

**Asia Pacific Digital Limited**

ACN 000 386 685

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

For the half-year ended 31 December 2016

Current Period: 31 December 2016

Previous Corresponding Period (PCP): 31 December 2015

	31-Dec-16 \$000's	31-Dec-15 \$000's	Change \$000's	Change %
Revenue from ordinary activities	24,094	28,733	(4,639)	(16%)
Net loss from continuing operations after tax attributable to members	(2,530)	(4,103)	1,573	38%
Net loss for the period attributable to members	(2,530)	(4,103)	1,573	38%
(Loss) / Earnings before interest, tax, depreciation, amortisation & impairment (EBITDA)	(1,003)	(2,730)	1,727	63%

**Dividends**

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	-	-
Previous corresponding period	-	-

**Net tangible asset information**

	31-Dec-16 (cents)	31-Dec-15 (cents)
Net tangible assets per security	(4.5)	(4.7)

These interim financial statements do not include all of the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated half-year financial report for the six months ended 31 December 2016 has been reviewed by BDO. The Independent Auditor's Review Report is included in this report on page 18.

# ASIA PACIFIC DIGITAL LIMITED

ACN 000 386 685

Half-Year Financial Report

Period Ended 31 December 2016



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<b>DIRECTORS:</b>	Laura Ashton <i>Non-Executive Director</i> Mark Dalglish <i>Non-Executive Director</i> Peter Hynd <i>Executive Director</i> Fionn Hyndman <i>Non-Executive Director</i> Roger Sharp <i>Executive Chairman</i>
<b>EXECUTIVES:</b>	Newton Smith Damien O'Donohoe
<b>SECRETARY:</b>	Sam Monkivitch
<b>REGISTERED OFFICE:</b>	Ground Floor 33-35 Saunders Street Pymont NSW 2009  Telephone: (02) 8569 0000
<b>PRINCIPAL PLACE OF BUSINESS:</b>	4 Robinson Road Singapore 048543  Telephone: (65) 6220 8383
<b>SHARE REGISTRY:</b>	Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street Adelaide SA 5000  Telephone: (08) 8236 2300
<b>AUDITORS:</b>	BDO 1 Margaret Street Sydney NSW 2000

Asia Pacific Digital Limited shares are listed on the Australian Securities Exchange (ASX).



# Directors' Report

The Board of Directors of Asia Pacific Digital Limited (the **Company**) submit their report for the half-year ended 31 December 2016.

This half-year report covers the consolidated entity consisting of the Company and its controlled entities (collectively, **Group**). The financial statements are presented in Australian dollars (unless otherwise stated).

## DIRECTORS

The names of the directors in office at any time during the whole of the half-year and up to the date of this report are:

### Non-executive

Fionn Hyndman

Laura Ashton

Mark Dalglish

### Executive

Roger Sharp (Chairman)

Peter Hynd

## COMPANY SECRETARY

Sam Monkivitch

## PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the half-year were to provide integrated digital services for large corporations across Southeast Asia and Australasia who have complex and often cross-border digital needs. The services provided to such clients include digital strategy, design, creative, technology, performance marketing, customer retention and related analytics. The Company refers to this suite of services, which can be purchased individually or as a package, as 360 Degree Digital Services.

## OPERATING AND FINANCIAL REVIEW

### Operating results for the period

The Company reported during FY16 that it intended managing for profit and was taking steps to improve its operating performance significantly.

The consolidated result before interest, tax, depreciation, amortisation and impairment (EBITDA) for the six-month period to 31 December 2016 was \$(1.003)m, a 63% improvement on the EBITDA result of \$(2.730)m incurred during the prior corresponding period (PCP). The consolidated entity result after tax for the period was a loss of \$(2.530)m (PCP: loss of \$(4.103)m) on Group revenues of \$24.094m (down 16.1% on PCP).

The Company's 360 Degree Digital operating subsidiary (**APD**) broke even for the half and delivered a small profit in Q2, while corporate costs associated with the listed entity during the half were reduced to \$0.962m.

Net cash generated from operating activities was \$0.183m, a material improvement (PCP: net cash outflow of \$(3.611)m). This improvement was driven by tight cost control and significantly improved working capital management. Total expenses for the period were 21% lower than PCP and employee and other direct expenses were 34% lower than PCP.

## Segment Activities and Performance

APD operates in two distinctly different markets: the established Australasian market, and the emerging Southeast Asian market. These two marketplaces are marked by differences in culture, language, economic development and digital penetration, although both require a range of similar or complementary digital skills.

Increasingly the Board of Directors and its executive management team have based their decisions around these two operating segments, leading to the Company foreshadowing in FY16 that it would transition from functional to geographic reporting. Accordingly, the Company now reports in two segments: (1) Australia & New Zealand (**ANZ**), and (2) Asia.

ANZ reported sales to external customers of \$17.938m (PCP: \$22.260m) with an EBITDA improvement to \$0.122m (PCP: \$(0.884)m). Asia reported sales to external customers of \$6.156m (PCP: \$6.336m) and EBITDA improvement to \$1.080m (PCP: \$0.571m). It is noteworthy that excluding the impact of a reduction in revenues from a single client (Ford), that is centrally managed as a Global Client but allocated to regions, Asia recorded revenue growth of 22%, which is more representative of the trend profile for Asia.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as described elsewhere in this report there were no other significant changes in the state of affairs of the Group during the reporting period.

## EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since the end of the reporting period, that has significantly affected, or may significantly affect, the operations of the Company, or the state of affairs of the Company in subsequent periods.

## AUDITOR'S INDEPENDENCE DECLARATION

Refer to the following page where we have obtained the independence declaration from our auditors, BDO.

## ROUNDING

The amounts contained in the directors' report are rounded to and the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

Signed in accordance with a resolution of the board of directors.

A handwritten signature in blue ink, appearing to read 'Roger Sharp', is written over a faint, illegible printed name.

**Roger Sharp**  
**Chairman**

Dated 27 February 2017

**DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF ASIA PACIFIC DIGITAL LIMITED**

As lead auditor for the review of Asia Pacific Digital Limited for the half-year ended 31 December 2016, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Asia Pacific Digital Limited and the entities it controlled during the period.



**John Bresolin**  
Partner

**BDO East Coast Partnership**

Sydney, 27 February 2017



Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the Half-Year Ended 31 December 2016

	Note	2016 \$000	2015 \$000
<b>Continuing operations</b>			
Rendering of services		24,094	28,733
Cost of sales	3(a)	(16,845)	(19,325)
Employee benefits expense	3(b)	(4,736)	(7,357)
Restructuring		(303)	(58)
Other expenses	3(c)	(3,213)	(4,723)
<b>(Loss) / Earnings before interest, tax, depreciation and amortisation and impairment losses (EBITDA)</b>		<b>(1,003)</b>	<b>(2,730)</b>
Depreciation and amortisation	3(d)	(578)	(860)
<b>Loss from continuing operations before interest and income tax</b>		<b>(1,581)</b>	<b>(3,590)</b>
Finance income		8	27
Finance costs	3(e)	(525)	(553)
<b>Loss from continuing operations before income tax</b>		<b>(2,098)</b>	<b>(4,116)</b>
Income tax (loss) / benefit		(432)	13
<b>Loss from continuing operations after income tax</b>		<b>(2,530)</b>	<b>(4,103)</b>
<b>Loss from the period attributable to owners of the parent</b>		<b>(2,530)</b>	<b>(4,103)</b>
<b>Other comprehensive income</b>			
Exchange difference on translation of foreign operations		(183)	(513)
<b>Other comprehensive income for the period, net of tax</b>		<b>(183)</b>	<b>(513)</b>
<b>Total comprehensive income for the period attributable to owners of the parent</b>		<b>(2,713)</b>	<b>(4,616)</b>
Loss per share from continuing operations attributable to the ordinary equity holders of the parent:			
		Cents	Cents
- basic loss per share		(2.14)	(4.41)
- diluted loss per share		(2.14)	(4.41)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.





Consolidated Statement of Financial Position  
As at 31 December 2016

	Note	31 December 2016 \$000	30 June 2016 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,900	2,349
Trade and other receivables		10,207	11,556
Other financial assets		77	146
Other		466	599
<b>Total current assets</b>		<b>13,650</b>	<b>14,650</b>
<b>Non-current assets</b>			
Other financial assets		736	735
Plant and equipment		866	1,020
Deferred tax assets		764	996
Investments	7	651	651
Intangible assets	6	734	1,013
Goodwill	6	11,523	11,523
<b>Total non-current assets</b>		<b>15,274</b>	<b>15,938</b>
<b>Total assets</b>		<b>28,924</b>	<b>30,588</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		8,709	8,780
Provisions		1,500	1,934
Interest-bearing loans and borrowings	8	3,410	3,627
Provision for Income tax		283	118
Deferred income		1,974	943
<b>Total current liabilities</b>		<b>15,876</b>	<b>15,402</b>
<b>Non-current liabilities</b>			
Trade and other payables		236	187
Provisions		489	585
Interest-bearing loans and borrowings	8	5,422	5,122
<b>Total non-current liabilities</b>		<b>6,147</b>	<b>5,894</b>
<b>Total liabilities</b>		<b>22,023</b>	<b>21,296</b>
<b>Net assets</b>		<b>6,901</b>	<b>9,292</b>
<b>EQUITY</b>			
Contributed equity	4	143,666	143,344
Reserves		(8,429)	(8,246)
Accumulated losses		(128,336)	(125,806)
<b>Total equity attributable to equity holders of the parent</b>		<b>6,901</b>	<b>9,292</b>

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.



Consolidated Statement of Changes in Equity  
For the Half-Year Ended 31 December 2016

	Ordinary shares \$000	Accumulated losses \$000	Share based payment reserves \$000	Common control reserve \$000	Available -for-sale reserve \$000	Foreign currency translatio n reserve \$000	Total \$000
<b>At 1 July 2016</b>	<b>143,344</b>	<b>(125,806)</b>	<b>4,517</b>	<b>(12,311)</b>	<b>220</b>	<b>(672)</b>	<b>9,292</b>
Loss for the half-year	-	(2,530)	-	-	-	-	(2,530)
Other comprehensive income	-	-	-	-	-	(183)	(183)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(2,530)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(183)</b>	<b>(2,713)</b>
Transactions with owners in their capacity as owners:							
Issue of share capital	374	-	-	-	-	-	374
Transaction costs	(34)	-	-	-	-	-	(34)
Deferred tax movements on share issue costs	(18)	-	-	-	-	-	(18)
<b>At 31 December 2016</b>	<b>143,666</b>	<b>(128,336)</b>	<b>4,517</b>	<b>(12,311)</b>	<b>220</b>	<b>(855)</b>	<b>6,901</b>
<b>At 1 July 2015</b>	<b>136,211</b>	<b>(115,757)</b>	<b>4,323</b>	<b>(12,311)</b>	<b>176</b>	<b>(498)</b>	<b>12,144</b>
Loss for the half-year	-	(4,103)	-	-	-	-	(4,103)
Other comprehensive income	-	-	-	-	-	(513)	(513)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(4,103)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(513)</b>	<b>(4,616)</b>
Transactions with owners in their capacity as owners:							
Issue of share capital	843	-	-	-	-	-	843
Acquisition of treasury shares	(200)	-	-	-	-	-	(200)
Share based payments	60	-	-	-	-	-	60
Transaction costs	(12)	-	-	-	-	-	(12)
Deferred tax movements on share issue costs	(17)	-	-	-	-	-	(17)
<b>At 31 December 2015</b>	<b>136,885</b>	<b>(119,860)</b>	<b>4,323</b>	<b>(12,311)</b>	<b>176</b>	<b>(1,011)</b>	<b>8,202</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.



Consolidated Cash flow Statement  
For the Half-Year Ended 31 December 2016

	2016 \$000	2015 \$000
<b>Cash flows from operating activities</b>		
Receipts from customers	27,623	28,915
Payments to suppliers and employees	(26,979)	(32,158)
Payments for restructuring	(303)	(58)
Interest received	8	15
Interest paid	(112)	(229)
Income tax paid	(54)	(96)
<b>Net cash provided by / (used in) operating activities</b>	<b>183</b>	<b>(3,611)</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(86)	(246)
Payments for intangible assets	(59)	(213)
Proceeds from sale of investments	-	1,010
Payment of lease rental bond	-	(240)
Refund of lease rental bond	69	702
<b>Net cash (used in) / provided by investing activities</b>	<b>(76)</b>	<b>1,013</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	374	-
Proceeds from / repayments of borrowings	45	4,323
Payment of share issue costs	-	(7)
Payment of finance fees	(14)	(40)
<b>Net cash provided by financing activities</b>	<b>405</b>	<b>4,276</b>
<b>Net increase in cash and cash equivalents held</b>	<b>512</b>	<b>1,678</b>
Net foreign exchange difference	39	(14)
Cash and cash equivalents at beginning of the period	2,349	970
<b>Cash and cash equivalents at the end of the period</b>	<b>2,900</b>	<b>2,634</b>

The consolidated cash flow statement is to be read in conjunction with the notes to the financial statements.



## Notes to the consolidated financial statements

**1. CORPORATE INFORMATION**

The consolidated financial statements of Asia Pacific Digital Ltd and its subsidiaries (collectively, the **Group**) for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 27 February 2017.

Asia Pacific Digital Limited (the **Company**) is a for profit company limited by shares, incorporated and domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES****a) Basis of preparation**

The consolidated financial statements for the half-year ended 31 December 2016 have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated financial statements do not include all of the information and disclosure normally required in the annual financial report and should be read in conjunction with the Group's annual report for the year ended 30 June 2016 and considered together with any public announcements made by the Company during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year consolidated financial statements have been prepared on a historical cost basis and are presented in Australian dollars. All values are rounded to the nearest thousand dollars (\$000) (unless stated otherwise).

**Going Concern**

The Directors believe that the consolidated entity will be able to continue as a going concern and, as a consequence, the half-year financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The consolidated entity incurred a net cash inflow from operations of \$0.183m (2015: cash outflow \$3.611m) during the half-year ended 31 December 2016 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$2.226m (30 June 2016: \$0.752m).

The Directors note the following items in particular:

- included in current liabilities is deferred revenue of \$1.974 million representing a liability for services not yet performed (as distinct from a liability for unpaid expenses). On the basis that the consolidated entity continues as a going concern, the Directors expect the vast majority of deferred revenue to be delivered in services to clients of the business and recognised as revenue, and do not have any expectation that any material amount would be needed to be paid back as a cash payment (as a refund);
- the Company notes that it has historically funded its operations and investment in growing its regional platform via debt and equity capital raisings from sophisticated and professional investors. The Directors have cause to believe that both private debt and equity market funding will continue to be available in the future to allow the Company to continue to meet its commitments;
- the Company is now concluding the establishment phase of building its regional platform and the recently appointed executive management team's focus is on moving the business into

Notes to the consolidated financial statements (*continued*)**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)**

profit, with a trend towards typical industry earnings margins. Directors expect that this will lead to a progressive reduction in net cash requirements in future periods; and

- the Company has received working capital funding from North Ridge Partners (**NRP**) and its associates since it became the majority shareholder of the Company in 2008. NRP currently holds 67% of the shares on issue and also provides a loan facility which the consolidated entity has regularly used to fund short term working capital requirements. NRP has in the past demonstrated a willingness to extend the maturity date of the facility. To the extent that NRP remains the Company's majority shareholder the directors expect that it will continue to provide financial support to the Company via its loan facility.

The balance of current assets and current liabilities at 31 December 2016 and the reliance on future capital raisings gives rise to a material uncertainty which may cast doubt over the consolidated entity's ability to continue as a going concern. Having regard to the above factors and noting post-balance date agreements to convert or refinance current debt, the Directors have concluded that there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they fall due. On this basis the financial report has been prepared on a going concern basis

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

**b) Significant accounting policies**

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. New accounting standards effective from 1 July 2016 did not have a material effect on the financial position or performance of the company. The consolidated entity has not elected to early adopt any new standards or amendments that are issued but not yet effective.

## Notes to the consolidated financial statements

**3. EXPENSES**

	<b>2016</b>	<b>2015</b>
	<b>\$000</b>	<b>\$000</b>
<b>a) Cost of sales</b>		
Direct cost of services	8,214	10,109
Direct staff & contractor costs	7,385	7,513
Licences/SEO tools costs	506	673
SMS/Deliverability costs	399	522
Members reward	175	250
Other	166	258
	<u>16,845</u>	<u>19,325</u>
<b>b) Employee benefits expense</b>		
Salaries and wages	4,004	5,952
Superannuation	283	517
Annual leave benefits	(77)	83
Payroll tax	130	260
Training / recruitment / amenities	215	310
Other	181	235
	<u>4,736</u>	<u>7,357</u>
<b>c) Other expenses</b>		
Communication costs	561	903
Non-executive Director fees	90	84
Rent and office supplies	1,759	2,450
Professional fees	316	353
Other	487	933
	<u>3,213</u>	<u>4,723</u>
<b>d) Depreciation, amortisation and impairment</b>		
<i>Depreciation and amortisation</i>		
Depreciation of plant and equipment	139	192
Depreciation of leasehold improvement	101	176
<i>Amortisation of intangible assets:</i>		
- Software	338	492
	<u>578</u>	<u>860</u>
<b>e) Finance costs</b>		
Interest expense	468	501
Finance fees	57	52
	<u>525</u>	<u>553</u>

Notes to the consolidated financial statements (*continued*)**4. CONTRIBUTED EQUITY***Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Consolidated 31 December 2016		Consolidated 30 June 2016	
	Shares	\$000's	Shares	\$000's
Fully paid ordinary shares	119,231,510 143,344	143,666		118,381,487
<b>Movements in shares on issue</b>				
Beginning of the financial year	118,381,487	143,344	92,931,343	136,211
Issue of share capital	850,023	374	25,252,367	7,585
Acquisition of treasury shares	-	-	-	-(200)
Share based payment	-	-	197,777	60
Share issue expenses	-	(34)	-	(361)
Deferred tax on share issue expenses	-	(18)	-	49
End of the financial period	119,231,510	143,666	118,381,487	143,344

**5. OPERATING SEGMENTS****Identification of reportable segments**

APD operates in two distinctly different markets: the established Australasian market, and the emerging Southeast Asian market. These two marketplaces are marked by differences in culture, language, economic development and digital penetration, however both require a range of similar or complementary digital skills.

Increasingly the Board of Directors and the executive management team have based their decisions around these two operating segments, leading to the Company foreshadowing in FY16 that it would transition from functional to geographic reporting. Accordingly, the Company now reports in two segments: (1) Australia & New Zealand (ANZ), and (2) Asia.

**Types of offering and services**

Digital strategy, design, creative, technology, performance marketing, customer retention, analytics and related services.

**Accounting policies and inter-segment transactions**

The accounting policies used by the consolidated entity in reporting segments internally are the same as those contained in Note 2 to the accounts.

## Notes to the consolidated financial statements (continued)

## 5. OPERATING SEGMENTS (continued)

	Australia & New Zealand		Asia		Total Group	
	31 Dec 2016 \$000's	31 Dec 2015 \$000's	31 Dec 2016 \$000's	31 Dec 2015 \$000's	31 Dec 2016 \$000's	31 Dec 2015 \$000's
<b>Revenue</b>						
Sales to external customers	17,938	22,260	6,156	6,336	24,094	28,596
Inter-segment sales	10	100	1,257	1,350	1,267	1,450
<b>Total segment revenue</b>	<b>17,948</b>	<b>22,360</b>	<b>7,413</b>	<b>7,686</b>	<b>25,361</b>	<b>30,046</b>
Inter-segment elimination					(1,267)	(1,450)
Other revenue					-	137
<b>Total consolidated revenue</b>					<b>24,094</b>	<b>28,733</b>
<b>Reconciliation of segment results to net loss after tax</b>						
Segment EBITDA	122	(884)	1,080	571	1,202	(313)
Other revenue					-	137
Other expenses					-	(423)
Operating corporate expense (a)					(1,243)	(844)
Listed entity expenses (b)					(962)	(1,287)
<b>EBITDA</b>					<b>(1,003)</b>	<b>(2,730)</b>
Depreciation and amortisation	(364)	(625)	(123)	(147)	(487)	(772)
Unallocated depreciation and amortisation					(91)	(88)
Loss before tax and net finance costs					(1,581)	(3,590)
Finance income					8	27
Finance costs					(525)	(553)
Loss before income tax					(2,098)	(4,116)
Income tax expenses					(432)	13
<b>Loss for the half year</b>					<b>(2,530)</b>	<b>(4,103)</b>

The Company's Global Clients (in particular Ford), which are allocated to regions rather than specific country markets, delivered reduced revenues in H1, contributing to the reduction in ANZ revenues and offsetting the growth in Asia. Excluding the impact of Global Clients, Asia recorded revenue growth of 22% which is more representative of the in-market trend profile.

- Operating corporate expenses comprise mainly executive management expenses, legal and HR expenses, software and business insurance costs associated with the operating subsidiary.
- Listed entity expenses comprise mainly non-executive directors' fees, listed entity employee remuneration, audit, legal, ASX and other professional expenses.

There has been a change in how the business reports its operating segments for the period ended 31 December 2016. The prior period comparatives have been restated to align with this change in segment reporting.

Segment assets and liabilities are not reported as these numbers are not specifically reported to the Board of Directors and executive management team, being the chief operating decision makers.



Notes to the consolidated financial statements (*continued*)**6. INTANGIBLE ASSETS AND GOODWILL****Carrying amounts at the beginning and end of the period**

	Software \$000's	Goodwill \$000's	Total \$000's
<b>At 31 December 2016</b>			
At 1 July 2016, net of accumulated amortisation and impairment Cost	1,013	11,523	12,536
Additions	59	-	59
Amortisation	(338)	-	(338)
Net carrying amount	<u>734</u>	<u>11,523</u>	<u>12,257</u>
<b>At 30 June 2016</b>			
Cost	2,650	11,523	14,173
Accumulated amortisation and impairment	(1,637)	-	(1,637)
Net carrying amount	<u>1,013</u>	<u>11,523</u>	<u>12,536</u>

**7. INVESTMENTS**

	December 2016 \$000's	June 2016 \$000's
<b>Non-Current</b>		
Unquoted equity shares	651	651
	<u>651</u>	<u>651</u>

The Company's unquoted equity shares are an available-for-sale investment carried at fair value with adjustments to the fair value recorded through OCI and consist of a shareholding in a Southeast Asian end-to-end eCommerce logistics service provider in which the Company made a strategic equity investment in June 2014. The carrying value of this investment is \$0.651m. The investment is denominated in US dollars. The Company holds 0.08% (30 June 2016: 0.08%) of the issued capital in the Company and expects to sell this shareholding in due course.

**8. INTEREST – BEARING LOANS AND BORROWINGS**

	December 2016 \$000	June 2016 \$000
<b>Current</b>		
Secured loan (a)	1,070	475
Bank receivables financing facility (b)	1,084	1,881
Interest bearing debt facility (c)	1,197	1,186
Obligation under finance lease contracts	59	85
	<u>3,410</u>	<u>3,627</u>

Notes to the consolidated financial statements (*continued*)

## 8. INTEREST – BEARING LOANS AND BORROWINGS (Continued)

	December 2016 \$000	June 2016 \$000
<b>Non - Current</b>		
Secured loan (a)	1,372	1,072
Interest bearing debt facility (c)	4,050	4,029
Obligation under finance lease contracts	-	21
	5,422	5,122

a) Secured loan facility from related parties

The Company has a secured debt facility with its majority shareholder, the Co-Investor No.3 PIPE Fund which is managed by NRP. The facility is secured by a registered first ranking security interest over the assets and undertakings of the Company. This facility is used to provide general working capital to the Company and its subsidiaries.

b) Debtor finance facility

The Company's wholly owned subsidiary, APD, which operates the Company's 360-degree digital services business, has a debtor finance facility in place with the National Australia Bank. The facility is secured by a registered security interest over the assets and undertakings of APD and guarantee from the Company.

c) Convertible note deed

On or about 19 November 2015, the Company entered into a convertible note subscription deed and issued a series of unlisted and unsecured convertible notes with an aggregate face value of \$4.050m to sophisticated and professional investors (**Series A Notes**). An interest rate of 10% per annum applies to the notes. The notes are convertible, at the election of the noteholder, at any time before the maturity date on 18 November 2017, into fully paid ordinary shares in the Company at an issue price of \$0.45. Notwithstanding this, the Company can unilaterally extend the maturity date for a period of six months to 18 May 2018 if the notes have not otherwise been converted by that time.

Additionally, the Company had a separate secured syndicated debt facility with two financiers with an aggregate face value of \$1.250m on 31 December 2016. By agreement with the relevant financiers these arrangements have or will be restructured (and repaid) by the issue of Series A Notes (that is, on the same terms described above). Once these Series A Notes are issued, the aggregate face value of the Company's convertible note arrangements will comprise \$5.300m.

**Fair Values**

Due to the fixed interest nature of these liabilities, the carrying amount of the Group's current and non-current interest bearing loans and borrowings approximate their fair value.



## Notes to the consolidated financial statements (continued)

## 9. COMMITMENTS AND CONTINGENCIES

	December 2016 \$000	June 2016 \$000
<b>a) Operating lease commitments</b>		
Future operating lease rentals:		
- Within one year	1,707	1,817
- After one year but not more than five years	2,729	3,114
	<u>4,436</u>	<u>4,931</u>

**b) Capital Commitments**

There were no capital commitments at 31 December 2016.

**c) Contingent assets and liabilities**

There were no contingent assets or liabilities as at 31 December 2016.

## 10. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Company's financial assets and liabilities:

Quantitative disclosures for fair value measurement hierarchy for assets and liabilities as at 31 December 16

	Valuation date	Total \$000	Fair value measurement using		
			Quoted prices in active markets Level 1 \$000	Significant observabl e inputs Level 2 \$000	Significant unobservabl e inputs Level 3 \$000
<b>Assets measured at fair value:</b>					
Available-for-sale investments (Note 7):					
Unquoted equity shares	31 Dec 16	651	-	651	-

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

## 11. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since the reporting date which is not otherwise reflected in this report that has significantly affected or may significantly affect the operations of the consolidated entity.

## Directors' Declaration

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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 financial position as at 31 December 2016 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

A handwritten signature in blue ink, appearing to read 'Roger Sharp'.

**ROGER SHARP**  
Director

27 February 2017

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Asia Pacific Digital Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Asia Pacific Digital Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Asia Pacific Digital Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Independence

In conducting our review, 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 Asia Pacific Digital Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Asia Pacific Digital Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### **Emphasis of Matter**

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

**BDO East Coast Partnership**

A handwritten signature in black ink, appearing to read 'John Bresolin'. Above the signature, the letters 'BDO' are written in a cursive, handwritten style.

**John Bresolin**  
**Partner**

Sydney, 27 February 2017