



2014 ANNUAL REPORT

ICOLLEGE LIMITED
FORMERLY DGI HOLDINGS LIMITED
ABN 75 105 012 066



ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

ABN 75 105 012 066

Index:	Page
Corporate Directory	1
Directors Report	2
Corporate Governance Statement	16
Auditor's Independence Declaration	26
Consolidated Statement of Profit or Loss and Other Comprehensive Income	27
Consolidated Statement of Financial Position	28
Consolidated Statement of Cash Flows	29
Consolidated Statement of Changes in Equity	30
Notes to the Financial Statements	31
Directors' Declaration	56
Independent Auditor's Report	57
Additional ASX Information	59

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

CORPORATE DIRECTORY

Directors

Mr Johannes de Back - Non-executive Chairman
Mr Victor Hawkins – Managing Director
Mr Philip Re - Non-executive Director

Stock Exchange Listing

ASX Limited
(Home branch - Perth, Western Australia)
ASX Code: ICT

Company Secretary

Mr Christopher Watts

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Registered Office

Suite 1 GF
437 Roberts Road
SUBIACO WA 6008

Telephone: + 61 8 6380 2555
Facsimile: + 61 8 9381 1122

Bankers

Commonwealth Bank Limited
Ground Floor, 50 St Georges Terrace
PERTH WA 6000

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Share Registry

Link Market Services Limited
Central Park, Level 4
152 St Georges Terrace
PERTH WA 6000

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

The Directors of iCollege Limited present their report on iCollege Limited and its Controlled Entities ("the Company" or "iCollege" or "Consolidated Entity") for the year ended 30 June 2014.

DIRECTORS

The Directors in office at the date of this report and at any time during the year are as follows. Directors were in office for the entire period unless otherwise stated.

Current Directors

Mr Johannes de Back - Non-executive Chairman (appointed 1 May 2014)

Mr Victor Hawkins - Managing Director (appointed 1 May 2014)

Mr Philip Re - Non-executive Director (appointed 1 May 2014)

Former Directors

Mr Roger Steinepreis - Non-executive Chairman (resigned 1 May 2014)

Mr George Ventouras - Non-executive Director (resigned 1 May 2014)

Mr Nick Castleden - Non-executive Director (resigned 1 May 2014)

Company Secretary

Mr Christopher Watts (appointed 1 May 2014)

Ms Susan Hunter (resigned 1 May 2014)

INFORMATION ON DIRECTORS

Johannes de Back

Chairman and Non-executive Director

Qualifications: Masters Degree in Corporate Law and International Tax Law (University of Amsterdam)

Johannes de Back is the managing partner of IncubAsia, an early stage technology investment firm. Mr de Back previously worked as a lawyer for several international firms, specialising in mergers and acquisitions with a focus on telecom, media & entertainment. In 1999 he co-founded Telitas Benelux, one of the first and most successful mobile content providers in Europe which in 2002 was sold to Index for €50 million.

Mr De Back is a non executive director and substantial shareholder of Moko Social Media Limited.

Other Current Directorships of Listed Companies:

Moko Social Media Limited

Former Directorships of Listed Companies in the last three years:

None

Victor Hawkins

Managing Director

Qualifications: Nil

Victor Hawkins was a management consultant for 10 years working with close to 500 companies with 25 different industries. In 2009, Mr Hawkins acquired the education business, National Education Academy. He successfully restructured the company from a manual management business model to a cloud based digital management business model. He is considered one of Australia's foremost thinkers in the Online Education market.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

Other Current Directorships of Listed Companies:

Nil

Former Directorships of Listed Companies in the last three years:

Nil

Philip Re

Non-executive Director

Qualifications: B.Bus, CA

Philip Re is a Chartered Accountant and has his own successful Corporate Advisory business, Regency Corporate, based in Western Australia. He has significant depth of experience in the capital markets, having held positions such as Managing Director and Non-Executive Director of various ASX-listed companies. He has successfully raised capital, restructured business and undertaken IPO's during his career

Other Current Directorships of Listed Companies:

Nil

Former Directorships of Listed Companies in the last three years:

South American Ferro Metals Limited

Roger Steinepreis

Former Chairman and Non-executive Director

Mr Roger Steinepreis graduated from the University of Western Australia where he completed his law degree. He was admitted as a barrister and solicitor of the Supreme Court of Western Australia in 1987 and has been practising as a lawyer for approximately 23 years.

He is the legal adviser to a number of public companies on a wide range of corporate related matters. His area of practice focuses on company restructures, initial public offerings and takeovers.

Other Current Directorships of Listed Companies:

Apollo Consolidated Limited

AVZ Minerals Limited

Integrated Resources Group Limited

Firestrike Resources Limited

PHW Consolidated Limited

Former Directorships of Listed Companies in the last three years:

Adavale Resources Limited (resigned 20 December 2012)

Allied Consolidated Limited (resigned 1 February 2013)

Imugene Limited

Digital Performance Group Limited

George Ventouras

Former Non-executive Director

Mr Ventouras is a marketing consultant with over 21 years' experience in marketing, business development and general management roles. He has consulted with companies both nationally and internationally, in relation to the development and capitalisation of projects, the supply of infrastructure and equipment and provision of

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

administrative and logistical support. Mr Ventouras has experience in various market categories, including industrial, particularly aquaculture, consumer and luxury goods.

Other Current Directorships of Listed Companies:

Apollo Consolidated Limited

Former Directorships of Listed Companies in the last three years:

Allied Consolidated Limited (resigned 1 February 2013)

Nick Castleden

Former Non-executive Director

Mr Castleden is a geological consultant with over 21 years' experience in the Australian and overseas mineral exploration and development industry. He has worked with active Australian mining companies including Mt Isa Mines (MIM), Perilya Mines, MPI Mines, LionOre and Breakaway Resources in various exploration, geological and management capacities.

Mr Castleden has worked on projects in Australia, Africa and North and South America, and in project generative and acquisition roles. He has particular experience in the gold and nickel and base metal exploration business and has participated in the discovery and delineation of new nickel-sulphide and gold systems that have progressed through feasibility studies to mining.

Other Current Directorships of Listed Companies:

Apollo Consolidated Limited

Former Directorships of Listed Companies in the last three years:

Allied Consolidated Limited (resigned 1 February 2013)

COMPANY SECRETARY

Christopher Watts

Qualifications: BBus, ACA, RCA

Chris is the Director of Regency Audit Pty Ltd, a corporate audit and advisory service, in Western Australia. With close to 20 years professional and commercial experience in auditing, financial accounting, assurance and due diligence – he previously held the position as Director of Audit and Corporate Services at national chartered accounting firm Bentleys. The industries Chris has been involved in are wide and varied including: aged care, aquaculture, biotechnology, building and construction, charities, education, engineering, food manufacturing, government, healthcare, hospitality, mining exploration and services, retail and viticulture. Mr Watts holds a Bachelor of Business degree from Curtin University, is a Member of the Australian Institute of Chartered Accountants, and a Registered Company Auditor (RCA). He is currently Non-executive Director and Company Secretary for ASX listed Newera Resources Limited.

Susan Hunter

Qualifications: BCom, ACA, F Fin, GAICD, ACIS

Ms Hunter has 19 years' experience in the corporate finance industry. She is founder and managing director of consulting firm Hunter Corporate Pty Ltd, which specialises in the provision of corporate governance and company secretarial advice to ASX listed entities, and has previously held senior executive roles at Ernst & Young, PricewaterhouseCoopers and Bankwest in both Perth and Sydney. Ms Hunter holds a Bachelor of Commerce degree from the University of Western Australia, is a Member of the Australian Institute of Chartered

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

Accountants, a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors and a Member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia. She is currently Company Secretary for several ASX listed companies and is a Non-executive Director of ASX listed Dampier Gold Ltd.

MEETINGS OF THE COMPANY'S DIRECTORS

There were four meetings of the Company's Directors held during the year ended 30 June 2014. The number of meetings attended by each Director were:

	Number Eligible to Attend	Number Attended
Johannes de Back	1	1
Victor Hawkins	1	1
Philip Re	1	1
Roger Steinepreis	3	3
George Ventouras	3	3
Nick Castleden	3	3

Resolutions during the year were passed by a circulating resolution.

DIRECTORS' SHAREHOLDING INTERESTS

The interest of each Director in the share capital of the Company at the date of this report is as follows:

	Fully Paid Ordinary Shares		Options		Details of Options
	Direct Interest	Indirect Interest	Direct Interest	Indirect Interest	
Johannes de Back	-	-	-	-	
Victor Hawkins	-	7,500,000	-	3,750,000	exercisable at 30c on or before 31 March 2019
			-	2,500,000	exercisable at 20c on or before 24 July 2017
Philip Re	-	2,916,667	-	1,458,333	exercisable at 30c on or before 31 March 2019.
			-	972,223	exercisable at 20c on or before 24 July 2017

In addition to the above, Victor Hawkins and Phil Re indirectly hold 4,500,000 and 1,750,002 Performance Shares respectively issued on acquisition of iCollege Holdings Pty Ltd. The Performance Shares will convert into ordinary shares when the following performance hurdles are achieved:

- (i) Gross revenue reaches \$1M for any continuous period of 12 months within a period of 2 years from 17 April 2014 being the date of issue then 1/3 will convert into ordinary shares;
- (ii) EBITDA reaches \$500,000 for any continuous period of 12 months within a period of 2 years from 17 April 2014 being the date of issue then 1/3 will convert into ordinary shares;

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

- (iii) EBITDA reaches \$2.5M for any continuous period of 12 months within a period of 3 years 17 April 2014 being the date of issue then 1/3 will convert into ordinary shares.

EARNINGS PER SHARE

Basic Earnings Per Share was a loss of 2.53 cents (2013: profit of 2.59 cents).

Diluted Earnings Per Share was a loss of 2.53 cents (2013: profit of 2.20 cents).

PRINCIPAL ACTIVITIES

iCollege Limited is an Australian company listed on the Australian Securities Exchange (ASX code: ICT). iCollege's principal business activity is online education.

REVIEW OF OPERATIONS AND CHANGES IN STATE OF AFFAIRS

DGI Holdings Limited ("DGI" or "the Company") was a public company listed on the official list of the ASX with a principal focus on the research, development and marketing of innovative miniature projection technologies and products. The Company was incorporated in June 2003 and was admitted to the official list of the ASX on 24 August 2009.

In addition to its principal business activities, the Company had been actively seeking to identify and evaluate new opportunities in related or non-related industries that may increase shareholder value.

On or about 28 November 2013, the Company entered into a heads of agreement (Heads of Agreement) for an exclusive option to acquire 100% of the issued share capital of iCollege Holdings Pty Ltd (ACN 160 943 386) (iCollege Holdings), an Australian proprietary company (Acquisition). As announced on 23 December 2013, the Company exercised this option.

In exchange for the Company acquiring 100% of the issued share capital in iCollege Holdings, the Company would issue by way of consideration on a pre-Consolidation basis, the following to the iCollege Holdings shareholders and (in proportion to their existing holdings in iCollege Holdings):

- (a) 250,000,000 Shares (Consideration Shares);
- (b) 125,000,000 Options, issued on the same terms as the existing Options; and
- (c) 150,000,000 performance shares (Performance Shares), together with 1 free attaching option for every one Share issued (Performance Options), (together, the Consideration Securities).

The Consideration Securities would be subject to escrow restrictions in accordance with Chapter 9 of the ASX Listing Rules.

Completion of the Acquisition was subject to (amongst other things) the mutual satisfaction or waiver by the parties of the following conditions precedent on or before the date that is 3 months after exercise of the options:

- (a) DGI obtaining all regulatory and shareholder approvals as required including:
 - (i) to issue the Consideration Securities to the Shareholders to complete the acquisition of 100% of the iCollege Holdings Shares;
 - (ii) to undertake a consolidation on a ratio to be determined by DGI but consistent with the ASX Listing Rules which was every fifteen shares be consolidated into one share;
 - (iii) the change of name of DGI to iCollege Limited; and
 - (iv) to issue shares in DGI under a capital raising in an amount sufficient for DGI to re-comply with Chapters 1 and 2 of the ASX Listing Rules;
- (b) DGI completing a financial and legal due diligence on iCollege Holdings, and the results of the due

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

- diligence being to the satisfaction of DGI. This review had been completed to the satisfaction of the Company; and
- (c) the Company receiving applications to meet the minimum subscription under the Prospectus of not less than \$2,500,000.

On 14 March 2014, the Company was suspended from official quotation on the Australian Securities Exchange. A General Meeting was held on the same date ratifying all the conditions requiring shareholder approval and on 10 April 2014, it was announced that the capital raising was closed oversubscribed, the consolidation of capital had occurred and the name of the Company was changed to iCollege Limited.

On 17 April 2014, it was announced that all shares had been issued to the shareholders of iCollege Holdings and to the shareholders who subscribed to the capital raising under the Prospectus.

All conditions precedent were then met and on 4 May 2014, the Company was reinstated onto the Australian Securities Exchange as iCollege Limited, with the Board of Directors consisting of Managing Director Victor Hawkins, Chairman Hans de Back and Non Executive Director Philip Re.

iCollege is a business developed by Mr Victor Hawkins, a management consultant and business owner for the past 20 years, and who has spent the past 5 years successfully owning and operating a cloud based software platform selling online education courses.

The online education market is becoming one of the faster growing industries in the world. The ability to offer education online is scalable.

iCollege has developed a proprietary cloud based online platform and suite of education courses. These are the key intellectual property assets that will develop a successful business. In addition, an experienced team of developers have been recruited.

On 18 June 2014, iCollege announced to undertake a fully underwritten non-renounceable rights issue of one option to acquire a fully paid ordinary share in the capital of the Company (exercisable at 20 cents on or before the date which is 3 three years from the date of issue) for every 3 shares held by shareholders at the record date to raise up to A\$186,736, which was finalized on 25 July 2014.

During the fourth quarter of 2014, iCollege beta tested the cloud based platform and payment system in anticipation of the launch of a fully functional website scheduled for late August 2014. Initially 25 business based courses will be offered, with a range of additional courses across a variety of sectors to be rolled out over the remaining calendar year.

On the 28 August 2014, iCollege announced the launch of 25 online educational courses available to students in Australia via its 100% owned proprietary educational platform - www.icollege.net.

The iCollege online educational offering is uniquely customised, accessible and affordable for students. Our training programs are sourced globally and presented in a way that students are able to select the units they require in order to enhance their career.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

FINANCIAL POSITION

The Consolidated Entity recorded a loss after tax for the year of \$747,907 (2013: Profit of \$5,218,306). The previous years profit included an amount of \$5,179,962 relating to the forgiveness of pre-DOCA liabilities which occurred upon effectuation of the DOCA.

The net assets of the Consolidated Entity were \$5,266,188 in 2014 (2013: \$945,742).

The Consolidated Entity's working capital, being current assets less current liabilities was \$2,410,316 in 2014 (2013: \$892,155).

MATTERS SUBSEQUENT TO THE END OF THE YEAR

On 18 June 2014, iCollege announced to undertake a fully underwritten non-renounceable rights issue of one option to acquire a fully paid ordinary share in the capital of the Company (exercisable at 20 cents on or before the date which is 3 three years from the date of issue) for every 3 shares held by shareholders at the record date to raise up to A\$186,736, which was finalized on 25 July 2014.

There has not been no other any matter or circumstance, other than disclosed elsewhere in this report, the financial statements or notes thereto, that has arisen since the end of the financial period, that has significantly affected, or may significantly affect, the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of iCollege Holdings Limited. The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company and all key management personnel.

Details of Key Management Personnel

Mr Johannes de Back	-	Non-executive Chairman (appointed 1 May 2014)
Mr Victor Hawkins	-	Managing Director (appointed 1 May 2014)
Mr Philip Re	-	Non-executive Director (appointed 1 May 2014)
Mr Roger Steinepreis	-	Chairman (appointed 3 July 2012, resigned 1 May 2014)
Mr George Ventouras	-	Non-executive Director (appointed 3 July 2012, resigned 1 May 2014)
Mr Nick Castleden	-	Non-executive Director (appointed 27 August 2012, resigned 1 May 2014)

Remuneration Governance

Due to the present size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. The Board has adopted the following policies for Directors' and executives' remuneration.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED) - continued

To assist the Board to fulfill its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. The Remuneration Committee Charter is available on the Company's website at www.icollege.net.

Remuneration of Directors and senior management is determined with regard to the performance of the Company, the performance and skills and experience of the particular person and prevailing remuneration expectations in the market. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report. The performance and remuneration of the senior management team will be reviewed in the future at least annually.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Remuneration structure

In accordance with best practice corporate governance, the structure of Non-executive Director and executive compensation is separate and distinct.

Non-executive Directors' Remuneration

Non-executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time. This limit is currently set at \$260,000. Any newly appointed Non-executive Directors will serve in accordance with a standard service contract, drafted by the Company's lawyers, which sets out remuneration arrangements. There are no termination or retirement benefits for non-executive Directors (other than for superannuation). Non-executive Directors may be offered options as part of their remuneration, subject to shareholder approval.

Executive Remuneration

Senior executives, including Executive Directors, are engaged under the terms of individual employment contracts. Such contracts are based upon standard terms drafted by the Company's lawyers. Executive Directors do not receive any directors' fees in addition to their remuneration arrangements. Base salary/consulting fees are set to reflect the market salary for a position and individual of comparable responsibility and experience. Base salary/consulting fees are regularly compared with the external market and during recruitment activities generally. It is the policy of the Company to maintain a competitive salary structure to ensure continued availability of experienced and effective management and staff.

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Details of the nature and amount of each element of each Director, including any related company and each of the officers of the Company receiving the highest emoluments are set out below.

Service Agreements

Remuneration and other terms of employment for the Chairman and Managing Director is formalised in a service agreement which includes details of remuneration.

The Company has entered into a consultancy agreement with Performa Capital Pty Ltd (as trustee for the Performa Trust) and Mr Victor Hawkins (CA) which was effective from the date of completion of the Acquisition

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED) - continued

for a period of one year, with the possibility of being extended. Under the CA, Mr Hawkins is engaged by the Company to provide services to the Company in the capacity of Managing Director.

Mr Hawkins will be paid a fee of \$250,000 per annum exclusive of GST. Mr Hawkins will be reimbursed for reasonable expenses incurred in carrying out his duties.

The CA contains standard termination provisions under which the Company must give 3 month's written notice of termination and the Consultant must give 6 month's written notice of termination (or shorter period in the event of serious misconduct or a material breach).

The Company has entered into a consultancy agreement with Dutchman Capital Pte Ltd and Mr Hans de Back which was effective from 1 June 2014 for a period of one year, with the possibility of being extended. Under the agreement, Mr de Back is engaged by the Company to provide services to the Company in the capacity of Non-Executive Chairman.

Mr de Back will be paid a fee of \$60,000 per annum. Mr de Back will be reimbursed for reasonable expenses incurred in carrying out his duties.

Consolidated entity performance and link to remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Remuneration has not been linked to performance as it is not indicative for the financial year 2014 given change in nature of operations and direction of the company. The historical details in relation to the consolidated entity's performance has also not been disclosed on this basis.

Details of remuneration

2014

Key Management Personnel	Short-term Benefits				Post-employment Benefits Super-annuation	Other Long-term Benefits	Share based Payment		Total	Total Remuneration Represented by Options	Performance Related
	Cash, salary & fees	Cash profit share	Non-cash benefit	Other			Equity	Options			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Johannes de Back	5,000	-	-	-	-	-	-	-	5,000	-	-
Victor Hawkins	83,331*	-	-	-	-	-	-	-	83,331	-	-
Philip Re	20,000	-	-	-	-	-	-	-	20,000	-	-
Roger Steinepreis	-	-	-	-	-	-	-	-	-	-	-
George Ventouras	-	-	-	-	-	-	-	-	-	-	-
Nick Castleden	-	-	-	-	-	-	-	-	-	-	-
	108,331	-	-	-	-	-	-	-	108,331	-	-

*Payment was made to Performa Capital Pty Ltd (as trustee for the Performa Trust) where Mr Victor Hawkins is a beneficiary. Refer to Service Agreements.

During the year ended 30 June 2013, the Directors of the Company elected to forego remuneration payable as non-executive directors in line with the Company's focus on cash preservation.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED) – continued

Share based compensation

2014

No shares or options were issued as remuneration to the directors during the year.

2013

No shares or options were issued as remuneration to the directors during the year

Equity Instruments held by Key Management Personnel

(i) *Share holdings*

The number of ordinary shares in the Company held during the financial year by each Director of iCollege Limited and any other key management personnel of the Company, including their personally related parties, are as follows.

There were no shares granted during the year as compensation (2013: nil). There were no shares issued upon exercise of options (2013: nil).

2014

Shares (held directly and indirectly)

Name	Balance at 1 July 2013	Net change during the year	Change due to appointment/ (resignation)	Balance at 30 June 2014
Johannes de Back	-	-	-	-
Victor Hawkins	-	7,500,000	-	7,500,000
Philip Re	-	2,916,667	-	2,916,667
Roger Steinepreis	21,920,000	-	(21,920,000)	-
George Ventouras	6,520,000	-	(6,520,000)	-
Nick Castleden	4,000,000	-	(4,000,000)	-
Total Shares	32,440,000	10,416,667	(32,440,000)	10,416,667

Performance Shares

In addition to the above, Victor Hawkins and Phil Re indirectly hold 4,500,000 and 1,750,002 Performance Shares respectively issued on acquisition of iCollege Holdings Pty Ltd. The Performance Shares will convert into ordinary shares when the following performance hurdles are achieved:

- (i) gross revenue reaches \$1M for any continuous period of 12 months within a period of 2 years from 17 April 2014 being the date of issue then 1/3 will convert into ordinary shares;
- (ii) EBITDA reaches \$500,000 for any continuous period of 12 months within a period of 2 years from 17 April 2014 being the date of issue then 1/3 will convert into ordinary shares; and
- (iii) EBITDA reaches \$2.5M for any continuous period of 12 months within a period of 3 years 17 April 2014 being the date of issue then 1/3 will convert into ordinary shares.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED) - continued

(ii) *Option holdings*

The number of options over ordinary shares in the Company held during the financial year by each Director of iCollege Limited and any other key management personnel of the Consolidated Entity, including their personally related parties, are as follows:

2014

Options (held directly and indirectly)

Name	Balance at 1 July 2013	Granted as remuneration during the year	Other granted during the year	Change due to appointment/ (resignation)	Balance at 30 June 2013	Number vested and exercisable
Johannes de Back	-	-	-	-	-	-
Victor Hawkins	-	-	3,750,000	-	3,750,000	-
Philip Re	-	-	1,458,333	-	1,458,333	-
Roger Steinepreis	3,460,000	-	-	(3,460,000)	-	-
George Ventouras	3,260,000	-	-	(3,260,000)	-	-
Nick Castleden	1,000,000	-	-	(1,000,000)	-	-
Total Options	7,720,000	-	5,208,333	(7,720,000)	5,208,333	-

Other Transactions with Key Management Personnel

2014

Mr Victor Hawkins, Director, is a beneficiary of the Performa Trust. The Company has entered into an exclusive Licence Agreement with Performa Capital Pty Ltd (as trustee of the Performa Trust) to exploit the Cloud Infrastructure, Cloud Platform and associated Intellectual Property for the purpose of providing online education and professional development courses to end users. During the year an amount of \$50,000 (net of GST) was paid under the Licence Agreement.

Mr Philip Re, Director, is a Director of Regency Partners. During the year an amount of \$94,500 (net of GST) was paid to this business for accounting, bookkeeping, administration and secretarial services at normal commercial rates.

Mr Roger Steinepreis, Director, is a partner of Steinepreis Paganin. During the year an amount of \$129,183 (net of GST) was paid to this business for legal advice at normal commercial rates.

Mr George Ventouras, Director, is a director and shareholder of Ventouras Consulting Pty Ltd. During the year an amount of \$18,000 (net of GST) was paid to this business for work undertaken for maintenance of intellectual property at normal commercial rates.

Mr George Ventouras, Director, was a consultant to Paragon Pearling Pty Ltd. During the year an amount of \$9,000 (net of GST) was paid to this business for work undertaken at normal commercial rates.

Mr Nick Castleden, Director, was a consultant to Cratonix Pty Ltd. During the year an amount of \$24,000 (net of GST) was paid to this business for work undertaken at normal commercial rates.

2013

Mr Roger Steinepreis, Director, is a partner of Steinepreis Paganin. During the year an amount of \$125,999 (net of GST) was paid to this business for legal advice at normal commercial rates.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

REMUNERATION REPORT (AUDITED) - continued

Mr Roger Steinepreis, Director, also holds an interest in the Blueknight Syndicate. During the year, a loan amount of \$575,000 was made to the Company by the Blueknight Syndicate which was paid to the Creditors Trust pursuant to the Deed of Company Arrangement (refer to Review of Operations). As at 30 June 2013, the loan had been repaid in full.

Mr George Ventouras, Director, is a director and shareholder of Ventouras Consulting Pty Ltd. During the year an amount of \$17,000 (net of GST) was paid to this business for work undertaken for maintenance of intellectual property at normal commercial rates.

Use of Remuneration Consultants

During the financial year ended 30 June 2014, the Company did not engage any external remuneration consultants to review its existing remuneration policies.

Voting and comments made at the Company's 2013 Annual General Meeting (AGM)

The Company did not receive any votes against its remuneration report for the 2013 financial year and no specific feedback at the AGM or throughout the year on its remuneration policies.

This is the end of the audited remuneration report.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

SHARES UNDER OPTION

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

	Number	Exercise Price	Expiry Date
Unlisted Options	3,334	\$30.00	1 May 2017
Unlisted Options	2,989,994	\$0.20	31 December 2015
Unlisted Options	11,666,674	\$0.30	31 March 2019
Listed Options	18,673,171	\$0.20	24 July 2017

Refer to the Directors Report for details of options held by the Directors.

INDEMNIFICATION AND INSURANCE OF OFFICERS

During or since the end of the financial year the Consolidated Entity has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Consolidated Entity has paid premiums to insure each of the following current and former Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Consolidated Entity, other than conduct involving a wilful breach of duty in relation to the Consolidated Entity. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings. The Consolidated Entity was not a party to any such proceedings during the year.

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declarations as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2014 has been received and can be found on page 26.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

During the year non-audit services totalling \$15,979 in relation to taxation services were provided by associated entities of BDO Audit (WA) Pty Ltd (2013: nil).

The Directors may engage auditors for non-audit services.

The Directors are satisfied that the provision of future non-audit services, by the auditor (or by CA300(11 B)(b).(c) another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and will not, in the opinion of the Directors, compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

DIRECTORS REPORT

- all non-audit services will be reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services will undermine the general principles relating to auditor independence as set out in APES CA300(11B)(c) 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Refer to note 18 to the financial statements for details of fees paid / payable to the auditor of the Company.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors support and adhere to the principles of corporate governance. The Company's Corporate Governance Statement is contained in the following section of this report.

Signed in accordance with a resolution of the Directors.



Victor Hawkins
Managing Director

Perth, Western Australia
29 August 2014

Corporate Governance Statement

The Board of Directors of iCollege Limited (“iCollege” or “the Company”) is responsible for its corporate governance and the Board has adopted a manual of corporate governance policies and procedures based on control systems and accountability on 16 June 2014. The Board of the Company will review the iCollege Limited Corporate Governance Plan annually. The Corporate Governance Plan is available on the Company’s website at www.icollege.net. A summary of the Company’s corporate governance policies and procedures is included in this Statement.

The Company’s corporate governance policies and procedures are in line with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (“the Principles & Recommendations”). The Company has followed the Principles & Recommendations where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration by the Board, the Company’s corporate governance practices depart from the Principles & Recommendations, the Board has fully disclosed the departure and the reason for the adoption of its own practice, in compliance with the “if not, why not” exception reporting regime.

Further information about the Company’s corporate governance practices including the information on the Company’s charters, code of conduct and other policies and procedures is set out on the Company’s website.

Board of Directors

Role of the Board and Management

The Board is responsible for promoting the success of the Company in a way which ensures that the interests of shareholders and stakeholders are promoted and protected. The Board may delegate some powers and functions to the Managing Director or CEO for the day-to-day management of the Company. Powers and functions not delegated remain with the Board. The key responsibilities and functions of the Board include the following:

- appointment of the Managing Director/CEO and other senior executives and the determination of their terms and conditions including remuneration and termination;
- driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management’s performance;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- approving the annual, half yearly and quarterly accounts;
- approving significant changes to the organisational structure;
- approving the issue of any shares, options, equity instruments or other securities in the Company;
- ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- meeting with the external auditor, at their request, without management being present.

The Board's role and the Company's corporate governance practices are periodically reviewed and improved as required.

The role of the senior management of the Company is to progress the strategic direction provided by the Board. Senior management is responsible for supporting the Board in implementing the running of the general operations and financial business of the Company in accordance with the delegated authorities for expenditure levels and materiality thresholds in place.

The Company has a Performance Evaluation policy which outlines the performance evaluation of the Board, its Committees and its individual Directors. The Nomination Committee is responsible for evaluation of the Board its Committees and its individual Directors, if required, on an annual basis.

An annual review of the role of the Board is proposed to be conducted in future to assess the performance of the Board over the previous twelve (12) months and examine ways of assisting the Board in performing its duties more effectively. The review may include:

- comparing the performance of the Board with the requirements of its Charter;
- examination of the Board's interaction with management;
- the nature of information provided to the Board by management; and
- management's performance in assisting the Board to meet its objectives.

A similar review may be conducted for each Committee, if relevant, by the Board with the aim of assessing the performance of each Committee and identifying areas where improvements can be made.

In future the Company will consider conducting performance evaluations of the Board, its Committees, if relevant, and its individual Directors. Given the appointment of the current Board occurred during the financial year, no formal performance evaluation of the Board has as yet been undertaken. The Board will consider undertaking a formal Board performance review in the coming financial year.

The Board with assistance from the Remuneration Committee, if a separate Remuneration Committee is established, will oversee the performance evaluation of the executive team. This evaluation will be based on specific criteria, including the performance of the Company, whether strategic objectives are being achieved and the development of management and personnel. Given the appointment of the current Board and change of management occurred during the financial year, no performance and remuneration reviews were conducted during the financial year. In future, senior executives will undergo performance and remuneration reviews at least annually.

The Board Charter including matters reserved for the Board and senior management and the Performance Evaluation Policy is available on the Company's website at www.icollege.net.

Composition of the Board

The Company has adopted a policy on assessing the independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations and detailed in the Board Charter and is attached as Annexure A to the Corporate Governance Plan. The materiality thresholds in this policy are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold.

The current Board includes a non-executive Chairman, Johannes de Back, a Managing Director, Victor Hawkins and non-executive Director, Philip Re. The Board considers Johannes de Back to be independent based on the

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

CORPORATE GOVERNANCE

criteria for independence included in the Company's Policy on Assessing the Independence of Directors and the ASX Principles & Recommendations. Victor Hawkins and Philip Re are substantial shareholders of the Company via their controlled entities and accordingly is not considered to be independent. The Company's Managing Director is the Chief Executive Officer.

A minimum of three (3) Directors and a maximum of ten (10) Directors is stipulated under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board will seek to nominate persons for appointment to the Board with the appropriate mix of skills and experience to ensure an effective decision-making body and to ensure that the Board is comprised of Directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance. The Board should comprise Directors with a mix of qualifications, experience and expertise which will assist the Board in fulfilling its responsibilities, as well as assisting the Company in achieving growth and delivering value to shareholders.

As required by the Constitution of iCollege, at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded downwards in case of doubt), shall retire from office, provided always that no Director (except the Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election. Any Director (except the Managing Director) appointed by the Directors since the date of the last annual general meeting must also stand for re-election at the next annual general meeting following their appointment. Prior to the Board proposing re-election of non-executive Directors, their performance will be evaluated to ensure that they continue to contribute effectively to the Board.

The Company's policy for re-election of Directors and selection and appointment of new Directors is available in the Board Charter and Nomination Committee Charter in the Corporate Governance Plan on the Company's website at www.icollege.net.

A profile of each Director containing their skills, experience and expertise is set out in the Directors' Report.

Statement concerning availability of Independent Professional Advice

The Board considers that to assist Directors with independent judgement a Director may consider it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director. Provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Committee

Given the present size of the Company, the whole Board acts as the Nomination Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. To assist the Board to fulfill its function as the Nomination Committee, the Board has adopted a Nomination Committee Charter. The responsibilities of the Committee include the periodic review and consideration of the structure and balance of the Board and the making of recommendations regarding appointments, retirements and terms of office of Directors.

The Nomination Committee Charter is available on the Company's website www.icollege.net.

Remuneration Committee

Given the present size of the Company, the whole Board acts as the Remuneration Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Remuneration Committee. To assist the Board to fulfill its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. The Remuneration Committee Charter is available on the Company's website at www.icollege.net.

Remuneration of Directors and senior management is determined with regard to the performance of the Company, the performance and skills and experience of the particular person and prevailing remuneration expectations in the market. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report. The performance and remuneration of the senior management team will be reviewed in future at least annually.

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Code of Conduct

The Company has adopted a Code of Conduct that outlines how the Company expects its Directors and employees of the Company to behave and conduct business in the workplace on a range of issues. The Company is committed to the highest level of integrity and ethical standards in all business practices.

The purpose of the Code of Conduct is to provide a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

It sets out the Company's expectations of its Directors and employees with respect to a range of issues including personal and professional behaviour, conflicts of interest, public and media comment, use of Company resources, security of information, intellectual property and copyright, discrimination and harassment, corrupt conduct, occupational health and safety, fair dealing and insider trading.

A breach of the Code is subject to disciplinary action which may include punishment under legislation and/or termination of employment. The Code of Conduct is available on the Company's website at www.icollege.net.

Ethical Standards

The Board considers that the success of the Company will be enhanced by a strong ethical culture within the Company. Accordingly, the Board is committed to the highest level of integrity and ethical standards in all business practices. Employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation.

Conflicts of Interest

In accordance with the Corporations Act 2001, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Guidelines for Trading in the Company's Securities

The Trading Policy adopted by the Board prohibits trading in shares by a Director, officer or employee during certain blackout periods (in particular, prior to release of quarterly, half yearly or annual results) except in exceptional circumstances and subject to procedures set out in the Guidelines.

Outside of these blackout periods, a Director, officer or employee must first obtain clearance in accordance with the Guidelines before trading in shares. For example:

- A Director must receive clearance from the Chairman before he may buy or sell shares.
- If the Chairman wishes to buy or sell shares he must first obtain clearance from the Board.
- Other officers and employees must receive clearance from the Chairman or the Board before they may buy or sell shares.

Directors, officers and employees must observe their obligations under the Corporations Act 2001 not to buy or sell shares if in possession of price sensitive non-public information and that they do not communicate price sensitive non-public information to any person who is likely to buy or sell shares or communicate such information to another party.

The Trading Policy is available on the Company's website at www.icollege.net.

Continuous Disclosure

The Company is a "disclosing entity" for the purposes of Part 1.2A of the Corporations Act 2001. As such, the Company has a Continuous Disclosure Policy. The purpose of this Continuous Disclosure Policy is to ensure the Company complies with continuous disclosure requirements arising from legislation and the Listing Rules of the Australian Securities Exchange ("ASX"). The Policy sets out the procedure for:

- protecting confidential information from unauthorised disclosure;
- identifying material price sensitive information and reporting it to the Company Secretary for review;
- ensuring the Company achieves best practice in complying with its continuous disclosure obligations under legislation and the Listing Rules; and
- ensuring the Company and individual officers do not contravene legislation or the Listing Rules.

The Company has obligations under the Corporations Act 2001 and ASX Listing Rules to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities and to correct any material mistake or misinformation in the market. iCollege discharges these obligations by releasing information to the ASX in the form of an ASX release or disclosure in other relevant documents (e.g. the Annual Report).

The Company recognises that the maintenance of confidentiality is also of paramount importance to the Company both to protect its trade secrets and to prevent any false market for the Company's shares from developing.

All relevant information provided to ASX in compliance with the continuous disclosure requirements of legislation and the Listing Rules is promptly posted on the Company's web site www.icollege.net.

The Continuous Disclosure Policy is available on the Company's website at www.icollege.net.

Audit and Risk Committee

Given the present size of the Company, the whole Board acts as the Audit and Risk Committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Audit and Risk Committee. To assist the Board to fulfill its function as the Audit and Risk Committee, the Board has adopted an Audit and Risk Committee Charter.

The Audit and Risk Committee provides recommendations in relation to the initial appointment of the external auditor and the appointment of a new external auditor should a vacancy arise. Any appointment of a new external auditor made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Proposed external auditors must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. In addition, the successful candidate for external auditor must have arrangements in place for the rotation of the lead audit engagement partner on a regular basis. Other than these mandatory criteria, the Board may select an external auditor based on other criteria relevant to the Company such as references, cost and any other matters deemed relevant by the Board.

A formal Audit and Risk Committee Charter has been adopted, a copy of which is available on the Company's website at www.icollege.net.

Communication to Shareholders

The Company has a Shareholder Communications Strategy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner. The Board aims to ensure that Shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to Shareholders through the annual report, half yearly report, quarterly reports, disclosures and announcements made to the ASX, the annual general meeting and general meetings and through the Company's website.

The Company considers general meetings to be an effective means to communicate with shareholders and encourages shareholders to attend the meeting. Information included in the notice of meeting sent to shareholders will be presented in a clear, concise and effective manner.

The Shareholder Communications Strategy is available on the Company's website at www.icollege.net.

Risk Management

The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Board will delegate to the Managing Director/CEO responsibility for implementing the risk management system who will submit particular matters to the Board for its approval or review. The Managing Director/CEO is required to report to the Board on the management of risk.

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures and regularly report back to the Board.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

CORPORATE GOVERNANCE

The Board will regularly review assessments of the effectiveness of risk management and internal compliance and control.

The Board will also require management to report to it confirming that those risks are being managed effectively.

The Board will receive an assurance from management that the Company's management of its material business risks is effective.

The Company's Risk Management Policy is available on the Company's website at www.icollege.net.

Integrity of Financial Reporting

The Company's Managing Director and CFO have provided a declaration in accordance with section 295A of the Corporations Act in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Diversity Policy

The Board has adopted a Diversity Policy. The Company is committed to workplace diversity and recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Principles and Recommendations.

The Board is responsible for developing objectives and strategies, if any, to meet the objectives of the Diversity Policy (Objectives) and will report at least annually on the progress against and achievement of these Objectives. The Board may also set measurable objectives for achieving gender diversity. The Board is responsible for implementing, monitoring and reporting on the Objectives, if any.

Given the size of the Company, no measurable Objectives or strategies have been set.

The proportion of women employees in the Company, in senior executive positions and on the Board is included below.

	Male	Female
Board	3	-
Senior Management	1	-
Staff	2	4

The Company's Diversity Policy is available on the Company's website at www.icollege.net.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

CORPORATE GOVERNANCE

ASX LISTING RULE DISCLOSURE – EXCEPTION REPORTING

As required by ASX Listing Rules, the following table discloses the extent to which iCollege has not followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
1.2	Disclose the process for evaluation of senior executives.	The Company has in place informal procedures for evaluating the performance of senior executives.	At this stage of the development of the Company, iCollege has only informal procedures in place for performance evaluation of the senior executives but will consider the implementation of formal processes in future.
2.4	The Board should establish a nomination committee.	The Board has not established a nomination committee. The role of the nomination committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as a nomination committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. However, it is noted the Board has adopted a Nomination Committee Charter.
2.5	Companies should disclose the process for evaluating the performance of the Board, its committee and individual Directors.	Given the current size of the Company, Board and level of activity of the Company, the Board does not currently have a formal process for the evaluation of the board, individual Directors or committees at this time.	Given the current size of the Company, Board and level of activity of the Company, the Board currently has an informal process for the evaluation of individual Directors or committees at this time but will consider the implementation of formal processes in future particularly as the size of the Company, Board and the level of activity of the Company increase.
3.3	Companies should disclose achievement of measurable objectives for gender diversity.	Given the size of the Company, no measurable objectives for achieving gender diversity have been set.	Whilst no measurable objectives have been set for achieving gender diversity, the Company has disclosed in this Annual Report the proportion of women employees in the Company, in senior executive positions and on the Board. The Board will consider the setting of measurable

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

CORPORATE GOVERNANCE

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
			objectives for achieving gender diversity as the size of the Company, Board, workforce and the level of activity of the Company increase.
4.1	The Board should establish an Audit Committee.	The Board has not established an Audit Committee. The role of the Audit and Risk Committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as the Audit and Risk Committee. The Board believes that given the Company's size and stage of development, no efficiencies or other benefits could be gained by establishing a separate Audit and Risk Committee. However, it is noted the Board has adopted an Audit and Risk Committee Charter.
4.2	The Audit Committee should be structured so that it consists only of non-executive directors, consists of a majority of independent directors, is chaired by an independent chair, who is not the chair of the board and has at least three members.	The Board has not established an Audit Committee. The role of the Audit and Risk Committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as the Audit and Risk Committee. The Board believes that given the Company's size and stage of development, no efficiencies or other benefits could be gained by establishing a separate Audit and Risk Committee. However, it is noted the Board has adopted an Audit and Risk Committee Charter.
8.1	The Board should establish a remuneration committee.	The Board has not established a remuneration committee. The role of a remuneration committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as a remuneration committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate remuneration committee. All matters of remuneration are determined by the Board in accordance with Corporations Act 2001 and ASX Listing Rule requirements, particularly in respect of related party transactions. No Director participates in any discussion

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

CORPORATE GOVERNANCE

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
			or decision regarding his own remuneration or related issues. The Board has adopted a Remuneration Committee Charter.
8.2	The remuneration committee should be structured so that is consists of a majority of independent directors, is chaired by an independent chair and has at least three members.	The Board has not established a remuneration committee. The role of a remuneration committee is carried out by the full Board.	Given the present size of the Company, the whole Board acts as a remuneration committee. The Board believes no efficiencies or other benefits could be gained by establishing a separate remuneration committee. All matters of remuneration are determined by the Board in accordance with Corporations Act 2001 and ASX Listing Rule requirements, particularly in respect of related party transactions. No Director participates in any discussion or decision regarding his own remuneration or related issues. The Board has adopted a Remuneration Committee Charter.

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF ICOLLEGE LIMITED

As lead auditor of iCollege Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of iCollege Limited and the entity it controlled during the period.



Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, 29 August 2014

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 30 JUNE 2014

		30 June 2014	30 June 2013
	Note	\$	\$
Revenues			
Revenue from customers		3,000	3,000
Interest Revenue		22,535	18,794
Total revenues		<u>25,535</u>	<u>21,794</u>
Expenses			
Accounting and audit expenses		(30,238)	(78,671)
Compliance		(48,643)	(17,289)
Consultant fees		(206,570)	(37,112)
Directors fees		(25,000)	-
Legal expenses		(107,910)	(7,031)
Marketing expenses		(52,927)	(34,091)
Impairment of assets	4	(63,508)	-
Depreciation and amortisation	8,9	(23,347)	(8,821)
Occupancy expenses		(27,272)	-
Other expenses		(188,037)	-
Total expenses		<u>(773,452)</u>	<u>(183,015)</u>
Other Income			
Research & Development Tax Incentive		-	199,565
Forgiveness of debt	3	-	5,179,962
Profit/(loss) before Income Tax		(747,917)	5,218,306
Income tax expense	2	-	-
Profit/(loss) after income tax attributable to members of iCollege Limited		<u>(747,917)</u>	<u>5,218,306</u>
Other comprehensive income		-	-
Total comprehensive profit/(loss) attributable to members of iCollege Limited		<u>(747,917)</u>	<u>5,218,306</u>
Earnings/(loss) per share		Cents per Share	Cents per Share
Basic Earnings/(loss) per share	6	(2.53)	2.59
Diluted Earnings/(loss) per share	6	(2.53)	2.20

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the financial statements.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30 June 2014 \$	30 June 2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	14(a)	2,515,334	903,926
Trade and other receivables	7	84,931	33,285
Total Current Assets		<u>2,600,265</u>	<u>937,211</u>
Non-Current Assets			
Property, plant & equipment	8	74,407	20,640
Intangible assets	9	2,781,465	32,947
Total Non-Current Assets		<u>2,855,872</u>	<u>53,587</u>
Total Assets		<u>5,456,137</u>	<u>990,798</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	11	189,949	45,056
Total Current Liabilities		<u>189,949</u>	<u>45,056</u>
Total Liabilities		<u>189,949</u>	<u>45,056</u>
Net Assets		<u><u>5,266,188</u></u>	<u><u>945,742</u></u>
Equity			
Issued capital	12	30,449,137	25,943,274
Reserves	13	678,630	116,130
Accumulated losses		<u>(25,861,579)</u>	<u>(25,113,662)</u>
Total Equity		<u><u>5,266,188</u></u>	<u><u>945,742</u></u>

The Consolidated Statement of Financial Position should be read in conjunction
with the notes to the financial statements.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Year ended 30 June 2014 \$	Year ended 30 June 2013 \$
Cash flows from operating activities			
Receipts from customers		3,300	3,300
Interest received		22,535	18,794
Payments to suppliers and employees		(836,031)	(162,723)
Net cash flows used in operating activities	14b	(810,196)	(140,629)
Cash flows from investing activities			
Payments for intellectual property		(233,751)	(12,408)
Payments for plant and equipment		(24,818)	-
Net cash flows used in investing activities		(258,569)	(12,408)
Cash flows from financing activities			
Proceeds from borrowings		-	575,000
Repayment of borrowings		-	(287,500)
Proceeds from issue of shares		3,080,807	1,532,500
Payment of share issue costs		(401,050)	(188,037)
Payments made to DOCA		-	(575,000)
Net cash flows provided by financing activities		2,679,757	1,056,963
Net increase in cash and cash equivalents held		1,610,992	903,926
Cash acquired on acquisition of subsidiary	5	416	-
Add opening cash and cash equivalents brought forward		903,926	-
Closing cash and cash equivalents carried forward	14a	2,515,334	903,926

The Consolidated Statement of Cash Flows should be read in conjunction
with the notes to the financial statements.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital \$	Accumulated Losses \$	Option Reserve \$	Total Equity \$
At 1 July 2012	24,311,311	(30,331,968)	116,130	(5,904,527)
Profit/(loss) for the year	-	5,218,306	-	5,218,306
Total comprehensive income for the year	-	5,218,306	-	5,218,306
Transactions with owners in their capacity as owners:				
Issue of share capital, net of transaction costs	1,631,963	-	-	1,631,963
At 30 June 2013	25,943,274	(25,113,662)	116,130	945,742
At 1 July 2013	25,943,274	(25,113,662)	116,130	945,742
Profit/(loss) for the year	-	(747,917)	-	(747,917)
Total comprehensive income/(loss) for the year	-	(747,917)	-	(747,917)
Transactions with owners in their capacity as owners:				
Shares & options issued on acquisition of subsidiary	1,750,000	-	562,500	2,312,500
Issue of share capital, net of transaction costs	2,755,863	-	-	2,755,863
At 30 June 2014	30,449,137	(25,861,579)	678,630	5,266,188

The Consolidated Statement of Changes in Equity should be read in conjunction
with the notes to the financial statements.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

1. ACCOUNTING POLICIES

The financial report covers iCollege Limited as a consolidated entity consisting of iCollege Limited and the entities it controlled during the year. iCollege Limited is a listed public company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business are disclosed in the Corporate Directory of the annual report. The consolidated entity is a for profit entity.

(i) Basis of Accounting

This general purpose financial report for the year ended 30 June 2014 has been prepared in accordance with Corporations Act 2001 and Australian Accounting Standards (including Australian Accounting Interpretations) and authoritative pronouncements of the Australian Accounting Standards Board.

This financial report has been prepared in accordance with the historical costs convention.

The functional currency and presentation currency of iCollege Limited is Australian dollars.

(ii) Statement of Compliance

This financial report complies with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board (AASB).

(iii) Adoption of New and Revised Standards

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

The Consolidated Entity does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

Reference	Title	Nature of Change	Application date of standard	Impact on entity financial statements	Application date for entity
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. Under AASB 9, there are three categories of financial assets: • Amortised cost • Fair value through profit or loss	1 January 2017	Adoption of AASB 9 is only mandatory for the year ending 30 June 2018. The entity has not yet made an assessment of the impact of these amendments.	1 July 2017

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

		Fair value through other comprehensive income. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.			
IFRS 15 (issued June 2014)	Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	Annual reporting periods beginning on or after 1 January 2017	Due to the recent release of this standard, the entity has not yet made a detailed assessment of the impact of this standard.	1 July 2017
AASB 2012-6 (issued September 2012)	Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures	Defers the effective date of AASB 9 to 1 January 2015. Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015
AASB 2013-3 (issued June 2013)	Amendments to AASB 136 – Recoverable Amount	Clarifies the disclosure requirements for cash-generating units (CGUs) with significant amounts	1 January 2014	As this standard amends disclosure requirements only, there will be no	1 July 2014

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

	Disclosures for Non-Financial Assets	of goodwill and intangibles with indefinite useful lives and also adds additional disclosures when recoverable amount is determined based on fair value less costs to sell.		impact on amounts recognised in the financial statements. The recoverable amount for CGUs with significant amounts of goodwill and intangibles with indefinite lives will only be required to be disclosed where an impairment loss has been recognised. However, there will be additional disclosures about the level of the fair value hierarchy where recoverable amount for a CGU is determined based on fair value less costs to sell.	
AASB 2014-1	Amendments to Australian Accounting Standards [Operative dates: Parts A-C – 1 Jul 2014; Part D – 1 Jan 2016; Part E – 1 Jan 2015]	Non-urgent but necessary changes to standards arising from Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle	1 July 2014, 1 January 2016, 1 January	There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively or are disclosure impacts only AASB 2 – SHARE BASED PAYMENTS There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014. AASB 3 – BUSINESS	1 July 2014, 1 July 2015, 1 July 2016

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

				COMBINATIONS There will be no impact on the financial statements when these amendments are first adopted because they apply prospectively to business combinations for which the acquisition date is on or after 1 July 2014. AASB 8 – OPERATING SEGMENTS There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard only. Further, because the Consolidated Entity does not currently aggregate operating segments in determining reportable segments, it is unlikely that any additional disclosures will be required when this amendment is adopted for the first time for the year ended 1 July 2014. AASB 124 – RELATED PARTIES There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure standard	
--	--	--	--	---	--

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

				only. As the Consolidated Entity does not currently engage the services of a management entity, it is also unlikely that any additional disclosures will be required when this amendment is adopted for the first time for the year ended 30 June 2015. AASB 138 – INTANGIBLE ASSETS There will be no impact on the financial statements when these amendments are first adopted because this is a disclosure impact only. Additional disclosures will be required about the proportionate restatement of accumulated amortisation under the revaluation.	
Improvements to IFRSs (issued December 2013)	Annual Improvements 2011-2013 Cycle (IFRS13 & IAS 40)	Non-urgent but necessary changes to standards • IFRS13 – Clarifies portfolio exception in relation to contracts under IAS 39 • IAS 40 – Clarifies interrelationship between IFRS 3 & IAS 40 when classifying the acquisition of property as investment or owner occupied	1 July 2014	There will be no impact on the financial statements when these amendments are first adopted.	1 July 2014

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

(iv) Significant Accounting Estimates and Judgments

Significant accounting judgments

In the process of applying the Consolidated Entity's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Useful life of intangible assets

Intangible assets are amortised in profit or loss on a straight line basis over their estimated useful lives from the date they are available for use.

Deferred tax assets

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and 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 assets and unused tax losses can be utilised.

(v) Summary of Significant Accounting Policies

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

Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by iCollege Limited at the end of the reporting period. A controlled entity is any entity over which iCollege Limited has the power to direct the relevant activities of the entity and has exposure to variable returns. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to direct the relevant activities, the existence and effect of holdings of actual and potential voting rights are also considered. Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 10 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity. Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Profit or Loss and other Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

(v) Summary of Significant Accounting Policies - continued

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie: parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree. The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer. Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of Profit or Loss and other Comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the Statement of Profit or Loss and other Comprehensive income unless the change in value can be identified as existing at acquisition date. All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and other comprehensive income.

Cash and cash equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less allowance for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months. They are recognised initially at fair value and subsequently at amortised cost.

Share-based payment transactions

The Consolidated Entity may provide benefits to employees (including directors) and consultants of the Consolidated Entity in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions').

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

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

(v) Summary of Significant Accounting Policies - continued

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

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

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

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

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

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

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

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

Property, plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any impairment.

Depreciation is calculated on a reducing balance basis to write off the net cost of each item of plant and equipment over its expected useful life, being 2.5 to 5 years.

Impairment of assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

(v) Summary of Significant Accounting Policies - continued

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.

Intangible Assets

Intellectual Property

Intellectual property is stated at cost less accumulated amortisation and impairment losses in the Statement of Financial Position.

Initial costs of acquisition of intellectual property are capitalised in the Statement of Financial Position where there is evidence it will generate economic benefits.

Expenditures in relation to the development of identifiable and unique products, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their estimated useful lives. Any expenditure related to research is expensed as incurred.

Amortisation of intellectual property is charged to operating expenses and/or cost of services on a straight-line basis over their estimated useful lives, from the date they are available for use. The residual values and useful lives are reviewed at each reporting date and adjusted, if appropriate.

Borrowings

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

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

Borrowing Costs

Borrowing costs attributable to qualifying assets are capitalised as part of the asset. All other borrowing costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft;
- interest on short-term and long-term borrowings;
- interest on finance leases; and
- unwinding of the discount on provisions.

Trade and other payables

Trade payables and other payables are recognised initially at fair value and subsequently at amortised cost and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

(v) Summary of Significant Accounting Policies - continued

Employee entitlements

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

Employee entitlements expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other entitlements are charged against profits on a net basis.

Contributions are made to employee superannuation plans and are charged as expenses when incurred.

Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is provided on all temporary differences in the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised for all taxable temporary differences, except where the deferred tax 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.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and 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 assets and unused tax losses can be utilised.

The carrying amount of deferred income 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 income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

(v) Summary of Significant Accounting Policies - continued

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense as applicable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in Statements of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to the Consolidated Entity, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

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

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the 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.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

(v) Summary of Significant Accounting Policies - continued

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Rounding of amounts

The Consolidated entity has not applied Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off to the nearest dollar.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 21.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

2. INCOME TAX

The reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:

	30 June 2014	30 June 2013
	\$	\$
Profit/(loss) before income tax	(747,917)	5,218,306
Income tax (benefit) @ 30% (2012: 30%)	(224,375)	1,565,492
Tax effect of amounts which are not deductible in calculating taxable income:		
Deferred tax assets relating to tax losses not recognised	366,885	134,258
Other temporary differences not recognised	(142,510)	(1,699,750)
Total income tax expense	-	-

No reliable estimate of the amount of tax losses which could be recognised as a deferred tax asset in the current year is available as it is not possible to accurately quantify the Consolidated Entity's future profitability at its current stage. The amount of the unrecognised deferred tax asset from tax losses is \$1,641,799. (2013: \$1,528,497). There is no expiry date to the tax losses.

The franking account balance at year end was \$nil (2013: nil)

3. OTHER INCOME

Effectuation of the DOCA in 2013 resulted in a net accounting gain of \$5,179,962.

Forgiveness of debt

	30 June 2014	30 June 2013
	\$	\$
Payment to Creditor's Trust	-	(575,000)
Research & Development Tax Incentive	-	(340,923)

Liabilities settled under DOCA

Trade and other payables	-	3,426,480
Borrowings	-	1,994,220
Employee benefits	-	533,827
Other liabilities	-	141,358
Total	-	5,179,962

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

4. IMPAIRMENT OF ASSETS

	30 June 2014	30 June 2013
	\$	\$
Plant and equipment	20,150	-
Intangible assets	43,358	-
	<u>63,508</u>	<u>-</u>

5. ASSET ACQUISITION OF iCOLLEGE HOLDINGS PTY LTD

Effective 17 April 2014, the Company acquired 100% of the issued shares of iCollege Holdings Pty Ltd. The total cost of the acquisition was \$2,312,500 and comprised of the issue of 16,666,667 post consolidation ordinary shares and 8,333,333 post consolidation options exercisable at \$0.30 each expiring 31 March 2019.

The fair value of the identifiable assets and liabilities of iCollege Holdings Pty Ltd as at the date of acquisition was:

	30 June 2014
	\$
Fair value of shares issued (refer to note 12(b))	1,750,000
Fair value of options issued (refer to note 13)	<u>562,500</u>
	2,312,500
Value of assets acquired	
Cash	416
GST Receivable	26,547
Intangible assets	2,504,579
Computer equipment	70,789
Trade creditors	(174,840)
Loan	(110,000)
Other creditors	<u>(4,991)</u>
Fair value of net assets acquired	2,312,500

	30 June 2014	30 June 2013
	Cents	Cents
6. EARNINGS PER SHARE		
Basic profit/(loss) per share	(2.53)	2.59
Diluted profit/(loss) per share	(2.53)	2.20

The following reflects the earnings used in basic and diluted earnings per share computations:

a) Earnings used in calculating earnings per share

	30 June 2014	30 June 2013
	\$	\$
<i>Basic Earnings per share:</i>		
Total comprehensive profit/(loss) after income tax attributable to members of iCollege Limited	<u>(747,917)</u>	<u>5,218,306</u>
<i>Diluted Earnings per share:</i>		
Total comprehensive profit/(loss) after income tax attributable to members of iCollege Limited	<u>(747,917)</u>	<u>5,218,306</u>

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

b) Weighted average number of shares

	30 June 2014	30 June 2013
Weighted average number of ordinary shares for basic earnings per share	29,514,489	201,148,730
Effect of dilution of options	-	35,657,415
Weighted average number of ordinary shares adjusted for dilution	<u>29,514,489</u>	<u>236,806,145</u>

30 June 2014	30 June 2013
\$	\$

7. TRADE AND OTHER RECEIVABLES

Current

GST receivable	81,335	33,285
Total current receivables	<u>81,335</u>	<u>33,285</u>

Fair Value and Risk Exposures:

- (i) Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.
- (ii) The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.
- (iii) Details regarding interest rate risk exposure are disclosed in note 19.
- (iv) Other receivables generally have repayments between 30 and 60 days.

There are no receivables that are past the due date. There are no financial instruments carried at fair value that require level 1, 2 or 3 disclosures.

8. PROPERTY, PLANT & EQUIPMENT

	30 June 2014	30 June 2013
	\$	\$
<i>Manufacturing Plant</i>		
Opening balance	20,640	25,800
Additions	2,090	-
Accumulated depreciation	(2,580)	(5,160)
Impairment charges	(20,150)	-
Total office equipment	<u>-</u>	<u>20,640</u>
<i>Office equipment</i>		
Opening balance	-	-
Additions	18,910	-
Accumulated depreciation	(1,010)	-
Total office equipment	<u>17,900</u>	<u>-</u>
<i>Computer equipment</i>		
Opening balance	-	-
Additions	74,606	-
Accumulated depreciation	(18,099)	-
Total computer software	<u>56,507</u>	<u>-</u>

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

9. INTANGIBLE ASSETS

	30 June 2014	30 June 2013
	\$	\$
<i>Intellectual property</i>		
Opening balance	32,947	24,200
Additions	292,615	12,408
Acquired on acquisition of subsidiary (refer to note 5)	2,504,579	-
Accumulated amortisation	(5,318)	(3,661)
Impairment charges	(43,358)	-
Net carrying amount	<u>2,781,465</u>	<u>32,947</u>

10. CONTROLLED ENTITIES

The consolidated financial statements incorporates the assets, liabilities and the results of the 100% owned subsidiary, iCollege Holdings Pty Ltd which is incorporated in Australia. The value of the investment is \$2,312,500. Refer to Note 5.

11. TRADE AND OTHER PAYABLES

Current

	30 June 2014	30 June 2013
	\$	\$
Trade payables	134,153	15,056
Sundry payables and accrued expenses	55,796	30,000
Total current payables	<u>189,949</u>	<u>45,056</u>

Fair Value and Risk Exposures

- (i) Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.
- (ii) Trade and other payables are unsecured and usually paid within 30 days of recognition.
- (iii) All amounts are expected to be settled within 12 months.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

		30 June 2014	30 June 2013
		\$	\$
12. ISSUED CAPITAL			
(a) Issued Capital			
Ordinary shares fully paid		30,449,137	25,943,274
(b) Movements in Ordinary Share Capital			
Number of Shares	Summary of Movements:	Issue Price	\$
324,395,540	Opening balance 1 July 2013		25,943,274
8,686,250	Exercise of options on 17 December 2013	\$0.01	86,862
4,875,000	Exercise of options on 18 December 2013	\$0.01	48,750
50,000,000	Share placement on 12 February 2014	\$0.005	252,500
500,000	Exercise of options on 28 February 2014	\$0.01	5,000
1,090,475	Exercise of options on 31 March 2014	\$0.01	10,905
(363,577,036)	Consolidation of capital on 1:15 basis on 31 March 2014	-	-
13,383,950	Capital raising on 17 April 2014	\$0.20	2,676,790
16,666,667	Shares issued to acquire subsidiary	-	1,750,000
-	Costs of capital raising	-	(324,944)
56,020,846	Closing balance at 30 June 2014		30,449,137
68,790,993	Opening balance 1 July 2012		24,311,311
(34,395,453)	Consolidation of capital on 1:2 basis	-	-
120,000,000	Share placement on 10 December 2012	0.001	120,000
170,000,000	Share placement on 10 December 2012	0.01	1,700,000
-	Costs of capital raising	-	(188,037)
324,395,540	Closing balance at 30 June 2013		25,943,274

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

Capital risk management

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

In order to maintain or adjust the capital structure, the Consolidated Entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. There are no plans to distribute dividends in the next year.

The Consolidated Entity's capital includes ordinary shares capital and financial liabilities, supported by financial assets. The Consolidated Entity's working capital as at 30 June 2014, being current assets less current liabilities is \$2,410,316 (2013: \$892,155). There are no externally imposed capital requirements.

	30 June 2014	30 June 2013
	\$	\$
13. OTHER RESERVES		
Share Based Payments	678,630	116,130
	<u>678,630</u>	<u>116,130</u>

The share-based payment reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

On 17 April 2014 the following securities were issued as share based payments:

	Value per Share/Option	Number	Value \$
Fully paid post consolidation ordinary shares issued as part consideration for the acquisition of iCollege Holdings Pty Ltd	0.105	16,666,667	1,750,000
Post consolidation options exercisable at \$0.30 each on or before 31 March 2019 issued as part consideration for the acquisition iCollege Holdings Pty Ltd	0.067	8,333,333	<u>562,500</u>
			<u>2,312,500</u>

The value of the shares and options issued as consideration for the acquisition of iCollege Holdings Pty Ltd were determined on an arms length basis between willing and knowledgeable parties.

The options were valued using a Black Scholes model with an underlying share price of \$0.007, volatility of 105.31% and an interest rate of 3.38%.

Performance shares were issued as additional consideration, as discussed in the Directors Report, valued at nil, as the probability of performance hurdles being met was assessed as less than probable on the date of acquisition.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

14. STATEMENT OF CASH FLOW INFORMATION

	30 June 2014	30 June 2013
	\$	\$
(a) Cash and cash equivalents		
Cash at bank and in hand	2,515,334	903,926
	<u>2,515,334</u>	<u>903,926</u>
The Consolidated Entity's exposure to interest rate risk is discussed in note 19. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.		
(b) Reconciliation of profit/(loss) after tax to the net cash flows used in operations		
Profit/(loss) after income tax	(747,917)	5,218,306
Non-Cash Items:		
Depreciation	21,690	5,160
Amortisation	1,657	3,661
Impairment of assets	63,508	-
Settlement under DOCA	-	(5,179,962)
Change in assets and liabilities:		
(Increase)/decrease in receivables	(25,099)	(21,298)
Increase/(decrease) in payables	(124,035)	(166,496)
Net cash flows (used in)/provided by operating activities	<u>(810,196)</u>	<u>(140,629)</u>

In 2013, liabilities settlement under the DOCA totalled \$5,179,962. As part of the settlement a cash payment of \$575,000 was made to the Creditors Trust.

Non-cash investing and financing activity

On 17 April 2014 the Consolidated Entity completed the acquisition of iCollege Holdings Pty Ltd by way of the issue of 250,000,000 ordinary shares, 150,000,000 options and 150,000,000 performances shares. These transactions are not reflected in the Statement of Cash Flows. Refer to note 5 for details of acquisition.

15. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Consolidated Entity does not have any operating segments with discrete financial information. The Consolidated Entity does not have any customers at this stage, and all the Consolidated Entity's assets and liabilities are located within Australia. The Board of Directors review internal management reports that are consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Mr Victor Hawkins, Director, is a beneficiary of the Performa Trust. The Company has entered into an exclusive Licence Agreement with Performa Capital Pty Ltd (as trustee of the Performa Trust) to exploit the Cloud Infrastructure, Cloud

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

Platform and associated Intellectual Property for the purpose of providing online education and professional development courses to end users. An annual fee of \$10,000 plus GST per month is payable up to a total of \$250,000 plus GST. At year end 30 June, \$120,000 plus GST is payable within one year and the \$80,000 plus GST between one and five years.

The Company has issued 10,000,002 Performance Shares in accordance with the acquisition of iCollege Holdings Pty Ltd which were issued to Victor Hawkins and Phil Re indirectly who hold 7,500,000 and 2,916,667 Performance Shares respectively. The Performance Shares will convert into ordinary shares when the following performance hurdles are achieved:

- (i) gross revenue reaches \$1M for any continuous period of 12 months within a period of 2 years from 17 April 2014 being the date of issue then 1/3 will convert into ordinary shares;
- (ii) EBITDA reaches \$500,000 for any continuous period of 12 months within a period of 2 years from 17 April 2014 being the date of issue then 1/3 will convert into ordinary shares;
- (iii) EBITDA reaches \$2.5M for any continuous period of 12 months within a period of 3 years 17 April 2014 being the date of issue then 1/3 will convert into ordinary shares.

Apart from the above there are no other commitments or contingent assets/liabilities as at 30 June 2014.

17. RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

	2014	2013
	\$	\$
Short-term benefits	108,331	-
Post employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<u>108,331</u>	<u>-</u>

(b) Other Transactions with Related Parties

2014

Mr Hans de Back, Director, is a Director of Dutchman Capital Pte Ltd. During the year an amount of \$6,285 (net of GST) was owing for services provided as Non-Executive Chairman as per the Consultancy Agreement.

Mr Victor Hawkins, Director, is a beneficiary of the Performa Trust. The Company has entered into an exclusive Licence Agreement with Performa Capital Pty Ltd (as trustee of the Performa Trust) to exploit the Cloud Infrastructure, Cloud Platform and associated Intellectual Property for the purpose of providing online education and professional development courses to end users. During the year an amount of \$50,000 (net of GST) was paid under the Licence Agreement.

Mr Philip Re, Director, is a Director of Regency Partners. During the year an amount of \$94,500 (net of GST) was paid to this business for accounting advice at normal commercial rates.

Mr Roger Steinepreis, Director, is a partner of Steinepreis Paganin. During the year an amount of \$129,183 (net of GST) was paid to this business for legal advice at normal commercial rates.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

Mr George Ventouras, Director, is a director and shareholder of Ventouras Consulting Pty Ltd. During the year an amount of \$18,000 (net of GST) was paid to this business for work undertaken for maintenance of intellectual property at normal commercial rates.

Mr George Ventouras, Director, was a consultant to Paragon Pearling Pty Ltd. During the year an amount of \$9,000 (net of GST) was paid to this business for work undertaken at normal commercial rates.

Mr Nick Castleden, Director, was a consultant to Cratonix Pty Ltd. During the year an amount of \$24,000 (net of GST) was paid to this business for work undertaken at normal commercial rates.

There were no loans outstanding to Key Management Personnel at year end.

The Company only has one investment being 100% holding of iCollege Holdings Pty Ltd. Refer to Note 5 for details of investment. At year ended 30 June, a loan receivable of \$3,001,715 was owing from the subsidiary.

2013

Mr Roger Steinepreis, Director, is a partner of Steinepreis Paganin. During the year an amount of \$125,999 (net of GST) was paid to this business for legal advice at normal commercial rates.

Mr Roger Steinepreis, Director, also holds an interest in the Blueknight Syndicate. During the year, a loan amount of \$575,000 was made to the Company by the Blueknight Syndicate which was paid to the Creditors Trust pursuant to the Deed of Company Arrangement (refer to Review of Operations). As at 30 June 2013, the loan had been repaid in full.

Mr George Ventouras, Director, is a director and shareholder of Ventouras Consulting Pty Ltd. During the year an amount of \$17,000 (net of GST) was paid to this business for work undertaken for maintenance of intellectual property at normal commercial rates.

	30 June 2014	30 June 2013
18. AUDITORS' REMUNERATION	\$	\$
Amount received or due and receivable by the auditor or their related entities:		
<i>Audit and review of the financial statements</i>		
BDO Audit (WA) Pty Ltd	28,508	30,751
<i>Taxation Services</i>		
BDO Corporate Tax (WA) Pty Ltd	15,979	-
	<u>44,487</u>	<u>30,751</u>

19. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND INSTRUMENTS

The Consolidated Entity's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to provide working capital for the Consolidated Entity's operations.

The Consolidated Entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the year under review, the Consolidated Entity's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

Interest Rate Risk

At reporting date the Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Consolidated Entity's short-term cash deposits. The Consolidated Entity constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

At reporting date, the Consolidated Entity had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	2014	2013
	\$	\$
Financial Assets:		
Cash and cash equivalents		
(interest-bearing accounts)	2,515,334	903,926
Net exposure	<u>2,515,334</u>	<u>903,926</u>

The weighted average rate of interest is 1.5% (2013: 2.1%)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date for variable interest bearing accounts. The 0.5% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical LIBOR movements over the last 3 years.

At 30 June 2014, if interest rates had moved on variable interest bearing accounts, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Consolidated Entity would have been affected as follows:

	2014	2013
	\$	\$
Judgements of reasonably possible movements:		
Post tax profit - higher / (lower)		
+ 0.5%	2,096	4,520
- 0.5%	(2,096)	(4,520)
Equity - higher / (lower)		
+ 0.5%	2,096	4,520
- 0.5%	(2,096)	(4,520)

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity measures credit risk on a fair value basis.

The Consolidated Entity has a credit risk in relation to its cash at bank, short-term deposits and receivables. However, this risk is minimised as the cash is deposited only with AA or greater (Moody's) rated financial institutions. The Consolidated Entity does not have any other significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

Impairment losses are recorded against receivables unless the Consolidated Entity is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

ICOLLEGE LIMITED
(formerly DGI Holdings Limited)

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2014

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments.

Liquidity Risk

The Consolidated Entity has no significant exposure to liquidity risk as there is effectively no debt. Trade payables are all expected to be paid within 30 days and their carrying amounts are considered to equal their contractual amount. The Consolidated Entity manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

20. EVENTS OCCURRING AFTER REPORTING DATE

On 18 June 2014, iCollege announced to undertake a fully underwritten non-renounceable rights issue of one option to acquire a fully paid ordinary share in the capital of the Company (exercisable at 20 cents on or before the date which is 3 three years from the date of issue) for every 3 shares held by shareholders at the record date to raise up to A\$186,736, which was finalized on 25 July 2014.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity, in subsequent financial years.

21. PARENT ENTITY INFORMATION

Statement of Profit or Loss and other comprehensive income

	30 June 2014
	\$
Loss after income tax of the parent entity	(455,754)
Total comprehensive income of the parent entity	<u>(455,754)</u>

Statement of Financial Position

	30 June 2014
	\$
Total current assets	520,547
Total non-current assets	4,822,767
Total assets	<u>5,343,314</u>
Total current liabilities	(77,126)
Total liabilities	<u>(77,126)</u>
Issued Capital	30,648,422
Reserves	678,630
Accumulated losses	<u>(26,060,864)</u>
	<u>5,266,188</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014.

Commitments and Contingent liabilities

The parent entity has contingent commitments in relation to performance shares as per note 16.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2014.

DGI HOLDINGS LIMITED
DIRECTORS' DECLARATION

This declaration is made in accordance with a resolution of the Directors.

In the opinion of the Directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory reporting requirements; and
- (b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable; and
- (c) the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 1.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for financial year ended 30 June 2014.

On behalf of the Board



Victor Hawkins
Managing Director
Perth, Western Australia
29 August 2014

INDEPENDENT AUDITOR'S REPORT

To the members of iCollege Limited

Report on the Financial Report

We have audited the accompanying financial report of iCollege Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1(ii), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of iCollege Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(ii).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of iCollege Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Yours sincerely

BDO Audit (WA) Pty Ltd



Peter Toll

Director

Perth, 29 August 2014

ICOLLEGE LIMITED

ADDITIONAL ASX INFORMATION

Additional information required by ASX Ltd and not shown elsewhere in this report is as follows. The information is current as at 27 August 2014.

Distribution of Securities Held

Size of Holding	Fully Paid Ordinary Shares No. Holders	Listed Options No. Holders
1 - 1,000	371	33
1,001 - 5,000	226	56
5,001 - 10,000	79	24
10,001 - 100,000	188	90
100,000 and over	85	37
Total holders	949	240
Number of holders holding less than a marketable parcel	586	128

Twenty Largest Holders of Fully Paid Ordinary Shares

Name	Number of Shares	Percentage of Issued Capital
1 Performa Capital Pty Ltd <Performa A/C>	7,500,000	13.39
2 Frontier Capital Pte Ltd	4,166,666	7.44
3 Traditional Securities Group Pty Ltd <LPR Family A/C>	2,916,667	5.21
4 Rivergrade Pty Ltd <Rivergrade A/C>	2,083,334	3.72
5 Ironside Pty Ltd <Ironside Super Fund A/C>	1,584,254	2.83
6 UBS Wealth Management Australia Nominees Pty Ltd	1,584,254	2.83
7 Ranchland Holdings Pty Ltd <RC Steinepreis Fam No 1 A/C>	1,368,000	2.44
8 Occasio Holdings Pty Ltd <Occasio Unit A/C>	1,250,000	2.23
9 Richmond Food Systems Pty Ltd <Montery A/C>	950,807	1.70
10 Mr Michael Grove & Mrs Jane Grove <Gladgrove Super Fund A/C>	925,000	1.65
11 Seefeld Investments Pty Ltd <The Seefeld A/C>	835,834	1.49
12 J & J Bandy Nominees Pty Ltd <J & J Bandy Super Fund A/C>	625,000	1.12
13 Seventy Three Pty Ltd <King Super Fund No 3 A/C>	625,000	1.12
14 Mr Paul Bernard Bastion & Mrs Belinda Louise Bastion <Bastion Super Fund A/C>	580,001	1.04
15 Greatside Holdings Pty Ltd	533,334	0.95
16 Cintra Holdings Pty Ltd <The Cintra A/C>	500,000	0.89
17 Eaglesham Nominees Pty Ltd <Eaglesham Noms P/L S/F A/C>	500,000	0.89
18 Juneday Pty Ltd	500,000	0.89
19 Reef Investments Pty Ltd <The Nairn Family A/C>	500,000	0.89
20 Richmond Food Systems Pty Ltd <Montery A/C>	500,000	0.89
	30,028,151	53.60

ICOLLEGE LIMITED

ADDITIONAL ASX INFORMATION

Substantial Shareholders

An extract of the Company's register of substantial shareholders is as follows:

Name	Number of Fully Paid Ordinary Shares	Number of Listed Options
Performa Capital Pty Ltd <Performa A/C>	7,500,000	2,500,000
Frontier Capital Pte Ltd	4,166,666	2,000,000
Mr Michael Grove & Mrs Jane Grove <Gladgrove Super Fund A/C>	-	1,720,375
Traditional Securities Group Pty Ltd <LPR Family A/C>	2,916,667	972,223

Twenty Largest Holders of Listed Options

Name	Number of Listed Options	Percentage of Issued Capital
1 Performa Capital Pty Ltd <Performa A/C>	2,500,000	13.39
2 Frontier Capital Pte Ltd	2,000,000	10.71
3 Mr Michael Grove & Mrs Jane Grove <Gladgrove Super Fund A/C>	1,720,375	9.21
4 Traditional Securities Group Pty Ltd <LPR Family A/C>	972,223	5.21
5 Rivergrade Pty Ltd <Rivergrade A/C>	694,445	3.72
6 Ironside Pty Ltd <Ironside Super Fund A/C>	528,085	2.83
7 UBS Wealth Management Australia Nominees Pty Ltd	528,085	2.83
8 Mr Samuel Boyd Williams	500,000	2.68
9 31 May Pty Ltd	479,395	2.57
10 Ranchland Holdings Pty Ltd <RC Steinepreis Fam No 1 A/C>	456,000	2.44
11 Occasio Holdings Pty Ltd <Occasio Unit A/C>	416,667	2.23
12 Wimalex Pty Ltd <Trio S/F A/C>	366,668	1.96
13 Mr Robert Murray Raynes	300,000	1.61
14 Seefeld Investments Pty Ltd <The Seefeld A/C>	278,612	1.49
15 Parkhouse Enterprises Pty Ltd	253,334	1.36
16 Seventy Three Pty Ltd <King Super Fund No 3 A/C>	208,334	1.12
17 Mr Paul Bernard Bastion & Mrs Belinda Louise Bastion <Bastion Super Fund A/C>	193,334	1.04
18 Mr Jeffrey Sansom	180,000	0.96
19 Greatside Holdings Pty Ltd	177,778	0.95
20 Cintra Holdings Pty Ltd <The Cintra A/C>	166,667	0.89
	12,920,002	69.19

ICOLLEGE LIMITED

ADDITIONAL ASX INFORMATION

Unlisted Options

Number of Options	Exercise Price \$	Exercise date
11,666,674	\$0.30	31 March 2019
3,334	\$30.00	1 May 2017
2,989,994	\$0.20	31 December 2015

The names of optionholders who hold 20% or more of each class of unlisted options are as follows:

Name	Number of Options	Percentage
<i>Options expiring 1 May 2017</i>		
<i>Exercise Price \$2.00</i>		
Bruce Newell	3,334	100%
<i>Options expiring 31 May 2019</i>		
<i>Exercise Price \$0.30</i>		
Performa Capital Pty Ltd <Performa A/C>	3,750,000	32%

Performance Shares

A total of 10,000,002 performance shares are on issue. The holders are as follows:

Name	Number of Performance Shares
Performa Capital Pty Ltd <Performa A/C>	4,500,000
Frontier Capital Pte Ltd	2,499,999
Traditional Securities Group Pty Ltd <LPR Family A/C>	1,750,002
Rivergrade Pty Ltd <Rivergrade A/C>	1,250,001

Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Performance Shares

- These shares have no voting rights.

Restricted securities

There are no restricted securities subject to voluntary escrow on issue.

Use of Cash

During the reporting period, the use of cash has been consistent with the Company's business objectives.

