ASIA PACIFIC DIGITAL LIMITED

ACN 000 386 685

Annual Report

Year Ended 30 June 2017

Contents

Company Directory

DIRECTORS:	Roger Sharp, *Non-Executive Chairman* Laura Ashton, *Non-Executive Director* Mark Dalgleish, *Non-Executive Director* Fionn Hyndman, *Non-Executive Director* Peter Hynd, *Executive Director*
EXECUTIVES:	Newton Smith, *Chief Executive Officer* Damien O'Donohoe, *Chief Financial & Operating Officer*
COMPANY SECRETARY:	Sam Monkivitch
REGISTERED OFFICE:	Ground Floor 33-35 Saunders Street Pyrmont NSW 2009 Telephone: (02) 8569 0000
PRINCIPAL PLACE OF BUSINESS:	4 Robinson Road Singapore 048543 Telephone: (65) 6220 8383
SHARE REGISTRY:	Computershare Investor Services Pty Limited Level 5, 115 Grenfell Street Adelaide SA 5000 Telephone: (08) 8236 2300
STOCK EXCHANGE LISTING:	The Company's shares are listed on the Australian Securities Exchange (ASX) (Ticker: DIG)
AUDITORS:	BDO East Coast Partnership 1 Margaret Street Sydney NSW 2000
WEBSITE:	www.apdgroup.com.au

Chairman's Letter

On behalf of Directors I present the Annual Report of Asia Pacific Digital Limited ("APD", the "Group", or the "Company") for the year ended 30 June 2017.

Financial Result

The Company reported EBITDA of $(4.1)m, a 41% improvement over the prior corresponding period (PCP) EBITDA of $(7.0)m, which included now discontinued operations.

Operating business EBITDA (excluding listed company costs) was $(2.2)m, a 50% improvement over PCP. This material improvement was driven by a 33% improvement in continuing operations, with the balance achieved through discontinuation of non-core Venture operations during FY16.

The 33% profit improvement in continuing operations was driven by tight management of operational margins and delivery of overhead efficiencies, notwithstanding a 17% reduction in revenues (primarily driven by a decline in revenues from Ford Motor Company).

$m	FY17 $m	FY16 $m	Mvmt* %
Revenues	45.5	55.2	-17.5%
Operating Expenses	(47.7)	(58.5)	+18.4%
Op. EBITDA (ex-Venture)	**(2.2)**	**(3.3)**	**+33.2%**
Venture (discontinued)	-	(1.1)	+100.0%
Operating EBITDA	**(2.2)**	**(4.4)**	**+49.6%**
Listed Company Costs	(1.9)	(2.6)	+27.0%
EBITDA (incl. discontinued)	**(4.1)**	**(7.0)**	**+41.2%**

*** improvement (+) or decline (-)**

Review of FY17

In previous reports we have set out the shift in the Company's priorities from geographic expansion to delivering sustainable profitability, such that it may stand on its own feet. The Company's performance was trending well against this target during FY17, with a break-even result achieved in Q2, and strong year-on-year bottom line improvement delivered through three quarters of the financial year. However, in Q4 the Company encountered a perfect storm as its major client further reduced its spending at the same time as a leadership transition in APD's largest market, Australia.

While the Company delivered a meaningful profit improvement in FY17, this result still did not meet the Company's objectives, and its priority remains delivering sustainable profitability as quickly as possible.

This year's programme of work has been considerable, including:

- reducing the corporate costs required to build APD's regional platform;
- removing duplicate resources from multiple acquisitions;
- implementing common financial and operational systems across the region;
- continuing to improve the financial performance of our Australian business;
- building our earlier stage business units in Singapore and New Zealand so they scale to deliver an appropriate return where an investment in capability has been made ahead of the revenue curve;
- increasing utilisation in the Manila Regional Operations Centre to deliver its planned economic benefit;
- expanding APD's Digital Transformation capability, leveraging existing service offerings to tap into a long term, large market opportunity with recurring revenues; and
- exiting remaining non-core undertakings and investments.

It is important to highlight the impact of the reduction in revenues from Ford during FY17. Ford has been APD's major client for more than a decade and our team's excellent work had seen it build to ~15% of total revenues at its peak. However, Ford's decision to align its digital platforms with an existing global partner has seen run rate revenues now at less than 20% of peak levels.

In the face of such a substantial revenue decline, significant corrective action was required for the business to still deliver meaningful profit growth. The corrective action is now behind the Company, and it is focused on the future.

New senior personal appointed in H2 are making a difference. Scott Player was appointed CEO of APD Australia and has begun to galvanize the team toward improved financial performance. Ines Almeida was appointed Group Head of Digital Transformation and has worked with the team to deliver an initial digital transformation sprint for one of Australia's largest corporations.

Additional senior sales, technology and account management appointments are pending as the Company looks to build its revenue generating resources.

APD begins FY18 with its strongest pipeline of revenue opportunities in recent years, including large digital transformation projects. There is reason to be optimistic if the Company wins its share and executes well.

Australia and New Zealand

APD Australia revenues were negatively impacted by Ford and by leadership changes in H2. The expansion of APD's Digital Transformation practice had an immediate positive impact (see Digital Transformation, below).

The new CEO's immediate priority is to move Australia into profit.

Client wins in Australia included Super Amart (marketing automation and digital commerce), Newcastle Permanent (research and content), Goodyear Dunlop Australia (UX and digital commerce), Super Cheap Auto (performance marketing), Australia Post (experience design and implementation), AGL (digital transformation) and Wittner Group (performance marketing).

APD New Zealand invested in senior capabilities to broaden its offering from its historical focus on CRM, and to bring its market offering in line with the rest of the group. This constrained the bottom line in FY17, however the business has won significant new business post balance date and is moving into profit.

Asia

APD continues to make substantial progress in Southeast Asia.

APD Malaysia is a leading player in the country's digital marketplace with a team of over 100 people. The business delivered further growth in revenues and profits in FY17.

Singapore is an important regional hub for APD, requiring a mix of regional and local talent. In FY17 the Company continued its investment in Singapore. Since year end APD Singapore has signed several regional mandates which are expected to contribute to an uplift in financial performance in FY18.

APD Philippines is performing to plan and is poised to secure its first piece of major local market client work. Management remains focused on driving additional volume to the Regional Operations Centre to unlock its full economic benefit.

APD China is focused almost exclusively on servicing Ford. Employee levels have been reduced to reflect the lower activity in market.

Client wins in Asia included Amway (regional social media analytics), Harvey Norman (Southeast Asia performance marketing and dynamic creative), AIA (regional technology), Triumph (creative media), Pocari Sweat (digital creative campaigns), Dreamscape (performance marketing) and Hong Leong Bank (regional technology, as part of its broader digital transformation programme).

Digital Transformation Practice

Digital transformation is the investment by companies in technology, business models and processes to compete effectively in the fast-moving digital economy. It is a multi-billion dollar global market, projected to grow quickly over the next decade.

Most of APD's Enterprise clients are now considering or undergoing some form of digital transformation to gain or retain competitive advantage. To do so, they typically need to engage business partners like APD in multi-year, retained relationships across multiple digital disciplines.

APD has been building out its Digital Transformation consulting practice, and has recently completed a 'sprint' for one of Australia's best-known companies, an important reference project that may deliver years of ongoing work.

APD views digital transformation as a highly attractive, sustainable growth business that will leverage and drive its existing service offerings.

Partners

Work continued with EY on a range of projects. The channel partnership with Fuji Xerox was launched, offering digital transformation services to its clients.

Dialogue continues with potential strategic partners. The process undertaken by the Company late last year has provided a valuable roadmap of appetite from key strategic players for assets like APD and underscores the inherent value of this business. The Company continues to believe that there will be strong appetite for a partnership as APD's earnings trajectory improves.

Balance Sheet

The Company is in the process of raising new capital to fund its FY18 plan and strengthen its balance sheet, and is in negotiations to sell its minority shareholding in aCommerce (www.acommerce.asia) at or above book value (A$651,000).

Shareholders should note the Going Concern note on page 22 of the accounts. The Company's ongoing viability is dependent on obtaining equity funding to deliver its FY18 plan and achieving profitability.

This is nothing new, although we do note that capital markets have become increasingly difficult and that it is imperative that the Company completes these capital initiatives promptly, and manages its costs judiciously.

What Shareholders Should Expect

In H1 of FY18 the Company will strive to replace the revenues lost from Ford. With a strong pipeline in place, all efforts are being directed at closing new business.

Key technology resources from the Ford team have been retained to meet the anticipated increase in client demand in most countries. This retention of excess capacity and overhead will impact profitability in Q1 FY18 until new business is closed and delivery work commences.

Digital transformation mandates are being carefully pursued. They have the potential to drive significant growth if the Company executes well.

The Company will seek to raise new capital to fund its FY18 plan in the next few weeks.

The Company's shares are traded infrequently and are subject to significant volatility, in part due to the fact that the majority of shareholders on its register hold unmarketable parcels.
The Company is considering a range of initiatives that would address this structural challenge.

In Conclusion

APD has a unique footprint and an excellent team. The Company is an attractive alliance or acquisition partner for an international consulting, technology or marketing company wishing to enter the region. Such discussions remain underway and we envisage negotiating in earnest once profitability improves.

Our continuing thanks to Asia Pacific Digital's customers, shareholders and employees for their support.

Roger Sharp
Chairman

The Directors submit their report for the year ended 30 June 2017.

DIRECTORS
The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Laura ASHTON*, Non-Executive Director.* Appointed 5 August 2015. Resides in Singapore.

Ms. Ashton is Director of Business Development, Marketing and Communication Asia Pacific: Baker McKenzie. Throughout her 30-plus year career, which includes 20 years in Asia, Ms. Ashton has held marketing and leadership roles at national, regional and global levels in diverse industries including consumer packaged goods, advertising, downstream energy, consumer durables, electronics and professional services. Ms. Ashton is a graduate of McGill University in Montreal.

Mark DALGLEISH*, Non-Executive Director.* Appointed 5 August 2015. Resides in Australia.

Mr. Dalgleish is a Sydney-based digital marketing entrepreneur with more than 25 years' experience in marketing and communications. Mr. Dalgleish has previously built and sold two market-leading digital businesses in the UK and Australia, which were subsequently acquired by international advertising and marketing groups Interpublic and Enero.

Peter HYND*, Executive Director.* Appointed 1 April 2014. Served as *Non-Executive Director* from 31 August 2012 to 31 March 2014. Resides in Australia.

Mr. Hynd is Managing Director - Australia of North Ridge Partners Pty Ltd, the major shareholder of the Company. He has nearly twenty years of experience in advising, financing and investing in emerging listed and private companies. Mr Hynd has spent the last nine years as Investment Director and as Managing Director - Australia of North Ridge Partners. Prior to that he spent eight years with Ernst & Young and as a small cap corporate financier. A Member of the Financial Services Institute of Australasia and Chartered Accountants Australia and New Zealand, he holds B. Bus.Mgmt, B. Com, and Grad.Dip. in Applied Finance & Investment qualifications.

Fionn HYNDMAN*, Non-Executive Director.* Appointed 1 January 2011. Resides in Singapore.

Mr. Hyndman is the Commercial Director of Outbrain Asia Pacific, a New York headquartered discovery platform. Outbrain works with the world's largest premium publishers to provide a discovery platform that is used by publishers and advertisers to deliver valuable audience segments. Previously Mr. Hyndman worked in an investment and management consulting business, and prior to that he was CEO of the Company's Australian performance marketing business before APD acquired it.

Roger SHARP, *Non-Executive Chairman.* Appointed 1 April 2014. Served as *Non-Executive Director* from 16 October 2012 to 31 March 2014. Resides in New Zealand.

Mr. Sharp is the co-founder of North Ridge Partners Pty Ltd, the major shareholder of Asia Pacific Digital. He has more than 30 years' experience in finance and international markets and prior to founding North Ridge Partners in 2004 held senior roles with ABN AMRO Bank including CEO of Asia-Pacific Equities and Global Head of Technology. He was Chairman of travel.com.au Limited (ASX: TVL) until its sale in January 2008, is Non-Executive Chairman of Webjet Limited (ASX:WEB), and is Non-Executive Chairman of GeoOp Limited (NZAX:GEO). Roger has BA LLB qualifications from the University of Auckland and is a Member of the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

COMPANY SECRETARY

Mr. Sam Monkivitch is Company Secretary and Group General Counsel. Sam has been practicing as a corporate and equity capital markets lawyer for over 16 years and holds a Bachelor of Laws and Bachelor of Arts degrees from Deakin University and is a member of the Governance Institute of Australia and Law Society of Victoria. Mr Campbell Nicholas resigned from the Company effective 1 August 2016 and previously held the position of Company Secretary.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by Directors in the three years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Roger Sharp	Webjet Ltd	1 January 2013 - current
Roger Sharp	GeoOp Limited	5 May 2016 - current

DIRECTORS' INTERESTS

Relevant interests of the Directors in the shares and unlisted options of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with s205G (1) of the Corporations Act 2001, as at the date of this report, are:

Director	Ordinary Shares	Options granted over ordinary shares in the Company
Mr R Sharp (i)	73,207,366	1,078,933
Mr P Hynd (ii)	61,715,966	1,078,933
Mr F Hyndman	-	133,333
Ms L Ashton	197,777	-
Mr M Dalgleish	4,931,498	-

(i) 61,715,966 of the ordinary shares are held by funds managed by North Ridge Partners Pty Ltd. Mr Sharp is a Director and controlling shareholder of North Ridge Partners Pty Ltd.

(ii) The ordinary shares are held by funds managed by North Ridge Partners Pty Ltd, of which Mr Hynd is a Director and shareholder.

No Director options were exercised between the end of the financial year and the date of this report.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of Committees of Directors) held during the year and the numbers of meetings attended by each Director were as follows:

	Directors Meetings	Audit & Risk Committee	Remuneration Committee
Number of meetings held:	**9**	**2**	**1**
Number of meetings attended:			
Laura Ashton	8	n/a	1
Fionn Hyndman	9	n/a	1
Peter Hynd	9	2	1
Roger Sharp	9	n/a	n/a
Mark Dalgleish	9	2	n/a

Committee Membership

As at the date of this report, the Company had an Audit & Risk Committee and a Remuneration Committee. Peter Hynd and Mark Dalgleish are members of the Audit & Risk Committee. Laura Ashton, Peter Hynd and Fionn Hyndman are members of the Remuneration Committee.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were to provide digital transformation and marketing services for its clients across Southeast Asia and Australasia who have complex and often cross-border digital needs including digital strategy, design, creative, technology, performance marketing, customer retention and related analytics.

OPERATING AND FINANCIAL REVIEW

Operating results for the year

The consolidated result before interest, tax, depreciation, amortisation and impairment (EBITDA) was a loss of $4.1m, a 31% improvement on the EBITDA loss (excluding discontinued businesses) of $5.9m incurred during the prior corresponding period (PCP) and a 41% improvement on the EBITDA loss (including discontinued businesses) of $7.0m.

The consolidated entity result after tax for the financial year ended 30 June 2017 was $6.9m, a 32% improvement on prior corresponding period loss of $10.0m.

Group revenues for the financial year ended 30 June 2017 were $45.5m, down 18% on PCP primarily as a result of reductions in revenues from the Company's major client, Ford Motor Company, as it migrated to a new technology platform.

Segment Activities and Performance

APD operates in two regions - Australia & New Zealand and Southeast Asia. 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 $33.8m (2016: $42.9m) with an EBITDA loss of $0.8m, a 62% improvement on the EBITDA loss of $2.1m incurred during the prior corresponding period (PCP).

Asia reported sales to external customers of $11.7m (2016: $12.3m) with EBITDA of $1.6m, a 170% improvement on the EBITDA of $0.6m incurred during the PCP.

Excluding the impact of a reduction in revenues from a single client (Ford), that was centrally managed as a Global Client but allocated to regions, Asia recorded revenue growth of 17%, which is more representative of the trend profile for Asia.

Operating corporate expenses

Operating corporate expenses comprise mainly executive management expenses, legal and HR expenses, software and business insurance costs associated with the operating subsidiary. Operating corporate expenses for the period were $2.9m (2016: $1.8m), with the increase primarily due to reallocations of senior executive staffing from the listed entity category to operating category.

Listed entity expenses

Listed entity expenses comprise mainly non-executive directors' fees, listed entity employee remuneration, audit, legal, ASX and other professional expenses. Listed entity expenses were $1.9m (2016: $2.6m), an improvement of 27% on PCP and benefiting from the reallocation of senior executive staffing to operating corporate expenses.

Financial position

The net assets of the Group declined by $6.5m from $9.2m at 30 June 2016 to $2.7m as at 30 June 2017. The major balance sheet movements during FY2017 were:

- a $3.8m decrease in trade and other receivables following improved cash collection and a reduction in revenue run rates during the periods;
- a $0.6m increase in paid up capital as a result of shares issued under the share purchase plan in December 2016 and share based payment to management on the short term incentive plan; and
- a $0.5m decrease in intangible assets arising from amortization of software ($0.7m) partially offset by software purchases of $0.2m.

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 financial year.

SHARE OPTIONS

At the date of this report, the following unlisted options were on issue:

- 600,000 unlisted options to subscribe for 600,000 ordinary shares. The options were exercisable on or before 24 July 2017 at an exercise price of 75 cents for each ordinary share; and
- 11,430,469 unlisted options to subscribe for 11,430,469 ordinary shares. 7,766,524 options had vested at balance date and are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share. The remaining options are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share and remain subject to vesting conditions (vesting date of 30 September 2017).

Option holders do not have any right, by virtue of the option, to participate in any share issue or dividend distribution of the Company.

DIVIDENDS

The Directors recommend that no amount be paid by way of dividend for the year ended 30 June 2017. No dividend has been paid or declared since the start of the financial year.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

EVENTS SUBSEQUENT TO BALANCE DATE

Since balance date the Company obtained an unsecured loan of $350,000 from shareholder North Ridge Partners. No other matter or circumstance has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors expect the company to continue to undertake those activities outlined above in 'Principal Activities' and 'Operating and Financial Review', the results of which will be determined by the commercial success of those programs.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and executives of Asia Pacific Digital Limited.

Remuneration Policy

The remuneration policy of Asia Pacific Digital Limited has been designed to align Directors' and executives' objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the Company's financial results. The Board of Asia Pacific Digital Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the company, as well as create goal congruence between Directors, executives and shareholders, although notes the likelihood that the current long term incentive plan will need to be refreshed during FY18.

Remuneration packages are reviewed annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. In addition, external consultants may be used to provide analysis and advice to ensure the Director and senior executive remuneration is competitive in the market place.

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the Company achieving EBITDA targets. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options.

Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Senior executives are entitled to participate in the Company's employee share option plan. Executive and Non-Executive Directors and their associates cannot be offered or granted options under the Company's employee share option plan unless specific shareholder approval is first obtained in accordance with the requirements of the Listing Rules.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Remuneration Committee

The Remuneration Committee of the Board of Directors of the Company is responsible for determining and reviewing the remuneration arrangements for the Directors and executives. The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality, high performing Director and executive team.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior manager remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective
The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure
The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration of Non-Executive Directors is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. Should it be necessary to increase the maximum aggregate amount of fees that can be paid to the Non-Executive Directors, approval will be sought from shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Senior Manager Remuneration

Objective
The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and to:

- reward executives for performance against quantitative and qualitative performance targets - the quantitative targets are generally established from the Board approved financial year budget, while individual qualitative targets are key performance indicators set by the Executive Directors for the management team;
- align the interest of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Structure
Senior management receive base remuneration based on factors such as length of service and experience which is calculated on a total cost basis.

Details of remuneration for year ended 30 June 2017

The remuneration for each Key Management Personnel Director and executive of the consolidated entity was as follows. Some Key Management Personnel are located in Asia and remunerated in foreign currencies. The remuneration of these KMP is converted to Australian dollars for reporting purposes and is consequently subject to Australian dollar fluctuations.

Details of Key Management Personnel

(i) Directors

Roger Sharp (appointed 16 October 2012)	Non-Executive Chairman
Fionn Hyndman (appointed 1 January 2011)	Non-Executive Director
Laura Ashton (appointed 5 August 2015)	Non-Executive Director
Mark Dalgleish (appointed 5 August 2015)	Non-Executive Director
Peter Hynd (appointed 31 August 2012)	Executive Director

(ii) Continuing Executives

Newton Smith (appointed 1 April 2014)	Chief Executive Officer
Damien O'Donohoe (appointed 1 January 2016)	Chief Financial and Operating Officer

(iii) Departed Executives

Campbell Nicholas (resigned 29 July 2016)	Group Financial Controller

Details of remuneration for year ended 30 June 2017 *(continued)*

		Short-term benefits			Post employment		Share-based payments		
		Salary & fees	Bonus	Non-monetary benefits	Super	Termination Payments	Options /shares	Total	Performance related
		$	$	$	$	$	$	$	%
KMP Directors									
R Sharp[1] *Non-Executive Chairman*	**2017**	321,696	-	-	-	-	-	321,696	-
	2016	448,612	-	-	-	-	20,222	468,834	4
P Hynd *Executive Director*	**2017**	247,201	-	-	15,956	-	-	263,157	-
	2016	225,043	-	-	15,411	-	20,222	260,676	8
F Hyndman *Non-Executive Director*	**2017**	60,000	-	-	-	-	-	60,000	-
	2016	60,000	-	-	-	-	2,916	62,916	5
L Ashton[2] *Non-Executive Director*	**2017**	60,000	-	-	-	-	-	60,000	-
	2016	-	-	-	-	-	54,493	54,493	-
M Dalgleish[3] *Non-Executive Director*	**2017**	54,795	-	-	5,205	-	-	60,000	-
	2016	49,639	-	-	4,716	-	-	54,335	-
D Sweet[4] *Non-Executive Director*	**2017**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2016	4,167	-	-	-	-	-	4,167	-
Sub total Directors	**2017**	**743,692**	**-**	**-**	**21,161**	**-**	**-**	**764,853**	**-**
	2016	**787,461**	**-**	**-**	**20,127**	**-**	**97,853**	**905,441**	**5**

1. Appointed 16 October 2012. Transitioned to Non-Executive Chairman during FY17
2. Appointed 5 August 2015
3. Appointed 5 August 2015
4. Resigned 5 August 2015

Details of remuneration for year ended 30 June 2017 *(continued)*

		Short-term benefits			Post employment		Share-based payments		
		Salary & fees	Bonus	Non-monetary benefits	Super	Termination Payments	Options /shares	Total	Performance related
		$	$	$	$	$	$	$	%
KMP Executives									
N Smith	**2017**	356,987	-	-	-	-	105,288	462,275	23
Chief Executive Officer	**2016**	370,531	-	-	-	-	12,420	382,951	3
D O'Donohoe	**2017**	356,987	-	-	-	-	153,288	510,275	30
Chief Financial officer	**2016**	185,265	-	-	-	-	9,936	195,201	5
C Nicholas [1]	**2017**	-	-	-	-	165,747	-	165,747	-
Group Financial Controller	**2016**	250,000	-	-	23,750	-	9,936	283,686	4
S McNamara [2]	**2017**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CEO Acquire	**2016**	242,212	-	-	23,010	83,922	-	349,143	-
P Harrison [3]	**2017**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CEO Engage	**2016**	172,914	-	-	-	105,149	-	278,063	-
S Toohey [4]	**2017**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
CEO Venture	**2016**	91,539	-	-	8,152	46,682	-	146,373	-
Sub total Executives	**2017**	713,974	-	-	-	165,747	258,576	1,138,297	22
	2016	1,312,461	-	-	54,912	235,763	32,292	1,635,417	2
TOTALS	**2017**	**1,457,666**	**-**	**-**	**21,161**	**165,747**	**258,576**	**1,903,150**	**13**
	2016	**2,099,922**	**-**	**-**	**75,039**	**235,753**	**130,145**	**2,540,859**	**3**

1. Resigned 29 July 2016
2. Resigned 2 June 2016
3. Resigned 31 January 2016
4. Resigned 7 December 2015

Shareholdings of Key Management Personnel

	Balance at beginning of Year	Granted as remuneration	On exercise of options	Net change other	Balance at end of Year
2017 Directors					
R Sharp [(1)]	73,086,293	-	-	121,073	73,207,366
P Hynd [(2)]	61,663,075	-	-	52,891	61,715,966
F Hyndman	-	-	-	-	-
L Ashton	197,777	-	-	-	197,777
M Dalgleish	4,931,498	-	-	-	4,931,498
Executives					
N Smith	-	277,778	-	-	277,778
D O'Donohoe	-	437,778	-	-	437,778
C Nicholas	-	-	-	-	-

	Balance at beginning of Year	Granted as remuneration	On exercise of options	Net change other	Balance at end of Year
2016 Directors					
R Sharp [(1)]	63,455,914	-	-	9,630,379	73,086,293
P Hynd [(1)]	58,958,736	-	-	2,704,339	61,663,075
F Hyndman	-	-	-	-	-
L Ashton	-	197,777	-	-	197,777
M Dalgleish	1,851,352	-	-	3,080,146	4,931,498
Executives					
N Smith	-	-	-	-	-
D O'Donohoe	-	-	-	-	-
C Nicholas	-	-	-	-	-
S McNamara	-	-	-	-	-
P Harrison	-	-	-	-	-
S Toohey	-	-	-	-	-

(1) 61,715,966 of the shares at the end of the period are held by funds managed by North Ridge Partners Pty Ltd. Mr Sharp and Mr Hynd are Directors and shareholders of North Ridge Partners Pty Ltd. 11,491,400 of the shares at the end of the period are held by Wentworth Financial Pty Ltd as trustee for Wentworth Trust and Christine Sharp. Roger Sharp is a shareholder in and director of Wentworth Financial Pty Ltd. Christine Sharp is Roger Sharp's wife.

(2) 61,663,075 of the shares at the end of the period are held by funds managed by North Ridge Partners Pty Ltd. Mr Sharp and Mr Hynd are Directors and shareholders of North Ridge Partners Pty Ltd. 11,423,218 of the shares at the end of the period are held by Wentworth Financial Pty Ltd as trustee for Wentworth Trust and Christine Sharp. Roger Sharp is a shareholder in and director of Wentworth Financial Pty Ltd. Christine Sharp is Roger Sharp's wife.

Other than disclosed above, all other equity transactions with Directors and specified executives have been entered into under terms no more favourable than those the entity would have adopted if dealing at arm's length.

Key Management Personnel Share Options Movements

Option Series	Balance at 30 June 2016	Granted as Compensation	Forfeited/ Lapsed	Balance at 30 June 2017	Balance Vested and Held at 30 June 2016	Options Vested During Year	Options Sold/ Transferred	Balance Vested and held at 30 June 2017
R Sharp	1,156,000	-	(77,067)	**1,078,933**	337,960	308,266	-	**646,226**
P Hynd	1,156,000	-	(77,067)	**1,078,933**	337,960	308,266	-	**646,226**
F Hyndman	133,333	-	-	**133,333**	44,444	44,444	-	**88,888**
N Smith	710,000	330,000	(80,333)	**959,667**	236,667	321,333	-	**558,000**
D O'Donohoe	568,000	330,000	(70,867)	**827,133**	189,333	283,467	-	**472,800**

Key Management Personnel Share Options on Issue at Balance Date

Option Series	Number	Grant Date	Vesting Date	Expiry Date	Exercise Price	Fair Value at Grant Date	Vested and Held at Balance Date
R Sharp							
Tranche 1	385,334	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	337,960
Tranche 2	385,333	16/12/14	30/9/16	28/11/18	$0.625	$0.0656	308,266
Tranche 3	385,333	16/12/14	30/9/17	28/11/18	$0.625	$0.0656	-
P Hynd							
Tranche 1	385,334	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	337,960
Tranche 2	385,333	16/12/14	30/9/16	28/11/18	$0.625	$0.0656	308,266
Tranche 3	385,333	16/12/14	30/9/17	28/11/18	$0.625	$0.0656	-
F Hyndman							
Tranche 1	44,444	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	44,444
Tranche 2	44,444	16/12/14	30/9/16	28/11/18	$0.625	$0.0656	44,444
Tranche 3	44,444	16/12/14	30/9/17	28/11/18	$0.625	$0.0656	-
N Smith							
Tranche 1	236,667	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	236,667
Tranche 2	401,667	16/12/14	30/9/16	28/11/18	$0.625	$0.0656	321,333
Tranche 3	401,667	16/12/14	30/9/17	28/11/18	$0.625	$0.0656	-
D O'Donohoe							
Tranche 1	189,333	1/1/16	1/1/16	28/11/18	$0.625	$0.0656	189,333
Tranche 2	354,334	1/1/16	30/9/16	28/11/18	$0.625	$0.0656	283,467
Tranche 3	354,333	1/1/16	30/9/17	28/11/18	$0.625	$0.0656	-

Employment Contracts
Executives
All executives are employed under contract. The agreements outline the components of the remuneration paid to executives and require the remuneration of executives to be reviewed annually. The agreements do not require the Group to increase fixed remuneration, pay a short-term incentive, make termination payments or offer a long-term incentive in any given year. The criteria for the payment of bonuses to executives are based on a combination of achieving earnings targets set by the Board of Directors, specified individual targets and the discretion of the Board.

The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

The agreements may be terminated by written notice from either party or by the employing entity within the Group making a payment in lieu of notice. The notice period is four months for Damien O'Donohoe and four months for Newton Smith.

INDEMNIFICATION AND INSURANCE OF OFFICERS (NOT AUDITED)

Indemnification of directors and officers
The Company has agreed to indemnify the current Directors of the Group, its former Directors and its executive officers against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Indemnification of auditor
As part of the Company's terms of engagement with BDO East Coast Partnership (BDO), the Company has agreed to indemnify BDO against certain liabilities to third parties arising from their engagement as auditor. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by BDO. No payment has been made to indemnify BDO during or since the financial year.

Insurance premiums
The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability insurance contracts; as such disclosure is prohibited under the terms of the contract.

NON-AUDIT SERVICES

No non-audit services were provided by the entity's auditor BDO.

AUDITOR'S INDEPENDENCE STATEMENT

The auditor's independence declaration is included immediately following this Directors' Report and forms part of the Directors' Report.

ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the Class Order applies.

Dated 31 August 2017

Signed in accordance with a resolution of the Directors.

ROGER SHARP
Chairman

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Fax: +61 2 9240 9821
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Level 11, 1 Margaret St
Sydney NSW 2000

Australia

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

As lead auditor of Asia Pacific Digital Limited for the year ended 30 June 2017, 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 Asia Pacific Digital Limited and the entities it controlled during the year.

John Bresolin
Partner

BDO East Coast Partnership

Sydney, 31 August 2017

Consolidated Statement of Profit or Loss
For the Year Ended 30 June 2017

	Note	2017 $000's	2016 $000's
Continuing operations			
Rendering of services		45,518	55,202
Cost of sales		(32,737)	(35,207)
Employee benefits expense	4(b)	(9,834)	(17,274)
Restructuring expense		(409)	(455)
Other expenses	4(c)	(6,668)	(8,209)
Loss before interest, tax, depreciation amortisation and impairment losses (EBITDA)		**(4,130)**	**(5,943)**
Depreciation and amortisation	4(a)	(1,136)	(1,597)
Loss from continuing operations before interest and tax		**(5,266)**	**(7,540)**
Finance income		14	50
Finance costs	5	(1,091)	(1,343)
Loss from continuing operations before income tax		**(6,343)**	**(8,833)**
Income tax expenses	6	(514)	(128)
Loss from continuing operations after income tax		**(6,857)**	**(8,961)**
Loss after income tax expense from discontinued operations	28	-	(1,088)
Loss for the year attributable to owners of the parent		**(6,857)**	**(10,049)**

	Note	2017	2016
Earnings per share			
From continuing and discontinued operations:		*Cents*	*Cents*
- Basic earnings/(loss) per share	7	(5.76)	(10.31)
- Diluted earnings/(loss) per share	7	(5.76)	(10.31)
From continuing operations:		*Cents*	*Cents*
- Basic earnings/(loss) per share	7	(5.76)	(9.19)
- Diluted earnings/(loss) per share	7	(5.76)	(9.19)
From discontinued operations:		*Cents*	*Cents*
- Basic earnings/(loss) per share	7	-	(1.12)
- Diluted earnings/(loss) per share	7	-	(1.12)

The statement of profit or loss is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2017

	2017 $000's	2016 $000's
Loss for the year	**(6,857)**	**(10,049)**
Other comprehensive income		
Exchange difference on translation of foreign operations	(266)	(174)
Net gain on available – for – sale financial assets	-	53
Income tax effect	-	(9)
	-	44
Other comprehensive income for the year, net of tax	**(266)**	**(130)**
Total comprehensive income for the year attributable to owners of the parent	**(7,123)**	**(10,179)**

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position
As at 30 June 2017

	Note	2017 $000's	2016 $000's
ASSETS			
Current assets			
Cash and cash equivalents	8	903	2,349
Trade and other receivables	9	7,742	11,556
Other financial assets	10	303	146
Investments	14	651	-
Other	11	481	599
Total current assets		**10,080**	**14,650**
Non-current assets			
Other financial assets	10	477	735
Plant and equipment	12	748	1,020
Deferred tax assets	6 (c)	860	996
Investments	14	-	651
Intangible assets	13	500	1,013
Goodwill	13	11,523	11,523
Total non-current assets		**14,108**	**15,938**
Total assets		**24,188**	**30,588**
LIABILITIES			
Current liabilities			
Trade and other payables	15	8,009	8,780
Provisions	16	1,616	1,934
Interest-bearing loans and borrowings	17	6,389	3,627
Provision for Income tax		308	118
Deferred income		1,846	943
Total current liabilities		**18,168**	**15,402**
Non-current liabilities			
Interest-bearing loans and borrowings	17	2,676	5,122
Trade and other payables	15	292	187
Provisions	16	293	585
Total non-current liabilities		**3,261**	**5,894**
Total liabilities		**21,429**	**21,296**
Net assets		**2,759**	**9,292**
EQUITY			
Contributed equity	18	143,934	143,344
Reserves	19	(8,512)	(8,246)
Accumulated losses	20	(132,663)	(125,806)
Total equity attributable to equity holders of the parent		**2,759**	**9,292**

The statement of financial position is to be read in conjunction with the notes to the financial statements, in particular Note 1 relating to going concern.

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2017

	Note	Ordinary shares	Accumulated losses	Share based payment reserve	Common control reserve	Available-for-sale reserve	Foreign currency translation reserve	Total
		$000's	$000's	$000's	$000's	$000's	$000's	$000's
At 1 July 2016 as reported in the 2016 annual report		**143,344**	**(125,806)**	**4,517**	**(12,311)**	**220**	**(672)**	**9,292**
Loss for year		-	(6,857)	-	-	-	-	(6,857)
Other comprehensive income for the year		-	-	-	-	-	(266)	(266)
Total comprehensive income for the year		-	(6,857)	-	-	-	(266)	(7,123)
Transactions with owners in their capacity as owners:								
Issue of share capital	18	374	-	-	-	-	-	374
Transaction costs	18	(52)	-	-	-	-	-	(52)
Share based payments		318				-	-	318
Deferred tax movements on share issue costs	18	(50)	-	-	-	-	-	(50)
At 30 June 2017		**143,934**	**(132,663)**	**4,517**	**(12,311)**	**220**	**(938)**	**2,759**

	Note	Ordinary shares	Accumulated losses	Share based payment reserve	Common control reserve	Available-for-sale reserve	Foreign currency translation reserve	Total
		$000's	$000's	$000's	$000's	$000's	$000's	$000's
At 1 July 2015 as reported in the 2015 annual report		**136,211**	**(115,757)**	**4,323**	**(12,311)**	**176**	**(498)**	**12,144**
Loss for year		-	(10,049)	-	-	-	-	(10,049)
Other comprehensive income for the year		-	-	-	-	44	(174)	(130)
Total comprehensive income for the year		-	(10,049)	-	-	44	(174)	(10,179)
Transactions with owners in their capacity as owners:								
Issue of share capital	18	7,585	-	-	-	-	-	7,585
Acquisition of treasury shares	18	(200)	-	-	-	-	-	(200)
Transaction costs	18	(361)	-	-	-	-	-	(361)
Share based payments		60	-	194	-	-	-	254
Deferred tax movements on share issue costs	18	49	-	-	-	-	-	49
At 30 June 2016		**143,344**	**(125,806)**	**4,517**	**(12,311)**	**220**	**(672)**	**9,292**

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

Consolidated Cash Flow Statement
For the Year Ended 30 June 2017

	Note	2017 $000's	2016 $000's
Cash flows from operating activities			
Receipts from customers		52,421	57,275
Payments to suppliers and employees		(52,906)	(63,537)
Payments for restructuring		(409)	(507)
Interest received		14	51
Interest paid		(455)	(798)
Income tax paid		(238)	(163)
Net cash used in operating activities	8	**(1,573)**	**(7,679)**
Cash flows from investing activities			
Payments for plant and equipment		(204)	(519)
Payments for intangible assets		(147)	(457)
Payment of term deposit		-	(298)
Proceeds from sale of investments		-	1,010
Refund of term deposits		101	702
Net cash (used in)/provided by investing activities		**(250)**	**438**
Cash flows from financing activities			
Proceeds from issues of shares		374	3,748
Proceeds from / (repayments) of borrowings		(34)	5,537
Payment of share issue costs		-	(352)
Payment of finance fees		(30)	(284)
Net cash provided by financing activities		**310**	**8,649**
Net (decrease)/increase in cash and cash equivalents held		(1,513)	1,408
Net foreign exchange difference		67	(29)
Cash and cash equivalents at the beginning of the financial year		2,349	970
Cash and cash equivalents at the end of the financial year	8	**903**	**2,349**

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

CORPORATE INFORMATION

The financial report of Asia Pacific Digital Limited for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 30 August 2017. Asia Pacific Digital Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Asia Pacific Digital Limited is a for-profit entity. The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards as issued by the Australian Accounting Standards Board and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except AFS investments which are at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless stated otherwise.

(b) Going Concern

The Directors believe that the consolidated entity will be able to continue as a going concern and, as a consequence, the full 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.

This is notwithstanding that the consolidated entity incurred a net cash outflow from operations of $1.6 million (2016: $7.7 million) during the year ended 30 June 2017 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $8.1 million (30 June 2016: surplus $0.8 million).

Directors note that at the time of time of this report, several capital initiatives are in process and expected to be completed within H1 of FY18 that would lead to a material improvement in net assets, including:

- the Company intends to undertake a capital raising commencing within Q1 that will be supported by the major shareholder (and associates) and directors of the Company. The Company notes that it has historically funded its operations and prior investment in growing its regional platform via capital raisings conducted through the public equity markets. The Directors have cause to believe that equity market funding will continue to be available in the future to allow the Company to continue to meet its commitments, although shareholders should note that equity capital markets conditions have tightened and the ability to complete and /or the pricing of future capital raises are less certain;
- included in current liabilities at 30 June 2017 are convertible notes of $5.4 million (30 June 2016: $1.2 million). The Company is in late stage negotiations which would result in note holders holding notes of a total value of $4.1 million extending the term of those notes to 31 December 2018 and defer cash payments of interest until the Company achieves consistent profitability. On successful completion of those negotiations, the Company intends to seek an agreement on the same terms with the remaining two note holders (value of notes of $1.3m);
- included in current liabilities is deferred revenue of $1.8 million (30 June 2016: $0.9 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 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 is in negotiations to divest its non-core shareholding in South East Asian e-commerce and logistics company, aCommerce at or above carrying value within H1;

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(b) Going Concern (continued)

- the Company has largely concluded the major expansion phase of its regional platform and in the 2017 financial year moved its focus to achieving sustainable profitability. The Company delivered a material improvement in profits in FY17, despite a reduction in revenues largely resulting from lower activity from APD's major client, Ford Motor Company. The Company also reduced its cash used in operating activities to $1.6m in 2017, from $7.7m used in the prior year. Revenue pipelines are at historically high levels at the time of this report and Directors expect that revenue growth will lead to further financial improvements in FY18 and a continuing reduction in net cash requirements in future periods; and
- the Company has received financial support in the past from North Ridge Partners (and related parties) since it became the majority shareholder in 2008. North Ridge Partners currently holds 66% of the shares on issue and provides a loan facility which the consolidated entity has regularly used to fund short term working capital requirements, and North Ridge has in the past demonstrated a willingness to re-negotiate the term of the facility. To the extent that North Ridge Partners remains the Company's majority shareholder the Directors expect to continue to receive its financial support in this regard.

The balance of current assets and current liabilities at 30 June 2017 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 in-principle agreements to extend the maturity of 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.

(c) Compliance with IFRS

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

(d) New accounting standards and interpretations

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2017. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

AASB 9 Financial Instruments

AASB 9 is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018.

'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(d) New accounting standards and interpretations (continued)

For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Company will adopt this standard from 1 July 2018, however the impact of its adoption is not expected to be material.

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods 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. The standard will require:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when (or as) the entity satisfies a performance obligation.

The Company will adopt this standard from 1 July 2018 and whilst a full assessment yet to be undertaken, considers the pattern of revenue recognition currently adopted by the company is compliant with the new standard. In particular, we assess:

- revenue is only recognised upon the delivery of services to customers as per contract requirements;
- probability of collection from each customer is 100% likely;
- transaction prices for each new contract are incorporated into our billing system;
- any payments received in advance are recognised as deferred revenue until the performance obligation of the contract is satisfied;
- revenue is recognised on the basis of net amount we expect to receive from each customer if there are any discounts which can reduce the amount of revenue recognised.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. Application date to APD Group is 1 July 2019. When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases typically.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(d) New accounting standards and interpretations (continued)

The main changes to our financials resulting from the introduction of the new Standard will be:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets) in the Statement of Financial Position;
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest; and
- additional disclosure requirements will be required.

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.
- When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:
- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences, recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(f) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and disclosed separately on the statement of financial performance.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(g) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers, being the executive management team. The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services,
- type or class of customer for the products and services,
- methods used to distribute the products or provide the services, and
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(i) Trade and other receivables

Trade receivables which have terms of 30 to 60 days are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level.

Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days' overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows.

(j) Non-current assets and disposal groups held for sale or deemed discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. Once an asset is determined to be held for sale or determined to be discontinued they are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

(k) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

Available-for-sale (AFS) financial investments
AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(k) Financial Instruments (continued)

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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

For AFS financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss.

Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised directly in OCI.

Fair value in an inactive or unquoted market
The fair value of financial assets and liabilities that re not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models and any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. Inputs are based on market data at balance sheet date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Financial Liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings, including a bank debtors finance facility and a convertible debt instrument.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(k) Financial Instruments (continued)

Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer Note 17.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement or profit or loss.

(l) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Plant and equipment, including leased assets, are depreciated over their estimated useful lives using the diminishing balance and straight line method (plant and equipment over 3 to 5 years; leased equipment over lease term). Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss and other comprehensive income.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings. An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(m) 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.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(n) Impairment of non-financial assets other than goodwill

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Asia Pacific Digital Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(o) Goodwill and intangibles

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

Asia Pacific Digital Limited performs its impairment testing at 30 June each year using a value in use, discounted cash flow methodology for all cash generating units to which goodwill has been allocated. Further details on the methodology and assumptions used are outlined in note 13.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(o) Goodwill and intangibles (continued)

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not subsequently reversed.

When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The acquisition balance sheet of Asia Pacific Digital Australia reflects the values for assets and liabilities acquired from Asia Pacific Digital Australia accounting records. The difference between the fair value of the consideration given and the carrying value of the assets and liabilities acquired is recognised as a common control reserve in the consolidated financial statements.

Intangibles
Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Group's intangible assets is as follows:

Software		
Useful life	-	Finite
Amortisation method used	-	Amortised over 2.5 to 3 years being the expected useful life on a straight same line basis
Internally generated or acquired	-	Internally generated and acquired
Impairment assessment	-	Annually and more frequently when an indication of impairment exists

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(p) Trade and other payables

Trade and other payables are carried at amortised cost due to their short-term nature they are not discounted.

They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 90 days of recognition.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(q) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(r) Provisions and employee benefits

Provisions are recognised when the Group 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.

When the Group 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 the statement of profit or loss and other comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

Employee leave benefits

(i) Wages, salaries and annual leave:
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave:
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rate with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(s) Member rewards

Members of the online permission marketing and media network accumulate points by participating in online promotions, SMS promotions and market research projects. The obligation to provide reward points to members are accumulated net of estimated points that will expire. The provision is based on the present value of the expected incremental direct cost of supplying the goods exchanged for points redeemed.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(t) Share based payment transactions

Share options issued as consideration for the purchase of assets, services or an entity are valued using a Binomial option pricing model as at the date of issue. An options reserve is created within equity to reflect the issue of these options.

Equity settled transactions
The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of the equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined as at grant date by using an option pricing model taking into account the terms and conditions upon which the options were granted. The fair value of shares issued is based on the market price at the date on which the shares are granted.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

The statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition. When awards are forfeited, the cumulative expense relating to the award is reversed through the statement of profit or loss and other comprehensive income.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

(u) Contributed equity

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where deferred tax assets on these costs are initially recorded in equity, these deferred tax assets are reversed through equity as tax deductions are claimed.

(v) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Rendering of Media Services
Revenue from the delivery of media services is recognised by reference to the stage of completion of a contract or contracts in progress at reporting date or at the time of completion of the contract and billing to the customer. The stage of completion is determined by reference to outputs and deliverables in connection to the completion of the service.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(w) Income tax and other taxes

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 based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except

- when the deferred income tax liability arises from the initial recognition of goodwill or of an
- asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
-
- Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits 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 credits and unused tax losses can be utilised, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries,
- associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

Unrecognised deferred income tax assets are reassessed at each balance sheet 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.

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 balance sheet date.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(w) Income tax and other taxes (continued)

Tax consolidation legislation
Asia Pacific Digital Limited and its wholly-owned Australian subsidiaries at the time formed an income tax consolidated group in July 2004. There have been subsequent changes in group membership since the formation date and as at 30 June 2017, the members of the income tax consolidated group are:

- Asia Pacific Digital Limited;
- Asia Pacific Digital Australia Pty Ltd (Formerly APD Acquire Pty Ltd & Deal Group Media Pty Ltd);
- ACN 123 287 025 Pty Ltd (formerly Asia Pacific Digital Australia Pty Limited);
- APD Interact Holdings Pty Ltd (formerly Next Digital Group Holdings Pty Ltd);
- APD Interact Pty Ltd (formerly Next Digital Group Pty Ltd);
- APD Engage Holdings Pty Ltd (formerly Jericho Digital Holdings Pty Ltd);
- APD Engage Pty Ltd (formerly Jericho Australia Pty Ltd);
- APD Venture Pty Ltd (formerly Asia Pacific Digital eCommerce Pty Ltd).

The head entity, Asia Pacific Digital Limited and the other members of the tax consolidated group account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current and deferred tax amounts to allocate to each member of the group.

In addition to its own current and deferred tax amounts, Asia Pacific Digital Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from wholly owned subsidiaries in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 6.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

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

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which 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 the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(x) Earnings per share

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

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

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

(y) EBITDA – Earnings before interest, tax, depreciation, amortisation and impairment losses

The Company's predominant measure of earnings is EBITDA. EBITDA is earnings before interest, tax, depreciation, amortisation and impairment losses.

(z) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made.

Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods. Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. Given the current uncertain economic environment management considered that the indicators of impairment were significant enough and as such these assets have been tested for impairment in this financial period.

Taxation
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(z) Significant accounting judgements, estimates and assumptions (continued)

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of profit or loss and other comprehensive income.

Share based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a binomial model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Make good provisions
A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with restoring the premises as defined in the lease agreement.

Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the expense or asset (if applicable) and provision. The related carrying amounts are disclosed in note 16.

Estimation of useful lives of assets
The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment) and lease terms (for leased equipment). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

(aa) Foreign currency transactions and balances

Both the functional and presentation of the Asia Pacific Digital Limited and its Australian subsidiaries are Australian Dollars ($). Transactions in foreign currencies are initially recorded by the group’s entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

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

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(bb) Fair Values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

The Group's principal financial instruments comprise receivables, payables, bank loans, cash short-term deposits, investments in unquoted securities and convertible debt.

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below. The Board reviews and agrees policies for managing interest rate risk, credit allowances, and future cash flow forecast projections.

2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (*continued*)

Risk exposures and responses

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and available-for-sale investments.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Group's net investments in foreign subsidiaries.

Equity Price risk

The Group's unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification. The Group's Board of Directors reviews and approves all equity investment decisions.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash deposits and debt obligations. The level of debt is disclosed in note 17.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk.

	Consolidated	
	2017 \$000's	**2016 \$000's**
Financial assets		
Cash and cash equivalents	903	2,349
Other financial assets	780	881
	1,683	3,230
Financial liabilities		
Receivables financing facility	723	1,881
	723	1,881

The Group's policy is to manage its finance costs using a mix of fixed and variable rate debt. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2017, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgement of reasonably possible movements:

	Post tax profit – Higher/(lower)		Equity – Higher/(lower)	
	2017 \$'000's	**2016 \$'000's**	**2017 \$'000's**	**2016 \$'000's**
+1.0 % (100 basis points)	10	13	-	-
-0.5 % (50 basis points)	(5)	(7)	-	-

The movements are due to higher/lower interest costs from variable rate debt and cash balances.

2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (*continued*)

Credit risk
Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and committed available credit lines.

The table below reflects all contractually fixed payments, repayments and interest resulting from recognised financial liabilities as at 30 June 2017. For other obligations, the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amounts or timing are based on the conditions existing at 30 June 2017.

The remaining undiscounted contractual maturities of the Group's financial liabilities are:

	< 6 Mths $000	6-12 Mths $000	1-5 Years $000	>5 Years $000	Total $000
2017					
Trade and other payables	8,009	-	-	-	8,009
Interest bearing borrowings	868	5,546	1,623	1,070	9,107
	8,877	5,546	1,623	1,070	17,116
2016					
Trade and other payables	8,780	-	-	-	8,780
Interest bearing borrowings	3,400	302	5,164	-	8,866
	12,180	302	5,164	-	17,646

For further information on liquidity risk, refer to note 1 (going concern).

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

			Fair value measurement using		
	Valuation date	Total $000	Quoted prices in active markets Level 1 $000	Significant observable inputs Level 2 $000	Significant unobservable inputs Level 3 $000
Assets measured at fair value:					
Available-for-sale investments (Note 14)					
Unquoted equity shares	30 June 17	651	-	651	-
Liabilities measured at amortised cost:					
Convertible debt (Note 17)	30 June 17	5,380	-	-	5,380

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

3. 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 products and services

Digital transformation 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 1 to the accounts.

	Australia & New Zealand		Asia		Total Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	$000's	$000's	$000's	$000's	$000's	$000's
Revenue						
Sales to external customers	33,841	42,935	11,677	12,267	45,518	55,202
Inter-segment sales	17	77	2,201	2,621	2,218	2,698
Total segment revenue	33,858	43,012	13,878	14,888	47,736	57,900
Inter-segment elimination					(2,218)	(2,698)
Total consolidated revenue					**45,518**	**55,202**
Reconciliation of segment results to net loss after tax						
Segment EBITDA	(810)	(2,116)	1,588	589	778	(1,527)
Other expenses					(119)	-
Operating corporate expense (a)					(2,887)	(1,810)
Listed entity expenses (b)					(1,902)	(2,606)
EBITDA					**(4,130)**	**(5,943)**
Depreciation and amortisation	(696)	(1,099)	(256)	(288)	(952)	(1,387)
Unallocated depreciation and amortisation					(184)	(210)
Loss before tax and net finance costs					(5,266)	(7,540)
Finance income					14	50
Finance costs					(1,091)	(1,343)
Loss before income tax					(6,343)	(8,833)
Income tax expenses					(514)	(128)
Loss from discontinued operations					-	(1,088)
Loss for the year					**(6,857)**	**(10,049)**

3. OPERATING SEGMENTS (*continued*)

a) Operating corporate expenses comprise mainly executive management expenses, legal and HR expenses, software and business insurance costs associated with the operating subsidiary.

b) 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 year ended 30 June 2017. The prior year 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.

		Consolidated	
		2017	2016
		$000's	$000's
4.	**EXPENSES**		
(a)	**Depreciation, amortisation and impairment**		
	Depreciation and amortisation		
	Depreciation of plant and equipment	270	385
	Depreciation of leasehold improvement	206	273
	Amortisation of intangible assets:		
	- Software	660	939
		1,136	1,597
(b)	**Employee benefits expense**		
	Salaries and wages	7,852	13,922
	Share-based payments	318	249
	Superannuation	534	1,068
	Annual leave benefits	(39)	454
	Payroll tax	244	550
	Training/recruitment/amenities	647	585
	Other	278	446
		9,834	17,274
(c)	**Other expenses**		
	Communication costs	1,156	1,357
	Non-Executive directors' fees	180	122
	Rent and office supplies	3,466	4,359
	Professional fees	550	652
	Contractors and consultants	356	473
	Other	960	1,246
		6,668	8,209

	Consolidated 2017 $000's	Consolidated 2016 $000's
5. FINANCE COSTS		
Interest expense	978	1,116
Finance fees	113	227
	1,091	1,343

6. INCOME TAX

(a) The major components of income tax expenses are:
Statement of profit or loss and comprehensive income

	2017 $000's	2016 $000's
Current income tax		
- Current income tax charge	(428)	(129)
Deferred income tax		
- Relating to origination and reversal of temporary differences	(86)	1
Income tax expense / benefit reported in the statement of comprehensive income	(514)	(128)

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of profit or loss and other comprehensive income and calculated per statutory income tax rate:

	2017 $000's	2016 $000's
Accounting loss before income tax from continuing operations	(6,343)	(8,833)
Accounting loss before income tax from discontinued operations	-	(1,088)
Total accounting loss before tax	(6,343)	(9,921)
Tax benefit at the Group's statutory income tax rate of 30% (2016: 30%)	1,903	2,977
Effects of tax rates in foreign jurisdictions	(260)	(167)
Tax effect of other non-deductible / non-assessable items	(242)	(143)
Tax effect of current year tax losses for which no tax or deferred asset has been recognised	(1,915)	(2,795)
Aggregate income tax benefit	(514)	(128)

	Consolidated 2017 $000's	Consolidated 2016 $000's
6. INCOME TAX (*continued*)		
(c) Recognised deferred tax assets and liabilities		
Opening balance	996	955
Charged to income	(86)	1
Charged to OCI - available-for-sale financial assets	-	(9)
Charged to equity	(50)	49
Closing balance	860	996
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Intangible assets	17	24
Fixed assets	5	5
Available –for –sale financial assets	45	45
Unbilled revenue	63	194
	130	268
(ii) Deferred tax assets		
Audit fee payable	54	42
Accruals	66	86
Intangible assets	95	112
Provisions:		
- Doubtful debts	40	48
- Rent	76	55
- Annual leave	220	311
- Long service leave	142	191
- Make good	96	96
- Member rewards	60	77
Borrowing costs	7	28
Foreign currency balances	-	35
Capital raising costs	134	183
	990	1,264
Net deferred tax asset	860	996

Based upon the Company's projected earnings, it is expected that sufficient future profits will be generated to recover the deferred tax asset recognised as at 30 June 2017 in respect of taxable temporary differences.

6. INCOME TAX *(continued)*

(d) Tax losses

The group has tax losses which arose in Australia of $27,939,704 (2016: $25,259,000). These tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group, they have arisen in subsidiaries that have been loss making for some time, and there are no other tax planning opportunities and other evidence of recoverability in the near future. If the group were able to recognise all unrecognised deferred tax assets the profit would increase by $8,3819,112.

(e) Tax consolidation

(i) Members of the tax consolidated group and the tax funding and sharing arrangement

Effective 1 July 2004, for the purposes of income taxation, Asia Pacific Digital Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax funding agreement in order to allocate income tax expense to the wholly-owned subsidiaries on a standalone taxpayer basis. In addition, the tax sharing agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Asia Pacific Digital Limited.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under interpretation 1052 *Tax Consolidation Accounting*

The head entity and the wholly owned subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

The nature of the tax funding agreement is discussed further below. In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from wholly owned subsidiaries in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on a standalone taxpayer approach, which is an acceptable method of allocation under Interpretation 1052. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

7. EARNINGS PER SHARE

The following reflects the income used in the calculations of basic earnings per share.

(a) Earnings used in calculating earnings per share

	Consolidated	
	2017	**2016**
	$000's	**$000's**
For basic and diluted earnings per share:		
Loss from continuing operations attributable to ordinary equity holders of the parent	(6,857)	(8,961)
Loss attributable to discontinued operations	-	(1,088)
Net loss attributable to ordinary equity holders of the parent	(6,857)	(10,049)

(b) Weighted average number of shares

	2017	**2016**
	000's	**000's**
Weighted average number of ordinary shares for basic earnings per share	119,074	97,497
Weighted average number of ordinary shares	119,074	97,497

The earnings per share in the current and prior period exclude the effect of some options as they are anti-dilutive. These instruments could potentially dilute earnings per share in the future. There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

8. CASH AND CASH EQUIVALENTS

	2017	**2016**
	$000's	**$000's**
Cash at bank	899	2,344
Cash on hand	4	5
Total cash and cash equivalents	903	2,349

8. CASH AND CASH EQUIVALENTS *(continued)*

Reconciliation of the net loss after tax to the net cash flows from operations

	Consolidated	
	2017	**2016**
	$000's	**$000's**
Loss after income tax	(6,857)	(10,049)
Non-cash items:		
Depreciation and amortisation	1,136	1,603
Share-based payments	318	249
Amortisation of borrowing costs	74	51
Changes in assets and liabilities:		
- Increase in trade and other receivables	3,302	(581)
- Decrease/(increase) in other assets	629	(95)
- Increase in deferred tax assets	224	(94)
- Decrease in deferred tax liabilities	(138)	103
- Increase in trade and other payables	159	1,129
- Increase in provisions	(420)	5
Net cash flows used in operating activities	(1,573)	(7,679)

9. TRADE AND OTHER RECEIVABLES

Current			
Trade receivables (i)		7,386	10,716
Less allowance for impairment loss (a)	(133)	(160)	
Other receivables (ii)		489	1,000
		7,742	11,556

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

(i) Trade and other receivables are non-interest bearing and are generally on 30 – 60 day terms.

(ii) Other receivables do not contain impaired assets. It is expected that these other balances will be received when due. Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivables.

9. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 – 60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of continuing operations of $90,000 (2016: $135,000) has been incurred by the Group. These amounts have been included in the other expense item.

	Consolidated 2017 $000's	Consolidated 2016 $000's
Movements in the provision for impairment loss were as follows:		
Carrying amount at beginning of year	160	102
Additional provision – continuing operations	63	193
Additional provision – discontinued operations	-	571
Amounts utilised during the year – continuing operations	(90)	(135)
Amounts utilised during the year – discontinued operations	-	(571)
Carrying amount at end of year	133	160

At 30 June 2017, the ageing analysis of trade receivables is as follows:

	Total $000's	0-30 days $000's	31-60 days $000's	61-90 days PDNI^ $000's	+91 days PDNI^ $000's	+91 days CI* $000's
2017	7,386	6,129	628	224	272	133
2016	10,716	8,193	1,376	429	558	160

^ PDNI = Past due not impaired.
* CI = Considered impaired.

10. OTHER FINANCIAL ASSETS

	2017	2016
Current		
Restricted cash term deposits (i)	303	146
Non-current		
Restricted cash term deposits (i)	477	735

(i) Restricted cash term deposits are bank term deposits held to secure bank guarantees.

11. OTHER CURRENT ASSETS

	2017	2016
Prepayments	481	599

12. PLANT AND EQUIPMENT

Reconciliation of the carrying amounts at the beginning and end of the period

	Office equipment $000	Leased computer equipment $000	Leasehold improvement $000	Total $000
Consolidated				
Year ended 30 June 2017				
At 1 July 2016 net of accumulated depreciation and impairment	385	126	509	1,020
Additions	132	-	72	204
Depreciation – Continuing operations	(177)	(93)	(206)	(476)
At 30 June 2017, net of accumulated depreciation and impairment	340	33	375	748
At 30 June 2017				
Cost	1,094	275	769	2,138
Accumulated depreciation and impairment	(754)	(242)	(394)	(1,390)
Net carrying amount	340	33	375	748

	Office equipment $000	Leased computer equipment $000	Leasehold improvement $000	Total $000
Consolidated				
Year ended 30 June 2016				
At 1 July 2015 net of accumulated depreciation and impairment	387	-	336	723
Additions	237	275	446	958
Depreciation - Continuing operations	(236)	(149)	(273)	(658)
Depreciation - Discontinued operations	(3)	-	-	(3)
At 30 June 2016, net of accumulated depreciation and impairment	385	126	509	1,020
At 30 June 2016				
Cost	1,166	275	706	2,147
Accumulated depreciation and impairment	(781)	(149)	(197)	(1,127)
Net carrying amount	385	126	509	1,020

13. INTANGIBLE ASSETS AND GOODWILL

(a) Reconciliation of the carrying amounts at the beginning and end of the period

	Software $000	Total Intangible $000	Goodwill $000	Total $000
Consolidated				
Year ended 30 June 2017				
At 1 July 2016, net of accumulated amortisation and impairment	1,013	1,013	11,523	12,536
Additions	147	147	-	147
Acquisition of subsidiary	-	-	-	-
Amortisation of assets in continuing operations	(660)	(660)	-	(660)
Amortisation of assets in discontinued operations	-	-	-	-
Impairment	-	-	-	-
At 30 June 2017, net of accumulated amortisation and impairment	500	500	11,523	12,023
At 30 June 2017				
Cost	2,316	2,316	11,523	13,839
Accumulated amortisation and impairment	(1,816)	(1,816)	-	(1,816)
Net carrying amount	500	500	11,523	12,023

	Software $000	Total Intangible $000	Goodwill $000	Total $000
Consolidated				
Year ended 30 June 2016				
At 1 July 2015, net of accumulated amortisation and impairment	1,498	1,498	11,523	13,021
Additions	457	457	-	457
Acquisition of subsidiary	-	-	-	-
Amortisation of assets in continuing operations	(939)	(939)	-	(939)
Amortisation of assets in discontinued operations	(3)	(3)	-	(3)
Impairment	-	-	-	-
At 30 June 2016, net of accumulated amortisation and impairment	1,013	1,013	11,523	12,536
At 30 June 2016				
Cost	2,650	2,650	11,523	14,173
Accumulated amortisation and impairment	(1,637)	(1,637)	-	(1,637)
Net carrying amount	1,013	1,013	11,523	12,536

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

(b) Description of the Group's intangible assets and goodwill

(i) Software
The value of the group's software represents the fair value of software developed in-house, less amortisation and impairment losses. This software is amortised over its useful life of 2.5 to 3 years.

(ii) Goodwill
After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (c) of this note).

(c) Impairment tests for goodwill

Description of the cash generating units and other relevant information
In FY17 the business reported results under two operating segment i.e. (1) Australia & New Zealand, and (2) Asia This is based on that APD operates in two distinctly different markets and Board of Directors and its executive management team have based on their decision around these two operating segments. However Goodwill acquired through business combinations has been allocated on country level (country cash generating units (CGU)). Therefore the assessment of impairment of goodwill has been undertaken on a country basis, namely Australia, Malaysia, Singapore and New Zealand.

Australia

The recoverable amount of the Australia cash generating unit has been determined with a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a twelve-month period to 30 June 2018 and a forecast covering a further four years.

(i) Carrying amount of goodwill
The carrying amount of goodwill is allocated within the cash generating unit as follows:

	30 June 2017 $000's
Carrying amount of goodwill	7,593

(ii) Key assumptions used in value in use calculations for the Australia CGU for 30 June 2017.
The calculation of value in use in the Australia unit is most sensitive to the following assumptions:

- *Revenue growth*: an average revenue growth rate of 4.7% p.a. has been used in the 5-year forecast. This rate is based on the forecast growth rate as well secured client's contracted and strong pipeline in FY18.
- *Discount rates*: discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the group. The pre-tax discount rate used is 16%.
- *Terminal value growth rate*: a terminal value growth rate of 3% has been used.

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

(iii) Sensitivity to changes in assumptions

There are reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount:

- *Growth rate*: management recognise that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than negative 6.4% from FY2018 would result in the recoverable amount of the Australia unit to fall below its carrying value with all other assumptions held constant.
- *Discount rate*: management recognise that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 27.8% for the recoverable amount of the Australia unit to fall below its carrying value with all other assumptions held constant.

Malaysia

The recoverable amount of the Malaysia cash generating unit has been determined with a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a twelve-month period to 30 June 2018 and a forecast covering a further four years.

(i) Carrying amount of goodwill
The carrying amount of goodwill is allocated within the cash generating unit as follows:

	30 June 2017 $000's
Carrying amount of goodwill	753

(ii) Key assumptions used in value in use calculations for the Malaysia CGU for 30 June 2017.
The calculation of value in use in the Malaysia unit is most sensitive to the following assumptions:

- *Revenue growth:* an average revenue growth rate of 11.6% p.a. has been used in the 5-year forecast. This rate is based on historical actual growth rates plus the forecast growth rate.
- *Discount rates*: discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the group. The pre-tax discount rates used is 16%.
- *Terminal value growth rate*: a terminal value growth rate of 3% has been used.

(iii) Sensitivity to changes in assumptions

There are reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount.

- *Growth rate assumptions*: management recognise that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than negative 16.1% from FY2018 would result in the recoverable amount of the Malaysia unit to fall below its carrying value with all other assumptions held constant.
- *Discount rate assumptions*: management recognise that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 138.8% for the recoverable amount of the Malaysia unit to fall below its carrying value with all other assumptions held constant.

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

Singapore

The recoverable amount of the Singapore cash generating unit has been determined with a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a twelve-month period to 30 June 2018 and a forecast covering a further four years.

(i) Carrying amount of goodwill
The carrying amount of goodwill is allocated within the cash generating unit as follows:

	30 June 2017 $000's
Carrying amount of goodwill	915

(ii) Key assumptions used in value in use calculations for the Singapore CGU for 30 June 2017.
The calculation of value in use in the Singapore unit is most sensitive to the following assumptions:

- *Revenue growth*: an average revenue growth rate of 18.1% p.a. has been used in the 5-year forecast. This rate is based on historical actual growth rates plus the forecast growth rate.
- *Discount rates*: discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the group. The pre-tax discount rates used is 12.7%.
- *Terminal value growth rate*: a terminal value growth rate of 3% has been used.

(iii) Sensitivity to changes in assumptions

There are reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount.

- *Growth rate assumptions* - management recognise that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 12.4% from FY2018 would result in the recoverable amount of the Singapore unit to fall below its carrying value with all other assumptions held constant.
- *Discount rate assumptions* - management recognise that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 18.1% for the recoverable amount of the Singapore unit to fall below its carrying value with all other assumptions held constant.

New Zealand

The recoverable amount of the New Zealand cash generating unit has been determined with a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a twelve-month period to 30 June 2018 and a forecast covering a further four years.

(i) Carrying amount of goodwill
The carrying amount of goodwill is allocated within the cash generating unit as follows:

	30 June 2017 $000's
Carrying amount of goodwill	2,262

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

(ii) Key assumptions used in value in use calculations for the New Zealand CGU for 30 June 2017.
The calculation of value in use in the New Zealand unit is most sensitive to the following assumptions:

- *Revenue growth*: an average revenue growth rate of 16.6% p.a. has been used in the 5-year forecast. This rate is based on the forecast growth rate as well secured client's contracted and strong pipeline in FY18.
- *Discount rates*: discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the group. The pre-tax discount rates used is 15.9%.
- *Terminal value growth rate*: a terminal value growth rate of 3% has been used.

(iii) Sensitivity to changes in assumptions

There are reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount.

- *Growth rate assumptions* - management recognise that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 14.5% from FY18 would result in the recoverable amount of the New Zealand unit to fall below its carrying value with all other assumptions held constant.
- *Discount rate assumptions* - management recognise that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 16.9% for the recoverable amount of the New Zealand unit to fall below its carrying value with all other assumptions held constant.

14. INVESTMENTS

	Consolidated	
	2017	**2016**
	$000's	**$000's**
Current		
Unquoted equity shares	651	651
	651	651

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 shareholdings in a Southeast Asian end-to-end eCommerce enabler in which the Company made a strategic equity investment in June 2014. The carrying value of this investment is AUD 651k. The investment is denominated in US dollars. The Company holds 0.08% (2016: 0.08%) of the issued capital in this entity and expects to sell this shareholding in due course.

15. TRADE AND OTHER PAYABLES

	Consolidated 2017 $000's	2016 $000's
Current		
Trade payables and accruals (i)	8,009	8,780
	8,009	8,780
Non - current		
Operating lease incentive accrual	292	187
	292	187

(i) Due to the short-term nature of these trade and other payables, their carrying value is assumed to approximate their fair value. Trade payables are non-interest bearing and are generally payable on 30 to 60 day terms.

16. PROVISIONS

	2017	2016
Current		
Employee benefits	1,237	1,676
Member rewards (i)	201	258
Lease make good Melbourne lease	178	-
	1,616	1,934
Non-Current		
Employee benefits	101	215
Lease make good	192	370
	293	585

(i) Members of Asia Pacific Digital Australia Pty Ltd accumulate reward points by participating in email promotions, SMS promotions and online market research projects. The obligation to provide reward points to members are accumulated net of estimated points that will expire. The provision is based on the expected incremental direct cost of supplying the goods and services exchanged for points redeemed. The average settlement period of the provision is approximately seven months.

Movement in provisions

Movements in each class of provision during the financial year, other than previously relating to employee benefits, are set out below:

	Lease Make Good $000	Member Rewards $000	Total $000
At 1 July 2016	370	258	628
Arising during the year	-	290	290
Utilised	-	(347)	(347)
At 30 June 2017	370	201	571

17. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated 2017 $000's	2016 $000's
Current		
Debtor finance facility (i)	723	1,881
Secured debt facility (ii)	273	475
Interest bearing debt facility (convertible notes) (iii)	5,380	1,186
Obligations under finance lease contracts	13	85
	6,389	3,627
Non-current		
Secured debt facility (ii)	2,676	1,072
Interest bearing debt facility (convertible notes) (iii)	-	4,029
Obligations under finance lease contracts	-	21
	2,676	5,122

(i) Debtor finance facility

Asia Pacific Digital Australia Pty Ltd trading as APD (APD) has a debtor finance facility in place with the National Australia Bank. The facility is secured by a registered first ranking security interest over the assets and undertakings of APD.

(ii) Secured debt facility

The Company has a secured debt facility with its major shareholder, the Co-Investor No.3 PIPE Fund which is managed by North Ridge Partners Pty Limited. 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.

(iii) Convertible notes

The Company has issued a series of unlisted and unsecured convertible notes with an aggregate face value of $5.38m to sophisticated and professional investors. 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, which is on or about 16 May 2018, into fully paid ordinary shares in the Company (issue price of $0.45).

17. INTEREST BEARING LOANS AND BORROWINGS *(continued)*

Fair values

The carrying amount of the group's current and non-current interest bearing loans and borrowings approximate their fair value except for the convertible debt facility as follows:

	Carrying Amount		Fair Value	
	2017	**2016**	**2017**	**2016**
	$000	**$000**	**$000**	**$000**
Financial Liabilities				
Interest-bearing loans and borrowings	5,380	5,215	5,349	5,347
Total	5,380	5,215	5,349	5,347

The fair value of financial liabilities has been calculated by discounting the expected future cash flows at a rate representative of the market cost of each type of debt. The discount rate applied to calculate the fair value of the convertible debt facility was 11.3% (2016: 11.3%).

(a) **Assets pledged as security**

	Consolidated	
	2017	**2016**
	$000's	**$000's**
Current		
Fixed and floating charge:		
Cash and cash equivalents	277	1,391
Trade and other receivables	5,647	9,340
Other	607	668
Term deposits for bank guarantees:		
Other financial assets	241	5
Total current assets pledged as security	6,772	11,404
Non-current		
Fixed and floating charge:		
Plant and equipment	224	390
Term deposits for bank guarantees:		
Other financial assets	295	534
Total non-current assets pledged as security	519	924
Total assets pledged as security	7,291	12,328

(b) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans.

(c) Interest rate and liquidity risk

Refer to note 2.

18. CONTRIBUTED EQUITY

	Consolidated 2017 $000's	Consolidated 2016 $000's
Issued and paid-up capital		
Ordinary shares each fully paid	143,934	143,344

(a) Ordinary shares

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.

	2017 Consolidated and Company		2016 Consolidated and Company	
	Number of shares	$000's	Number of shares	$000's
Fully paid ordinary shares	120,185,784	143,934	118,381,487	143,344
Movements in shares on issue				
Beginning of the financial year	118,381,487	143,344	92,931,343	136,211
Unlisted employee options exercised	-	-	-	-
Acquisition consideration	-	-	-	-
Issue of share capital	850,023	374	25,252,367	7,585
Acquisition of treasury shares	-	-	-	(200)
Share based payment	954,274	318	197,777	60
Share issue expenses	-	(52)	-	(361)
Deferred tax on share issue expenses	-	(50)	-	49
End of the financial year	120,185,784	143,934	118,381,487	143,344

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The gearing ratios based at 30 June 2017 and 2016 were as follows:

	2017 $000's	2016 $000's
Total borrowings	9,065	8,749
Less: cash and cash equivalents	(903)	(2,349)
Net debt	8,162	6,400
Total equity	2,759	9,292
Total capital	10,921	15,692
Gearing ratio	75%	41%

18. CONTRIBUTED EQUITY (continued)

(c) Options

Unlisted options

At year-end there were 12,030,469 (2016: 12,020,736) unlisted options over ordinary shares on issue (granted). The details of each unlisted options are as follows:

- 600,000 unlisted options to subscribe for 600,000 ordinary shares. The options were exercisable on or before 24 July 2017 at an exercise price of 75 cents for each ordinary share; and
- 11,430,469 unlisted options to subscribe for 11,430,469 ordinary shares. 7,766,524 options had vested at balance date and are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share. The remaining options are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share and remain subject to vesting conditions (vesting date of 30 September 2017).

19. RESERVES

	Consolidated 2017 $000's	Consolidated 2016 $000's
Employee equity options reserve (i)	1,297	1,297
Options reserve (ii)	3,220	3,220
Common control reserve (iii)	(12,311)	(12,311)
Foreign currency translation (iv)	(938)	(672)
Available-for-sale reserve (v)	220	220
	(8,512)	(8,246)

Movement in reserves

Balance at 1 July 2016 $000's	Employee equity options reserve $000's	Options reserve $000's	Foreign currency translation $000's	Available-for-sale reserve $000's	Balance at 30 June 2017 $000's
(8,246)	-	-	(266)	-	(8,512)

Nature and purpose of reserve

(i) The employee equity options reserve is used to record the value of share based payments provided to employees as part of their remuneration. Refer to note 25 for further details of these plans.

(ii) The options reserve is used to record the value of share based payments provided to external parties for fees associated with equity and debt raisings. These were valued at the option price on the day of issue.

iii) The group acquired A.C.N. 123 287 025 Pty Limited (formerly Asia Pacific Digital Australia Pty Ltd) in FY14 and is accounted for as a common control transaction. Therefore, the difference between the fair value of the consideration paid and the existing book values of the assets and liabilities of A.C.N. 123 287 025 Pty Limited (formerly Asia Pacific Digital Australia Pty Ltd) has been debited to a common control reserve ($12,311,000).

(iv) Exchange differences arising on translation of the assets and liabilities of overseas subsidiaries are reflected in the foreign currency translation reserve.

(v) The available-for-sale reserve is used to record the gain / (loss) on available-for-sale financial assets.

20. ACCUMULATED LOSSES

	Consolidated 2017 $000's	2016 $000's
Accumulated losses	132,663	125,806
Balance at beginning of year	125,806	115,757
Net loss attributable to members of the Company	6,857	10,049
Balance at end of year	132,663	125,806

21. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

	2017	2016
Future operating property lease rentals:		
- Within one year	1,505	1,817
- After one year but not more than five years	2,129	3,114
	3,634	4,931

(b) Finance lease commitments

	2017	2016
Future finance lease payments:		
- Within one year	22	97
- After one year but not more than five years	-	24
Total minimum lease payments	22	121
Finance charges	(9)	(15)
	13	106

(c) Contingent liabilities

There were no contingent liabilities as at 30 June 2017 (2016: $nil).

22. KEY MANAGEMENT PERSONNEL

(a)	2017 $	2016 $
Short-term	1,457,666	2,099,922
Post-employment	21,161	75,039
Share based payment	258,576	130,145
Termination benefits	165,747	235,753
	1,903,150	2,540,859

22. KEY MANAGEMENT PERSONNEL (continued)

(b) Other transactions and balances with Key Management Personnel and their related parties

North Ridge Partners Pty Ltd (North Ridge), an entity associated with Peter Hynd and Roger Sharp:

- Interest of $329,279 (2016: $426,921) on the loan (refer note 17 (ii)). At reporting date, $nil interest remained payable;
- Rights issue underwriting fee of $nil (2016: $287,733). At reporting date, $nil remained payable;
- Administration and support services of $200,000 (2016: $200,000). At reporting date, $36,667 remained payable;
- Executive services $263,156 (2016: 240,454). At reporting date $46,164 remained payable.
- The Company charged $38,116 of rent to North Ridge (2016: $38,116) for its share of co-locating at the Company's Sydney premises. At reporting date, $17,470 remained receivable.
- The Company charged $78,536 to North Ridge (2016: $17,977) for its share of co-locating at the Company's Singapore premises, office manager support and insurance allocations. At reporting date, $64,858 remained receivable.
- The company charged $46,039 for provision of finance support to North Ridge (2016: $46,187). At reporting date $11,092 remained receivable.

Amounts recognised at the reporting date in relation to other transactions with Key Management Personnel and their related parties

Consolidated

	2017 $	2016 $
Assets and liabilities		
Trade and other receivables	93,420	22,428
Total assets	93,420	22,428
Trade and other payables	82,831	18,333
Total liabilities	82,831	18,333
Expenses		
Expenses included in net loss	629,744	590,992
Total expenses	629,744	590,992

23. AUDITOR'S REMUNERATION

	Consolidated 2017 $	Consolidated 2016 $
Amounts received or due and receivable by the auditors for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated group by BDO;		
- BDO East Coast Partnership	141,000	144,000
- Other BDO network firms	67,000	61,000
- tax compliance services in relation to the entity and any other entity in the consolidated group	85,700	93,600
	293,700	298,600

24. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Asia Pacific Digital Limited and the trading subsidiaries listed in the following table:

Ongoing operations:

Company and country of incorporation		Class of share	Beneficial percentage held by consolidated entity 2017 %	2016 %
Asia Pacific Digital Australia Pty Ltd (formerly APD Acquire Pty Ltd)	Aust	Ordinary	100	100
Asia Pacific Digital Pte Ltd	Singapore	Ordinary	100	100
APD Holdings Pte Ltd	Singapore	Ordinary	100	100
APD Operating Pte Ltd	Singapore	Ordinary	100	100
Asia Pacific Digital Philippines Pte Ltd	Singapore	Ordinary	100	100
Asia Pacific Digital Manila	Manila	Ordinary	100	100
Asia Pacific Digital Limited	New Zealand	Ordinary	100	100
APD Digital Services Sdn Bhd	Malaysian	Ordinary	100	100
Next Digital Shanghai Co Ltd	China	Ordinary	100	100

Ultimate Parent
Asia Pacific Digital Limited is the ultimate parent company.

Other Related Party Transactions
Transactions undertaken between the group, executive officers and Director-related entities are disclosed in Note 22.

24. RELATED PARTY DISCLOSURE (continued)

Dormant entities:

The Company is currently undertaking a process to streamline the group structure and the following entities are in the process of being deregistered.

Company and country of incorporation		Class of share	Beneficial percentage held by consolidated entity	
			2017 %	**2016%**
ACN 123 287 025 Pty Ltd (formerly Asia Pacific Digital Australia Pty Limited	Aust	Ordinary	100	100
APD Venture Pty Ltd	Aust	Ordinary	100	100
APP Engage Holdings Pty Ltd	Aust	Ordinary	100	100
APP Engage Pty Ltd	Aust	Ordinary	100	100
APD Interact Holdings Pty Ltd	Aust	Ordinary	100	100
APD Interact Pty Ltd	Aust	Ordinary	100	100
Asia Pacific Digital Pte Ltd	Singapore	Ordinary	100	100
Jericho Digital Asia Pte Ltd	Singapore	Ordinary	100	100
APD Services Limited	Hong Kong	Ordinary	100	100
Next Digital (USA) Inc	USA	Ordinary	100	100

25. SHARE BASED PAYMENT PLANS

(a) Recognised share based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2017 $000's	**2016 $000's**
Expense arising from equity-settled share based payment transactions	318	249

The expense includes $318,183 in respect of shares issued for short term incentive plan for senior management. The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the year ended 2017.

(b) Types of share-based payment plans

Employee Share Option Plan
An employee option plan has been established which is open to all full time and part time employees of the consolidated entity under which they are issued with options over the ordinary shares of Asia Pacific Digital Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of the Company.

The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options unless converted into ordinary shares.

25. SHARE BASED PAYMENT PLANS *(continued)*

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of and movements in, share options issued during the year:

	30 June 2017 No.	30 June 2017 WAEP	30 June 2016 No.	30 June 2016 WAEP
Balance at beginning of period	11,420,736	$0.625	12,433,334	$0.625
- granted	937,500	$0.625	1,387,399	$0.625
- expired	-	-	-	-
- exercised	-	-	-	-
- forfeited/not vested	(927,767)	$0.625	(2,399,997)	$0.625
Balance at end of period	11,430,469	$0.625	11,420,736	$0.6255
Exercisable at end of period	7,766,524	$0.625	4,382,078	4,382,078

Options vest once the relevant performance hurdles (Key Performance Indicator targets) and service period conditions have been satisfied. The exercise price for exercisable options is 62.5 cents.

Weighted average remaining contractual life

The weighted average fair value of options granted in the year was 62.5 cents. The weighted average remaining contractual life for share options outstanding as at 30 June 2017 is 1.4 years (2016: 2.4 years).

Fair value of options granted

The fair value at grant date is independently determined using a Binomial Option Pricing Model to value the options. This model takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility (46.3%) of the underlying share, the expected dividend yield and the risk-free interest rate (2.25%) for the term of the option.

26. PARENT ENTITY INFORMATION

	2017 $000's	2016 Restated $000's
Information relating to Asia Pacific Digital Limited		
Current assets	859	1,672
Total assets	23,312	24,267
Current liabilities	(3,234)	(3,639)
Total liabilities	(11,867)	(9,241)
Net assets	11,445	15,026
Issued capital	143,928	143,289
Accumulated losses	(136,704)	(132,484)
Reserves	4,221	4,221
	11,445	15,026
Total comprehensive income of the parent	(4,220)	(6,987)

27. EVENTS AFTER THE BALANCE SHEET DATE

Since balance date the Company has obtained an unsecured loan of $350,000 from shareholder North Ridge Partners. No other matter or circumstance has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, or the state of affairs of the Company in future financial years.

28. DISCONTINUED OPERATIONS

(a) Details of discontinued operations

In the second half of the year ending 30 June 2016 the Company decided to cease operating its loss-making Venture business as part of its plan to move into profit. This business consisted of two five year agreements to provide end-to-end eCommerce and digital advertising services to a New Zealand wine eCommerce client and to an Australian supplements eCommerce client.

	2017 $000's	2016 $000's
(b) Financial performance information		
Revenue	-	169
Expenses	-	(1,251)
EBITDA	-	(1,082)
Depreciation and amortisation	-	(6)
Impairments losses	-	-
Loss before income tax expense	-	(1,088)
Income tax benefit	-	-
Loss after income tax expense from discontinued operations	-	(1,088)
(c) Carrying amounts of assets and liabilities		
Assets		
Cash	-	9
Trade and other receivables	-	6
Property, plant and equipment	-	-
Intangible assets	-	-
Total assets	-	15
Liabilities		
Trade and other payables	-	85
Provisions	-	-
Total Liabilities	-	85
Net assets	-	(70)
(d) Cash flow information		
Net cash used in operating activities	-	(660)
Net cash used in investing activities	-	-
Net cash provided by financing activities	-	668
Net decrease in cash from discontinued operations	-	8

Directors' Declaration

In accordance with a resolution of the Directors of Asia Pacific Digital Limited, I state that:

(1) In the opinion of the Directors:

(a) The financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001 and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, including:

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

(ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) 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 the financial period ending 30 June 2017.

Signed in accordance with a resolution of the Directors.

ROGER SHARP
Chairman
31 August 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Asia Pacific Digital Limited

Report on the Audit of the Financial Report

Opinion

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

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

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

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	***How the matter was addressed in our audit***
Carrying value of goodwill	
The Group has a goodwill balance of $11.52m in the consolidated statement of financial position. This matter is considered significant to our audit given the historic performance of the Group and the material nature of goodwill. Further to this, the assessment of impairment for intangible assets within the relevant CGU's involves critical accounting estimates and judgements specifically in relation to forecast revenue and cash flows, which is affected by future market and economic conditions. Consistent with Australian Accounting Standards, the Group conducts an annual impairment test of the goodwill balance. The Group's disclosures in relation to goodwill are included in Note 13, which specifically explain the sensitivity of changes in the key assumptions which could give rise to impairment of the goodwill balance in the future.	In assessing the carrying value of each CGU, we undertook, amongst others, the following audit procedures: • Evaluated the discounted cash flow models prepared by the Group and challenged the assumptions and judgements made. This included considering the reliability of the CGU's cash flow forecasts with reference to our understanding of the business and the CGU's historical performance and assessing the assumptions regarding future revenue growth, operating costs and discount rate. • Performed sensitivity analysis on the key inputs applied to the discounted cash flow models to assess the impact minor changes in the assumptions would make to the carrying value of the CGU. • Engaged our valuation specialists to support our procedures in validating discount rates applied by the Group in their value-in-use impairment models. We reviewed and considered the disclosures made by the directors in relation to the sensitivities of the inputs and assumptions impacting the carrying value of goodwill.

Other information

The directors are responsible for the other information. The other information comprises the information in the Directors' Report (excluding the audited Remuneration Report section) for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report to Shareholders (including the Chairman's Report and Director's Report), which is expected to be made available to us after that date.

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

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report to Shareholders (including the Chairman's Report and Director's Report), if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in paragraphs a to b or pages 12 to 17 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Asia Pacific Digital Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO East Coast Partnership

BDO

J Bresolin

John Bresolin
Partner

Sydney, 31 August 2017

ASX Additional Information

Additional information required by the Australian Securities Exchange Listing Rules and not shown elsewhere in this report is as follows. The information is current as at 25 August 2017.

Ordinary share capital

120,185,784 fully paid ordinary shares are held by 1,513 shareholders. All issued ordinary shares carry one vote per share and carry the rights to dividends.

Options

600,000 options were held by one holder, exercisable at 75 cents on or before 24 July 2017. These options did not carry a right to vote.

11,430,469 options held by 42 individual plan holders, exercisable at 62.5 cents on or before 28 November 2018. These options do not carry a right to vote.

Distribution of equity shares

The number of shareholders, by size of holding, in each class are:

Size of shareholding:	**Fully paid Ordinary Shares**	**Number of Shareholders**
1 - 1,000	257,544	1,171
1,001 - 5,000	404,559	169
5,001 - 10,000	319,060	41
10,001 - 100,000	3,113,493	78
100,001 - 999,999,999	116,091,128	54
TOTAL	120,185,784	1,513

ASX Additional Information *(continued)*

Twenty largest holders of quoted equity securities

	Name	Number of Units	% of Units
1.	Valuestream Investment Management Ltd <Co-Investor No3 PIPE Fund A/C>	57,728,312	48.0
2.	Wentworth Financial Pty Limited <Wentworth A/C>	8,236,884	6.9
3.	Illimite Pty Ltd	6,203,165	5.2
4.	Armada Trading Pty Ltd	4,234,121	3.5
5.	VBS Investments Pty Ltd	4,173,380	3.4
6.	North Ridge Partners Pty Ltd <Co-Investor No1 Fund A/C>	3,929,513	3.3
7.	Christine Catherine Sharp	3,254,516	2.7
8.	Citicorp Nominees Pty Limited	3,075,868	2.6
9.	HSBC Custody Nominees (Aust) Ltd	2,898,076	2.4
10.	Mr Mark Dalgleish & Mrs Sophie Dalgleish	2,743,966	2.3
11.	JP Morgan Nominees Australia Limited	1,966,748	1.6
12.	Pyvis Nominees Pty Ltd	1,863,734	1.6
13.	Mr Mark Dalgleish <Dalgleish Family A/C>	1,814,118	1.5
14.	Jasforce Pty Ltd	1,679,591	1.4
15.	Connaught Consultants (Finance) Pty Ltd <Super Fund A/C>	848,100	0.7
16.	Mrs Elizabeth Anne Petrusma	832,000	0.7
17.	Big Art Investments Pty Ltd	758,703	0.6
18.	Mr Brett Anthony Orsler	712,062	0.6
19.	Forsyth Barr Custodians Ltd <Forsyth Barr Ltd - Nominee A/C>	707,992	0.6
20.	Modern Dragon Investments Limited	500,296	0.4
		108,161,145	**90.0**