months to 14 December 2018 and 50% escrowed for 24 months to 14 December 2019)
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Kurtis Rintala
Title:	Co-Founder, Executive Director and Chief Operating Officer (appointed on 17 August 2017)
Experience and expertise:	Kurtis Rintala was one of the co-founders of engage:BDR LLC. and serves as the Chief Operating Officer for the Group overseeing day-to-day operations and leading the execution of the strategic direction of the Group. Kurtis is responsible for establishing policies that promote the Group culture and vision. He sets comprehensive goals for performance and growth and encourages optimum performance and dedication. He evaluates performance by analysing and interpreting data and metrics. Kurtis began his career in the technology industry in 2003 as an early member of the successful internet startup, LowerMyBills.com.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	35,217,391 fully paid ordinary shares (100% escrowed for 12 months to 14 December 2018 and 50% escrowed for 24 months to 14 December 2019)
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Tom Anderson
Title:	Non-Executive Director (appointed 17 August 2017)
Experience and expertise:	Tom Anderson was appointed to the Board of the Group as a Non-Executive Director to provide the Group with the benefit of his wide ranging expertise in social media and innovative product design and to assist to steer the Group's future growth strategy. Prior to joining the engage:BDR, Tom founded and served as President of MySpace, simultaneously inventing "social media" while revolutionizing the music industry. After its launch in 2003, MySpace became the #1 most visited site on the web quickly, surpassing companies such as Google, Yahoo and Amazon. At its peak, Nielsen Net Ratings reported that MySpace captured more than 10% of all minutes spent online. By the time Anderson left the company in 2009, he had amassed more than 350 million friends on MySpace, making him the first and still ultimately the biggest "influencer" of all time. His MySpace profile photo, which he never changed and still uses to this day is estimated to have been viewed more times than any single photograph in history. Before retiring in 2009, TIME Magazine included Tom among its list of the 100 most influential people in the world, and Barbara Walters named him one of her 10 Most Fascinating People. Since retiring, Tom has become an internationally recognised photographer, traveling to more than 40 countries in pursuit of his passion. Tom's photos have appeared in countless magazines, newspapers, and websites. He now also has a keen interest in architecture and has designed a number homes. He splits his time between his homes in Las Vegas, Hawaii and Los Angeles. Prior to his entrepreneurial and creative pursuits, Tom graduated with the Departmental Citation in English and Rhetoric at the University of California at Berkeley and later completed a Masters in Film & Critical Studies at UCLA.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	1,500,000 fully paid ordinary shares (100% escrowed for 12 months to 14 December 2018 and 50% escrowed for 24 months to 14 December 2019)
Interests in options:	Nil
Interests in rights:	Nil

Name:	Mr Bruce McMenamin
Title:	Non-Executive Director and Company Secretary (appointed 17 August 2017)
Experience and expertise:	Bruce McMenamin was appointed to the Board of the Group as a Non-Executive Director, in addition to his role as Company Secretary in August 2017. Bruce is a member of the Institute of Chartered Accountants ANZ. He has over 35 years' experience as a practicing accountant and professional advisor. He specialises in all levels of business strategy, corporate finance, mergers and acquisitions. As an adviser to some of Australia's largest privately owned companies and high net worth families he has been involved in many significant corporate transactions and resultant operations. He has been a member of numerous audit and finance committees and has a strong focus on governance and compliance.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	25,000 fully paid ordinary shares
Interests in options:	12,500 listed options, exercisable at $0.25 (25 cents) per share for 3 year from the date of listing
Interests in rights:	Nil

Name:	Mr Ron Philips
Title:	Non-Executive Director (appointed 17 August 2017)
Experience and expertise:	Ron Phillips's career has spanned five decades of experience in advertising, marketing, media and communications across full service advertising agencies and specialist media communication networks. His client experience includes responsibility for some of the largest master media contracts in retail, leisure and entertainment and Government. As a Company Director and Media Director Ron has managed significant global brands. Over the last decade with the Dentsu Aegis Network. Ron has worked closely with businesses specialising in performance media, automation, analytics and insight, digital, creative, influence, social media, content and lifestyle. Ron has made a significant contribution to industry education with RMIT University and in 2009 was awarded an Honorary Life Fellowship of the Advertising Institute of Australia (AIA) in recognition of a lifetime of encouragement and support for advertising education. Ron has also contributed in the "not for profit" sector and has done significant pro bono work.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Interests in shares:	40,000 fully paid ordinary shares
Interests in options:	Nil
Interests in rights:	Nil

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

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

Meetings of directors

No Directors Meetings were held between the date of the Company's listing on ASX on 14 December 2017 and 31 December 2017

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The Board has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having net profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary and non-monetary benefits, is reviewed annually by the Board based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

Share based payments (in engage:BDR LLC) have also been issued to executives and a non-executive director during the period, which were prior to the IPO. These were issued in respect of services performed for the Group. Refer to Note 29 of the financial report contained within this Annual Report for further details.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors and key management personnel of the Group:

- Ted Dhanik (Executive Chairman)
- Kurtis Rintala (Executive Director, Chief Operating Officer)
- Kevin Kwok (Executive Director, Chief Financial Officer) (resigned in January 2018)
- Tom Anderson (Non-Executive Director)
- Bruce McMenamin (Non-Executive Director)
- Ron Phillips (Non-Executive Director)
- Youqi Li (Chief Technology Officer)
- Ryan Davidson (Vice President of Finance) (resigned in March 2017)
- Sarah Wetzel (Vice President of Operations)
- Andy Dhanik (Vice President of Demand)
- Mona Jalali (Vice President of Inventory Quality)

	Short-term benefits			Post-employment benefits		Share-based payments	
2017	Cash salary and fees $	Commission /bonus (1) $	Non-monetary $	Superannuation /401(K) $	Loan forgiveness $	Equity-settled $	Total $
Non-Executive Directors:							
Tom Anderson*	2,447	-	-	-	-	130,492	132,939
Bruce McMenamin*	1,667	-	-	158	-	-	1,825
Ron Phillips*	1,667	-	-	158	-	-	1,825
Executive Directors:							
Ted Dhanik**	469,770	-	-	1,924	-	-	471,694
Kurtis Rintala**	469,770	-	-	-	-	-	469,770
Kevin Kwok***	-	-	-	-	-	561,115	561,115
Other Key Management Personnel:							
Youqi Li	179,377	1,794	-	-	-	130,492	311,662
Ryan Davidson****	48,934	-	-	415	108,419	104,393	262,162
Sarah Wetzel	163,115	18,024	-	-	-	97,869	279,008
Andy Dhanik	130,492	320,682	-	-	-	260,984	712,157
Mona Jalali	195,738	61,548	-	-	-	130,492	387,777
	1,662,976	402,048	-	2,655	108,419	1,415,837	3,591,934

* Mr Tom Anderson, Mr Bruce McMenamin and Mr Ron Phillips were appointed as non-executive directors with effect from the date of the Company's incorporation on 17 August 2017.

** Amounts stated above for Mr Ted Dhanik and Mr Kurtis Rintala are higher than disclosed in the Supplementary Prospectus dated 15 September 2017 as prior to the successful listing of the Company on the ASX on 14 December 2017 their salaries and fees were calculated under a different employment agreement.

*** Mr Kevin Kwok was appointed as CFO on 14 December 2017 and resigned in January 2018.

**** Mr Ryan Davidson resigned in March 2017. His salary includes an amount of $108,419 in relation to loan forgiveness, as upon termination the Group agreed to forgive his outstanding loan balance.

(1) Commissions are earned by calendar quarter based on performance to goal. Generally, these performance goals are driven by sales targets, gross profit maximization, and Managed by Objectives (MBO) which are goals set out by management. Sales and gross margin targets are based on forecasts. Actual performance to goal is compared to arrive at an "Achieved" percentage which is used to determine which Tier of payout they will receive. < 50% is given a 0% payout tier, 51-69% is given a 50% payout tier, 70-79% is given a 70% payout tier, 80-89% is given a 80% payout tier, 90-99% is given a 90% payout tier, and 100% is given a 100% payout tier. The payout tier is then multiplied by the result of dividing the maximum payout amount by the target to arrive at a "Payout Percentage". The payout percentage is then multiplied by the actual achieved result to arrive at the dollar amount of the payout.

	Short-term benefits			Post-employment benefits		Share-based payments	
2016	Cash salary and fees $	Commission /bonus $	Non-monetary $	401(k) $	Loan forgiveness $	Equity-settled $	Total $
Executive Directors:							
Ted Dhanik	4,882	-	-	1,983	-	-	6,865
Kurtis Rintala	207,899	-	-	-	-	-	207,899
Other Key Management Personnel:							
Youqi Li	184,860	-	-	-	-	-	184,860
Ryan Davidson	217,516	-	-	2,053	-	-	219,569
Sarah Wetzel	168,101	32,063	-	-	-	-	200,164
	783,259	32,063	-	4,036	-	-	819,357

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

Name	Fixed remuneration 2017	Fixed remuneration 2016	STI - sales commission 2017	STI - sales commission 2016	Share based payments 2017	Share based payments 2016
Non-Executive Directors:						
Tom Anderson	2%	-	-	-	98%	-
Bruce McMenamin	100%	-	-	-	-	-
Ron Phillips	100%	-	-	-	-	-
Executive Directors:						
Ted Dhanik	100%	100%	-	-	-	-
Kurtis Rintala	100%	100%	-	-	-	-
Kevin Kwok	-	-	-	-	100%	-
Other Key Management Personnel:						
Youqi Li	58%	100%	-	-	42%	-
Ryan Davidson	32%	100%	-	-	68%	-
Sarah Wetzel	58%	84%	6%	16%	36%	-
Andy Dhanik	18%	-	45%	-	37%	-
Mona Jalali	50%	-	16%	-	34%	-

Additional information

The earnings of the consolidated entity for the five years to 31 December 2017 are summarised below:

	2017 $	2016* $	2015* $	2014* $	2013** $
Sales revenue	13,135,970	21,845,216	36,919,027	28,537,625	16,728,649
Profit after income tax	(10,566,001)	(3,671,809)	(3,664,495)	182,776	(644,712)

* The financial result represents engage:BDR LLC's operating result for the year.
** 2013 numbers are unaudited.

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year*	Received as part of remuneration**	Additional shares on conversion***	Other	Balance at the end of the year
Ordinary shares					
Ted Dhanik	37,299,913	-	18,649,957	-	55,949,870
Kurtis Rintala	23,478,261	-	11,739,130	-	35,217,391
Tom Anderson	-	1,000,000	500,000	-	1,500,000
Bruce McMenamin****	-	-	-	25,000	25,000
Ron Phillips*****	-	-	-	40,000	40,000
Kevin Kwok	-	4,300,000	2,150,000	-	6,450,000
Youqi Li	-	1,000,000	500,000	-	1,500,000
Sarah Wetzel	-	750,000	375,000	-	1,125,000
Andy Dhanik	-	2,000,000	1,000,000	-	3,000,000
Mona Jalali	-	1,000,000	500,000	-	1,500,000
	60,778,174	10,050,000	35,414,087	65,000	106,307,261

* Balance at the start of the year represents shares held as of 1 January 2017 in engage:BDR LLC
** Column represents shares issued to a non-executive director and key management personnel as share based payments in engage:BDR LLC prior to acquisition by engage:BDR Limited.
*** Column represents additional shares attributable on conversion from shares held in engage:BDR LLC when shareholdings were converted into shares of engage:BDR Limited at a rate of 1:1.5 upon acquisition on 14 December 2017.
**** Shares acquired by Bruce McMenamin under the Prospectus as part of the IPO.
***** Shares acquired by Ron Phillips and purchased on market in late December 2017.

Option holding

The number of options over ordinary shares in the Group held during the financial year by each director and other members of key management personnel of the Group, including their closely related entities, is set out below:

	Balance at the start of the year	Free attaching options*	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Bruce McMenamin	-	12,500	-	-	12,500
	-	12,500	-	-	12,500

* Mr Bruce McMenamin subscribed for 25,000 fully paid ordinary shares as part of the IPO. Free attaching options were issued on a 1:2 basis.

Loans to key management personnel and their related parties

As at 31 December 2017 the Group recognised a loan receivable for funds payable by Mr Ted Dhanik (USD$1,299,577; AUD$1,663,109), Kurtis Rintala (USD$196,625; AUD$251,627) and Andy Dhanik (USD$79,743; AUD$102,050). (2016: USD$1,753,096 (AUD$2,432,561)).

Loans to directors and key management personnel are charged interest at a simple interest rate of 2.78% per annum, calculated monthly. This interest rate is below what would be charged should these loans be on an arms-length basis. The loans made to both directors and key management personnel are repayable within two years, with all loans as at 31 December 2017 having a maturity date of 30 June 2018. These have been disclosed as current receivables. The loan amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. All loans were approved by the Board of Directors of engage:BDR LLC prior to the Company's IPO and ASX listing.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Issue date	Expiry date	Exercise price	Number under option
14 December 2017	14 December 2020	$0.25	29,999,993

These options were issued in connection with the IPO, with 24,999,993 issued to investors who subscribed to the IPO on the basis of 1 option for each 2 shares purchased under the Prospectus. In addition, 5,000,000 options were also issued to the lead manager in connection with services provided relating to the IPO (These options are escrowed for 2 years from the date of listing).

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of engage:BDR Limited issued on the exercise of options during the year ended 31 December 2017 and up to the date of this report.

Indemnity and insurance of officers

During the financial year, the Group maintained an insurance policy which indemnifies the directors and officers of the Group in respect of any liability incurred in connection with the performance of their duties as directors or officers of the Group to the extent permitted by the Corporations Act 2001. The Group's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

The Group has not paid any insurance premiums in respect of any past or present directors or auditors, other than as required by law.

Indemnification of auditors

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of the its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

Proceedings on behalf of the Group

As at the date of this report, there are no material proceedings brought on behalf of the Group under section 237 of the Corporations Act 2001.

Non-audit services

The Group's auditors Ernst & Young ("EY") provided non-audit services in relation to tax compliance and other accounting services to the Group for which $248,000 (2016: $nil) was paid or payable by the Group. The Directors are satisfied that the provision of the non-audit services was compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of the non-audit services provided was not such that auditor independence was compromised.

Officers of the Company who are former partners of Ernst & Young Melbourne

There are no officers of the Company who are former partners of Ernst & Young Melbourne.

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.

Rounding

All values in the Directors' report have been rounded off the dollar ($) in accordance with Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission.

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

Ted Dhanik
Co-Founder and Executive Chairman
29 March 2018

Building a better
working world

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Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Engage:BDR Limited

As lead auditor for the audit of Engage:BDR Limited for the financial year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Engage:BDR Limited and the entities it controlled during the financial year.

Ernst & Young

Don Grant
Partner
29 March 2018

engage:BDR Limited
Consolidated Statement of Comprehensive Income
For the year ending 31 December 2017

	Notes	2017	2016
		AUD $	AUD $
Revenue	4	13,135,970	21,845,216
Cost of sales	6	(6,965,841)	(12,981,251)
Gross profit		6,170,129	8,863,965
Other income	7	258,678	108,965
Gain on de-recognition of investment in associate	7	2,475,318	-
Impairment loss on available for sale investment	7	(1,851,599)	-
Gain on bargain purchase	25	-	76,759
Employee and contractor costs	8	(4,989,741)	(5,953,094)
Operations and administrative expense	9	(5,508,950)	(4,235,029)
Advertising and marketing expense		(214,831)	(317,526)
Finance costs	11	(981,538)	(743,007)
Share based payment expense	29	(3,437,070)	-
Depreciation and amortisation	10	(2,485,353)	(1,471,767)
Loss before income tax		**(10,564,957)**	**(3,670,735)**
Income tax expense	12	(1,044)	(1,075)
Loss after tax from continuing operations		**(10,566,001)**	**(3,671,809)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		688,310	(188,690)
Total Comprehensive loss for the year attributable to the owners		**(9,877,691)**	**(3,860,499)**

Loss per share for loss attributable to ordinary equity holders of the Group from:	**Notes**	**2017** **AUD $**	2016 AUD $
Continuing operations:			
Basic earnings (loss) per share	28	**(0.07)**	(0.06)
Diluted earnings (loss) per share	28	**(0.07)**	(0.06)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying note

engage:BDR Limited
Consolidated Statement of Financial Position
As at 31 December 2017

	Notes	2017 AUD $	2016 AUD $
ASSETS			
Current assets			
Cash and cash equivalents	13	7,274,894	986,603
Trade and other receivables	17	2,878,438	6,697,104
Prepaid expenses		558,789	442,944
Related party receivables	22	2,277,582	-
Available for sale financial asset	23	366,838	-
		13,356,541	8,126,651
Non-current assets			
Property, plant & equipment	14	735,405	1,354,117
Intangible assets	15	3,973,760	5,431,473
Related party receivables	22	-	2,812,334
Available for sale financial asset	23	300,140	
		5,009,305	9,597,924
Total assets		**18,365,846**	**17,724,575**
EQUITY & LIABILITIES			
Current liabilities			
Trade and other payables	20(a)	14,157,323	12,095,879
Employee liabilities	21	85,409	92,675
Lease liability	19(a)	391,231	505,048
Borrowings	16	2,753,107	3,637,378
Other financial liability	25	-	7,533,155
		17,387,070	23,864,135
Non-current liabilities			
Trade and other payables	20(b)	2,892	162,186
Embedded derivative	27	-	140,808
Lease liability	19(a)	279,789	649,457
Borrowings	16	-	1,532,537
		282,681	2,484,988
Total liabilities		**17,669,751**	**26,349,123**
Net Assets / (Liabilities)		**696,095**	**(8,624,548)**
Equity			
Share capital	18	15,665,594	1,178
Accumulated losses		(18,717,695)	(8,151,694)
Share based payment reserve		3,533,918	-
Foreign currency translation reserve		214,278	(474,032)
Total equity		**696,095**	**(8,624,548)**

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

engage:BDR Limited
Consolidated Statement of changs in equity
For the year ended 31 December 2017

	Share based payment reserve AUD $	Share Capital AUD $	Accumulated Losses AUD $	Foreign Currency Translation Reserve AUD $	Total AUD $
At 01 January 2016	**-**	**1,178**	**(4,479,885)**	**(285,342)**	**(4,764,049)**
Comprehensive loss for the year	-	-	(3,671,809)	-	(3,671,809)
Movement in foreign currency translation reserve	-	-	-	(188,690)	(188,690)
At 31 December 2016	**-**	**1,178**	**(8,151,694)**	**(474,032)**	**(8,624,548)**
Comprehensive loss for the year	-	-	(10,566,001)	-	(10,566,001)
Movement in foreign currency translation reserve	-	-	-	688,310	688,310
Shares issued on completion of capital raise	-	10,000,000	-	-	10,000,000
Transaction costs	-	(1,274,159)		-	(1,274,159)
Reclass of Tiveo shares on IPO to equity	-	6,938,575		-	6,938,575
Share based payment reserves	3,533,918	-	-	-	3,533,918
At 31 December 2017	**3,533,918**	**15,665,594**	**(18,717,695)**	**214,278**	**696,095**

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

engage:BDR Limited
Consolidated Statement of Cash Flows
For the year ended 31 December 2017

	Notes	2017 AUD $	2016 AUD $
Cash flows from operating activities			
Total comprehensive loss for the year		(10,566,001)	(3,671,809)
- Finance costs		981,538	743,007
Adjustments for non-cash income and expenses:			
- Depreciation		523,508	502,890
- Amortisation		1,961,847	968,877
- Gain on bargain purchase		-	(57,078)
- Gain on de-recognition of investment in associate		(2,475,318)	-
- Impairment loss for available for sale investment		1,851,599	-
- Share based compensation		3,437,070	-
- Forfeited client prepayments		(105,405)	-
- Interest income not received		(68,642)	
Changes in operating assets and liabilities:			
- (Increase) / Decrease in trade and other receivables		3,818,666	5,039,820
- Increase / (Decrease) in factoring liability		(2,465,490)	109,998
- Decrease / (Increase) in prepayments		(115,845)	(76,280)
- Increase / (Decrease) in trade and other payables		2,397,260	(5,458,857)
Cash (used in) operations		**(825,213)**	**(1,899,432)**
Interest paid		(673,158)	(811,318)
Net cash from / (used in) operating activities		**(1,498,371)**	**(2,710,750)**
Cash flows from investing activities			
Purchases of property, plant & equipment		(872)	(40,437)
Capitalized software development		(909,664)	(1,401,592)
Loans to related parties		-	(113,084)
Related party loan repayments		-	107,625
Loans to shareholders		(419,584)	(2,887,691)
Shareholder loan repayments received		654,552	1,985,074
Acquisition of subsidiary – cash acquired		-	3,995,683
Net cash (used) / from investing activities		**(675,568)**	**1,645,578**
Cash flows from financing activities			
Proceeds from capital raise		10,000,000	-
Costs incurred in capital raise		(652,000)	-
Proceeds from loans		-	534,611
Repayment of finance leases		(814,974)	(438,520)
Net cash from financing activities		**8,533,026**	**96,091**
Net increase / (decrease) in cash and cash equivalents		6,359,087	(969,081)
Cash and cash equivalents at beginning of year		986,603	1,870,597
Effects of currency translation		(70,796)	85,087
Cash and cash equivalents at end of year	13	**7,274,894**	**986,603**

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

1. Corporate information

This financial report is a general purpose financial report which covers engage:BDR Limited, (the 'parent' or the 'Company'), and its 100% owned subsidiaries, engage:BDR LLC and Tiveo LLC ('Tiveo') (a wholly-owned subsidiary of engage:BDR LLC), collectively referred to as 'the Group' or 'engage:BDR'. Engage:BDR Limited is incorporated in Australia and publicly traded on the Australian Securities Exchange ('ASX') under stock ticker EN1 and EN1O. The financial report is for the year ended 31 December 2017 and is presented in Australian Dollars ('AUD'). All values in the financial report have been rounded off to the dollar ($) in accordance with that Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission.

Both engage:BDR LLC and Tiveo LLC are entities incorporated in the United States of America.

engage:BDR Limited is incorporated in Australia its registered office is:

engage:BDR Limited
Scottish House
Level 4, 90 William Street
Melbourne Victoria 3000
Australia

The nature of operations and principal activities of engage:BDR are as an internet-based marketplace platform and associated technology solution provider. engage:BDR's proprietary technology is used to optimise the sale of advertising inventory from digital publishers (websites and apps) to advertisers and their agents (brands, agencies and advertising platforms).

The financial report of engage:BDR Limited and its controlled entities for the year ended 31 December 2017 was authorised for issue in accordance with a resolution of the Directors on 29 March 2018.

(a) Business reorganisation

engage:BDR Limited was incorporated on 17 August 2017. On 14 December 2017, engage:BDR Limited completed the acquisition of engage:BDR LLC through a share sale and purchase agreement, which resulted in engage:BDR Limited becoming the ultimate parent of engage:BDR LLC. engage:BDR Limited was incorporated for the sole purpose of acquiring all of the shares of engage:BDR LLC. engage:BDR Limited has not conducted any business other than to be the holding company of engage:BDR LLC, with the legal acquisition of engage:BDR LLC being treated as a business re-organisation with the establishment of the new parent entity, engage:BDR Limited. Therefore, the principles of business combination accounting and reverse acquisition accounting have not been applied. Instead, the Group is considered to be a continuation of engage:BDR LLC and has been accounted for as such in this financial report.

engage:BDR Limited's consolidated financial statements for the year ended 31 December 2017 and 31 December 2016 are presented as the continuation of engage:BDR LLC operations and business.

2. Summary of significant accounting policies

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

(a) Basis of preparation

(i) Statement of Compliance

The financial report of engage:BDR Limited as at and for the year ended 31 December 2017 comprises the Company and its controlled entities (together referred to as the 'Group'). The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

2. Summary of significant accounting policies (continued)

The Group has adopted all applicable new and amended Australian Accounting Standards and AASB Interpretations that apply as of 1 January 2017. Those Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted. Details of the new and amended Standards adopted, along with a summary of the new and amended Standards and Interpretations that are issued but not yet effective, are set out in note 33.

(ii) Historical cost convention
This financial report is presented in Australian dollars and is prepared on a historical cost basis except for available for sale financial assets and derivatives that are carried at fair value.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with an investee and has the ability to affect those returns through its power over an investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ('OCI') are attributed to the equity holders of the parent of the Group and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(c) Going concern

The financial report has been prepared on a going concern basis which takes into account the net current liabilities of $4,030,529, negative operating cash flows of $1,498,371 net assets of $696,095 and an ending cash position of $7,274,894 as at 31 December 2017.

2. Summary of significant accounting policies (continued)

During the year ended 31 December 2017, the company successfully raised $10,000,000 excluding costs following the company's admission and listing to the ASX. The funds received are being used to provide working capital funds and allow investment in developing technologies including integrations in the programmatic business.

The delay in the completion of the IPO in 2017 placed significant constraints on the business including for Q4 of FY17 adversely impacting both operating performance and cash flow. The fair value of the Lottogopher Available for Sale Investment diminished $1,839,396 from 30 June 2017. The Directors acknowledge that there are indicators which may, individually or collectively cast significant doubt on the entity's ability to continue as a going concern including the net current deficiency, diminished value of Available for Sale Investments and adverse impact of the delayed IPO.

Notwithstanding the foregoing the Directors consider the going concern basis to be appropriate giving consideration to:

(a) Confidence in achieving the group's forecast revenue and positive operating cash flow through continued delivery of planned integrations onto the group's programmatic platforms
(b) Ability to exercise control over discretionary operational outflows
(c) Expected repayment of related party loan receivables of $2,277,582 on their due date of 30 June 2018
(d) The expected realization of Available for Sale investments to be realized on expiry of escrow restrictions (currently valued at $666,978)
(e) The potential for additional capital to be raised via debt or equity in the near term (for which the company has a proven track record and a number of current opportunities it is contemplating)

Accordingly, the accounts have been prepared on a going concern basis. Accordingly the financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

(d) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision makers, who provide the strategic direction and management oversight of the Group in terms of monitoring results and approving strategic planning for the business.

The Group has assessed its operations of comprising of potentially two segments – being programmatic and non-programmatic trading. However, due to the similar nature and characteristics of these operations, and the fact that they are reported together to the chief operating decision maker (with the only distinction made upon reporting being the split in revenue by programmatic and non-programmatic) they have been combined and shown together. Refer Note 5 for the segmental analysis.

(e) Foreign currencies

(i) Functional and presentation currency
The functional currency of each of the entities in the Group is the currency of the primary economic environment in which each of the entities operate, which is US Dollars ('USD') for engage:BDR LLC and Tiveo. The financial report is presented in Australian Dollars ('AUD') which is the functional currency of the Parent, engage:BDR Limited and presentation currency of the Group.

(ii) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

2. Summary of significant accounting policies (continued)

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

(iii) Translation
The assets and liabilities of subsidiaries with a functional currency other than AUD (being the presentation currency of the Group) are translated into AUD at the exchange rate at the reporting date and the statement of comprehensive income is translated at the average exchange rate for the period. On consolidation, exchange differences arising from the translation of these subsidiaries are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of any allowances, duties and taxes paid.

Revenue is recognised for the major business activities as follows:

(i) Rendering of services
The Group is an internet-based marketplace platform and associated technology solution provider. The Group's proprietary technology is used to facilitate the sale of advertising inventory from digital publishers (websites and apps) to advertisers and their agents (brands, agencies and advertising platforms). The Group allows digital publishers to monetise their available advertising space by making the inventory available to multiple advertisers, as well as providing various technologies designed to help publishers create incremental streams of revenue. An example of this technology would be the Group's OutStream advertising unit, which allows publishers to sell space for video advertising on webpages that do not have video content.

Revenue is recognised on an accruals basis as and when the service has been provided to the customer. Revenue from the rendering of services can be recognized by reference to the stage of completion (and in the case of the programmatic ad exchange revenue is recognised with the ad is served) if the final outcome can be reliably estimated. This would be the case if:

(a) The amount of revenue can be measured reliably.
(b) It is probable that economic benefits associated with the transaction will flow to the seller.
(c) The stage of completion can be measured reliably.
(d) The costs incurred and the cost to complete can be measured reliably.

In recording revenue, the Group evaluates whether they are the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis). The Group reports the sales of advertising revenues for advertising inventory on a gross basis, that is, the amounts billed to our customers are recorded as revenues, and amounts paid to suppliers are recorded as cost of sales. Where we are the principal, the Group controls the advertising inventory before it is transferred to its customers. Control is evidenced by the Group's sole ability to monetise the advertising inventory before it is transferred to its customers, and is further supported by the Group being primarily responsible to its customers and having a level of discretion in establishing pricing.

2. Summary of significant accounting policies (continued)

Where the Group receives payment for advertising campaigns up front and, at the reporting date, the underlying campaign is either ongoing or has not commenced, the portion that extends beyond the reporting period is not taken up as revenue, but rather recognised as unearned revenue in the Statement of Financial Position.

(ii) Interest revenue
Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably. Interest revenue is measured using the effective interest method ("EIR"). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

(g) Income tax

The tax expense recognised in the statement of comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and deferred tax liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the financial statements. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
Current tax assets and current tax liabilities are offset where there is a legally enforceable right to set off the recognized amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2. Summary of significant accounting policies (continued)

Deferred tax assets and deferred tax liabilities are offset where there is or would be a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation
Depreciation is calculated on a straight line basis for all plant and equipment. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Leasehold improvements are depreciated over the estimated useful life using the straight-line method with any balance written off at termination of the lease.
The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of asset and is recognised in profit or loss.

The following depreciation rates are used for each class of depreciable asset:

Class of Fixed Assets	Useful life
Plant & Computer equipment [1]	2-3 years
Furniture and equipment	2-6 years

[1] Leasehold improvements are contained within plant & computer equipment.

(i) Intangible assets other than goodwill

Capitalised development costs
Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of the development expenditure, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure is amortised over the period of expected benefits from the related project, being a period of 3 years.

2. Summary of significant accounting policies (continued)

(j) Impairment of non-financial assets (excluding goodwill)

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, being the cash generating units ("CGU")

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of three years. A long-term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognised in the profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

(k) Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale ("AFS") financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

At 31 December 2017 the Group held cash and cash equivalents, loans, receivables and available for sale investments as financial assets.

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss ('FVTPL')
- Loans and receivables
- Held-to-maturity investments
- Available for sale financial assets ('AFS')

2. Summary of significant accounting policies (continued)

(iii) Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL and derivatives. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139 *Financial instruments: Recognition and Measurement* ('AASB 139'). The Group has not designated any financial assets at FVTPL. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL.

(iv) Loans and receivables

This category is the most relevant to the Group. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the profit or loss in the Statement of Comprehensive Income in finance costs for loans and in cost of sales or other operating expenses for receivables.

This category generally applies to trade and other receivables. Trade accounts receivable are generally settled between 30 and 90 days and carried at amounts recoverable.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off.

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

  Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2. Summary of significant accounting policies (continued)

(vi) Impairment of financial assets
The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(vii) Available-for-sale investments

After initial recognition, investments classified as AFS are measured at fair value. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on balance date. Gains or losses on AFS investments are recognised as a separate component of equity until the investment is disposed of. At this point, the cumulative gain or loss previously reported in Other Comprehensive Income (Equity) is included in the Statement of Comprehensive Income. If there is a significant or prolonged diminution in fair value while the investment is held, the movement in the fair value will be recorded in the Statement of Comprehensive Income as an impairment loss.

As at 31 December 2017, the Group had an AFS investment related to Lottogopher Holdings Inc. See note 23 for accounting treatment during the period.

(l) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and deposits at call which are readily convertible to cash and are not subject to significant risk of changes in value, net of bank overdrafts.

(m) Financial liabilities

(i) Classification
Financial liabilities within the scope of AASB 139 are classified as financial liabilities at FVTPL, loans and borrowing, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

(ii) Initial recognition and measurement
All financial liabilities are recognised initially at fair value.

(iii) Subsequent measurement
The measurement of financial liabilities depends on their classification as follow:

Financial liabilities at fair value through profit or loss
Financial liabilities are classified as FVTPL, when the financial liability is either held for trading or it is designated as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Derivative financial instruments
Derivatives are initially recognised at fair value and are subsequently measured to their fair value at each Statement of Financial Position date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Further details of derivative financial instruments are disclosed in note 27.

2. Summary of significant accounting policies (continued)

Embedded derivatives
Derivatives embedded in financial instruments are treated as separate financial instruments when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss. Management has made an assessment of the convertible note contracts and separated out the portion that related to the notes liability and the portion that relates to the embedded derivative and valued and disclosed these separately.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Interest bearing loans and borrowings
After initial recognition, interest bearing loans and borrowing are subsequently measured at amortised cost using the EIR method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised in profit or loss respectively in finance revenue and finance cost. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down.

De-recognition of financial liabilities
A liability is generally derecognized when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the differences in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Fair values
The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short position), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 16.

(n) Business combinations
The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in excess of fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(o) Trade and other payables

Trade accounts payable and other creditors represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are measured subsequently at amortised cost using the EIR method. Payment terms vary by creditor but are typically 60 days.

(p) Employee benefits

Wages and salaries, sick leave and short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

(i) Wages, salaries, annual and long service leave
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Changes in the measurement of the liability are recognised in profit or loss in the Statement of Comprehensive Income.
Employee benefits are presented as current liabilities in the Statement of Financial Position if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(ii) Defined contribution schemes
The Group has a defined contribution savings plan as defined in subsection 401(k) of the United States Internal Revenue Code. This plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation. Group contributions to the plan may be made at the discretion of the Board of Directors.

(q) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(i) Finance leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Group at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

(ii) Rentals and operating leases
Rentals payable under operating leases are charged to the profit or loss in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

2. Summary of significant accounting policies (continued)

(r) Provisions

Provisions are recognized when the Group has an obligation as a result of a past event and it is probable that the Group will be required to settle the obligation and that a reliable estimate of the amount of the obligation can be made. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Present obligations arising under onerous contracts are recognised and measured as provisions.

(s) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates.

Associates are those entities which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income of equity-accounted investees, until the date on which significant influence ceases.

(t) Share-Based Payments

The Group provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares. The Group has issued shares to directors and employees for the year ended 31 December 2017 as compensation and has issued shares to a third parties in lieu of services provided to support the Group's Initial Public Offer. These shares were issued in engage:BDR LLC and converted to shares in engage:BDR Limited upon listing on the ASX.

The cost of share-based payments is measured by reference to the fair value of options at the date at which they are granted. The fair value of options granted is determined by using the Monte Carlo simulation or the binomial option valuation model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 29.

For employee related share based payments, the fair value of options is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes conditionally entitled to the option.

For third party related share based payments, the fair value of options is recognised as a being a deduction from the initial public offering proceeds raised recognized in equity, with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the third party becomes conditionally entitled to the option.

(u) Earnings Per Share (EPS)

Basic EPS is calculated as the net profit/(loss) attributable to shareholders, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as the net profit/(loss) attributable to members, adjusted for:

- The costs of servicing equity (other than dividends)
- The after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

2. Summary of significant accounting policies (continued)

The resultant net profit/(loss) is divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

As the Group incurred a loss for the period under review and in the prior year, potential ordinary shares, being options and performance rights to acquire ordinary shares, are considered non-dilutive and therefore not included in the diluted earnings per share calculation.

3. Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Development costs – capitalisation, valuation and impairment
Distinguishing the research and development phases of software projects and determining whether the recognition requirements for the capitalisation of development costs are met, requires judgement. Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Determining the feasibility of the project and the likelihood of the project delivering future economic benefits, which can be measured reliably, is a significant management estimate and judgement.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project, typically between 3 and 4 years, and are considered for impairment, based on the presence of indicators, at each reporting date.

After capitalisation, the Group assesses, at each reporting date, whether there is an indication that capitalised costs may be impaired. If any indication exists, the Group estimates the asset's recoverable amount, which is the higher of the asset's or cash generating unit ('CGU')'s fair value less cost of disposal and its value in use. The Group assesses that each capitalised intangible asset, representing each software project, does not generate cash inflows that are largely independent of those from other assets so has determined the recoverable amount at CGU level. The CGU to which the intangible assets are allocated has been identified as the Group as a whole.

The recoverable amount of the capitalized costs have been determined based on its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Future cash flows are estimated based on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of 3 years and a long-term growth rate is calculated and applied to project future cash flows after the 3rd year.

When performing this assessment for the current period the Group has used the valuation of the Group prepared in connection with the share based payments transaction (as of August 2017) and applied updated assumptions around revenue, growth and cost projections which reflect the forecast business results now that the Group has successfully listed on the ASX. In relation to the acquired Tiveo intangibles, the Group has also considered the value in use calculation prepared at the time of the acquisition (August 2016) which supported the cost value of the acquired assets. Since this date, investment in these assets has been delayed and not yet commenced (due to the delay in successfully listing on the ASX) and as such the Group has considered the value in use calculation prepared at this date to still provide evidence supporting the carrying value of these intangibles, which have been amortised since the date of acquisition.

3. Critical accounting estimates and judgements (continued)

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount as impairment loss. The carrying amount of intangible assets at the reporting date was $3,973,760 (2016: $5,431,473) and there were no impairment losses (2016: nil) recognised during the current financial year.

(ii) Recoverability of debtors
The determination of the recoverability of trade debtors requires the Directors to exercise their judgement. In reviewing trade debtors, the Group considers any recent history of payments and the status of the projects to which the debt relates. No payment terms have been renegotiated. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further provision required in excess of the allowance for impairment. Refer to note 17 for additional detail.

(iii) Valuation of embedded derivatives
The US$385,000 convertible notes issued between 6 June 2016 and 30 August 2016 have two components, being the debt portion of the instrument and the option to convert the debt into shares in the Group. AASB 132 *Financial Instruments: Presentation* requires that, as the number of shares to be converted is not fixed, these need to be valued separately. AASB 139 requires the calculation of the fair value of the option to be performed at each reporting period. The embedded derivative (option to convert the loan note into shares in the Group) has been fair valued using the Black Scholes model which requires critical judgements in order to ascertain the Group share price variability. At 31 December 2017 the fair value of the embedded derivative element of the notes was $nil (2016: $140,808) given that upon the successful completion of the Group's IPO on the ASX (on 14 December 2017) the convertible notes now mandatorily convert to equity. As at 31 December 2017, the listed securities had not yet been issued and so a liability for the face value plus accrued interest for the convertible notes remained on balance sheet.

Contained within the note agreements was a variable feature which states that; in the event the Group's capital stock is listed for trading on the Australian Securities Exchange (the "ASX"), and the daily closing price of such capital stock traded on the ASX (the "Trading Stock") for each trading day during the six (6) month period immediately following such commencement of listing (the "Review Period") is below the price at which the Holder actually converted their convertible note, then the Company shall issue additional shares to the holder as if the principal amount and accrued interest under such Note was converted at a conversion price equal to the average daily closing price of such Trading Stock during the Review Period. The Group has obtained an external valuation for this variable feature which has assessed this feature as having a $nil value at 31 December 2017 (2016: $nil). For further details see notes 26 and 27.

(iv) Share-based payments
In August 2017, engage:BDR LCC issued 24,583,239 shares to employees and contractors, which are required to be valued based on the fair value of the issued shares in the Company at that time. Estimating fair value for share-based payment transactions requires selection of the most appropriate valuation model, which in turn is dependent on the terms and conditions of the share based payment granted. Determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, is also required. The models and related assumptions used for estimating the fair value of share-based payment transactions are disclosed in Note 29. An external valuation has been obtained in order to appropriately determine the fair value of the shares issued.

4. Revenue

	2017	**2016**
	AUD $	AUD $
Rendering of services	13,135,970	21,845,216

5. Segmental analysis

The Group has only one operating segment, being the buying and selling of digital media and advertising. The chief operating decision maker is the Chief Executive Officer of engage:BDR Limited (previously engage:BDR LLC). The chief operating decision maker reviews the results of the business on a single entity basis. For financial results, refer to the Statement of Comprehensive Income and Statement of Financial Position.

5. Segmental analysis (continued)

The chief operating decision maker monitors the operating results of the Group for the purpose of making decisions about resource allocation in order to progress the delivery of the programmatic and non-programmatic digital media and advertising.

The Group has disclosed its reported revenue for its product types being programmatic and non-programmatic revenue streams as noted in the table below:

Product Information	**Programmatic**	**Non-programmatic**	**Consolidated**
Year ended 31 December 2017	AUD $	AUD $	AUD $
Revenue from external customers	8,930,576	4,205,394	13,135,970
	Programmatic	**Non-programmatic**	**Consolidated**
Year ended 31 December 2016	AUD $	AUD $	AUD $
Revenue from external customers	5,951,219	15,893,997	21,845,216

Geographic Information	**2017**	**2016**
	AUD $	AUD $
Australia	6,196	0
United States of America	11,773,654	18,822,092
Other [1]	1,356,120	3,023,124
	13,135,970	**21,845,216**

[1] Of the Other regions, no other country singularly represents greater than 10% of the Group's total revenue.

Non-current operating assets	**2017**	**2016**
	AUD $	AUD $
Australia	-	-
United States of America	4,780,054	6,785,590
Other	-	-
	4,780,054	6,785,590

Non-current assets for this purpose consist of property, plant, and equipment and intangible assets

6. Cost of sales

	2017 AUD $	2016 AUD $
Online media costs	6,916,723	12,552,263
Platform service fees[1]	46,785	406,465
Merchant banking fees	2,333	22,523
Total cost of sales	6,965,841	12,981,251

[1]Platform service fees are charged by third-party platforms used for programmatic purchase, sale, and delivery of digital media. Typically, the purchase and sale of media is charged as a percentage of the gross volume; the delivery of media is charged at a fixed rate.

7. Gain on de-recognition of investment in associate and other income

	2017 AUD $	2016 AUD $
Gain from de-recognition of investment in associate	2,475,318	-
Impairment loss for Available for Sale Investment	(1,851,599)	-
Net fair value gain from Available for Sale Investment [1]	**623,719**	**-**
Other income		
Finance income	68,667	57,340
Embedded derivative fair value movement	140,808	(119)
Other income	49,203	51,506
	258,678	**108,965**

[1] During the period to 31 December 2017, the Group recognised a gain of $2,475,318 as other income related to the de-recognition of its previous investment in an associate, Galaxy Group LA LLC (‘Galaxy’), due to losing significant influence as another entity, Lottogopher Holdings Inc., (‘Lottogopher’) a related entity of Galaxy, was publicly listed in May 2017 on the Canadian Stock Exchange and completed a reverse acquisition of Galaxy. The Group previously held an equity investment in the trading operations of Galaxy, which was accounted for as an investment in associate using the equity method due to having significant influence over the entity. At 31 December 2016, this investment in associate was recorded at a carrying value of $nil due to the Group’s share of accumulated losses of the associate exceeding the carrying value of the investment in associate. On completion of the Initial Public Offering in May 2017, the investment held was converted into equity shares of Lottogopher on the Canadian Stock Exchange, with the gain of $2,475,318 being recognized representing the fair value re-measurement of the previous equity accounted investment on receipt of equity by the Group. Galaxy ceased to be an associate, as the Group’s shareholding reduced from 23% to 6% as a result of the above described transaction, and instead is treated as an AFS investment.

As at 31 December 2017, the fair value assessment of the Group’s AFS investment resulted in an impairment loss of $1,851,599 following a decline in the market value of the Group’s shareholding. An impairment loss was recognised due to the investment in Lottogopher having a significant diminution in value below. Refer to Note 23 for further details.

8. Employee and contractor costs

	2017 AUD $	2016 AUD $
Salary costs	4,701,903	5,568,829
Defined contribution plan (401(k))	46,195	124,868
Insurance costs (medical and worker’s compensation)	241,643	259,397
Total employee and contractor costs	4,989,741	5,953,094

9. Operations and administration expense

	2017 AUD $	2016 AUD $
Technology infrastructure and software costs	1,701,570	1,101,234
Legal and accounting expense	1,130,147	788,740
Technical and corporate development expense	206,211	222,885
Bad debt expense	698,741	251,172
Travel expenses	277,925	150,347
Office and other rental expenditure	802,733	852,552
Human resource expenses	88,393	158,515
Municipal and other taxes	21,098	23,829
Other operations and administration expenses	582,132	685,755
Total operations and administration	5,508,950	4,235,029

10. Depreciation and amortisation

	2017 AUD $	2016 AUD $
Depreciation of property, plant, and equipment	523,506	502,890
Amortisation of capitalised software development costs	1,961,847	968,877
Total depreciation and amortisation	2,485,353	1,471,767

11. Finance costs

	2017 AUD $	2016 AUD $
Interest on financing arrangements [1]	278,544	93,757
Interest on finance leases	242,956	115,578
Interest on receivables factoring [2]	-	499,874
Interest on credit line [3]	383,036	10,381
Interest on loan from related party	-	3,117
Interest on corporate credit cards	77,002	20,300
Total finance costs	981,538	743,007

[1] The Group issued a promissory note to a supplier with a simple interest rate of 7% per annum and maturity date in January 2018, currently outstanding and being paid down per the terms of the promissory note. Also included is interest payable to investors that were issued convertible notes.

[2] The Group is involved in a cash enhancement activity commonly referred to as factoring. Advancement on receivables is charged interest however, in accordance with AASB 139, the Group still, substantially, retains all the risk and rewards related to the underlying receivable and hence it is not derecognized.

[3] The Group stopped using the factoring facility in December 2016 and moved to an Asset-based lending (ABL) credit line. The ABL still involves the transfer of receivables without derecognition. See note 17a for further detail on the transfer of receivables.

12. Income tax expense

Consolidated statement of comprehensive income	2017 AUD $	2016 AUD $
Current income tax		
Current income tax	1,044	1,075
Adjustments in respect of current income tax of previous year	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Total income tax expense / (benefit) in the statement of comprehensive income	1,044	1,075

A reconciliation between income tax expense and the product of accounting profit multiplied by the U.S. domestic statutory tax rate for the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
Accounting loss before income tax	**(10,564,957)**	**(3,670,735)**
Taxes computed at statutory rate of 0% [1]	-	-
Increase/(decrease) in income taxes resulting from:	-	-
State and local taxes [1]	1,044	1,075
Provision/(benefit) for income taxes	1,044	1,075

Deferred tax relates to the following temporary differences:

Deferred tax assets:	2017	2016
Accrued expenses and reserves	1,856	13,319
Losses available for offsetting against future taxable income	247,886	62,703
Research and development credits	302,970	236,745
	552,712	438,160

Items that give rise to a deferred tax liability related to the following temporary differences:

Deferred tax liabilities		
Accelerated depreciation and amortisation for tax purposes	(57,079)	(32,138)
	(44,598)	(32,138)
Reconciliation of recognised deferred tax		
Deferred tax asset	552,712	438,160
Deferred tax assets not recognised	(495,633)	(406,022)
	57,079	32,138
Deferred tax liability	(57,079)	(32,138)
Net deferred tax -	-	-

12. Income tax expense (continued)

[1] Conversion to LLC corporate structure, the Subsidiary maintains the ability to elect taxation as an S-type corporation and accordingly it is not subject to federal tax. The rate applicable to the Subsidiary is a 1.5% tax on net income which is payable to the state of California, however if the Group has made a loss (which in this reporting period it did), it is only subject to an USD $800 minimum tax.

13. Cash and cash equivalents

	2017 AUD $	2016 AUD $
Cash at bank and in hand	7,274,894	986,603

Cash at banks earns interest at floating rates based on daily bank deposit rates. Cash and Cash Equivalents are denominated in:

	2017	2016
Australian dollars	282,768	-
US dollars	5,463,669	710,502

14. Property, plant & equipment

	Plant & Computer Equipment 2017 AUD $	Furniture & Fittings 2017 AUD $	Total 2017 AUD $
Cost			
At 01 January 2017	2,883,722	219,883	3,103,605
Additions	872	-	872
Exchange difference	(226,106)	(17,239)	(243,345)
At 31 December 2017	2,658,488	202,644	2,861,132
Accumulated depreciation			
At 01 January 2017	1,618,392	131,096	1,749,488
Depreciation for the year	493,555	29,951	523,506
Exchange difference	(136,412)	(10,856)	(147,267)
At 31 December 2017	1,975,536	150,191	2,125,727

	2016 AUD $	2016 AUD $	2016 AUD $
Cost			
At 01 January 2016	1,988,478	209,041	2,197,518
Additions	829,153	7,563	836,716
Additions from business combination	9,578	-	9,578
Exchange difference	56,514	3,280	59,794
At 31 December 2016	2,883,722	219,883	3,103,606
Accumulated depreciation			
At 01 January 2016	1,117,453	92,325	1,209,778
Depreciation for the year	469,439	36,251	505,689
Exchange difference	31,501	2,520	34,021
At 31 December 2016	1,618,392	131,096	1,749,489

14. Property, plant & equipment (continued)

Carrying Amount			
At 31 December 2017	**682,952**	**52,453**	**735,405**
At 31 December 2016	**1,265,330**	**88,787**	**1,354,117**

The carrying amount of the Group's property, plant & equipment includes an amount of $636,399 (2016: $1,200,275) in respect of assets held under finance leases.

15. Intangible assets

	Software Development Costs 2017	**Non-complete clause 2017**	**Total 2017**
	AUD $	AUD $	AUD $
Cost			
At 01 January 2017	6,108,131	860,932	6,969,063
Additions	909,663	-	909,663
Exchange difference	(496,448)	(67,499)	(563,947)
At 31 December 2017	6,521,346	793,433	7,314,779
Accumulated depreciation			
At 01 January 2017	1,429,973	107,616	1,537,589
Depreciation for the year	1,692,164	269,683	1,961,847
Exchange difference	(144,774)	(13,643)	(158,417)
At 31 December 2017	2,977,363	363,656	3,341,019
	2016	**2016**	**2016**
	AUD $	AUD $	AUD $
Cost			
At 01 January 2016	1,925,194	-	1,925,194
Additions	1,401,592	-	1,401,592
Additions from business combination	2,533,125	860,932	3,394,057
Exchange difference	248,219	-	248,219
At 31 December 2016	6,108,131	860,932	6,969,062
Accumulated depreciation			
At 01 January 2016	529,481	-	529,481
Depreciation for the year	864,654	104,223	968,877
Exchange difference	35,838	3,394	39,232
At 31 December 2016	1,429,973	107,617	1,537,590
Carrying Amount			
At 31 December 2017	**3,543,983**	**429,776**	**3,973,760**
At 31 December 2016	**4,678,157**	**753,316**	**5,431,472**

Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefit and these benefits can be measured reliably. The development costs have finite useful lives typically between 3 and 4 years, with a weighted average of 3 years (2016: 3 years).

15. Intangible assets (continued)

The Group has assessed the recoverability of the carrying amount of the intangible assets (refer Note 3 for further details on methodology) and deemed these to be appropriately stated. In performing this assessment the Group highlights that there has been a delay in investing in and growing the acquired Tiveo intangible assets (acquired in August 2016) which has resulted in no revenue yet being generated by these assets. This delay has been caused by the delay in successfully listing on the ASX, however these assets have been amortized over a period of 3 years since the date of acquisition. Since acquisition the number of active users of the Tiveo platform has grown by 33%.

Although no indicators of impairment were present for the remaining intangible assets the Group has further considered a value in use calculation for these assets (relating to the programmatic ad exchange platform) and deemed the carrying amount of these assets to be appropriately stated.

16. Financial risk management

This note explains the Group's financial risk management and how the exposure to these risks affects the Group's future financial performance.

The Group's risk management is carried out by the senior management through delegation from the Board of Directors. Risk management programmes and practices are employed to mitigate the potential adverse effects of these exposures on the results of the Group.

The Group holds the following financial instruments:

	2017 AUD $	**2016** AUD $
Financial assets		
Cash and cash equivalents	7,274,894	986,603
Trade and other receivables	2,878,438	6,697,104
Related party receivables	2,277,582	2,812,334
Available for sale financial asset	666,978	-
Total	**13,097,892**	**10,496,041**
Financial liabilities		
Trade and other payables – current	13,155,767	11,126,369
Credit card liabilities	1,001,556	969,510
Other Financial Liability	-	7,533,155
Current portion of lease liability	391,231	505,048
Trade and other payables – non-current	2,892	162,186
Non-current portion of lease liability	279,789	649,457
Borrowings – due to factor – current	1,164,340	3,637,378
Borrowings – current	1,588,767	-
Borrowings – non-current	-	1,532,537
Embedded derivative – non-current	-	140,808
Total	**17,584,342**	**26,256,448**

(a) Credit risk

Credit risk is a risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group faces primary credit risk from potential default on receivables by payment from customers. The credit risk on financial assets of the Group which have been recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts.

16. Financial risk management (continued)

The Group's exposure to credit risk is managed through its credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, bank references, and as well as reviewing third party business references of the applicant.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount as presented in the Statement of Financial Position.

The credit risk from related parties is the same as external parties.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and ensuring that all term deposits can be converted to funds in accordance with forecast cash usage. Due to the dynamic nature of the underlying business, flexibility in funding is maintained by ensuring ready access to the cash reserves of the business.

The ongoing maintenance of the Group's policy is characterized by ongoing cash flow forecast analysis and detailed budgeting processes which, is directed at providing a sound financial positioning for the Group's operations and financial management activities. In addition, the Group monitors both the debt and equity markets for additional funding opportunities.

(i) Financial arrangements

The Group had the following borrowing facilities at the end of the reporting period.

	Drawn		**Undrawn**		**Total**	
	2017	2016	2017	2016	2017	2016
	AUD $	AUD $	AUD $	AUD $	AUD $	AUD $
Fixed rate						
Promissory Notes	1,045,716 [1]	1,138,615 [1]	-	-	1,045,716 [1]	1,138,615 [1]
Convertible notes	543,051 [2]	534,611 [2]	4,798,991 [2] [3]	6,873,570	5,342,042 [2]	7,408,181
Total	1,588,767	1,673,226	4,798,991	6,873,570	6,387,758	8,546,796

[1] Promissory note borrowings were issued between October and December 2016 with a maturity of 18 to 24 months. Interest is calculated at a simple interest rate of 7% and 12% (depending on the note terms).

[2] Convertible note borrowings were drawn down between June and August 2016 with a maturity of 18 to 24 months. Interest is calculated at a simple interest rate of 7.0% per annum payable at maturity date. Face value of drawn portion is US$385,000 (AU$492,696).

[3] Undrawn portion of these convertible notes are funded at the approval of the lender. Total undrawn amount is US$3,750,000 (AU$4,798,991).

16. Financial risk management (continued)

(ii) Maturities of financial liabilities

The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

2017	Less than 6 months AUD $	Between 6 to 12 months AUD $	Between 1 and 2 years AUD $	Between 2 and 3 years AUD $	Total contractual cash flows AUD $
Trade and other payables	13,155,767	-	2,892	-	13,158,659
Credit card liabilities	1,001,556	-	-	-	1,001,556
Borrowings – Due to factor	1,164,340	-	-	-	1,164,340
Borrowings – Promissory notes [1]	88,771	956,945	-	-	1,045,716
Borrowings – Convertible notes [2]	543,051	-	-	-	543,051
Total financial liabilities	**15,953,485**	**956,945**	**2,892**	**-**	**16,913,322**

2016	Less than 6 months AUD $	Between 6-12 months AUD $	Between 1 and 2 years AUD $	Between 2 and 3 years AUD $	Total contractual cash flows AUD $
Trade and other payables	9,732,884	61,040	101,146	-	9,895,070
Credit card liabilities	969,510	-	-	-	969,510
Borrowings – Due to factor	3,637,378	-	-	-	3,637,378
Borrowings – Promissory notes [1]	-	-	1,138,615	-	1,138,615
Borrowings – Convertible notes [2]	-	-	393,922	-	393,922
Embedded derivative liability [2]	-	-	140,808	-	140,808
Total financial liabilities	**14,339,772**	**61,040**	**1,774,491**	**-**	**16,175,303**

[1] Promissory notes to suppliers total US$819,973 (AU$1,045,716) all with a simple interest rate of 7.0% per annum paid monthly.

[2] Convertible note borrowings start between June and August 2016 with a maturity of 18 to 24 months. Interest is calculated at a simple interest rate of 7.0% per annum payable at maturity date. Amounts shown in the table above for 2017 represents the convertible note borrowing, which for 2016 has been split from the related embedded derivative liability. Refer to Note 26 and 27 for details on the split.

(iii) Fair values

Other than as noted below, the carrying values of the Group's financial assets and financial liabilities approximately equate to their fair values due to the short term nature as well as time to maturity from balance sheet date.

The only items where the carrying value differs from the fair value relates to the promissory and convertible notes and lease liabilities – which are different due to the interest rate applied to the financial instruments being different to that of a deemed market interest rate. This difference is shown in the table below:

	2017		2016	
	Carrying amount AUD $	Fair value AUD $	Carrying amount AUD $	Fair value AUD $
Financial liabilities				
Promissory notes	1,045,716	992,049	1,138,615	1,189,716
Convertible Notes	543,051	541,011	393,922	397,223
Lease liability	717,558	671,020	1,238,333	1,154,504
Total	**2,306,325**	**2,204,080**	**2,770,870**	**2,741,443**

16. Financial risk management (continued)

(c) Capital management strategy
The Group's policy is to maintain a capital structure for the business which ensures sufficient liquidity, provides support for business operations, maintains shareholder confidence and positions the business for future growth. The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

The ongoing maintenance of the Group's policy is characterised by ongoing cash flow forecast analysis and detailed budgeting processes which, combined with continual development of banking relationships, is directed at providing a sound financial positioning for the Group's operations and financial management activities.

The Group is not subject to externally imposed capital requirements.

(d) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management has deemed that interest rate risk is not significant for the Group due to the majority of the Group's financial assets and liabilities being fixed rate.

(e) Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to changes in foreign exchange rates is due to the functional currency of the Group being USD and the presentation currency being AUD. The following table demonstrates the sensitivity to a reasonably possible change in USD exchange rates, with all other variables held constant. The impact on the Group's net liabilities and net loss after tax upon translation into AUD is shown below.

	Change in USD Rate	Effect on net loss after tax	Effect on net assets/liabilities
		AUD $	AUD $
Foreign currency sensitivity			
	+5%	507,430	407,006
2017	-5%	(507,430)	(407,006)
	+5%	183,587	431,227
2016	-5%	(183,587)	(431,227)

17. Trade and other receivables

	2017	**2016**
	AUD $	AUD $
Trade debtors [1]	2,878,438	6,697,104

[1] During the period, the group entered into an arrangement with a third party to provide an asset backed credit line against trade receivables which are up to 180 days old. Under this arrangement, advances are recorded against certain receivables balances which are factored under the facility. All amounts invoiced are in US Dollars. In accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, an evaluation is performed to establish whether, substantially, all the risks and rewards have been transferred to the factoring provider. Where the Group concludes this is not the case, the portion of the financial assets corresponding to the Group's continuous involvement continues to be recognised. When all the risk and rewards are not considered to be transferred, the amount is kept on the balance sheet. Based upon management's assessment, the Group believes that it has retained risk and rewards, and therefore has not derecognized any financial assets.

17. Trade and other receivables (continued)

(a) Transfer of trade receivables

The Group has retained the credit risk associated with the trade receivables, due to the obligation to repurchase from the factoring company any receivables that are deemed uncollectible, and therefore the risks and rewards of the asset resides with the Group. The total carrying amount (which is approximate to fair value) of the trade receivables transferred and payable to the factoring company is $1,164,340 (2016: $3,629,830).

	2017 AUD $	2016 AUD $
Carrying amount of trade receivables transferred to asset back credit line / factor agent	1,164,340	3,629,830

(b) Current receivables

	2017 AUD $	2016 AUD $
Current:		
Trade debtors	3,151,117	6,908,368
Less: Allowance for impairment	(340,655)	(225,752)
Net trade debtors	2,810,462	6,682,617
Other receivables	67,976	14,487
Total current receivables	**2,878,438**	**6,697,104**

(c) Ageing of past due but not impaired

	2017 AUD $	2016 AUD $
0 – 30 days	319,122	933,459
31 – 60 days	236,108	843,207
61 – 90 days	27,401	250,074
Over 91 days	539,574	386,722
Total ageing of past due but not impaired	**1,122,205**	**2,413,462**

The average age of the Company's trade receivables is 134 days (2016: 48 days).

(d) Movement in the provision for impairment

	2017 AUD $	2016 AUD $
Balance at beginning of year	(225,752)	(513,661)
Increase in provision recognized during the year	(698,741)	(251,172)
Amounts written off as uncollectible	563,529	537,221
Exchange difference	20,309	1,860
Balance at the end of the year	**(340,655)**	**(225,752)**

In determining the recoverability of a trade receivable, the Group considers any recent history of payments and the status of the projects to which the debt relates. No payment terms have been renegotiated. The concentration of credit risk is limited due to the customer based being large and unrelated. Accordingly, the Directors believe that no further provision is required in excess of the allowance for impairment.

(e) Fair value of receivables

Fair value of receivables at year end is considered to be the same as receivables net of the allowance for impairment.

18. Share capital and reserves

	2017	2016
	AUD $	AUD $
At 01 January	1,178	1,178
Shares issued during the year	15,664,416	-
At 31 December	15,665,594	1,178
	# shares	**# shares**
Issued shares		
At 01 January	108,550,000	92,000
Stock splits [1]	-	99,908,000
Acquisition [2]	100	8,550,000
Shares issued to employees in engage:BDR LLC [3]	24,583,239	-
Shares issued on completion of Initial Public Offering ('IPO') in engage:BDR Limited	50,000,000	-
Share conversion on acquisition of engage:BDR LLC [4]	66,566,619	-
At 31 December	249,699,958	108,550,000

[1] Refer to Note 30 of the 2016 Financial Statements for details on stock splits that occurred during the 2016 year.

[2] The 100 shares were new shares issued following the incorporation of engage:BDR Limited in August 2017. The 2016 shares of 8,550,000 were issued to the sellers in relation to the Tiveo LLC acquisition but due to the existence of the Put Right relating to these shares, for accounting purposes, they were initially recognized as a liability. In the current period, following the lapsing of the Put Right as a result of the IPO, the previously recognised liability of $7,533,155 (USD $5,425,000 vlaued at 31 December 2016) was recognised in equity, refer to Note 25 for further details.

[3] These shares were issued to employees of engage:BDR LLC prior to the acquisition by engage:BDR Limited. Refer to Note 30 for further details.

[4] These shares relate to conversion of the shares previously held by the shareholders of engage:BDR LLC to shares in engage:BDR Limited at the time of acquisition by the latter of the former. Refer to Note 1a regarding the corporate reorganization of the Group. Shares in engage:BDR LLC were converted at a rate of 1:1.5 for shares in Engage BDR Limited.

Nature and purposes of reserves

Share Based Payments Reserve: This reserve represents the fair value of shares issued to employees in engage:BDR LLC and options issued to the broker in connection with the IPO.

Foreign Currency Translation Reserve: This reserve represents the foreign exchange translation differences arising from translation non-AUD functional currency entities into the AUD presentation currency of the Group for consolidated reporting purposes.

19. Commitments for expenditure

(a) Finance lease commitments

The Group has finance leases and hire purchase contracts for various items of plant and machinery. Finance lease commitments are contracted in US Dollars. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. Future minimum lease payments under finance leases and hire purchase contracts, together with the present value of the net minimum lease payments are, as follows:

	2017 AUD $	**2016** AUD $
Gross finance lease liabilities – minimum lease payments:		
Within 1 year	438,608	566,209
Later than 1 year and no later than 5 years	278,950	672,124
Total minimum lease payments	717,558	1,238,333
Less amounts representing finance charges	(47,454)	(81,185)
Exchange difference	916	(2,643)
Present value of minimum lease payments	**671,020**	**1,154,505**
Within 1 year	391,231	505,048
Later than 1 year and no later than 5 years	279,789	649,457
Present value of minimum lease payments	**671,020**	**1,154,505**

(b) Operating lease commitments

	2017 AUD $	**2016** AUD $
Within one year	584,965	950,590
Later than one year but not later than five years	153,422	711,133
	738,387	1,661,723

The Group leases offices under non-cancellable operating leases for periods ranging within one to five years, with rent payable monthly in advance. From 9 February 2018, the Group entered into a new office lease for a period of 11 months. The leases have varying terms, escalation clauses and renewal rights. Rental provisions within the lease agreement provide for increase in the minimum lease payments as contracted. Operating lease commitments are contracted in US Dollars.

20. Trade and other payables

(a) Current

	2017 AUD $	**2016** AUD $
Trade payables [1]	9,404,319	7,756,806
Credit card liabilities [2]	1,001,556	969,510
Accrued expenses	1,625,293	1,736,360
Unearned revenue	876,389	887,903
Accrued payroll liabilities [3]	74,755	128,882
Bonus and commissions payable [3]	980,076	345,872
Accrued municipal tax	40,545	30,829
Deferred service costs [4]	154,390	239,717
	14,157,323	12,095,879

Trade creditors and accruals principally comprise of amounts outstanding for trade purchases and ongoing costs.

20. Trade and other payables (continued)

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. No interest has been charged by any suppliers as a result of late payment of invoices during the year.

The carrying amount of trade and other payables approximates their fair value.

[1] This amount includes non-interest bearing trade payables which are normally settled on 60-day terms.

[2] This amount relates to credit card liabilities which are interest bearing.

[3] Accrued payroll liabilities and commissions is comprised of salary wages, commissions, and benefits (mainly accrued paid-time off, pension, and insurance related liabilities). Wages are settled on semi-monthly terms, commission is settled on quarterly terms, pension is settled on an annual basis, and insurance related items are on an annual basis.

[4] Deferred service costs relate to contractor fees that were paid upfront by an external provider for which the Group has negotiated a contractually agreed repayment term. Deferred service costs are contracted in US Dollars

(b) Non-current

	2017 AUD $	2016 AUD $
Deferred service costs	2,892	162,186

Deferred service costs relate to contractor fees that were paid upfront by an external provider for which the Group has negotiated a contractually agreed repayment term. Deferred service costs are contracted in US Dollars.

21. Employee benefit liabilities

(a) Current employee benefit liabilities

	2017 AUD $	2016 AUD $
Annual leave	85,409	92,675

(b) Non-current employee benefit liability
There are no non-current employee benefit liabilities as at 31 December 2017 (2016: $Nil).

22. Related party disclosures

The Group's related parties include its associates, key management personnel, post-employment benefit plans for the Group's employees and other as described below. In addition, the Group had an unsubordinated loan from a key employee during the year, as well as having made multiple unsubordinated loans to shareholders and key employees.

As at 31 December 2017, the loan receivable of $2,277,582 is classified as a current receivable as a result of repayment of the loans to be made by 30 June 2018. As at 31 December 2016, all related party loan amounts were non-current based on the repayment terms.

22. Related party disclosures (continued)

(a) Loans to/from related parties

(i) Loans to key management personnel and employees

	2017 AUD $	2016 AUD $
Beginning of the year	2,774,629	1,489,254
Loans advanced [1]	419,585	2,887,691
Loan repayments received	(652,459)	(1,716,112)
Loans forgiven [2]	(108,419)	-
Interest charged	68,642	52,332
Loan reclass to expense	(11,946)	-
Interest receivable forgiven	(415)	-
Exchange difference	(212,035)	61,464
End of year	**2,277,582**	**2,774,629**

[1] Included within loans advanced are costs relating to key management personnel entering into operating leases under the Group's name related to motor vehicles. Whatever payments the Group makes on the employee's behalf are the sole responsibility of the employee.

[2] As part of the departure package of an employee in early 2017, their loan balance of US$83,085 (AU$108,419) was authorised to be forgiven as part of their termination agreement.

(ii) Loans from key management personnel

	2017 AUD $	2016 AUD $
Beginning of the year	-	275,673
Loans advanced	65,246	-
Loan repayments made	(65,246)	(268,962)
Interest charged	-	-
Interest paid	-	(1,891)
Exchange difference	-	(4,820)
End of year	**-**	**-**

See Note 22(e) Terms and conditions below for additional details.

(iii) Loans to other related parties

	2017 AUD $	2016 AUD $
Beginning of the year	-	-
Loans advanced	-	113,084
Loan repayments received	-	(107,625)
Loans written off as uncollectable	-	(5,459)
Exchange difference	-	-
End of year	-	-

22. Related party disclosures (continued)

(iv) Loans to an associate

As detailed in note 7 Galaxy Group LA LLC ceased to be an associate on the effective listing of Lottogopher Holdings Inc.

	2017 AUD $	2016 AUD $
Beginning of the year	37,705	28,577
Loans advanced	-	8,439
Conversion to shares upon IPO of associate	(37,705)	-
Exchange difference	-	689
End of year	**-**	**37,705**
Aggregate total of loans to related parties [1]	**2,277,582**	**2,812,334**

[1] Representing sum of loans to key management personnel and loans to associates

(b) Compensation of the key management personnel of the Group

	2017 AUD $	2016 AUD $
Short-term employee benefits	2,065,024	815,322
Share-based payments	1,415,836	-
Loan forgiveness	108,419	-
401(k) withholdings	2,655	4,036
Total short-term employee benefits	3,591,934	819,357

In addition to the totals outlined in the table above, the Group allows key management personnel to enter into operating leases under the Group's name related to motor vehicles. The key management personnel are solely responsible for all payments resulting from these operating leases. Refer to note 22(e) for more detail.

(e) Terms and conditions

Outstanding trade balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Outstanding loans at year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party loans. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Loans to directors and key management personnel are charged interest at a simple interest rate of 2.78% per annum (2016: 2.78%), calculated monthly. The loans made to both directors and key management personnel are repayable within 12 months of the year end. The loan amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. All loans were approved by the Board of Directors of the Group.

(f) Liabilities assumed by directors and other key management personnel of the Group

In connection with the acquisition of Tiveo LLC and under the transaction documents dated 12 August 2016, Ted Dhanik, Ken Kwan and Kurtis Rintala (or their successors) undertook to issue additional shares of their Trading Stock in the Group on a pro-rata basis to the Majority Members of Tiveo (being Abdulaziz Alrajhi, BODO LLC, Neston Property Ltd. and David Cure) in the event that after Engage Units are listed for trading on the ASX the value of Engage Units held by the Majority Members is below an amount of US$6,693,120. This is not an obligation of the Group but rather of the aforementioned individuals.

23. Available for sale financial assets

As at 31 December 2016, the Group held an equity investment of 23.3% in Galaxy Group LA LLC ('Galaxy') which was accounted for using the equity method due to the Company having significant influence over that entity. As at 31 December 2016, the cost of investment of $84,560 was recorded at $nil due to the Group's cumulative share of the equity accounted losses of the associate.

On 23 May 2017, Lottogopher Holdings Inc., ('Lottogopher') a related entity of Galaxy, successfully completed an Initial Public Offering on the Canadian Stock Exchange. Lottogopher subsequently completed a reverse acquisition of Galaxy with the Group also holding a promissory note in Galaxy which was also converted in equity upon the successful listing of Lottogopher. As a result of the aforementioned items, engage:BDR, LLC received 6% of the new issued share capital of Lottogopher as at 23 May 2017, which resulted in a fair value gain of $2,475,318 being recognised in the profit or loss in the period upon remeasurement of the investment to fair value. The group continues to hold 6% of the shareholding of Lottogogher Inc as at 31 December 2017.

As a result of this listing, the Group no longer had significant influence over Galaxy and hence the entity ceased to be an associate of the Group, instead it became an AFS investment from the date of its listing.

The equity shares held in Lottogopher Holdings Inc. are considered to be an AFS financial asset which is initially measured at fair value and then is subsequently fair valued at period end based on market observable values at that date with gains or losses (excluding impairment) being measured in other comprehensive income. Accordingly the fair value has been classified as a Level 1 input. As at 31 December 2017, the fair value of the Group's AFS investment resulted in an impairment loss of $1,851,599 following a decline in the market value of the Group's shareholding. An impairment loss was recognised due to the investment in Lottogopher having a significant diminution in value below and was recognized in profit or loss – refer to Note 7.

As at 31 December 2017 the fair value of the available financial asset was $666,978 (which is different to the net fair value gain described above, as initially after listing the stock price increased and so when determining the impairment the Group has first reversed out the fair value gains recognised in other comprehensive income before taking the remainder as an impairment loss through the P&L).

Due to an existing contractual obligation, 55% of the shares held in Lottogopher Holdings Inc. from the date of listing have been released from escrow or will be released from escrow within 12 months of the year date and remaining 45% released at intervals which are greater than twelve months from year end date. Accordingly, $366,838 of the shares are recognised as a current available for sale financial asset, and $300,140 as a non-current available for sale financial asset.

24. Contingencies

No contingent assets or liabilities are noted.

25. Business combinations

There were no business combinations completed in the current reporting period.

Prior period acquisitions

On 16 August 2016, the Company acquired 100% of the shares of Tiveo LLC, ('Tiveo'), a private company based in the United States of America, by issuing 8,550,000 of engage:BDR LLC common shares. Tiveo operates a talent discovery platform, which focuses on collaborations and connections between artists, music lovers, music industry professionals, artists and repertoire (A&R), talent scouts and brands. Tiveo's platform enables users to find, book and connect with local talent worldwide, and artists to engage with each other and their communities. The acquisition is expected to provide benefits to brands and agencies that work directly with the Group, since it will own and operate the artist network. Customers will be allowed to directly access Tiveo's advertising inventory, extending their reach to independent music artists and their fans. As a result of the acquisition, the Group was able to gain access to Tiveo's intelligent leadership and unique social platform offering.

25. Business combinations (continued)

Assets acquired and liabilities assumed
The fair value assessment of the acquired assets and liabilities has been reviewed in accordance with the provisions of AASB 3 *Business Combinations*.

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	AUD $
Amount settled in cash	-
Other financial liability	7,533,155[1]
Fair value of contingent consideration	-
Fair value of consideration transferred	**7,533,155**
Recognised amounts of identifiable net assets:	
Cash and cash equivalents	3,995,683
Intangible assets	3,568,702
Other assets	64,266
Property plant and equipment	10,238
Gain on bargain purchase	(76,759)
Other liabilities	(26,475)
Exchange difference	(2,500)
Net identifiable assets and liabilities	**7,533,155[1]**

[1] fair value if this other financial liability of 7,533,155 (US$5,425,000 valued as at 31 December 2016).

The fair value of consideration transferred to the former owners of Tiveo was based upon a valuation of the Company of US$65,940,756. This fair value was derived using the income approach, a risk weighted discounted cash flow (DCF) method. Tiveo is an unlisted company and as such no market information was available. The fair value estimates were based on:

(a) assumed pre-tax discount rate of 28.0%

(b) assumed long-term growth rate of 5.0%

As part of the contribution agreement the Majority Members of Tiveo were granted an ASX Listing Put Right which could be exercised if engage:BDR Units had not been listed for trading on the ASX within a specified Listing Deadline (effectively twelve months from the date of the contribution agreement, being 12 August 2016). If the Majority Members had exercised the Put Right prior to its expiry, the Majority Members would have been able to return the Engage Units and Engage would have been required to deliver to the Members the Tiveo units acquired and would have had to ensure that Tiveo had a minimum amount of cash equal to US$3,000,000 plus ten percent (10%) interest per annum, or interest at the maximum legal rate at that time, whichever was lesser, from the date of acquisition to date of option exercise. Engage:BDR would have then lost control of Tiveo as from that date and therefore Tiveo would have been de-consolidated from that date. This Put Right expired as of 12 August 2017 and was not exercised.

This Put Right (prior to its expiry) resulted in the fair value of the consideration transferred being recorded as a liability (as opposed to equity) as it was deemed that the existence of this right caused the issued Engage Units to be precluded from being recognised as equity. Upon expiry of the Put Right in August 2017, the fair value of consideration transferred relating to the Tiveo acquisition has been transferred to equity (and reclassified out of Other financial liability where it was classified at 31 December 2016 and up until expiry of the right in August 2017).

During the period, Tiveo contributed revenue of $nil (2016: $1,345), and a loss of $67,313 (2016: $394,959) before tax from continuing operations of the Group.

Transaction costs of $17,082 were expensed and are included in administrative expenses.

26. Convertible loan notes

Between 6 June 2016 and 30 August 2016, the Group entered into convertible note agreements in the aggregate principal amount of US$385,000 (AU$534,611). Each note has a maturity of between 18 to 24 months, bears simple interest at the rate of 7.0% per annum, is unsecured and ranks pari passu with other unsecured debt obligations of the Group.

If, prior to maturity, the Group completes a financing or related financing of equity securities with aggregate gross proceeds of at least USD$1,000,000 - a "Qualified Financing" ('QF') - not including through the conversion of these notes or similar convertible promissory notes, then, effective automatically upon the QF Closing Date, the entire unpaid portion of the Outstanding Amount as of the QF Closing Date shall be mandatorily converted into that number of shares of capital stock issued by the Group in the Qualified Financing (the "Qualified Financing Stock"). Following completion of the Initial Public Offering on 14 December 2017, the Qualified Financing condition was achieved.

As at 31 December 2017, the conversion of the notes and issuing of securities to note holders remained outstanding. Due to the existence of the additional feature within the note agreements (refer to Note 28) the outstanding value of the notes have remained classified as a liability and have not converted into equity (despite the mandatory conversion clause), with a current liability inclusive of face value and accrued interest of $543,051 recognised (2016: $392,922) as at 31 December 2017.

On 27 February 2018, the Company completed the issuance of new shares to the convertible note holders, resulting in 2,745,721 new shares being issued. The shares were issued at $0.20 which is an increase from the initial contractual arrangement price of $0.16 with note holders. This change in price was agreed with the note holders in return for modifying the terms of the additional review feature contained in the note agreements which has been valued separately below (refer to Note 27 for further details). Upon issuance of the new shares on 27 February 2018 the convertible notes liability converted into equity.

27. Embedded derivative liability

The embedded derivative element of the convertible bond has been valued as a forward.

	2017 AUD $	**2016** AUD $
Initial value of embedded derivatives	140,808	140,689
Change in fair value	(140,808)	119
At 31 December 2017	**-**	**140,808**

The fair value of this derivative has been classified as a Level 3 valuation. The change in fair value of the derivative element of the US$385,000 (AU$564,611) convertible notes from $140,808 to $nil is the result of change in assumptions used to value the embedded derivative as with the successful listing on the ASX the convertible notes now mandatorily convert:

	2017	**2016**
Risk free interest rate	-	2.00%
Expected life (years)	-	.35
Expected volatility	-	65.00%

There was also an additional feature, which contained a separate embedded derivative, contained with the note agreements which stated that; in the event the Company's capital stock is listed for trading on the Australian Securities Exchange (the "ASX"), and the daily closing price of such capital stock traded on the ASX (the "Trading Stock") for each trading day during the six (6) month period immediately following such commencement of listing (the "Review Period") is below the price at which the Holder actually converted their convertible note, then the Company shall issue additional shares to the holder as if the principal amount and accrued interest under such Note was converted at a conversion price equal to the average daily closing price of such Trading Stock during the Review Period.

27. Embedded derivative liability (continued)

The Group has obtained an external valuation relating to this embedded derivative feature which has valued this to be within a range of $nil to $13,100 at 31 December 2017. The Group has assessed this feature and recorded a $nil value at 31 December 2017. The fair value of this derivative has been classified as a Level 3 valuation, with the assumptions used in the valuation being; expected life (years) of 5.5 months, risk free interest rate 2.00% and expected volatility 65.00%.

28. Loss per share

Basic earnings (loss) per share is calculated by dividing the net profit or loss attributable to ordinary equity holders by the weighted-average number of shares outstanding during the year.

	Consolidated			
	Basic		**Diluted**	
	2017	2016	**2017**	2016
Continuing operations	(0.07)	(0.06)	(0.07)	(0.06)
Loss per share	**(0.07)**	(0.06)	**(0.07)**	(0.06)

(a) Earnings used in calculating earnings loss per share

	2017	2016
	AUD $	AUD $
Loss used in calculating basic earnings loss per share:		
Continuing operations	(10,566,001)	(3,671,809)
	(10,566,001)	**(3,671,809)**

(b) Weighted average number of shares used as denominator

	2017	2016
	Number	Number
Weighted average number of shares (Basic)	146,333,445	64,641,148
Weighted average number of ordinary and potential ordinary shares (Diluted)	**150,813,161**	65,162,582

29. Share based payments

(a) Equity settled employee shares

24,583,239 shares at AUD $0.13 were issued to employees on 26 August 2017 (AUD to USD exchange rate of 0.7943 at 26 August 2017) in engage:BDR LLC. This transaction was non-cash based, with the expense being recognised in profit or loss in the Statement of Comprehensive Income for the year ended 31 December 2017 being $3,437,070 (2016: $nil).

Whilst the Directors consider that the economic loss of issuing these shares was not suffered by the Group, but rather by the individual shareholders (immediately post issuing the shares), AASB 2 *Share Based Payments* requires that the cost of issuing these new shares be recognised by the Group. The Group has obtained an external valuation to assist in determining the fair value of the issued shares.

There were no performance obligations or service criteria attached to the shares and have been considered to vest immediately on issue. These shares were later converted into shares of Engage BDR Limited on completion of the IPO.

Nature and description of share options

During the 2017 financial year, the group issued the following share options:

29. Share based payments (continued)

Equity settled investor options
The Group issued 2-for-1 options to all investors who purchased shares in engage:BDR Limited as part of the IPO, which took place on 14 December 2017. There were no performance obligations or service criteria attached to the options which have been considered to vest immediately on issue and which have an exercise price of $0.25. The Group has considered the fixed for fixed criteria contained in AASB 132 *Financial instruments: Presentation* and have deemed that as these options can be settled in a fixed number of the Group's shares, that no separate fair value measurement is required for these options. Accordingly, they have been assessed as being contained within the fair value of the shares issued upon IPO, refer to Statement of Changes in Equity.

Broker options
The Group issued 5,000,000 share options to the listing broker on completion of the IPO as at 14 December 2017. The share options are exercisable over 3 years at an exercise price of $0.25 (25 cents), with no performance condition attached and have been considered to vest immediately on issue. The options expire 14 December 2020.

The Group recognised in the Statement of Changes in Equity for the year ended 31 December 2017 an amount of $311,584 being the option expense deducted from equity related to transaction costs paid to a third party (through the issuance of shares) on completion of the IPO.

The fair value of options granted during the year was determined using a Black Scholes option pricing model due to the immediate vesting conditions attached to these options. No options had been exercised as at 31 December 2017, therefore all 5,000,000 remained outstanding.

Options issued during the period:

	Investor Options	**Broker options**
Grant date	14 December 2017	14 December 2017
Number of options	24,999,993	5,000,000
Exercise price	$0.25	$0.25
Vesting hurdle	None: Vested immediately	None: Vested immediately
Risk-free interest rate	2.51%	2.51%
Expiry date	14 December 2020	14 December 2020

30. Events after the balance sheet date

Convertible notes
On 27 February 2018, the Company completed the issuance of new shares to the convertible note holders, resulting in 2,745,721 new shares being issued. The shares were issued at $0.20 which was an increase from the initial contractual arrangement price of $0.16 with note holders. Upon issuance of the new shares on 27 February 2018 the convertible notes liability converted into equity.

New office premises
On 12 February 2018, the Group signed a one year lease for a new operating premises at 9220 Sunset Boulevard, West Hollywood.

31. Remuneration of auditors

The auditor of engage:BDR Limited is Ernst & Young. The amounts received or due and receivable by Ernst & Young for audit and other services were as follows:

	2017 AUD $	2016 AUD $
Amounts received or due and receivable by Ernst & Young Australia for:		
An audit of the financial report of the Group	140,000	-
Other services in relation to the group and its subsidiaries:		
Non-statutory audit services	-	47,500
Transaction and IPO related procedures *	248,000	-
Total auditor's remuneration	**388,000**	**47,500**

* These costs included fees related to the Independent Limited Assurance Review and non-statutory 30 June 2017 review undertaken related to the IPO. Fees related to the IPO have been recorded as a deduction from equity in accordance with AASB 132.

The Directors are satisfied that the provision of non-audit services during the current period is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

32. Parent entity information

	31 December 2017 AUD $	31 December 2016 AUD $
Current assets	348,068	-
Non-current assets	9,001,178	
Total assets	9,349,246	-
Current liabilities	(120,000)	-
Total liabilities	(120,000)	-
Issued capital	9,037,695	-
Retained earnings	(120,032)	-
Share based payment reserve	311,583	-
Total shareholders' equity	9,229,246	-
Loss of the parent entity	(120,032)	-
Total comprehensive loss of the parent entity	(120,032)	-

No contingent liabilities, or contractual commitments, or guarantees in relation to the debts of its subsidiaries have been entered into by the parent entity as at 31 December 2017 (2016: None).

As discussed in Note 1 (a) the parent company was incorporated on August 17, 2017 and accordingly no comparative information is presented.

The parent entity has assessed for indicators of impairment of the investment in subsidiary (engage:BDR LLC). As the net assets of the subsidiary exceed the carrying value of the investment no indicators of impairment have been identified.

33. New Accounting Standards and Interpretations

(i) Changes to accounting policy and disclosures

The Group has adopted the following new and amended standards which were applicable from 1 January 2017 as disclosed in the table below. Adoption of these new and amended standards and interpretations has not had a material impact on the Company.

Reference	Summary	Application date
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses	This Standard makes amendments to AASB 112 *Income Taxes* to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.	1 January 2017
AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	The amendments to AASB 107 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	These amendments clarify the scope of AASB 12 *Disclosure of Interests in Other Entities* by specifying that the disclosure requirements apply to an entity's interest in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations.	1 January 2017

(ii) Accounting standards and interpretations issued but not yet effective

The following relevant Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been early adopted by the Group. The Group expects to adopt these standards in accordance with the effective dates.

Reference	Summary	Application date
AASB 9 Financial Instruments	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.	1 January 2018 The Company has begun assessing the potential impact of this change, however does not yet know if this will have a material quantitative impact. Further assessments will be made during the course of the year.

33. New Accounting Standards and Interpretations (continued)

	The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principles-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	
AASB 15 Revenue from Contracts with Customers	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 *Leases* (or AASB 16 *Leases*, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: ► Step 1: Identify the contract(s) with a customer ► Step 2: Identify the performance obligations in the contract ► Step 3: Determine the transaction price ► Step 4: Allocate the transaction price to the performance obligations in the contract ► Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.	1 January 2018 The Company has begun assessing the potential impact of this change, however does not yet know if this will have a material quantitative impact. Further assessments will be made during the course of the year.
AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	This Standard amends AASB 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: ► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments ► Share-based payment transactions with a net settlement feature for withholding tax obligations ► A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.	1 January 2018 The Company has not yet assessed the potential impact of this change.
AASB 16 Leases	AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	1 January 2019 The Company has not yet assessed the potential impact of this change.

33. New Accounting Standards and Interpretations (continued)

Interpretation 23 Uncertainty over income tax treatments	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: ► Whether an entity considers uncertain tax treatments separately ► The assumptions an entity makes about the examination of tax treatments by taxation authorities ► How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates ► How an entity considers changes in facts and circumstances.	1 January 2019

engage:BDR Limited
Directors Declaration
31 December 2017

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 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the company's and consolidated entity's financial position as at 31 December 2017 and of their performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Ted Dhanik
Co-Founder and Executive Chairman

29 March 2018

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Independent Auditor's Report to the Members of Engage:BDR Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Engage:BDR Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the year ended on that date; and

b) 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 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

Without qualifying our opinion, we draw attention to Note 2(c) in the financial report which describes matters relating to the Group's ability to continue as a going concern. These matters indicate the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Repor*t section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Recognition of revenue

Why significant	How our audit addressed the key audit matter
Note 2 (f) of the financial report outlines the Group's accounting policy with respect to revenue recognition. The Group's revenue comprises a significant volume of low value transactions. Determining whether the Group acts as principal or agent may impact the quantum of revenue recognised. It is an area of complexity involving consideration by the Group of factors including fulfilment of the customer orders, ability to influence and establish selling prices and retention of customer credit risk. Revenue recognition was a key audit matter due to the volume and nature of transactions and the judgements applied by the Group in the assessment of whether it acted as principal or agent.	Our procedures included the following: ▸ Assessment on a sample basis, ofcustomer arrangements to understand the terms and conditions for the Group to deliver services ▸ For a sample of customer transactions we tested whether revenue recognised was based on the completion of services in the reporting period ▸ Tested whether a sample of revenue transactions were supported by cash receipts ▸ Obtained confirmations from a sample of supply and demand side partners (suppliers and customers) of the volumes of media impressions completed during the reporting period ▸ Assessed the Group's accounting policy regarding revenue recognition and presentation where the Group was acting as principal ▸ Assessed a sample of contractual terms and arrangements with customers, to consider factors such as of customer fulfilment, price setting of media inventory and credit risk to assess the presentation of revenue as principal

2. Accounting for share based payment arrangements

Why significant	How our audit addressed the key audit matter

The Group has entered into two share based arrangements:
• New shares were issued to employees and contractors prior to the Initial Public Offering, resulting in a $3.4m expense recognised in the period
• Share options were issued to a third party as consideration paid for services provided in relation to the Initial Public Offering, resulting in $0.3m recognised as a deduction in equity
 	
The Group was required to make judgemental assumptions in determining the fair value of the arrangements and the expensing of that fair value over the estimated service period of its employees.
 	
The Group engaged an external valuation expert to determine the value the third party share options and shares issued to employees and contractors.
 	
Details of the share based payment arrangements are disclosed in the Remuneration Report and Note 29 to the financial report.
 	
The audit of the share based payment arrangements and the associated expense was considered a key audit matter due to the judgements required in determining their fair value and the expensing of that fair value over the appropriate period.
	Our procedures included the following:
	• Our valuation specialists assessed the appropriateness of the valuation report provided by the Group's external valuation experts which included considering:
	  • The competence, capabilities and objectivity of the expert used by the Group
	  • The methodology and valuation method adopted
	  • The assumptions applied in the report, such as volatility rates and vesting period included in the valuations.
	• Confirmed with the Board that there were no service conditions attached to the shares issued
	• Assessed the accuracy of the option expense deducted from equity related to transaction costs paid to a third party in share options on completion of the Initial Public Offer
	• Considered the disclosures in note 29 to the financial report in relation to the arrangements

3. Accounting for loans from related parties

Why significant	How our audit addressed the key audit matter
For the year ended 31 December 2017, the Group recognised $2.3m in loans receivable from related parties as disclosed in Note 22 to the financial report. The recording and disclosure of related party transactions was a key audit matter due to the volume of transactions with related parties and the judgement required in assessing the recoverability of the outstanding loan amounts as at 31 December 2017.	Our procedures included the following: • Considered the Group's procedures in respect of the capturing and disclosure of related party transactions • We obtained confirmation from all related parties of outstanding loans receivable and agreed the confirmed amounts and terms to the disclosures presented in the financial report • We assessed the recoverability of the related party loans • We obtained written representation from employees and Directors regarding their intention and ability of their related party loan amounts to be repaid by the disclosed due dates • We considered the adequacy of the related party disclosures in Note 22 of the financial report.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2017 Annual Report, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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 Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 14 of the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Engage:BDR Limited for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

DeGrant

Don Grant
Partner
Melbourne
29 March 2018

The shareholder information set out below was applicable as at 21 March 2018.

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	24	-
1,001 to 5,000	78	246
5,001 to 10,000	266	351
10,001 to 100,000	712	321
100,001 and over	100	42
	1,180	960
Holding less than a marketable parcel	64	-

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
First Round Capital LLC	55,949,870	22.16
Mr Kenneth Kwan	55,760,870	22.09
Mr Kurtis Rintala	35,217,391	13.95
National Nominees Limited	8,485,000	3.36
Mr Abdulaziz Saleh Alrajhi	8,249,000	3.27
Mr Kevin Kwok	6,369,950	2.52
Tumbulgum Investments Pty Ltd	4,450,138	1.76
Basapa Pty Ltd (Kehoe Family A/C)	3,850,000	1.53
Bodo LLC	3,304,578	1.31
Andy Dhanik	3,000,000	1.19
Mr Jason Steingold	2,958,117	1.17
Sanlam Private Wealth Pty Ltd (Westbourne Long Short A/C)	2,650,000	1.05
BNP Paribas Noms Pty Ltd (DRP)	2,050,000	0.81
Sindel Nominees Pty Ltd	1,999,860	0.79
Cary Stynes	1,999,860	0.79
Tom Anderson	1,500,000	0.59
Mona Jalai	1,500,000	0.59
Youqi Li	1,500,000	0.59
Citicorp Nominees Pty Limited	1,447,209	0.57
Mr John Andrew Rogers (John Rogers Family A/C)	1,406,827	0.56
	203,648,670	80.65

	Options over ordinary shares	
	Number held	% of total options issued
Mr John Andrew Rogers (John Rogers Family A/C)	1,250,000	5.00
Clarksons Boathouse Pty Ltd (Clarkson Super Fund A/C)	1,075,000	4.30
Sean Anthony Mulligan and Anya Rebecca Mulligan (S & A Mulligan Super A/C)	800,000	3.20
J P Morgan Nominees Australia Limited	675,000	2.70
Sanlam Private Wealth Pty Ltd (Westbourne Long Short A/C)	625,000	2.50
Citicorp Nominees Pty Limited	500,000	2.00
Taos Pty Ltd (Geilings & Co Pty Super A/C)	477,682	1.91
Gazump Resources Pty Ltd	473,824	1.90
Bellaire Capital Pty Ltd (Bellaire Capital Invest A/C)	426,350	1.71
Michael James Dixon	404,350	1.62
Mr Christopher John Girling and Ms Yvette Louise Clark (Moloscyg Superannuation A/C)	400,000	1.60
Mr John Antony Thomas	326,000	1.30
Ltcd Pty Ltd (Tink & Lio A/C)	300,000	1.20
Ajava Holdings Pty Ltd	290,000	1.16
Jojo Enterprises Pty Ltd (SFI Family A/C)	284,999	1.14
Mrs Alpa Chhanabhai Prajapati	262,850	1.05
1215 Capital Pty Ltd	250,000	1.00
Mr Kevin Daniel Leary and Mrs Helen Patricia Leary (Kevin & Helen Leary S/F A/C)	250,000	1.00
Mr Bin Liu	250,000	1.00
Rubenstein Family Investments Pty Ltd (Rubenstein Family A/C)	250,000	1.00
	9,571,055	38.29

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
First Round Capital LLC	55,949,870	22.16
Mr Kenneth Kwan	55,760,870	22.09
Mr Kurtis Rintala	35,217,391	13.95

	Options over ordinary shares	
	Number held	% of total options issued
Mr John Andrew Rogers (John Rogers Family A/C)	1,250,000	5.00

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Fully paid ordinary shares (escrowed ES1)	12 December 2018	146,928,131

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Listed options (exercisable at $0.25 cents)	11 December 2020	5,000,000

Consistency with business objective - ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash in a way consistent with its business objective as disclosed in the Prospectus dated 8 September 2017 and Replacement Prospectus dated 15 September 2017.