

ApplyDirect

Annual report for the
year ended 30 June 2018

ABN 29 123 129 162



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Letter from the Chairman and CEO

Dear Shareholder

Introduction

On behalf of the Board of ApplyDirect Limited (ApplyDirect or the Company) we are pleased to present to you our 2018 Annual Report.

We began financial year 2018 (FY2018) by evolving our market offering from product based to solution based. This important strategic pivot was informed by valuable customer insights and developing industry themes, both of which were gathered over the previous 12 months.

Arguably, the changes in the recruitment marketing landscape in the past year have been more profound than in the last 20 years. The launch of Google's Cloud Talent Solution, which provides turnkey access to its artificial intelligence and search technology, has been an important catalyst in this.

Our collaboration with Google and the adoption of its Job Search (incorporating machine learning) capability is a perfect complementor to our recruitment marketing platforms. Moreover, it further demonstrates our ability to access and seamlessly incorporate innovative products into all of our solutions.

With this context in mind, our primary objective in FY2018 was sustainable revenue growth through the penetration of our three target segments: Government; Institutional Corporate; and Large Enterprise.

The strong business momentum reflected in some significant customer wins, particularly in Q2 and Q3 of FY2018, is providing real evidence that our solutions are resonating with the market.

ApplyDirect's value proposition is clearer than ever and importantly, remains consistent with its origins. As a provider of customer branded recruitment marketing platforms and related digital services, our solutions connect job seekers directly to employers. As such, we solve the problems created by disjointed HR technology that frustrates the candidate experience and often misinforms the recruitment marketing strategies selected by employers.

Australian employers are forced to spend ~\$12 billion per year on intermediaries, such as recruiting agencies and external job boards, because:

- ▶ jobs advertised on career pages powered by e-recruitment systems are difficult to find in an online search;
- ▶ traditional career pages provide a poor candidate experience, resulting in very low application rates; and
- ▶ unreliable performance data leads to a suboptimal direct recruitment marketing strategy and return on investment.

ApplyDirect's solutions hand control of the process back to the candidates and the employers removing this inefficiency.

In terms of outcomes, customers that have adopted our recruitment marketing platforms and digital services have enjoyed an increase in direct job seeker traffic to their application processes of over 200% and an increase in applications of over 300% - the latter driven largely by more motivated and engaged candidates. This has resulted in significant cost savings on the use of intermediaries.

FY2018 objectives

With sustainable revenue growth as our key objective in FY2018, operating revenue increased by over 148% to \$1.7 million. This was underpinned by important new customer wins across each of our three customer segments.

An important highlight was the strong beachhead established in the government segment. Following the long-term managed services agreement signed with the NSW Government in July

2017, ApplyDirect won a tender to design, build, host and maintain a new Victorian Government careers portal in January 2018. The new CAREERS.VIC platform was successfully launched in May 2018.

The relationships with the NSW and Victorian Governments have also led to an ongoing series of project work, including development of the iworkfor.nsw.gov.au mobile app, migration of the iworkfor.nsw.gov.au careers platform to the cloud, and the integration of VicRoads with CAREERS.VIC. Each of these projects contributes to the underlying stickiness of our government customers, and as such makes such revenue strategically important for the Company.

Owning the whole of government solution for NSW and Victoria also unlocks the "trickle-down" effect with the combined departments and services of both governments representing over 300 additional opportunities for ApplyDirect to implement its recruitment marketing platforms.

Further, the recent partnership with Acendre, combined with securing the contract to build a new careers platform and provide managed services to the Department of Defence, extends these opportunities into the Federal Government.

The health vertical remains a priority and in FY2018 ApplyDirect continued to penetrate the sector. Customers include both private and public-sector service providers in the hospital and aged care sectors. Importantly, several health services customers were previous subscribers to HealthBuzz, highlighting the potential to upsell existing customers and deliver an enhanced return on investment for the employer.

As ApplyDirect continues to penetrate its core market channels, the recent agreement with the Dialog Group represents an important expansion into professional services.

Strong momentum in site traffic and successful campaigns drove strong growth in media sales in FY2018. Pleasingly in July 2018, First State Super renewed its campaign for a further 12 months following the success of its previous campaign, extending the media relationship with ApplyDirect to two years.

FY2018 financials

Total operating revenue for the financial year was \$1.7m, compared to \$694k in FY2017. This growth was driven primarily by contributions from the NSW and Victorian Governments, large enterprise customers and the continuation of strong growth in media revenue.

Total expenses increased by 25% reflecting the investment in business capability to support customer growth. Cash receipts of \$1.54 million were up 93% on the prior year. The closing cash position at 30 June 2018 was \$2.73 million.

Capital raising

Importantly for the future of the Company we have secured strong support from both existing and new investors to raise the capital necessary for ApplyDirect to meet its business objectives.

The Company raised \$3.5 million from institutional and sophisticated investors via 2 tranches, in December 2017 and January 2018, and an additional \$1 million was raised under a share purchase plan for existing shareholders in February 2018.

Most recently, in September 2018, the Company received commitments from investors to raise a further \$1 million.

The Company will continue to explore further capital raising initiatives where this is in the best interests of shareholders and helps to preserve or enhance shareholder value.

Outlook

The last quarter of the FY2018 year was ApplyDirect's strongest to date and the key focus for FY2019 is to maintain the acceleration of growth seen late in FY2018.

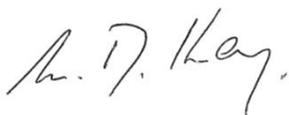
The success in building strong relationships with government customers is providing a solid revenue base for the business. Importantly, it continues to provide a significant pipeline of new business opportunities that will drive the next stage of growth. The recent penetration of the Federal Government sector in partnership with Acendre will further extend these opportunities.

Institutional corporate continues to be an important market segment for the business. ApplyDirect's solution enables such institutions to unlock the benefits associated with their size and scale. Based on the current opportunities at the latter part of the sales cycle, a significant contribution is expected from this market in FY2019.

The deep integration between ApplyDirect's platforms and underlying employer e-recruitment systems enables large enterprise employers to access a better return on their recruitment marketing investment. This compelling value proposition is enabling ApplyDirect to penetrate this market segment, which is expected to be another important revenue contributor in FY2019.

Conclusion

With an enhanced market offering, supported by highly credentialed case studies in each of our target customer segments, we believe the Company is well positioned to unlock this significant opportunity in the years ahead. As such, we would like to take this opportunity to thank the entire ApplyDirect team for their tireless efforts, and you, our shareholders for your ongoing support.



Michael Kay
Chairman



Lorcan Barden
CEO

Directors' Report

Your Directors present their report on the Company for the year ended 30 June 2018.

Directors and Company Secretary:

The following persons were Directors and Company Secretary of ApplyDirect Limited during the financial year and up to the date of this report:

Mr Michael Kay
(Chairman)

Mr Bryan Petereit
Chief Technology Officer & Executive Director

Mr Michael Norster
Non-Executive Director (appointed 29 May 2018)

Mr Drew Ilsley
Non-Executive Director (resigned 29 May 2018)

Mr Anthony Charles
Independent Non-Executive Director (resigned 29 May 2018)

Mr Phillip Hains
Company Secretary (resigned 14 May 2018)

Mr Prashant Chandra
Company Secretary (appointed 14 May 2018)

Principal activities:

During the year the principal continuing activities of the Company consisted of providing an innovative on-line database and search platform that links employers and job candidates directly to live job opportunities on employer websites.

Dividends:

No dividends have been paid or declared by the Company since the beginning of the financial year. No dividends were paid for the previous financial year.

Risks related to our business:

The Company is subject to normal business risks, including but not limited to interest rate movements, labour conditions, government policies, securities market conditions, exchange rate fluctuations, and a range of other factors which are outside the control of the Board and Management.

More specific material risks of the operating sector and the Company include, but are not limited to:

Competition:

ApplyDirect operates in a competitive industry which is subject to increasing competition from companies in Australia and throughout the world, through a combination of established organisations and new entrants to the market. ApplyDirect cannot predict the timing and scale of its competitors' actions or whether new competitors will emerge in the online recruitment advertising market.

Failure to protect intellectual property:

The Company's proprietary cataloguing system and search engine is not protected through any patent or other form of registered intellectual property. ApplyDirect considers that, in practical terms, its proprietary cataloguing system and search engine are not likely to be capable of intellectual property registration. A lack of registered protection is likely to enhance the risk that ApplyDirect's intellectual property may be the subject of unauthorised disclosure or unlawfully infringed. ApplyDirect may need to incur substantial costs in monitoring, asserting or defending its intellectual property rights.

Cyber security, computer crime and privacy breaches:

Increased cyber-security threats and computer crime also pose a potential risk to the security of ApplyDirect's information technology systems, including those of contracted third-party service providers, as well as the confidentiality, integrity and availability of the data stored on those systems. Any breach in information technology security systems could result in the disclosure or misuse of confidential or proprietary information, including sensitive employer, employee or investor information maintained in the ordinary course of business. Any such event could cause damage to reputation, loss of valuable information or loss of revenue and could result in large expenditures to investigate or remediate, to recover data, to repair or replace networks or information systems, or to protect against similar future events.

Failure to execute strategic initiatives/ operating costs and margins:

The Company's strategy involves a significant expansion of its sales, marketing and business development teams. It will involve the Company in the recruitment of additional senior management personnel and the undertaking of an extensive multi-media brand recognition and awareness campaign. The ability of ApplyDirect to achieve growth of its business is dependent on the successful implementation of the company's growth strategies, business plans and strategic initiatives outlined in this Prospectus. An inability to successfully implement these plans and initiatives, whether wholly or partially, could adversely affect the Company's operating and financial performance.

Significant changes in the state of affairs:

The Company notes that there have been no significant changes in the state of affairs during the financial year.

Events since the end of the financial year:

At the time of releasing this annual report, the Company has received commitments from investors to raise capital. Refer to Note 18 Events occurring after the reporting period.

No matter or circumstance has arisen since 30 June 2018 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations:

There were no likely developments in the operations of the Company that were not finalised at the date of this report.

Environmental regulation:

The Company is not affected by any significant environmental regulation in respect of its operations.

Information on Directors:

Michael Kay | Chairman

Experience & Expertise:

Michael was Chief Executive Officer and Managing Director of listed salary packaging company, McMillan Shakespeare Ltd, a position he held for six years. Previously Michael had been CEO of the national insurer, AAMI, after serving in a variety of senior roles with that company. Prior to joining AAMI, Michael spent 12 years in private legal practice. Michael is a Director of Royal Automobile Club Insurance (WA), IMF Bentham Limited, Lovisa Holdings Limited and Quintis Limited (to 18/06/2018). He is a former member of the Commonwealth Consumer Affairs Advisory Council, the Administrative Law Committee of the Law Council of Australia, the Victorian Government Finance Industry Council and the Committee for Melbourne. Michael holds a Bachelor of Laws from the University of Sydney.

Current or Former Directorships held in other listed entities within the last 3 years:

Quintis Ltd (to 18/06/2018)
IMF Bentham Ltd (current)
Lovisa Holdings Ltd (current)

Interests in Shares and Options:

3,111,111 ordinary shares
16,055,555 options over ordinary shares
Nil convertible notes

Michael Norster | Non-Executive Director (appointed 29/05/2018)

Experience & Expertise:

Michael Norster has been and is the major driving force in forming a number of successful, start up, Australian businesses. Michael founded the Australian Energy group of companies that traded under the name Powerdirect in 1997. He was the major shareholder in that group from ASX listing in 2001 until its completed sale to Ergon Energy in early 2006. He is the founder and executive chairman of the Green Generation group of private companies which commenced in 2010. The group owns electricity retailer Blue NRG and renewable energy developer and risk manager GG Renewable Energy. In addition to ApplyDirect, Michael was also the seed investor in the information technology recruitment company Primex Solutions Pty Ltd. He has assisted in the formation and establishment of one of Australia's largest telecommunications carriers Axicorp Pty Ltd (which became Primus Telecommunications) and was a Director and shareholder in Hotkey Internet Services Pty Ltd (all now a part of Vocus Communications).

Current or Former Directorships held in other listed entities within the last 3 years:

None

Interests in Shares and Options:

25,322,717 ordinary shares
666,667 options over ordinary shares
Nil convertible notes

Bryan Petereit | Chief Technology Officer & Executive Director

Experience & Expertise:

Bryan is the founder and Chief Technology Officer of ApplyDirect. Bryan commenced his working career with IBM Australia. Subsequently, he worked in the IT sector in management roles with Ferntree Computer Corporation and, following its acquisition, with the IT division of GE Capital. Prior to his current role at ApplyDirect, Bryan commenced, ran and ultimately sold (to the Finite Group) his own IT recruitment business. Bryan holds a Master of Applied Finance from Macquarie University and a Bachelor of Science Degree, major in Computer Science.

Current or Former Directorships held in other listed entities within the last 3 years:

None

Interests in Shares and Options:

21,237,521 ordinary shares
277,777 options over ordinary shares
Nil convertible notes

Directors' Report

Information on Directors (continued)

Drew Ilsley | Non-Executive Director (resigned 29/05/2018)

Experience & Expertise:

Drew has had an extensive career assisting growth companies achieve their corporate objectives. With thirty years' experience spanning chartered accounting, investment banking, small cap fund management and private equity, Drew has extensive experience in the areas of strategy and corporate advice. Drew successfully advised, and was a Non-Executive Director of, ASX listed managed security services provider, Securenet Ltd, which reached a market capitalisation in excess of A\$1 billion before being acquired by the US listed Betrustrusted Inc. Drew has a Bachelor of Commerce from the University of Melbourne and was a practicing member of the Institute of Chartered Accountants for many years.

Current or Former Directorships held in other listed entities within the last 3 years:

None

Interests in Shares and Options:

2,556,923 ordinary shares
2,836,717 options over ordinary shares
Nil convertible notes

Anthony Charles | Independent Non-Executive Director (resigned 29/05/2018)

Experience & Expertise:

Over the last 20 years Anthony has guided the communications and commercial rights strategies of some of Australia's largest brands including Cricket Australia, the AFL, NRL, MCC and many others. Most recently, Anthony was Group Managing Director, rights management, sponsorship and production at Aegis Media after being with the combined group for over 13 years. During that period Anthony started Stadia Media, Australia's largest sports advertising business, for Mitchell & Partners (now Dentsu Aegis). At Dentsu Aegis, Anthony also had responsibility for acquisition integration as well as a number of business start-ups. Anthony has wide experience and contacts in the media strategy, buying and advertising areas. Anthony has a Bachelor of Business, Marketing from Monash University.

Current or Former Directorships held in other listed entities within the last 3 years:

None

Interests in Shares and Options:

527,776 ordinary shares
388,888 options over ordinary shares
Nil convertible notes

Meetings of Directors:

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2018, and the number of meetings attended by each Director were.

| Director | Full Board | | Audit and Risk Committee | | Remuneration Committee | |
|-----------------|------------|-------------------|--------------------------|-------------------|------------------------|-------------------|
| | Attended | Held ¹ | Attended | Held ¹ | Attended | Held ¹ |
| Michael Kay | 9 | 9 | 4 | 4 | 1 | 1 |
| Bryan Petereit | 9 | 9 | 4 | 4 | 1 | 1 |
| Drew Ilsley | 8 | 8 | 4 | 4 | - | - |
| Anthony Charles | 8 | 8 | 4 | 4 | - | - |
| Michael Norster | 1 | 1 | - | - | 1 | 1 |

1. Reflects the number of meetings held in the time the Director held office during the year.

Remuneration Report:

The Directors present the ApplyDirect Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The report is structured as follows:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Relationship between the remuneration policy and company performance
- (f) Key management personnel disclosures

(a) Principles used to determine the nature and amount of remuneration

Remuneration governance:

Remuneration in respect of directors and executives of the Company is overseen by the Full Board of Directors of ApplyDirect Limited.

The Board of Directors of the Company will ensure that the Company has coherent remuneration policies and practices to attract, motivate and retain executives and directors who will create value for shareholders and who are appropriately skilled and diverse; observe those remuneration policies and practice; fairly and responsibly reward executives having regard to the Company and individual performance, the performance of the executives and the general external pay environment; and integrate human capital and organisational issues into its overall business strategy.

Remuneration will be reviewed on at least an annual basis with consideration given to individuals' performance and their contribution to the Company's success (against measurable key performance indicators), external market relativities, shareholders' interests and desired market positioning.

The Board will review the remuneration of executive and non-executive directors and other executives having regard to any recommendations made by the Chief Executive Officer of the Company and other external advisers.

Executive remuneration:

Executive remuneration consists of fixed remuneration, equity-based remuneration, and termination payments such as superannuation. Superannuation contributions are paid into the executive's nominated superannuation fund.

Non-executive director remuneration:

Non-executive director remuneration consists of fixed remuneration, equity-based remuneration and superannuation.

Fixed remuneration:

Executive and Non-Executive Directors are offered a competitive level of base pay which comprises the fixed (unrisky) component of their pay and rewards, which should be reasonable and fair; take into account the Company's legal and industrial obligations and labour market conditions; be relative to the scale of the Company's business; reflect core performance requirements and expectations; and take into account incumbent skills and experience, and the time commitment and responsibilities of the role.

Variable performance-based remuneration:

The Company does not pay any variable performance-based remuneration to its directors and executives.

Equity-based remuneration:

This can include options or performance shares and is especially effective when linked to hurdles that are aligned to the company's longer-term performance objectives. It should also take into account executive performance. However, programs should be designed so that they do not lead to 'short-termism' on the part of senior executives or the taking of undue risks.

Termination payments:

All directors and executives are not entitled to retirement benefits other than superannuation or those required under law.

Securities trading policy:

The trading of Company's securities by employees and directors is subject to, and conditional upon, the Policy for Trading in Company Securities which is available on the Company's website at <http://www.applydirect.com.au>.

(b) Details of remuneration

Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director (whether Executive or otherwise) of the Company receiving the highest remuneration. Details of the remuneration of the KMP of the Company are set out in the following tables.

The following persons held office as Directors of ApplyDirect Limited during the financial year:

Mr Michael Kay
Chairman

Mr Bryan Petereit
Chief Technology Officer & Executive Director

Mr Michael Norster
Non-Executive Director (From 29 May 2018)

Mr Drew Ilsley
Non-Executive Director (Resigned 29 May 2018)

Mr Anthony Charles
Independent Non-Executive Director (Resigned 29 May 2018)

Other Key Management Personnel:

Mr Lorcan Barden
Chief Executive Officer

Mr Prashant Chandra
Chief Financial Officer (From 14 May 2018)

There are no other key management personnel other than those stated above.

Director's Report

Remuneration Report (continued) (b) Details of remuneration (continued)

| | Short term benefits | | | Post-employment benefits | Long term benefits | Share based payments | | Total | % of total remuneration not related to performance |
|--|-----------------------------------|------------------------|--------------|--------------------------|--------------------|-----------------------|-------------------------------------|------------------|--|
| | Cash salary and fees ¹ | Bonus and non-monetary | Non-monetary | Super-annuation | Long service leave | Equity settled shares | Equity settled options ² | | |
| 2018 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Directors | | | | | | | | | |
| Bryan Petereit | 313,266 | - | - | 20,070 | 5,342 | - | - | 338,678 | 100% |
| Michael Kay | 150,000 | - | - | 14,250 | - | - | - | 164,250 | 100% |
| Michael Norster (appointed 29/05/2018) | 7,536 | - | - | 716 | - | - | - | 8,252 | 100% |
| Drew Ilsley (end 29/05/2018) | 73,333 | - | - | 6,967 | - | - | - | 80,300 | 100% |
| Anthony Charles (end 29/05/2018) | 80,300 | - | - | - | - | - | - | 80,300 | 100% |
| Other Key Management Personnel | | | | | | | | | |
| Lorcan Barden | 374,322 | - | - | 20,055 | - | - | 383,900 | 778,277 | 100% |
| Prashant Chandra (appointed 14/05/2018) | 27,616 | - | - | 2,420 | - | - | - | 30,036 | 100% |
| | 1,026,373 | - | - | 64,478 | 5,342 | - | 383,900 | 1,480,093 | 100% |

1. Cash salary and fees: Includes movements in annual leave liability

2. Equity settled options: The value of options granted is expensed over the vesting period and are a non-cash accounting expense.

| | Short term benefits | | | Post-employment benefits | Long term benefits | Share based payments | | Total | % of total remuneration not related to performance |
|---|-----------------------------------|------------------------|--------------|--------------------------|--------------------|-----------------------|-------------------------------------|------------------|--|
| | Cash salary and fees ¹ | Bonus and non-monetary | Non-monetary | Super-annuation | Long service leave | Equity settled shares | Equity settled options ² | | |
| 2017 | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Directors | | | | | | | | | |
| Bryan Petereit | 338,034 | - | - | 19,616 | 18,334 | - | - | 375,984 | 100% |
| Michael Kay | 180,080 | - | - | 17,108 | - | - | - | 197,188 | 100% |
| Drew Ilsley | 81,818 | - | - | 7,773 | - | - | - | 89,591 | 100% |
| Anthony Charles | 88,273 | - | - | - | - | - | - | 88,273 | 100% |
| Other Key Management Personnel | | | | | | | | | |
| Lorcan Barden (appointed 12/09/2016) | 301,713 | - | - | 16,601 | 510 | - | 306,067 | 624,891 | 100% |
| | 989,918 | - | - | 61,098 | 18,844 | - | 306,067 | 1,375,927 | 100% |

1. Cash salary and fees: Includes movements in annual leave liability

2. Equity settled options: The value of options granted is expensed over the vesting period and are a non-cash accounting expense.

Remuneration Report (continued)

(c) Service agreements

Non-Executive Directors:

Name: Michael Kay

Title: Chairman

Agreement Commenced: 6 March 2015

Term of agreement: Open

Details: On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Company or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment.

Name: Michael Norster

Title: Non-Executive Director

Agreement Commenced: 29 May 2018

Term of agreement: Open

Details: On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Company or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment.

Name: Drew Ilsley

Title: Non-Executive Director

Agreement Commenced: 22 June 2011

Term of agreement: Resigned 29 May 2018

Details: On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Company or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment.

Name: Anthony Charles

Title: Independent Non-Executive Director

Agreement Commenced: 21 June 2016

Term of agreement: Resigned 29 May 2018

Details: On termination, resignation, retirement or removal from office for any reason, the Director shall not be entitled to any damages for, or make any claim against the Company or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the Director in respect of his retirement or any unexpired portion of the term of his appointment.

Executives

Name: Bryan Petereit

Title: Chief Technology Officer (CTO)

Agreement Commenced: 22 June 2016

Term of agreement: Open

Details: Termination period of notice is 12 months. In case of termination, the Company may pay the Director an amount equivalent to the remuneration package for part or all of the period of notice not given or required to be served unless the termination is a result of fraud, misconduct or other exceptions specified in the agreement.

Key Management Personnel

Name: Lorcan Barden

Title: Chief Executive Officer (CEO)

Agreement Commenced: 12 September 2016

Term of agreement: Open

Details: On termination, resignation, retirement or removal from office for any reason, the CEO shall not be entitled to any damages for, or make any claim against the Company or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the CEO in respect of his retirement or any unexpired portion of the term of his appointment.

Name: Prashant Chandra

Title: Chief Financial Officer (CFO)

Agreement Commenced: 14 May 2018

Term of agreement: Open

Details: On termination, resignation, retirement or removal from office for any reason, the CFO shall not be entitled to any damages for, or make any claim against the Company or its officers in relation to, loss of office and, unless expressly agreed by the Board to the contrary, no fee will be payable to the CFO in respect of his retirement or any unexpired portion of the term of his appointment.

Remuneration Report (continued)

(d) Share-based compensation

Issues of shares:

Details of shares issued to Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2018 are set out below:

| Name | Date | No. of shares | Fair value (\$) | \$AUD |
|--|------|---------------|-----------------|-------|
| Bryan Petereit | - | - | - | - |
| Michael Kay | - | - | - | - |
| Drew Ilsley (end 29/05/2018) | - | - | - | - |
| Anthony Charles (end 29/05/2018) | - | - | - | - |
| Michael Norster (appointed 29/05/2018) | - | - | - | - |
| Lorcan Barden | - | - | - | - |
| Prashant Chandra (appointed 14/05/2018) | - | - | - | - |

Options:

The number of options over ordinary shares granted to and vested by Directors and other Key Management Personnel as part of compensation during the year ended 30 June 2018 are set out below:

| Name | No. of options granted during the year | No. of options granted during the prior year | No. of options vested during the year | No. of options vested during the prior year |
|--|--|--|---------------------------------------|---|
| Bryan Petereit | - | - | - | - |
| Michael Kay | - | - | - | - |
| Drew Ilsley (end 29/05/2018) | - | - | - | - |
| Anthony Charles (end 29/05/2018) | - | - | - | - |
| Michael Norster (appointed 29/05/2018) | - | - | - | - |
| Lorcan Barden | - | 11,000,000 | - | - |
| Prashant Chandra (appointed 14/05/2018) | 800,000 ¹ | - | - | - |

1. Options granted during the year: Prashant Chandra was granted 800,000 options prior to his appointment as KMP of the Company.

Options granted carry no dividend or voting rights.

Remuneration Report (continued)

(e) Relationship between the remuneration policy and Company performance

Remuneration of Executives consists of an unrisks element (base pay) and share bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not linked to the financial performance of the Company in the current or previous reporting periods.

Non-Executive Director's remuneration is not affected by the Company performance.

(f) Key management personnel disclosures

Shareholding:

The number of shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Company, including their personally related parties, is set out below:

| Name | Balance at the start of the year | Received as part of remuneration | Purchases | Disposals/other | Balance at the end of the year |
|--|----------------------------------|----------------------------------|-----------|-----------------|--------------------------------|
| Bryan Petereit | 20,681,967 | - | 555,554 | - | 21,237,521 |
| Michael Kay | 2,000,000 | - | 1,111,110 | - | 3,111,110 |
| Drew Ilsley (end 29/05/2018) | 2,001,369 | - | 555,554 | - | 2,556,923 |
| Anthony Charles (end 29/05/2018) | 250,000 | - | 277,776 | - | 527,776 |
| Lorcan Barden | - | - | - | - | - |
| Prashant Chandra (appointed 14/05/2018) | - | - | 222,222 | - | 222,222 |
| Michael Norster (appointed 29/05/2018) | 23,989,383 | - | 1,333,334 | - | 25,322,717 |

Option holding:

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Company, including their personally related parties, is set out below:

| Name | Balance at the start of the year | Granted as remuneration | Exercised | Expired, forfeited and other ¹ | Balance at the end of the year |
|--|----------------------------------|-------------------------|-----------|---|--------------------------------|
| Bryan Petereit | - | - | - | 277,777 | 277,777 |
| Michael Kay | 15,500,000 | - | - | 555,555 | 16,055,555 |
| Drew Ilsley (end 29/05/2018) | 4,694,004 | - | - | (1,857,287) | 2,836,717 |
| Anthony Charles (end 29/05/2018) | 250,000 | - | - | 138,888 | 388,888 |
| Lorcan Barden | 11,000,000 | - | - | - | 11,000,000 |
| Prashant Chandra (appointed 14/05/2018) | - | - | - | 911,111 ² | 911,111 |
| Michael Norster (appointed 29/05/2018) | - | - | - | 666,667 | 666,667 |

1. Expired, forfeited and other: Included within 'other' are options issued as part of capital raising activities in December 2017.

2. Includes 800,000 options granted to Prashant Chandra prior to his appointment as KMP of the Company.

Director's Report

Remuneration Report (continued)

Other transactions with Key Management Personnel:

There were no other transactions with Key Management Personnel during the period not disclosed above.

End of Remuneration Report

Insurance of officers and indemnities:

The Company has indemnified the Directors and Executives of the Company for costs incurred, in their capacity as a Director or Executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and Executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the Company:

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services:

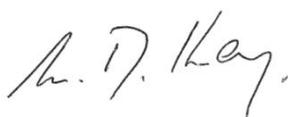
Details of the amounts paid or payable to the current and previous auditors for non-audit services provided during the year are set out below.

| | Year ended | |
|--|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| <i>Other assurance services</i> | - | - |
| Total remuneration for other assurance services | - | - |
| <i>Taxation services</i> | - | - |
| Total remuneration for taxation services | - | - |
| <i>Other services</i> | - | - |
| Total remuneration for other services | - | - |
| Total remuneration for non-audit services | - | - |

Auditor's independence declaration:

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

This report is made in accordance with a resolution of Directors.



Mr Michael Kay

Chairman

Date: 27 September 2018



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Auditor's Independence Declaration

To the Directors of ApplyDirect Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of ApplyDirect Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

S C Trivett
Partner - Audit & Assurance

Melbourne, 27 September 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Corporate Governance

The Board is responsible for the overall corporate governance of ApplyDirect Limited ("ApplyDirect" or the "Company"). The Board monitors the operational and financial position and performance of ApplyDirect and oversees its business strategy, including approving the strategic goals of the Company and considering and approving a business plan and an annual budget.

The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of ApplyDirect. In conducting ApplyDirect's business, the Board will seek to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that ApplyDirect and its Directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing ApplyDirect, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for ApplyDirect's business and which are designed to promote the responsible management and conduct of ApplyDirect.

The ASX Recommendations articulate a number of core principles and associated recommendations that the ASX Corporate Governance Council believes underlie good corporate governance.

The Board endorses generally the ASX Recommendations and has considered the ASX Recommendations in determining an appropriate system of control and accountability, commensurate with these guidelines, to best fit its business and operations.

The Company will seek to follow the ASX Recommendations and, as required under the ASX Listing Rules, where the Company determines it would be inappropriate to follow the ASX Recommendations because of its circumstances (including as identified below), the Company will provide reasons for not doing so.

The Board intends to regularly review its corporate governance procedures and their appropriateness. The Company's corporate governance policies and procedures are available on the Company's website.

Principle 1: Lay solid foundations for management and oversight

Board Charter

The Board has adopted a written Charter to clarify the roles and responsibilities of Board members. This Charter addresses:

- a) the Board's composition;
- b) the Board's role and responsibilities;
- c) the relationship and interaction between the Board and Management; and
- d) the manner in which the Board monitors its own performance.

The role of the Board is to identify the expectations of Shareholders and the ethical and regulatory obligations of the Company.

The Board Charter formalises the functions and responsibilities of the Board. The Board is ultimately responsible for all matters relating to the running of the Company.

The responsibilities of the Board include:

- a) formulation, review and approval of the objectives and strategic direction of the Company;
- b) reviewing, monitoring and approving any related party transaction;
- c) monitoring the financial performance of the Company by reviewing and approving budgets and results;
- d) approving all significant business transactions including acquisitions, divestments and capital expenditure;
- e) ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- f) review of performance and remuneration of Directors;
- g) review of performance and remuneration of the CEO; and
- h) the establishment and maintenance of appropriate corporate governance and ethical standards.

The Board has procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

Responsibility for the operation and administration of the Company is delegated by the Board to the CEO and the Senior Executives. The Board must ensure that the CEO and Senior Executives are appropriately qualified and experienced to discharge their responsibilities. The performance of the CEO and Senior Executives is assessed annually with reference to agreed milestones.

The Board intends to perform a strategic review of the Company and its business at regular intervals, considering the performance of both itself and individual Directors. This review will be carried out by the Board as a whole, with reference to Company strategy and previously agreed milestones.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a Director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of Director. The Company will provide relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a Non-Executive Director, Executive Directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Principle 1: Lay solid foundations for management and oversight (continued)

Diversity

The Company is committed to increasing diversity amongst its employees, not just gender diversity. Our workforce is employed based on the right person for the right job regardless of their gender, age, nationality, race, religious beliefs, cultural background, sexuality or physical ability.

Executive and board positions are filled by the best candidates available without discrimination. The Company is committed to increasing gender diversity within these positions when practical and appropriate to do so.

The Company has not set any gender specific diversity objectives as it believes that all categories of diversity are equally as important within its organisation.

The Company's gender diversity as at 30 June 2018 is detailed below:

- ▶ Women on the Board: 0 of 3 (0%)
- ▶ Women in Senior Executive positions: 0 of 2 (0%)
- ▶ Women in the organisation: 7 of 14 (50%)

Encourage Enhanced Performance

The performance of the Board, individual Directors and Executive Officers of the Company is monitored and evaluated by the Board. The Board is responsible for conducting evaluations on a regular basis in line with these policy guidelines.

During the year 2018, the Board has conducted evaluations of the management teams and other members of the organisation at the monthly Director meetings.

During the year, all Directors have full access to all Company records and receive Financial and Operational Reports at each Board Meeting.

Principle 2: Structure the Board to add value

Board Structure

The Board has been formed so that it has an effective mix of personnel who are committed to discharging their responsibilities and duties and being of value to the Company.

The names of the Directors, their independence, qualifications and experience are stated in the company's Annual Report along with the term of office held by each.

Having regard to the indicators of independence set out in Principle 2.3 of the ASX Recommendations, the Board considers an independent Director to be a Non-Executive Director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgment. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. The Board currently consists of four members of which one is considered to meet the independence guidelines set out in the ASX recommendations.

The Board considers that Mr Anthony Charles is an independent Director until 29 May 2018 for the purpose of the ASX Recommendations as he is free from any interest, position, association or relationship that could materially interfere with or reasonably be perceived to materially interfere with, the independent exercise of their judgement.

According to the ASX's recommendations, neither Mr Michael Kay (Chairman), Mr Drew Ilsley (Non-Executive Director) until 29 May 2018, Mr Michael Norster (Non-Executive Director) nor Mr Bryan Petereit (Executive Director) is considered as Independent Director

by virtue of (i) their recent or current executive roles in the Company or (ii) their involvement in advising the Company on its strategic direction and fund raising.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

A new director induction program is in place and Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

Code of Conduct

The Company's Code of Conduct addresses matters relevant to the Company's legal and ethical obligations to its stakeholders. The policy outlines its requirements with respect to:

- ▶ relationships;
- ▶ compliance with laws and ethics;
- ▶ conflicts of interest;
- ▶ confidentiality; and
- ▶ use of Company assets.

Principle 4: Safeguard integrity in corporate reporting

Audit and Risk Committee

The Board has established an Audit and Risk Committee, which operates under a Charter approved by the Board. The Audit and Risk Committee comprises all Board members (other than the Managing Director). Mr Ilsley was Chair of the Audit and Risk Committee for the financial year to 29 May 2018. Mr Norster was subsequently appointed Chair of the Audit Risk Committee on 25 June 2018.

As members of the Board act on Board Committees, the size and the current composition of the Company's Board preclude the Company from complying with all ASX recommendations relating to Board Committee composition.

It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit and Risk Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the year are set out in this statement and in the Directors' Report.

For details on the number of meetings of the Audit Committee held during the year and the attendees at those meetings, refer to the Directors' report.

Principle 4: Safeguard integrity in corporate reporting (continued)

CEO and CFO Declarations

The CEO and CFO have provided the Board with a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

External Auditor

The Company's external auditor attends each annual general meeting and is available to answer any questions with regard to the conduct of the audit and their report.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

Principle 5: Making timely and balanced disclosure

Disclosure Policy

The Company's Disclosure Policy has been adopted with a view to ensuring that the Company complies with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. The policy highlights the requirements for immediate notification, the procedure for disclosing material information, the persons responsible for disclosing information and for ensuring compliance generally by the Company with its disclosure obligations.

The Chief Executive Officer and the Company Secretary are responsible for communicating with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirement in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The information disclosed will be factual and presented in a clear and balanced way. The Company has prepared and issued to all senior staff a written policy document on this matter and requires strict adherence to this policy.

The Company's Disclosure Policy can be viewed on the Company's website.

Principle 6: Respect the rights of shareholders

Shareholder Communication

The Company is committed to providing current and relevant information to its Shareholders. The Board aims to ensure that Shareholders are informed of all major developments. The shareholder Communication Policy outlines the processes and responsibilities for reports issued to shareholders, ASX announcements, annual general meetings and the maintenance of company specific information on the Company website. The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- ▶ communicating effectively with Shareholders through releases to the market via ASX, the Company website, information mailed to Shareholders and the general meetings of the Company;

- ▶ giving Shareholders ready access to clear and understandable information about the Company; and
- ▶ making it easy for Shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for Shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from the Company and its securities registry electronically.

Principle 7: Recognise and manage risk

Audit and Risk Management Policy

The Audit and Risk Management Policy outlines the composition of the Audit & Risk Committee, its responsibilities (in respect of the financial management, reporting, audit and the risk management systems of the Company), authorities, meeting requirements and reporting procedures.

The Board is committed to the identification, assessment and management of risk throughout the Company's business activities.

The Audit & Risk Committee operates pursuant to a charter which provides for risk oversight and management within the Company. This is periodically reviewed and updated. Management reports risks identified to the Committee on a periodic basis.

The Company's Risk Management Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

The Board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound. A review of the Company's risk management framework was conducted during the 2018 financial year.

Management reports risks identified to the Board through regular operations reports, and via direct and timely communication to the Board where and when applicable. During the reporting period, Management has reported to the Board as to the effectiveness of the Company's management of its material business risks. The Company does not have an internal audit function.

The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short-, medium- or long-term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management Policy), which is developed and updated to help manage these risks. The Board does not consider that the company currently has any material exposure to environmental or social sustainability risks.

The Executive Director and CFO have given a statement to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and controls based on the Company's Risk Management policies.

Principle 8: Remunerate fairly and responsibly

Remuneration policy

The Remuneration Policy outlines the composition of the Nomination & Remuneration Committee (consisting of the full Board of Directors), its responsibilities (in respect of the structure and composition of the Board and the remuneration policies of the Company), authorities, meeting requirements and reporting procedures.

The Nomination and Remuneration Committee comprises of the full Board of the Company.

The Company is committed to remunerating its Senior Executives in a manner that is market-competitive and consistent with "Best Practice" as well as supporting the interests of Shareholders. Senior Executives may receive a remuneration package based on fixed and variable components (if determined appropriate) and determined by their position and experience. Shares and/or Options may also be granted based on an individual's performance, with those granted to Directors subject to Shareholder approval.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance-based bonuses and do not participate in Equity Schemes of the Company without prior Shareholder approval.

Key Management Personnel remuneration is disclosed in the Remuneration Report.

Key Management Personnel or closely related parties of Key Management Personnel are prohibited from entering into hedge arrangements that would have the effect of limiting the risk exposure relating to their remuneration.

End of Corporate Governance Statement

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

| | Notes | Year ended | |
|---|-------|--------------------|--------------------|
| | | 30 June 2018 | 30 June 2017 |
| Revenue | | \$ | \$ |
| Operating revenue | 3(a) | 1,723,529 | 694,330 |
| Other income | 3(b) | 437,944 | 358,038 |
| Total income | | 2,161,473 | 1,052,368 |
| Expenses | | | |
| Employee benefits expense | | (3,079,157) | (2,818,656) |
| Marketing expense | | (1,460,566) | (1,397,443) |
| Professional fees | | (1,167,727) | (422,617) |
| Travel expenses | | (38,018) | (63,020) |
| Administration and other expenses | | (425,830) | (311,682) |
| Software development | | (734,952) | (432,468) |
| Finance expenses | | (3,406) | (86,643) |
| Total expenses | | (6,909,656) | (5,532,529) |
| Loss before income tax | | (4,748,183) | (4,480,161) |
| Income tax expense | 4 | - | - |
| Loss for the year | | (4,748,183) | (4,480,161) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive loss for the year | | (4,748,183) | (4,480,161) |
| Loss per share attributable to the ordinary equity holders of the Company: | | Cents | Cents |
| Basic loss per share | 14 | (2.65) | (2.90) |
| Diluted loss per share | 14 | (2.65) | (2.90) |

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

Statement of Financial Position as at 30 June 2018

| | Notes | Year ended | |
|--------------------------------------|-------|------------------|------------------|
| | | 30 June 2018 | 30 June 2017 |
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 2,729,064 | 3,209,838 |
| Trade and other receivables | 6 | 833,849 | 401,406 |
| Total current assets | | 3,562,913 | 3,611,244 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 34,586 | 33,868 |
| Other non-current assets | | 16,589 | 16,587 |
| Total non-current assets | | 51,175 | 50,455 |
| Total assets | | 3,614,088 | 3,661,699 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | 479,407 | 574,395 |
| Employee benefit obligations | 9 | 199,623 | 150,926 |
| Deferred revenue | 10 | 74,383 | 113,010 |
| Total current liabilities | | 753,413 | 838,331 |
| Non-current liabilities | | | |
| Employee benefit obligations | 9 | 5,875 | 2,332 |
| Total non-current liabilities | | 5,875 | 2,332 |
| Total liabilities | | 759,288 | 840,663 |
| Net assets | | 2,854,800 | 2,821,036 |
| EQUITY | | | |
| Share capital | 11(a) | 20,439,014 | 16,033,935 |
| Reserve | 11(b) | 1,428,928 | 1,836,133 |
| Accumulated losses | | (19,013,142) | (15,049,032) |
| Total equity | | 2,854,800 | 2,821,036 |

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

Statement of Changes in Equity for the year ended 30 June 2018

| | Notes | Share capital \$ | Reserve \$ | Accumulated losses \$ | Total \$ |
|--|-------|---------------------|------------------|--------------------------|--------------------|
| Balance at 1 July 2016 | | 14,655,529 | 1,548,050 | (10,568,871) | 5,634,708 |
| Loss for the year | | - | - | (4,480,161) | (4,480,161) |
| Total comprehensive loss for the year | | - | - | (4,480,161) | (4,480,161) |
| Transactions with owners in their capacity as owners: | | | | | |
| Shares issued | 11(a) | 1,300,000 | - | - | 1,300,000 |
| Shares issued - options exercised | 11(a) | 78,406 | (28,538) | - | 49,868 |
| Share-based payment expense | 11(b) | - | 316,621 | - | 316,621 |
| Total | | 1,378,406 | 288,083 | - | 1,666,489 |
| Balance at 30 June 2017 | | 16,033,935 | 1,836,133 | (15,049,032) | 2,821,036 |
| Loss for the year | | - | - | (4,748,183) | (4,748,183) |
| Total comprehensive loss for the year | | - | - | (4,748,183) | (4,748,183) |
| Transactions with owners in their capacity as owners: | | | | | |
| Shares issued | 11(a) | 4,539,048 | - | - | 4,539,048 |
| Shares issued – options exercised | 11(a) | 36,243 | - | - | 36,243 |
| Capital raising costs | 11(a) | (170,212) | - | - | (170,212) |
| Share-based payment expense | 11(b) | - | 376,868 | - | 376,868 |
| Options expired | 11(b) | - | (784,073) | 784,073 | - |
| Total | | 4,405,079 | (407,205) | 784,073 | 4,781,947 |
| Balance at 30 June 2018 | | 20,439,014 | 1,428,928 | (19,013,142) | 2,854,800 |

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

Statement of Cash Flows for the year ended 30 June 2018

| | Notes | Year ended | |
|--|-------|--------------------|--------------------|
| | | 30 June 2018 | 30 June 2017 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Receipts from customers | | 1,540,098 | 800,156 |
| Payments to suppliers and employees | | (6,689,886) | (5,310,870) |
| Interest and other costs of finance paid | | (5,224) | (4,179) |
| Other income | | 13,584 | 70,300 |
| R&D claim | | 287,247 | 252,136 |
| Net cash outflow from operating activities | 13 | (4,854,181) | (4,192,457) |
| Cash flows from investing activities | | \$ | \$ |
| Payments for property, plant and equipment | | (14,651) | (31,691) |
| Net cash outflow from investing activities | | (14,651) | (31,691) |
| Cash flows from financing activities | | \$ | \$ |
| Proceeds from issues of shares and other equity securities | | 4,575,292 | 49,868 |
| Capital raising costs | | (187,234) | - |
| Net cash inflow from financing activities | | 4,388,058 | 49,868 |
| Net increase (decrease) in cash and cash equivalents | | (480,774) | (4,174,280) |
| Cash and cash equivalents at the beginning of the financial year | | 3,209,838 | 7,384,118 |
| Cash and cash equivalents at end of period | 5 | 2,729,064 | 3,209,838 |

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

Notes to the Financial Statements for the year ended 30 June 2018

1 Summary of significant accounting policies

(a) Corporate information

The financial statements cover the entity ApplyDirect Limited (the 'Company'). The Company's principle activities is providing an innovative on-line database and search platform that links employers and job candidates directly to live job opportunities on employer websites.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. ApplyDirect Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The financial statements of the ApplyDirect Limited company also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial instruments to fair value.

(iii) New and amended standards adopted by the company

The Company has adopted all new mandatory standards and interpretations for the current reporting period. The adoption of these standards and interpretations did not result in a material change on the reported results and position of the consolidated entity, as they did not result in any changes to the Company's existing accounting policies.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

| Title of standard | Nature of change | Impact | Mandatory application date/ Date of adoption by Company |
|--|--|---|---|
| AASB 9 Financial Instruments | AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. | When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements. | Must be applied for financial years commencing on or after 1 January 2018. The Company will adopt this standard from 1 July 2018. |
| AASB 15 Revenue from Contracts with Customers | The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. | When this Standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements. | Must be applied for financial years commencing on or after 1 January 2018. The Company will adopt this standard from 1 July 2018. |
| AASB 16 Leases | AASB16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. replaces AASB 117 Leases and some lease-related Interpretations. Provides new guidance on the application of the definition of lease and on sale and lease back accounting largely retains the existing lessor accounting. Requirements in AASB 117 requires new and different disclosures about leases. | At this stage, the company is not able to estimate the effect of the new rules on the company's financial statements. The company will make more detailed assessment of the effect over the next twelve months. | Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. Expected date of adoption by the group: 1 July 2019. |

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Financial Statements for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

(c) Going concern

During the financial year the entity recorded a loss of \$4,748,183 (2017: \$4,480,161) and net cash outflow of \$4,854,181 (2017: \$4,192,457) from operating activities.

In addition to the financial performance for the year ended 30 June 2018, the Directors have considered the net current asset position of \$2,809,500 including a cash balance of \$2,729,064 as at 30 June 2018, contracts in progress, strength of the sales pipeline, the investment in capability with a particular focus on sales and marketing to accelerate new opportunities and access to capital markets, in assessing the entity. The Directors acknowledge that this assessment incorporates a number of assumptions and judgements.

The view of the Directors at the date of this report is that the ability of the entity to continue as a going concern and being able to continue to fund its operating activities is dependent on securing additional funding through share placements to new or existing investors or an entitlement issue with existing shareholders, prior to the end of the year ending 30 June 2019 (FY19).

These conditions indicate a material uncertainty that may cast material doubt about the entity's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors consider that there are sufficient funds to meet the entity's working capital requirements as at the date of this report. Further, and subsequent to year end, the Company has received commitments from investors to raise \$1,020,000 by early October 2018, which will provide some (but not all) of the additional funding needed before the end of FY19.

The financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- ▶ the Directors have prepared cash flow projections that support the ability of the entity to continue as a going concern, subject to raising additional funds through equity before the end of FY19, as detailed above; and
- ▶ the entity also has the ability to reduce its expenditure to conserve cash in the event that insufficient funds are raised through equity.

Should the company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and it should be noted that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars (\$), which is ApplyDirect Limited's functional and presentation currency.

(ii) Transactions and balances

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

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from services – Subscription revenue, Website Use, Projects

Timing of recognition

Revenue from subscription services is recognised on a straight-line basis over the accounting period in which the services are rendered. When amounts have been received but services not delivered at reporting date the amount is recognised in unearned income. Revenue from fees for projects is recognised in the accounting period in which the services are rendered.

Measurement of revenue

Subscription revenue is measured based on the underlying subscription agreement. Revenue from projects is measured based on completion of each milestone as specified in the commercial contract which is executed by the customer.

(f) Government grants

The research and development ("R&D") tax offset ("R&D tax offset"), also known as the R&D Tax Incentive, replaced the R&D Tax Concession for research and development expenditure incurred in income years commencing on or after 1 July 2011. It provides for a 43.5% refundable tax offset for eligible R&D entities with an aggregated turnover of less than \$20 million per annum that are not controlled by exempt entities ("refundable R&D credit"), or a non-refundable 38.5% tax offset for all other eligible companies.

For financial reporting purposes, the R&D tax offset can be analogised as a government grant or an income tax item. General practice is that refundable R&D credits are accounted for as government grants.

Notes to the Financial Statements for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

(f) Government Grants (continued)

The Directors have considered AASB 112 Income Taxes ("AASB 112") and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance ("AASB 120"). Given the above the Directors have determined to recognise the R&D amount in accordance with AASB 120.

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

(h) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(i) Impairment of assets

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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The 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 which 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 an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(l) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts. Plant and equipment that have been contributed for no cost or for a nominal cost are valued and recognised as the fair value of the asset at the date it is acquired.

The depreciable amount of all fixed assets is recognised on a straight line basis over the asset's estimated useful life to the Company commencing from the time the asset is held ready for use. The useful life for each class of depreciable assets is:

| | |
|------------------------|-----------|
| Computer equipment | 1-3 years |
| Plant and equipment | 2-5 years |
| Furniture and fittings | 2-5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Notes to the Financial Statements for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

(m) Intangible assets

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an internal project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Development costs are capitalised only in accordance with this accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

(p) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of high quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan (ESOP) and an employee share scheme collectively known as employee equity incentive plan ("EEIP").

Share-based compensation benefits are provided to employees via the Company's EEIP. In addition to this, other Share based payments are undertaken for certain goods and services provided to the Company.

The fair value of Options granted under the EEIP is recognised as an employee benefits expense with a corresponding increase in equity (other Share based payments are recognised in the statement of profit or loss or directly in equity depending upon goods or services received).

The total amount to be expensed is determined by reference to the fair value of the Options granted, which included any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of Options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Company revises its estimates of the number of Options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The EEIP is designed to provide long-term incentives for staff to deliver long-term shareholder returns. Under the EEIP, participants may be granted Shares, Options and/or performance rights. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the EEIP or to receive any guaranteed benefits.

Notes to the Financial Statements for the year ended 30 June 2018

1 Summary of significant accounting policies (continued)

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

(t) Significant estimates and judgements

(i) Deferred tax assets

The Company has not recognised deferred tax assets relating to carried forward tax losses or timing differences. These amounts have not been recognised given the recognition requirements of AASB 112 and the fact the Company has not previously generated taxable income.

(ii) Intangible assets

Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model.

(iii) Share based payments

The determination of the fair value of options granted requires the utilisation of numerous variables. The fair value at grant date was determined using a binomial or Black-Scholes option pricing model.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

2 Segment information

The Company continues to operate in one segment, being the provision of an on-line database and search platform to link employers and job candidates. The segment details are therefore fully reflected in the body of the financial report.

3 Other income

The Company derives the following types of revenue:

(a) Operating revenue

| | Year ended | |
|--------------------------------|------------------|----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Revenue from services | 1,723,529 | 694,330 |
| Total operating revenue | 1,723,529 | 694,330 |

(b) Other income

| | Year ended | |
|--|----------------|----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Research and development tax incentive | 424,916 | 287,658 |
| Interest income | 13,028 | 70,380 |
| Total other income | 437,944 | 358,038 |

Notes to the Financial Statements for the year ended 30 June 2018

4 Income tax expense

(a) Income tax expense

| | Year ended | |
|--|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Current tax | - | - |
| Adjustments for current tax of prior periods | - | - |
| Deferred tax | - | - |
| Income tax expense | - | - |

(b) Numerical reconciliation of income tax expense to prima facie tax payable

| | Year ended | |
|--|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Loss from continuing operations before income tax expense | (4,748,183) | (4,480,161) |
| Tax at the Australian tax rate of 27.5% (2017 - 27.5%) | (1,305,750) | (1,232,044) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non assessable R&D rebate | (116,852) | (78,992) |
| Non allowable expenses | 436,610 | 255,348 |
| Tax losses and other timing differences for which no DTA is recognised | 985,992 | 1,055,688 |
| Income tax expense | - | - |

Deferred taxes arising from temporary differences and unused tax losses calculated at a tax rate of 27.5% (2017: 27.5%) disclosed in the table below have not been recognised given the recognition requirements of AASB 112 and the fact the Company has not previously generated taxable income.

| | Year ended | |
|---|------------------|------------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Deferred tax assets not recognised at the reporting date | - | - |
| Unused tax losses | 3,919,083 | 2,933,091 |

5 Cash and cash equivalents

| | Year ended | |
|--------------|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Cash at bank | 2,729,064 | 3,209,838 |

6 Trade and other receivables

| | Year ended | |
|--------------------------|----------------|----------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Current | - | - |
| Trade receivables | 378,673 | 66,592 |
| GST receivable | - | 34,221 |
| Prepayments | 30,260 | 13,346 |
| R&D tax claim receivable | 424,916 | 287,247 |
| Total | 833,849 | 401,406 |

Notes to the Financial Statements for the year ended 30 June 2018

7 Property, plant and equipment

| | Year ended | |
|--------------------------|---------------|---------------|
| | 30 June 2018 | 30 June 2017 |
| Plant and equipment | \$ | \$ |
| Cost | 74,927 | 77,974 |
| Accumulated depreciation | (40,341) | (44,106) |
| Total | 34,586 | 33,868 |
| Opening net book amount | 33,868 | 8,691 |
| Additions | 13,319 | 31,691 |
| Disposals | (45) | - |
| Depreciation charge | (12,556) | (6,514) |
| Total | 34,586 | 33,868 |

8 Trade and other payables

| | Year ended | |
|----------------|----------------|----------------|
| | 30 June 2018 | 30 June 2017 |
| Current | \$ | \$ |
| Trade payables | 238,310 | 397,324 |
| GST payable | 7,422 | - |
| Other payables | 233,675 | 177,071 |
| Total | 479,407 | 574,395 |

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

9 Employee benefit obligations

| | Year ended | |
|--|----------------|----------------|
| | 30 June 2018 | 30 June 2017 |
| Current | \$ | \$ |
| Employee benefit obligations | 199,623 | 150,926 |
| Non-Current | | |
| Employee benefit obligations | 5,875 | 2,332 |
| Total employee benefit obligation | 205,498 | 153,258 |

Current employee benefit obligations include long service leave for staff with more than six years of tenure.

Notes to the Financial Statements for the year ended 30 June 2018

10 Deferred revenue

| | Year ended | |
|---|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Unearned website subscription revenue paid in advance | 74,383 | 113,010 |

11 Equity

(a) Share capital

| | 30 June 2018 | 30 June 2018 | 30 June 2017 | 30 June 2017 |
|------------------------------|--------------------|-------------------|--------------------|-------------------|
| | Shares | \$ | Shares | \$ |
| Ordinary shares - fully paid | 222,299,656 | 20,439,014 | 171,463,134 | 16,033,935 |
| Total share capital | 222,299,656 | 20,439,014 | 171,463,134 | 16,033,935 |

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

Movements in ordinary shares

| | Notes | Number of shares | \$ |
|--|-----------|--------------------|-------------------|
| 30 June 2017 | | | |
| Opening balance | | 164,521,823 | 14,655,529 |
| Shares issued | 11(a)(i) | 6,941,311 | 1,349,868 |
| Transfer from reserve for value of options exercised | | - | 28,538 |
| Closing balance | | 171,463,134 | 16,033,935 |
| 30 June 2018 | | | |
| Opening balance | | 171,463,134 | 16,033,935 |
| Shares issued | 11(a)(ii) | 50,433,821 | 4,539,048 |
| Transfer from reserve for value of options exercised | 11(a)(ii) | 402,701 | 36,243 |
| Capital raising costs | | - | (170,212) |
| Closing balance | | 222,299,656 | 20,439,014 |

Notes to the Financial Statements for the year ended 30 June 2018

11 Equity (continued) (a) Share capital (continued)

(i) Details of ordinary share movement in the prior year

| Date | Details | Number | Issue price \$ | Value \$ |
|-----------|--|------------------|----------------|------------------|
| 19-Aug-16 | Issue of shares from convertible notes | 125,000 | 0.20 | 25,000 |
| 23-Aug-16 | Issue of shares from convertible notes | 750,000 | 0.20 | 150,000 |
| 5-Sep-16 | Issue of shares from convertible notes | 750,000 | 0.20 | 150,000 |
| 9-Sep-16 | Issue of shares from convertible notes | 250,000 | 0.20 | 50,000 |
| 29-Sep-16 | Issue of shares from convertible notes | 500,000 | 0.20 | 100,000 |
| 29-Sep-16 | Issue of shares from exercise of options | 441,311 | 0.11 | 49,868 |
| 7-Oct-16 | Issue of shares from convertible notes | 1,000,000 | 0.20 | 200,000 |
| 14-Oct-16 | Issue of shares from convertible notes | 50,000 | 0.20 | 10,000 |
| 29-Nov-16 | Issue of shares from convertible notes | 1,000,000 | 0.20 | 200,000 |
| 2-Dec-16 | Issue of shares from convertible notes | 950,000 | 0.20 | 190,000 |
| 12-Dec-16 | Issue of shares from convertible notes | 250,000 | 0.20 | 50,000 |
| 19-Dec-16 | Issue of shares from convertible notes | 875,000 | 0.20 | 175,000 |
| | | 6,941,311 | | 1,349,868 |

(ii) Details of ordinary share movement in the current year

| Date | Details | Number | Issue price \$ | Value \$ |
|-----------|--|-------------------|----------------|------------------|
| 21-Dec-17 | Issue of shares to sophisticated investors | 28,432,546 | 0.09 | 2,558,929 |
| 12-Jan-18 | Issue of shares from exercise of options | 336,438 | 0.09 | 30,279 |
| 29-Jan-18 | Issue of shares to sophisticated investors | 9,988,766 | 0.09 | 898,989 |
| 5-Feb-18 | Issue of shares to sophisticated investors | 11,456,955 | 0.09 | 1,031,130 |
| 7-Feb-18 | Issue of shares from exercise of options | 66,263 | 0.09 | 5,964 |
| 16-Feb-18 | Issue of shares to sophisticated investors | 555,554 | 0.09 | 50,000 |
| | | 50,836,522 | | 4,575,291 |

(b) Reserve

| | Year ended | |
|---|------------------|------------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Reserve | 1,428,928 | 1,836,133 |
| Movements in reserve | | |
| Opening balance | 1,836,133 | 1,548,050 |
| Share based payments - relating to options issued | 376,868 | 316,621 |
| Options expired | (784,073) | - |
| Options exercised | - | (28,538) |
| Closing balance | 1,428,928 | 1,836,133 |

Notes to the Financial Statements for the year ended 30 June 2018

11 Equity (continued) (b) Reserve (continued)

(i) Details of options movement in the current year

| Date | Details | Number | Value |
|-----------|---|-------------------|------------------|
| 6-Oct-17 | Options forfeited | (365,043) | (10,554) |
| 21-Dec-17 | Capital Raise Options Issued - Tranche 1 - Dec 17 | 14,216,273 | - |
| 12-Jan-18 | Options Exercised | (336,438) | - |
| 29-Jan-18 | Capital Raise Options Issued - Tranche 2 - Jan 18 | 4,994,382 | - |
| 07-Feb-18 | Options Exercised | (66,263) | - |
| 20-Feb-18 | Capital Raise Options Issued - Tranche 2 - Jan 18 | 277,777 | - |
| 09-Mar-18 | ESOPs Issued | 1,625,000 | 3,522 |
| 22-Jun-18 | Options Expired | (233,766) | (3,818) |
| 22-Jun-18 | Options Expired | (233,766) | (24,312) |
| 22-Jun-18 | Options Expired | (467,532) | (47,221) |
| 27-Jun-18 | Options Expired | (1,650,348) | (106,722) |
| 30-Jun-18 | Issue of options under ESOP to employees | - | 383,900 |
| 30-Jun-18 | Options Expired | (1,200,000) | (120,400) |
| 30-Jun-18 | Options Expired | (1,200,000) | (120,400) |
| 30-Jun-18 | Options Expired | (3,600,000) | (361,200) |
| | | 11,760,276 | (407,205) |

(ii) Details of options movement in the prior year

| Date | Details | Number | Value |
|-----------|--|-------------------|----------------|
| 19-Aug-16 | Issue of options on conversion of convertible notes | 125,000 | - |
| 23-Aug-16 | Issue of options on conversion of convertible notes | 750,000 | - |
| 5-Sep-16 | Issue of options on conversion of convertible notes | 750,000 | - |
| 9-Sep-16 | Issue of options on conversion of convertible notes | 250,000 | - |
| 12-Sep-16 | Issue of options under ESOP to employees and consultants | 3,666,667 | 121,097 |
| 12-Sep-16 | Issue of options under ESOP to employees and consultants | 3,666,667 | 101,730 |
| 12-Sep-16 | Issue of options under ESOP to employees and consultants | 3,666,667 | 83,240 |
| 29-Sep-16 | Issue of options on conversion of convertible notes | 500,000 | - |
| 29-Sep-16 | Options Expired | (441,311) | (28,538) |
| 7-Oct-16 | Issue of options under ESOP to employees and consultants | 1,000,000 | - |
| 10-Oct-16 | Issue of options on conversion of convertible notes | 464,401 | 5,010 |
| 14-Oct-16 | Issue of options on conversion of convertible notes | 50,000 | - |
| 29-Nov-16 | Issue of options on conversion of convertible notes | 1,000,000 | - |
| 2-Dec-16 | Issue of options on conversion of convertible notes | 950,000 | - |
| 2-Dec-16 | Issue of options under ESOP to employees and consultants | 365,046 | 10,554 |
| 12-Dec-16 | Issue of options on conversion of convertible notes | 250,000 | - |
| 19-Dec-16 | Issue of options on conversion of convertible notes | 875,000 | - |
| 5-May-17 | Options forfeited | (464,401) | (5,010) |
| | | 17,423,735 | 288,083 |

Notes to the Financial Statements for the year ended 30 June 2018

11 Equity (continued) (b) Reserve (continued)

The reserve is used to recognise:

- ▶ The fair value of options issued to employees but not exercised; and
- ▶ The fair value of options issued for goods or services received but not exercised.

As of the date of this report, the Company has the following unlisted options in existence:

| Grant date | Expiry date | Exercise price | No. of options |
|------------|-------------|----------------|-------------------|
| 19-Jul-11 | 19-Jul-18 | 0.07 | 233,766 |
| 27-Jul-12 | 27-Jul-18 | 0.11 | 825,174 |
| 24-Sep-13 | 23-Sep-18 | 0.33 | 194,808 |
| 16-Dec-13 | 16-Dec-18 | 0.17 | 1,200,000 |
| 28-Apr-15 | 28-Apr-20 | 0.28 | 15,000,000 |
| 30-Apr-15 | 30-Apr-20 | 0.33 | 3,405,000 |
| 28-Sep-15 | 28-Sep-20 | 0.33 | 750,000 |
| 17-Jun-16 | 16-Jun-19 | 0.25 | 250,000 |
| 19-Aug-16 | 18-Aug-19 | 0.25 | 125,000 |
| 23-Aug-16 | 23-Aug-19 | 0.25 | 750,000 |
| 5-Sep-16 | 4-Sep-19 | 0.25 | 750,000 |
| 9-Sep-16 | 8-Sep-19 | 0.25 | 250,000 |
| 12-Sep-16 | 11-Sep-20 | 0.60 | 3,666,667 |
| 12-Sep-16 | 11-Sep-20 | 0.85 | 3,666,667 |
| 12-Sep-16 | 11-Sep-20 | 1.20 | 3,666,667 |
| 29-Sep-16 | 29-Sep-19 | 0.25 | 500,000 |
| 7-Oct-16 | 5-Oct-19 | 0.25 | 1,000,000 |
| 14-Oct-16 | 13-Oct-19 | 0.25 | 50,000 |
| 29-Nov-16 | 28-Nov-19 | 0.25 | 1,000,000 |
| 2-Dec-16 | 1-Dec-19 | 0.25 | 950,000 |
| 12-Dec-16 | 11-Dec-19 | 0.25 | 250,000 |
| 19-Dec-16 | 18-Dec-19 | 0.25 | 875,000 |
| 21-Dec-17 | 20-Dec-19 | 0.09 | 13,879,834 |
| 29-Jan-18 | 28-Jan-20 | 0.09 | 4,928,119 |
| 20-Feb-18 | 19-Feb-20 | 0.09 | 277,777 |
| 9-Mar-18 | 8-Mar-22 | 0.09 | 1,625,000 |
| | | | 60,069,478 |

Notes to the Financial Statements for the year ended 30 June 2018

12 Related party transactions

(a) Key management personnel compensation

| | Year ended | |
|------------------------------|------------------|------------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Short-term employee benefits | 1,019,406 | 989,918 |
| Long-term employee benefits | 5,342 | 18,844 |
| Post-employment benefits | 71,445 | 61,098 |
| Share-based payments | 383,900 | 306,067 |
| | 1,480,093 | 1,375,927 |

(b) Transactions with other related parties

The Company uses Blue NRG, of which Michael Norster is a Director, in relation to electricity supplied.

| | Year ended | |
|-----------------------------------|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Fees paid for the year (Blue NRG) | 6,164 | - |

(c) Loans to / from related parties

| | Year ended | |
|-----------------------|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Beginning of the year | - | - |
| Loans advanced | - | - |
| Interest charged | - | - |
| Loans repayments made | - | - |

Notes to the Financial Statements for the year ended 30 June 2018

13 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

| | Year ended | |
|--|--------------------|--------------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Loss for the year | (4,748,183) | (4,480,161) |
| Adjustment for | | |
| Depreciation | 12,556 | 6,514 |
| Convertible note – deemed interest | - | 85,980 |
| Share-based payment expense | 376,868 | 316,621 |
| Change in operating assets and liabilities: | | |
| Movement in trade receivables | (312,081) | 35,306 |
| Movement in other current assets | (120,362) | 129,470 |
| Movement in accounts payable | (159,014) | (357,720) |
| Movement in fees in advance | (38,627) | 21,499 |
| Movement in provisions | 52,240 | 26,579 |
| Movement in other current liabilities | 82,422 | 23,454 |
| Net cash outflow from operating activities | (4,854,181) | (4,192,457) |

14 Loss per share

(a) Basic and diluted loss per share

| | Year ended | |
|--------------------------------|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | cents | cents |
| Basic loss per share (cents) | (2.65) | (2.90) |
| Diluted loss per share (cents) | (2.65) | (2.90) |

(b) Net loss

The net loss used in the calculation of basic and diluted earnings per share is \$4,748,183 (2017: \$4,480,161).

(c) Weighted average number of shares used as the denominator

| | Year ended | |
|--|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 178,917,576 | 154,655,260 |

Notes to the Financial Statements for the year ended 30 June 2018

14 Loss per share (continued)

(c) Weighted average number of shares used as the denominator (continued)

Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. All the options on issue do not have the effect of diluting the loss per share therefore, they have been excluded from the calculation of diluted loss per share.

As at the date of this report, a total of 60,069,478 of potential additional ordinary shares (from outstanding options and convertible notes) have not been included in the dilution calculation as they are determined as anti-dilutive.

15 Financial risk management

The Company's activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The most important types of financial risk to which the Company is exposed to are market risk, credit risk and liquidity risk. The exposure to each of these risks, as well as the Company's policies and processes for managing these risks are described below.

(a) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and other price risk. The Company's strategy on the management of investment risk is driven by the Company's investment objective. The Company's market risk is managed by the Chief Executive Officer and overseen by the Board.

(i) Currency risk

The Company is not exposed to material currency risk arising from any financial assets or financial liabilities as all material transactions are denominated in Australian dollars.

(ii) Interest rate risk

The Company is exposed to interest rate risk via the cash and cash equivalents that it holds. Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. To reduce risk exposure, the Company ensures that cash and cash equivalents are placed in high credit quality financial institutions. The objective of managing interest rate risk is to minimise the Company's exposure to fluctuations in interest rate that might impact its interest revenue and cash flow.

The Company's exposure to interest rate risk and the weighted average interest rates on the Company's financial assets and financial liabilities are as follows:

| 2018 | Fixed interest rate | Floating interest rate | Non-interest bearing | Total |
|------------------------------|---------------------|------------------------|----------------------|------------------|
| Financial Assets | | | | |
| Cash at bank | - | 2,729,064 | - | 2,729,064 |
| Trade and other receivables | - | - | 833,849 | 401,406 |
| Other non-current assets | - | - | 16,589 | 16,587 |
| Financial Liabilities | | | | |
| Trade and other payables | - | - | (479,407) | (479,407) |
| Net position | - | 2,729,064 | 371,031 | 3,100,095 |

| 2017 | Fixed interest rate | Floating interest rate | Non-interest bearing | Total |
|------------------------------|---------------------|------------------------|----------------------|------------------|
| Financial Assets | | | | |
| Cash at bank | - | 3,209,838 | - | 3,209,838 |
| Trade and other receivables | - | - | 401,406 | 401,406 |
| Other non-current assets | - | - | 16,587 | 16,587 |
| Financial Liabilities | | | | |
| Trade and other payables | - | - | (574,395) | (574,395) |
| Net position | - | 3,209,838 | (156,402) | 3,053,436 |

Notes to the Financial Statements for the year ended 30 June 2018

15 Financial Risk Management (continued)

(a) Market risk (continued)

Sensitivity of profit or loss to movements in market interest rates for instruments with cash flow risk:

| | 30 June 2018 | 30 June 2017 |
|--|--------------|--------------|
| Market interest rates changed by \pm 50 basis points | \pm 13,645 | \pm 16,049 |

(iii) Price risk

The Company is not exposed to price risk arising from any financial assets or financial liabilities.

(b) Credit risk

Credit risk is the risk that a party to the financial instrument will cause a financial loss to the Company by failing to discharge an obligation. The Company is exposed to credit risk through the financial assets listed below. The table also details the maximum exposure to credit risk for each class of financial instrument.

| | 30 June 2018 | 30 June 2017 |
|--|------------------|------------------|
| Cash at bank | 2,729,064 | 3,209,838 |
| Receivables | 833,849 | 401,406 |
| Maximum exposure to credit risk | 3,562,913 | 3,611,244 |

The Company manages credit risk and the losses which could arise from default by ensuring that financial assets such as cash at bank are held with reputable organisations. Management monitors the approval of new credit limits and collections. Sale transactions with smaller entities or individuals taking place over online application require advance payment, thus further reducing the Company's exposure to credit risk.

At reporting date, there are no issues with the credit quality of financial assets that are neither past due or impaired, and all amounts are expected to be received in full.

(c) Liquidity risk

The Company monitors its exposure to liquidity risk by ensuring that there is sufficient cash on hand to meet the contractual obligations of financial liabilities as they fall due. The management monitors cash flows.

The maturity of financial liabilities at reporting date are shown below, based on the contractual terms of each liability in place at reporting date. The amounts disclosed are based on undiscounted cash flows.

| 2018 | Less than 12 months | 1 - 5 years | Total contractual cash flows | Carrying amount liabilities |
|--------------------------|---------------------|-------------|------------------------------|-----------------------------|
| Liabilities | \$ | \$ | \$ | \$ |
| Trade and other payables | 479,407 | - | 479,407 | 479,407 |
| Borrowings | - | - | - | - |
| Total | 479,407 | - | 479,407 | 479,407 |

| 2017 | Less than 12 months | 1 - 5 years | Total contractual cash flows | Carrying amount liabilities |
|--------------------------|---------------------|-------------|------------------------------|-----------------------------|
| Liabilities | \$ | \$ | \$ | \$ |
| Trade and other payables | 574,395 | - | 574,395 | 574,395 |
| Borrowings | - | - | - | - |
| Total | 574,395 | - | 574,395 | 574,395 |

Notes to the Financial Statements for the year ended 30 June 2018

15 Financial Risk Management (continued)

(d) Fair value

Hierarchy

The following information classifies financial instruments recognised in the statement of financial position at fair value according to the hierarchy stipulated in AASB 7 Financial Instruments: Disclosure ("AASB 7") that reflects the subjectivity of the inputs used in making the measurements as follows:

- ▶ Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- ▶ Level 2 – a valuation technique is used using inputs other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- ▶ Level 3 – a valuation technique is used using inputs that are not based on observable market data (i.e. unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' requires significant judgement by the Directors. The Directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

16 Share based payments

(a) Employee Option Plan

The ApplyDirect Limited employee share option plan ("ESOP") is designed to provide long-term incentives for staff to deliver long-term shareholder returns. Under the plan, participants are granted options. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

(b) Share Based Payments – Capital Raising

In addition to the ESOP, options have also been issued to certain individuals as part of capital raising activities.

(c) Options granted

| | 2018 | 2018 | 2017 | 2017 |
|---------------------------|-----------------------------------|-------------------|-----------------------------------|-------------------|
| Liabilities | Average Exercise Price Per Option | Number of options | Average Exercise Price Per Option | Number of options |
| Opening balance | \$0.406 | 41,559,204 | \$0.29 | 30,635,469 |
| Granted during the year | \$0.102 | 21,113,432 | \$0.847 | 11,829,447 |
| Exercised during the year | \$0.090 | (402,701) | \$0.34 | (441,311) |
| Forfeited during the year | \$0.385 | (365,043) | \$0.385 | (464,401) |
| Expired during the year | \$0.087 | (8,585,412) | - | - |
| Closing balance | \$0.340 | 53,319,480 | \$0.406 | 41,559,204 |

Notes to the Financial Statements for the year ended 30 June 2018

16 Share based payments (continued)

(d) Options outstanding and fair value of options granted

The following variables were utilised in the determination of the fair value of options granted during the current year, which are currently outstanding at reporting date (all options were granted at nil value). The fair value at grant date is independently determined using a binomial or Black-Scholes option pricing model:

| Grant date | Exercise Price per Share | No. of options granted | Expected Share Price Volatility | Years to Expiry | Dividend Yield | Risk-free Interest Rate | Fair value at grant date |
|------------|--------------------------|------------------------|---------------------------------|-----------------|----------------|-------------------------|--------------------------|
| | \$ | | | | | | \$ |
| 9-Mar-18 | 0.25 | 300,000 | 80% | 4 | Nil | 2.23% | 8,400 |
| 9-Mar-18 | 0.25 | 450,000 | 80% | 4 | Nil | 2.23% | 12,600 |
| 9-Mar-18 | 0.25 | 75,000 | 80% | 4 | Nil | 2.23% | 2,100 |
| 9-Mar-18 | 0.25 | 800,000 | 80% | 4 | Nil | 2.23% | 22,400 |

(e) Expenses arising from share based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows. In addition to the below there have been no additional share based payments directly related to capital raising activities recognised directly in equity (2017: 316,621).

| | Year ended | |
|--|----------------|----------------|
| | 30 June 2018 | 30 June 2017 |
| | Number | Number |
| Options issued – other | 376,868 | 316,621 |
| Total expense from share based payment transactions | 376,868 | 316,621 |

17 Remuneration of auditors

| | Year ended | |
|-------------------------------|--------------|--------------|
| | 30 June 2018 | 30 June 2017 |
| | \$ | \$ |
| Audit of financial statements | 44,293 | 34,135 |

18 Events occurring after the reporting period

Subsequent to period end the Company has received commitments from investors to raise \$1,020,000 (pre any associated capital raising costs) via the issuance of 34,000,000 ordinary shares.

The Company will continue to explore further capital raising initiatives where this is in the best interests of shareholders and helps to preserve or enhance shareholder value.

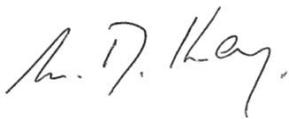
No additional matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or in subsequent financial periods.

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 20 to 40 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in note 1.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.



Mr Michael Kay

Chairman

Date: 27 September 2018



Collins Square, Tower 1
727 Collins Street
Docklands VIC 3008

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W www.granthornton.com.au

Independent Auditor's Report

To the Members of ApplyDirect Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of ApplyDirect Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material uncertainty related to going concern

We draw attention to Note 1(c) in the financial statements, which indicates that the Company incurred a net loss of \$4,748,183 during the year ended 30 June 2018, and as of that date, the Company is in a net cash outflow position from operating activities of \$4,854,181. As stated in Note 1(c) these events or conditions, along with other matters as set forth in Note 1(c), indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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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 our audit addressed the key audit matter |
|---|---|
| <p>Revenue recognition</p> <p>The Company has two main revenue streams, namely Subscription/web use revenue and Implementation revenue. Both streams recognise their revenue in accordance with AASB 118 Revenue.</p> <p>There is significant estimation uncertainty when assessing the percentage of completion applied to the implementation revenue stream and subjectivity around the timing of recognition for subscription revenue based on the milestones required to assess the transfer of risk and rewards.</p> <p>This area is a key audit matter due to the significant estimation involved to determine the recognition of revenue.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • reviewing revenue recognition policies for appropriateness and consistency in accordance with AASB 118 Revenue; • documenting our understanding of the internal control environment and processes surrounding revenue recognition; • performing trend analysis on revenue movements including development of our own expectations and corroborating any variations with additional information from management; • selecting a sample of revenue transactions and vouched the existence by agreeing amounts to signed customer contracts; • assessing management's estimate of the stage of completion for implementation revenue and the apportionment between revenue and deferred revenue at balance date; • testing the cut off of revenue transactions; • assessing the adequacy of the Company's disclosures within the financial statements; and • performing a readiness assessment for the potential impact of AASB 15 Revenue from Contracts with Customers and its associated disclosures. |



Key audit matter

How our audit addressed the key audit matter

Recognition of research and development (R&D) tax incentive

At the reporting date, the Company receives a 43.5% refundable tax offset of eligible expenditure under the research and development ("R&D") tax incentive scheme. The Company accounts for the R&D tax incentive as a Government Grant.

The eligibility of R&D costs claimed is assessed against criteria established by the Australian Tax Office and requires the application of management judgement.

This area is a key audit matter due to the inherent subjectivity that is involved in relation to the calculation and recognition of the R&D tax incentive income and receivable.

Our procedures included, amongst others:

- enquiring with management to obtain and document an understanding of their process and the design of internal controls relating to the calculation of the R&D tax incentive and preparation of the claim;
- involving our R&D specialists to assess the reasonableness of the claim and management judgements made;
- considering the qualifications of management's external expert used in the preparation of the claim;
- assessing the accuracy of historical claims to assess the reliability of current year estimates;
- obtaining calculations prepared by management and agreeing a sample of individual expenditure items included in the estimate to underlying supporting documentation, to ensure that they have been appropriately recognised in the accounting records and that they are eligible expenditures; and
- assessing the adequacy of financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Company's ability 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 Company or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.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 pages 9 to 14 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of ApplyDirect Limited, for the year ended 30 June 2018 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.

A handwritten signature in blue ink that reads "Grant Thornton".

Grant Thornton Audit Pty Ltd
Chartered Accountants

A handwritten signature in blue ink that reads "S C Trivett".

S C Trivett
Partner – Audit & Assurance

Melbourne, 27 September 2018

Shareholder Information

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

(a) Distribution of equity securities

Analysis numbers of ordinary shareholders by size of holding:

| Holding | Securities | % | No. of holders | % |
|----------------------|--------------------|---------------|----------------|---------------|
| 100,001 and Over | 210,542,337 | 94.71 | 236 | 36.93 |
| 10,001 to 100,000 | 10,857,514 | 4.88 | 258 | 40.38 |
| 5,001 to 10,000 | 787,040 | 0.35 | 88 | 13.77 |
| 1,001 to 5000 | 111,278 | 0.05 | 36 | 5.63 |
| 1 to 1,000 | 1,487 | 0.00 | 21 | 3.29 |
| Unmarketable parcels | - | - | - | - |
| | 222,299,656 | 100.00 | 639 | 100.00 |

(b) Equity security holders

Twenty largest quoted equity security holders

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

| Name | Number held | Ordinary shares Percentage of issued shares (%) |
|---|--------------------|---|
| POTENTATE INVESTMENTS PTY LTD | 25,322,717 | 11.39 |
| WERINDEX PTY LTD | 19,431,967 | 8.74 |
| G S ANDREWS CONSULTING PTY LTD | 5,913,332 | 2.66 |
| BT PORTFOLIO SERVICES LIMITED | 5,657,566 | 2.55 |
| VERNBROOK PTY LTD | 4,863,435 | 2.19 |
| PRAGMATIC PTY LTD | 4,663,641 | 2.10 |
| SAM ROMEK GONN | 4,396,823 | 1.98 |
| CS FOURTH NOMINEES PTY LIMITED | 4,188,801 | 1.88 |
| JOELISA NOMINEES PTY LTD | 3,942,852 | 1.77 |
| ASIA PAC TECHNOLOGY PTY LTD | 3,616,666 | 1.63 |
| INTERCONTINENTAL PTY LTD | 3,400,000 | 1.53 |
| RAM BUSINESS INTELLIGENCE PTY LTD | 3,230,526 | 1.45 |
| DOVETON KAY INVESTMENTS PTY LTD | 3,111,110 | 1.40 |
| PARADYCE PTY LTD | 3,036,818 | 1.37 |
| MR CHRISTOPHER DYLAN JUDD & MRS REBECCA JANE JUDD | 3,000,000 | 1.35 |
| BRISPOT NOMINEES PTY LTD | 2,694,195 | 1.21 |
| IAN POUPARD & JANICE POUPARD | 2,628,570 | 1.18 |
| REGENTBAY INVESTMENTS PTY LTD | 2,628,564 | 1.18 |
| DENT SUPER INVESTMENTS PTY LTD | 2,360,003 | 1.06 |
| GASMERE PTY LTD | 2,322,888 | 1.04 |
| | 110,410,474 | 49.67 |

Shareholder Information

(c) Substantial holders

Substantial holders in the Company are set out below:

| | Number held | Percentage |
|-------------------------------|-------------------|--------------|
| POTENTATE INVESTMENTS PTY LTD | 25,322,717 | 11.39 |
| WERNDEX PTY LTD | 19,431,967 | 8.74 |
| | 44,754,684 | 20.13 |

Shareholder enquiries

Shareholders with enquiries about their shareholdings should contact the share registry:

Link Market Services Limited
Level 12, 680 George Street, Sydney, New South Wales 2000
Telephone: +61 2 8280 7100

Change of address, change of name, consolidation of shareholdings

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

Annual report

Shareholders do not automatically receive a hardcopy of the Company's Annual Report unless they notify the Share Registry in writing. An electronic copy of the Annual Report can be viewed on the Company's website www.applydirect.com.au

Tax file numbers

It is important that Australian resident Shareholders, including children, have their tax file number of exemption details noted by the Share Registry.

CHESS (Clearing House Electronic Subregister System)

Shareholders wishing to move to uncertified holdings under the Australian Securities Exchange CHESS system should contact their stockbroker.

Uncertified share register

Shareholding statements are issued at the end of each month that there is a transaction that alters the balance of an individual/ Company's holding.

Listing rule 4.10.19 disclosure

For the purpose of ASX Listing Rule 4.10.19, the Board confirms that during the year from 1 July 2017 to 30 June 2018 the Company used its cash and assets readily convertible to cash in a manner consistent with its stated business objectives.

Directors:

Mr Michael Kay
Mr Bryan Petereit
Mr Michael Norster

Company Secretary:

Mr Prashant Chandra

Principal registered office in Australia:

Unit 3, 3 Wellington Street
Kew, Victoria, 3101
1300 554 842

Share and debenture register:

Link Market Services Limited
Level12, 680 George Street
Sydney New South Wales 2000
+61 2 8280 7100

Auditor:

Grant Thornton Audit Pty Ltd
Collins Square, Tower 1
727 Collins Street
Melbourne VIC 3008
Australia

Solicitors:

Minter Ellison
Level 23, 525 Collins Street
Melbourne Victoria 3000

Website:

www.applydirect.com.au

