

ASIA PACIFIC DIGITAL Limited
ABN 30 000 386 685
Appendix 4E
For the Year Ended 30 June 2015

Current Period: 30 June 2015

Previous Corresponding Period (PCP): 30 June 2014

1. Results for announcement to the market

	30-Jun-15 \$000's	30-Jun-14 \$000's	Change \$000's	Change %
Revenue from ordinary activities	54,790	35,291	19,499	55%
Net loss from continuing operations after tax attributable to members	(7,577)	(1,257)	(6,320)	(503)%
Net loss for the period attributable to members	(7,577)	(1,257)	(6,320)	(503)%
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)	(1,785)	667	(2,452)	(368)%

2. Dividends

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

3. Net Tangible Assets per Security

	Current period	Previous corresponding period
Net Tangible Assets per Ordinary Share	(0.9) cents	(0.1) cents

This report should be read in conjunction with any public announcements made by the Company during the year ended 30 June 2015.

ASIA PACIFIC DIGITAL LIMITED

ABN 30 000 386 685

Preliminary Final Report

Year Ended 30 June 2015



Chairman's Review

On behalf of Directors I present the Preliminary Final Report of Asia Pacific Digital Limited (the "Group", "Company" or "APD") for the year ended 30 June 2015, its first full year of operations as a 360 degree digital services provider.

Financial Result

Your Company reported an EBITDA loss of \$1.79m (\$1.52m excluding share option costs) for the year to 30 June 2015, reflecting its strategy of channeling both its operating earnings and available cash into rapidly expanding its Asian and growth businesses.

FY15 Milestones

The Company achieved a significant number of operational milestones during the year:

- opening its Regional Operations Centre in Manila, a competitively priced technology and support services hub;
- rebranding all business units as APD in order to implement its 360 degree strategy;
- working with teams across the region to define APD's culture, values and business goals;
- implementing a country and service line management matrix;
- acquiring and integrating @ccomplice in Singapore, opening a Hong Kong office and appointing a CEO for Greater China;
- launching performance marketing in Asia;
- investing in the infrastructure required to run at scale across the region, including finance, CRM and human resources;
- securing rights for the IBM Silverpop CRM technology platform across the region;
- agreeing a new e-commerce joint venture with leading health supplements e-tailer, Supps R Us
- divesting $\frac{3}{4}$ of its interest in aCommerce at a 100% uplift in value; and
- taking steps to refresh its Board of Directors, with the appointments of Laura Ashton and Mark Dalglish, marking the retirement of longstanding director David Sweet.

Rebranding

The rebranding exercise inspired a strong, positive client response. New business is beginning to be won across multiple service lines rather than solely in individual silos, which was a key objective.

The adoption of a single brand and vision has also resulted in high employee engagement.

Performance versus KPIs

In the last annual report we set three year targets to grow our business across the region:

- build our core Asian capabilities (*on target*, with both geographic and service line expansion);
- 50% of group revenues outside Australia (*on target*, up from 20% to 33%);
- 50% of employees located in Asia (*achieved*, up from 40% to 56%);
- minimum 30% organic growth rate in Asia (*achieved*, 66% growth in FY15); and
- achieve break even EBITDA while growing (*not achieved*, a loss of \$1.5m excluding share option costs).

Financial target

APD missed its financial target for three reasons:

- the rebranding soaked up valuable senior professional resources and caused a temporary loss in new business wins;
- Australia, which is 70% of our business, was most affected by the rebranding process, underperforming through the second half and requiring remedial action (growth has since been re-established across most channels); and;
- we saw a greater slowdown across seasonal periods in the second half (Christmas, Chinese New Year and Easter) than has been seen in prior years.

A year of hindsight tells us that running a multi-jurisdictional \$55m business at breakeven while growing on multiple fronts, funded by a depreciating currency, is a difficult balancing act.

Chairman's Review



Our response

We are managing both our costs and our consolidated revenue pipeline as tightly as possible.

We have also been negotiating a series of channel partnerships with global technology and services firms that we believe have the potential to deliver a significant inflow of new client revenues.

The investments we have made in expanding our Asian footprint have produced excellent results to date. Having considered the Company's financial performance, Directors have concluded that the Company should be prepared to run at a modest loss for the next two years in order to complete building a high growth, sustainable Asian platform.

This will require some additional capital but should enable us to achieve our strategic goals quicker. We have been to the market twice in the past year and there has been appetite for the APD story.

Expansion Plans

We continue to carefully evaluate extending our footprint through either or both of organic growth and acquisition.

eCommerce Ventures

In the last annual report we discussed the role of eCommerce ventures as a mechanism for demonstrating we can deliver a single, 360 degree outcome for clients. We now hold interests in three ventures: www.cellarmasterwines.com (a 19% direct shareholding plus first ranked security),

www.suppsrus.com.au (a 30% equity interest plus first ranked security and www.advintage.co.nz (a 24% equity interest).

This business symbolises APD's preparedness to take on challenges that few digital services or agency groups have been successful in executing: offering a fully integrated platform to clients and counterparties. These ventures are by no means easy however we are learning quickly. Our equity holdings are in the books for negligible value, but provide significant option value for shareholders.

In Conclusion

In last year's report to shareholders we said we expected the path to success would not be linear, with highs and lows along the way. This prediction has proven to be correct, and our first year on the journey has taught us much.

We are convinced more than ever today that the strategy to expand in Asia, one of the world's highest growth digital markets, will yield results for shareholders. APD is today the only independent digital services platform operating at scale across the region. As such, it represents an important alliance partner or acquisition candidate for any international consulting or marketing company wishing to enter the Asian arena at scale.

My fellow Directors and I would like to thank Asia Pacific Digital's customers, shareholders and employees for their continuing support.

Roger Sharp
Executive Chairman

Operations Review



OPERATING AND FINANCIAL REVIEW

Operating results for the year

Consolidated earnings before interest, tax depreciation, amortisation and impairment losses (EBITDA) were (\$1,552,000) before non-cash share option expenses, and (\$1,785,000) inclusive of share option expenses (2014: \$667,000). The consolidated entity net loss after income tax was (\$7,577,000) (2014: \$1,257,000).

Included in this year's EBITDA are:

- A \$263,000 non-cash accounting expense relating to the vesting of employee share options;
- other income of \$725,000 from the gain on sale of 74% of the Company's shareholding in a Southeast Asian logistics service provider for total gross proceeds of \$1.7 million; and
- one-off rebranding costs of \$0.2 million.

The net loss after tax includes writing off acquired brands (as a result of the Company's rebranding) of \$2,060,000 and the write off at the half year of the \$1,274,000 investment (largely funded via in-kind services) in the Hong Kong parent entity of Cellarmasterwines.

In discussing the results of the Company's operations below, additional comparisons are made to the 'pro forma prior corresponding period'. This assumes that APD owned the current operating entities for the full FY14 year, based on three months audited results (post acquisition) and 9 month unaudited pre-acquisition results.

Principal Activities

APD provided digital services to its clients through four divisions during the year:

- **APD Interact** - digital strategy, creative and technology solutions (formerly Strategies and Solutions Division, under the Next Digital brand);
- **APD Acquire** - digital market research, lead generation and performance marketing (formerly Customer Acquisition Division, under the dgm and Empowered brands);
- **APD Engage** - customer engagement and retention (formerly Customer Management Division, under the Jericho brand); and

- **APD Venture** - long term eCommerce partnerships with shared revenues and equity (formerly eCommerce Division, as Asia Pacific Digital eCommerce).

APD Interact

APD Interact EBITDA for the year to 30 June 2015 was \$1.1 million. In FY2014, Interact was acquired on 31 March 2014 and recorded a post-acquisition EBITDA loss of \$0.2 million for the June 2014 quarter.

APD Interact delivered strong growth in Asia, with revenues up 114% on the pro-forma previous corresponding period (PCP), including one quarter's contribution from the @ccomplice acquisition. This growth is on the back of both new client wins and expansion of existing client relationships such as Fonterra, GlaxoSmithKline, Maxis (Malaysia's largest telco) and Proton (the Malaysian vehicle manufacturer). While the majority of revenue uplift was delivered organically, the final quarter included revenues from the acquisition of Accomplix in Singapore on 23 March 2015.

APD Interact also delivered a number of key client wins in Australia, including significant digital platform projects for Village Roadshow and Goodyear Dunlop. The Christmas-New Year period typically represents a seasonal challenge, and we are working on strategies to minimise this earnings impact in FY16.

APD Interact's Global Clients division continued its long track record of growth, with revenues up 27% on PCP and further geographic expansion of the offering, particularly in China. Work is being done to broaden the Global Clients customer base to reduce client concentration.

APD Acquire

APD Acquire EBITDA for the year to 30 June 2015 was \$1.3 million (2014: \$2.8 million). Acquire posted a largely steady first half result with an EBITDA result of \$1.3 million but delivered a disappointing break even result during the second half of FY2015.

The poor performance during the latter part of the year was driven by a reduction in revenues from several key clients (e.g. eBay and Harvey Norman), compounded by the APD rebranding process, which temporarily reduced the velocity of sales activity. Considerable work has resulted in month-on-month growth now being re-

Operations Review



established across most of APD Acquire's channels.

Until April 2015 APD Acquire was our only business unit without a presence in Asia. Our assessment is that there are significant growth opportunities in Asia in research, lead generation and performance marketing.

In the fourth quarter we transferred a senior executive from APD Acquire in Australia to Singapore to fulfil our long held goal of launching the division in Asia. The early signs are encouraging, with several important contested client wins, including Grab Taxi and Ace Insurance. APD Acquire plans to build a scale business across Southeast Asia to complement its Australian business, which should underpin the Division's growth.

APD Engage

APD Engage reported a \$0.8 million EBITDA loss for the year to 30 June 2015. Engage was acquired on 31 March 2014 and recorded a post-acquisition EBITDA breakeven result for the June 2014 quarter.

FY2015 was a year of transformation for APD Engage. The division was restructured prior to entering an agreement with IBM to licence its enterprise level CRM software suite - the cloud-based marketing platform that enables marketers to track customer behaviours across multiple touch points. APD expects that this IBM partnership will change the growth profile of its Engage division, providing a natural upgrade pathway from APD's owned platform (SmartmailPRO), and a market-leading option for new enterprise level clients across the region.

In addition, APD appointed a new CEO in New Zealand who will run Engage's major business while also building a 360 degree digital services business there.

The restructure of New Zealand management and technology teams, and continued investment in growing the earlier stage Australian and Asian geographies drove the \$0.8m EBITDA loss for FY15.

APD Venture

This division has now built long term revenue share agreements and related equity interests with three eCommerce businesses through providing APD's 360 degree suite of services: www.cellarmasterwines.com (Hong Kong, 19% direct shareholding plus first ranked security),

www.suppsrus.com.au (Australia, 30% equity interest plus a first ranked security) and www.advintage.co.nz (New Zealand, 24% equity interest).

Some of these businesses may not ultimately be successful equity investments, however there is equally a prospect that one or more could deliver significant option value to our shareholders. Our focus is on making these ventures a success before we pursue new partnerships.

APD Venture was entitled to minimal revenue share during the year and ran at an EBITDA loss of \$665,000.

If we can successfully grow our partners' revenues, APD will quickly move into revenue share territory and this will progressively reduce losses from the division (and most likely increase the value of the equity stakes APD holds).

Corporate costs

Corporate costs for the period were \$3,319,000 (PCP: \$1,974,000), reflecting a full year of corporate operations in Singapore (three months in FY2014). The regional team in Singapore remains fully engaged in setting up infrastructure, reviewing acquisitions and implementing organic growth strategies around the region.

FY2015 Corporate Costs also includes a non-cash accounting expense of \$263,000 relating to the vesting of employee share options (PCP: nil).

Corporate costs will be reduced when the regional expansion programme is completed.

Financial position

The net assets of the Group have increased by \$271,000 from \$11,873,000 at 30 June 2014 to \$12,144,000 at 30 June 2015.

The major balance sheet movements during FY2015 were:

- a \$7,361,000 increase in paid up capital following the conversion of debt into equity in July 2014, May 2015 and June 2015, the share purchase plan in July 2014, the placement in March 2015, the rights issue in May 2015 and issue of shares to fund the Accomplice acquisition;

Operations Review

- a \$2,011,000 decrease in total interest-bearing debt upon the conversion of \$3,350,000 of secured debt to equity, payment of the final instalments of a \$281,000 vendor loan for the acquisition of Viva9 in August 2012 and a decrease in the NAB debtors finance facility of \$102,000, offset by a \$1,722,000 net increase in the working capital loan from the Company's major shareholder;
- a \$2,253,000 decrease in investments following the 75% sale of the Company's shareholding in aCommerce and a write - off at the half year the investment in Macro (the parent of www.cellarmasterwines.com);
- a \$2,627,000 decrease in intangible assets following the rebranding of all business units to APD and impairment of the Next Digital brand name; and
- a \$916,000 increase in goodwill relating to acquisition of the Accomplice business.

ASIA PACIFIC DIGITAL LIMITED

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PRELIMINARY FINAL REPORT

Statement of Comprehensive Income For the Year Ended 30 June 2015

	Note	2015 \$000's	2014 \$000's
Continuing operations			
Rendering of services		54,790	35,291
Other income	6	725	-
Cost of sales		(29,658)	(21,643)
Employee benefits expense	3(b)	(18,690)	(9,192)
Business acquisition costs		(22)	(225)
Restructuring		(512)	(299)
Other expenses	3(c)	(8,418)	(3,265)
Earnings before interest, tax, depreciation amortisation and impairment losses (EBITDA)		(1,785)	667
Depreciation and amortisation	3(a)	(1,883)	(1,466)
Impairment losses	3(a)	(3,499)	-
Loss from continuing operations before interest and tax		(7,167)	(799)
Finance income		35	19
Finance costs		(1,025)	(667)
Loss from continuing operations before income tax		(8,157)	(1,447)
Income tax benefit		580	190
Loss from continuing operations after income tax		(7,577)	(1,257)
Loss for the period attributable to owners of the parent		(7,577)	(1,257)
Earnings per share for the loss from continuing operations attributable to the ordinary equity holders of the parent:			
		<i>Cents</i>	<i>Cents</i>
- basic earnings per share	4	(9.22)	(0.12)
- diluted earnings per share	4	(9.22)	(0.12)
Loss for the period		(7,577)	(1,257)
Other comprehensive income / (loss)			
Exchange difference on translation of foreign operations		(188)	83
Net gain/ (loss) on available - for - sale financial assets		212	(284)
Income tax effect		(36)	85
		176	(199)
Other comprehensive loss for the year, net of tax		(12)	(116)
Total comprehensive loss for the period attributable to owners of the parent		(7,589)	(1,373)

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

ASIA PACIFIC DIGITAL LIMITED

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PRELIMINARY FINAL REPORT

Statement of Financial Position For the Year Ended 30 June 2015

	Note	2015 \$000's	2014 \$000's
ASSETS			
Current assets			
Cash and cash equivalents	5	970	2,425
Trade and other receivables		12,014	9,129
Other financial assets		730	83
Other		559	655
Total current assets		14,273	12,292
Non-current assets			
Trade and other receivables		158	-
Other financial assets		519	843
Plant and equipment		723	538
Deferred tax assets		955	288
Investments	6	598	2,851
Intangible assets		1,498	4,125
Goodwill		11,523	10,607
Total non-current assets		15,974	19,252
Total assets		30,247	31,544
LIABILITIES			
Current liabilities			
Trade and other payables		7,743	7,587
Provisions		1,838	1,516
Interest-bearing loans and borrowings	7	2,046	2,321
Provision for Income tax		153	190
Deferred income		1,154	557
Total current liabilities		12,934	12,171
Non-current liabilities			
Interest-bearing loans and borrowings	7	4,664	6,400
Other payables		92	-
Deferred income		-	625
Provisions		413	475
Total non-current liabilities		5,169	7,500
Total liabilities		18,103	19,671
Net assets		12,144	11,873
EQUITY			
Contributed equity		136,211	128,850
Reserves		(8,310)	(8,797)
Accumulated losses		(115,757)	(108,180)
Total equity attributable to equity holders of the parent		12,144	11,873

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

ASIA PACIFIC DIGITAL LIMITED

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PRELIMINARY FINAL REPORT

Statement of Changes in Equity For the Year Ended 30 June 2015

Note	Ordinary shares \$000's	Accumulated losses \$000's	Share based payment reserve \$000's	Common control reserve \$000's	Available- for-sale Reserve \$000's	Foreign currency translation reserve \$000's	Total \$000's
At 1 July 2014 as reported in the 2014 annual report	128,850	(108,180)	4,023	(12,311)	(199)	(310)	11,873
Loss for period	-	(7,577)	-	-	-	-	(7,577)
Other comprehensive (loss) / income for the period	-	-	-	-	176	(188)	(12)
Total comprehensive (loss) / income	-	(7,577)	-	-	176	(188)	(7,589)
Transactions with owners in their capacity as owners:							
Acquisition of subsidiary	9 324	-	-	-	-	-	324
Issue of share capital	7,326	-	-	-	-	-	7,326
Transaction costs	(325)	-	-	-	-	-	(325)
Share based payments	-	-	300	-	-	-	300
Deferred tax movements on share issue costs	36	-	-	-	-	-	36
Available - for - sale financial assets impairment	-	-	-	-	199	-	199
At 30 June 2015	136,211	(115,757)	4,323	(12,311)	176	(498)	12,144

Note	Ordinary shares \$000's	Accumulated losses \$000's	Share based payment reserve \$000's	Common control reserve \$000's	Available- for-sale Reserve \$000's	Foreign currency translation reserve \$000's	Total \$000's
At 1 July 2013 as reported in the 2013 annual report	109,275	(106,923)	3,728	-	-	-	6,080
Loss for period	-	(1,257)	-	-	-	-	(1,257)
Other comprehensive (loss) / income for the period	-	-	-	-	(199)	83	(116)
Total comprehensive (loss) / income	-	(1,257)	-	-	(199)	83	(1,373)
Transactions with owners in their capacity as owners:							
Acquisition of subsidiary	15,720	-	295	(12,311)	-	(393)	3,311
Issue of share capital	4,114	-	-	-	-	-	4,114
Transaction costs	(229)	-	-	-	-	-	(229)
Deferred tax movements on share issue costs	(30)	-	-	-	-	-	(30)
At 30 June 2014	128,850	(108,180)	4,023	(12,311)	(199)	(310)	11,873

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

ASIA PACIFIC DIGITAL LIMITED

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PRELIMINARY FINAL REPORT

Cash Flow Statement For the Year Ended 30 June 2015

	Note	2015 \$000's	2014 \$000's
Cash flows from operating activities			
Receipts from customers		59,111	38,063
Payments to suppliers and employees		(62,206)	(37,747)
Payments for business acquisition costs		(4)	(172)
Payments for restructuring		(416)	(424)
Interest received		35	19
Borrowing costs paid		(663)	(376)
Income tax paid		(210)	(181)
Net cash (used in) / provided by operating activities	5	(4,353)	(818)
Cash flows from investing activities			
Payments for plant and equipment		(465)	(82)
Payments for intangible assets		(1,010)	(584)
Purchase of investments		(130)	(1,078)
Consideration paid for acquisition of subsidiaries	9	(510)	(415)
Cash acquired on acquisition of subsidiary	9	77	2,381
Payment of term deposit		(295)	(119)
Proceeds from sale of investment		690	-
Net cash provided by / (used in) investing activities		(1,643)	103
Cash flows from financing activities			
Proceeds from issues of shares		3,252	4,114
Proceeds from borrowings		1,810	(159)
Payment of share issue costs		(180)	(228)
Repayment of borrowings - vendor financing		(281)	(601)
Payment of finance fees		(20)	(73)
Net cash provided by financing activities		4,581	3,053
Net (decrease) / increase in cash and cash equivalents held		(1,415)	2,338
Net foreign exchange difference		(40)	11
Cash and cash equivalents at the beginning of the financial year		2,425	76
Cash and cash equivalents at the end of the financial year	5	970	2,425

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

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PRELIMINARY FINAL REPORT

Notes to the Financial Statements For the Year Ended 30 June 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The preliminary consolidated final report has been prepared in accordance with ASX Rule 4.3.A, the disclosure requirements of ASX Appendix 4E, Australia Accounting Standards and the Corporations Act 2001.

The preliminary consolidated final report does not include all the notes of the type normally included in an Annual Financial Report and should be read in conjunction with the Annual Financial Report for Asia Pacific Digital Limited for the financial year ended 30 June 2014, the December 2014 half-year report and any public announcement made by the Company during the year ended 30 June 2015 in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange.

Basis of preparation

The preliminary consolidated final report has been prepared on a historical cost basis except available-for-sale (AFS) investments which are at fair value.

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

Going Concern

The Directors believe that the Company will be able to continue as a going concern and, as a consequence, the financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As at 30 June 2015 the group had an excess of current assets over current liabilities of \$1.3 million (30 June 2014: the group had an excess of current assets over current liabilities of \$0.1 million). The Directors are aware however that the net cash flow generated in operating activities for FY2015 was \$(4.4) million (FY2014: \$(0.8) million).

The Directors note the financial support that the Company has received in the past from North Ridge Partners (formerly Co-Investor Capital Partners) since it became the majority shareholder in 2008. North Ridge Partners currently holds 69.4% of the ordinary shares on issue in Asia Pacific Digital and provides a loan facility which the Company has regularly used to fund short term working capital requirements, and has in the past demonstrated a willingness to re-negotiate the term of the facility. During the year to 30 June 2015, the Company drew down \$1.9 million under this loan facility. If required, the Directors expect to continue to receive financial support from North Ridge Partners in order to meet all its obligations as and when they fall due.

Notes to the Financial Statements (*continued*)**2. OPERATING SEGMENTS****Identification of reportable segments**

The group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors and executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

Types of products and services***Interact*** (formerly Strategies and Solutions)

This segment provides digital strategy, creative, technology and digital marketing services.

Acquire (formerly Customer Acquisition)

This segment provides performance-based digital marketing services that focus on customer acquisition and lead generation such as search engine optimisation, paid search and affiliate marketing services.

Engage (formerly Customer Management)

This segment provides email marketing, messaging and campaign management services.

Venture (formerly eCommerce)

This segment provides end to end eCommerce services.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally is the same as those contained in note 1 to the final, with the exception of unallocated expenses as discussed below.

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PRELIMINARY FINAL REPORT

Notes to the Financial Statements (*continued*)

2. OPERATING SEGMENTS (*continued*)

Major customers

The Group has a number of customers to which it provides services. The most significant customer accounts for 18% (2014: 11.1%) of external revenue.

Year ended 30 June 2015	Interact	Acquire	Engage	Venture	Total
Revenue	\$000's	\$000's	\$000's	\$000's	\$000's
Sales to external customers	21,648	27,099	5,230	520	54,497
Inter-segment sales	118	151	288	-	557
Total segment revenue	21,766	27,250	5,518	520	55,054
Inter-segment elimination					(557)
Other revenue					293
Total consolidated revenue					54,790

Reconciliation of segment results to net loss after tax

Segment results (EBITDA before unallocated expenses)	1,139	1,279	(826)	(665)	927
Other revenue					293
Other income					725
Unallocated expenses					(3,730)
EBITDA					(1,785)
Depreciation and amortisation	(572)	(614)	(461)	(62)	(1,709)
Unallocated depreciation and amortisation					(174)
Impairment costs	(2,060)	-	-	(1,274)	(3,334)
Unallocated impairment costs					(165)
Loss before tax and net finance costs					(7,167)
Finance income					35
Finance costs					(1,025)
Loss before income tax					(8,157)
Income tax benefit					580
Loss for the year					(7,577)

Unallocated expenses are not considered part of the core operations of any segment and comprise the following:

- Non-executive Directors fees (\$110,000);
- Corporate remuneration (\$1,876,000);
- Share based payments (\$263,000)
- Audit, legal, ASX and other professional expenses (\$554,000);
- Business acquisition costs (\$22,000);
- Manila overheads (\$325,000); and
- Other corporate overheads (\$580,000).

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Notes to the Financial Statements (*continued*)

2. OPERATING SEGMENTS (*continued*)

Year ended 30 June 2014	Interact	Acquire	Engage	Venture	Total
Revenue	\$000's	\$000's	\$000's	\$000's	\$000's
Sales to external customers	4,063	29,275	1,513	440	35,291
Inter-segment sales	37	1,153	36	-	1,226
Total segment revenue	4,100	30,428	1,549	440	36,517
Inter-segment elimination					(1,226)
Total consolidated revenue					35,291
Reconciliation of segment results to net loss after tax					
Segment results (EBITDA before unallocated expenses)	(173)	2,835	(4)	(17)	2,641
Unallocated expenses					(1,974)
EBITDA					667
Depreciation and amortisation	(209)	(1,098)	(87)	(16)	(1,410)
Unallocated depreciation and amortisation					(56)
Loss before tax and net finance costs					(799)
Finance income					19
Finance costs					(667)
Loss before income tax					(1,447)
Income tax benefit					190
Loss for the year					(1,257)

- a) Includes Interact (formerly Strategies and Solutions), Engage (formerly Customer Management) and Ventures (formerly eCommerce) from date of acquisition i.e. 3 months.
- b) Unallocated expenses are not considered part of the core operations of any segment and comprise the following:
- Non-executive Directors fees (\$193,000);
 - Corporate remuneration (\$798,000);
 - Audit, legal, ASX and other professional expenses (\$231,000);
 - Business acquisition costs (\$225,000);
 - Restructuring costs (\$299,000); and
 - Other corporate overheads (\$228,000).

	2015 \$000's	2014 \$000's
(i) Segment revenue reconciliation to the statement of comprehensive income		
Total segment revenue	55,054	36,517
Inter segment sales elimination	(557)	(1,226)
Other revenue	293	-
Total revenue	54,790	35,291

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

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Notes to the Financial Statements (*continued*)

3. EXPENSES

	2015 \$000's	2014 \$000's
(a) Depreciation, amortisation and impairment		
<i>Depreciation and amortisation</i>		
Depreciation of plant and equipment	246	81
Depreciation of leasehold improvement	113	47
Amortisation of intangible assets:		
- Software	1,236	915
- Customer contracts	175	355
- Brand names	113	68
	<u>1,883</u>	<u>1,466</u>
<i>Impairment</i>		
- Brand names	2,060	-
- Software	165	-
- AFS investment	1,274	-
	<u>3,499</u>	<u>-</u>
(b) Employee benefits expense		
Salaries and wages	15,135	7,569
Share-based payments	263	-
Superannuation	1,198	637
Annual leave benefits	216	149
Payroll tax	704	406
Training/recruitment/amenities	959	332
Other	215	99
	<u>18,690</u>	<u>9,192</u>
(c) Other expenses		
Communication costs	1,273	799
Directors fees	110	241
Rent and office supplies	4,162	1,400
Professional fees	759	248
Other	2,114	577
	<u>8,418</u>	<u>3,265</u>

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Notes to the Financial Statements (*continued*)

4. EARNINGS PER SHARE

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

(a) Earnings used in calculating earnings per share

	2015 \$000's	2014 \$000's
<i>For basic and diluted earnings per share:</i>		
Net loss from continuing operations attributable to ordinary equity holders of the parent	(7,577)	(1,257)
Net loss attributable to ordinary equity holders of the parent	<u>(7,577)</u>	<u>(1,257)</u>

(b) Weighted average number of shares

	2015 000's	2014 000's
Weighted average number of ordinary shares for basic earnings per share	<u>82,159,291</u>	<u>1,014,586</u>
Weighted average number of ordinary shares	82,159,291	1,014,586

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

5. CASH AND CASH EQUIVALENTS

	2015 \$000's	2014 \$000's
Cash at bank	967	2,425
Cash on hand	3	-
Total cash and cash equivalents	<u>970</u>	<u>2,425</u>

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Notes to the Financial Statements (*continued*)

5. CASH AND CASH EQUIVALENTS (*continued*)

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

	2015 \$000's	2014 \$000's
Loss after income tax	(7,577)	(1,257)
<i>Non-cash flows in loss:</i>		
Depreciation and amortisation	1,883	1,466
Impairment losses	3,499	-
Share-based payments	263	-
Capitalised interest expense	-	16
Amortisation of borrowing costs	36	51
Gain on disposal of investment	(725)	-
<i>Changes in assets and liabilities:</i>		
- Increase in trade and other receivables	(1,095)	(755)
- Decrease/(increase) in other assets	(939)	294
- Increase in deferred tax assets	(58)	(61)
- Decrease in deferred tax liabilities	(658)	(295)
- Increase/(decrease) in trade and other payables	878	(297)
- Increase in provisions	140	20
Net cash flows (used in) / from operating activities	(4,353)	(818)

6. INVESTMENTS

	2015 \$000's	2014 \$000's
Non Current		
Unquoted equity shares	598	2,851
	598	2,851

The Company's unquoted equity shares are an available-for-sale investment carried at fair value with adjustments to the fair value recorded through OCI and consist of shareholdings in a Southeast Asian end-to-end eCommerce logistics service provider in which the Company made a strategic equity investment in June 2014. The carrying value of this investment is \$0.6 million and it is denominated in US dollars. The Company holds 1% (2014: 4%) of the issued capital in this entity.

The Company assessed as at 30 June 2015 the fair value of its unquoted equity investment in the Southeast Asian eCommerce service provider. The fair value of this unquoted equity investment was calculated using valuation techniques based upon recent arm's-length market transactions between knowledgeable and willing parties. The fair value measurement hierarchy for this financial asset is using significant observable or level 2 inputs. The fair value assessment of the Company's shareholding in the logistics service provider resulted in an unrealised gain of \$176,000 (net of tax) being recognised as other comprehensive income (OCI) and credited in the available for sale reserve.

In June 2015 the Company sold 74% of its shareholding in the Southeast Asian eCommerce service provider for total gross proceeds of \$1.7 million. A net gain on the sale of this available for sale financial asset of \$725,000 was recognised in the statement of comprehensive income as other income.

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Notes to the Financial Statements (*continued*)

6. INVESTMENTS (*continued*)

The Company assessed at 31 December 2014 that there was objective evidence that an investment in a Hong Kong wine eCommerce client was impaired as the investee was experiencing significant financial difficulty. An impairment loss of \$1.3 million was recognised in the statement of comprehensive income at the half year. This impairment loss is net of the carrying value of this investment of \$1.8 million, the reversal of an unrealised OCI loss of \$0.3 million (\$0.2 million net of tax) recognised as at 30 June 2014 and the reversal of deferred revenue of \$0.8 million. The carrying value of this investment as at 30 June 2015 was nil (2014: \$1.8 million).

Not included in available for sale investments are two convertible notes, one held in a New Zealand wine eCommerce client and another note held in an Australian supplements eCommerce client. The Company entered into a 5 year agreements with both of these clients to provide end-to-end eCommerce and digital advertising services. As part compensation for the provision of these services, the Company has the right to convert the notes into the issued capital of the clients at the end of the 5 year agreements or under certain trigger conditions. These rights (24% in the New Zealand wine client and 30% in the Australian supplements client) have not been recognised as available for sale investments.

7. INTEREST BEARING LOANS AND BORROWINGS

	2015 \$000's	2014 \$000's
Current		
Bank receivables financing facility (i)	1,554	1,656
Secured loan (ii)	492	384
Vendor financing (iii)	-	281
	<u>2,046</u>	<u>2,321</u>
Non-current		
Secured loan (ii)	2,514	900
Convertible debt facility (iv)	2,150	5,500
	<u>4,664</u>	<u>6,400</u>

(i) Bank receivables financing facility

APD Acquire Pty Ltd (formerly Deal Group Media Pty Ltd) and APD Performance Pty Ltd (formerly Empowered Communications Pty Ltd) have trade receivable finance facilities with the National Australia Bank. These loans are secured by fixed and floating charges over these companies.

(ii) Secured loan from related party

A senior secured loan facility with North Ridge Partners Pty Ltd (formerly Co-Investor Capital Partners Pty Ltd), a related party. The principle is repayable over the period to 31 March 2019. The loan is secured by a charge over the Company. A variation to the loan agreement was executed on 30 June 2015 extending the loan repayment date to 31 March 2019.

(iii) Vendor financing

An unsecured loan facility was entered into on 31 August 2012 with IMPG Digital Pty Ltd to finance the acquisition of Viva9 Pty Ltd. The initial face value of the loan was \$1,154,000. The term of the loan was for 24 months to 30 November 2014 and the interest payable was 10% per annum, accrued daily and payable monthly in arrears. This loan has been fully repaid.

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Notes to the Financial Statements (*continued*)

7. INTEREST BEARING LOANS AND BORROWING (*continued*)

(iv) Convertible debt facility

On 31 March 2014, as a condition under the share sale agreement for acquisition of Asia Pacific Digital Australia Pty Ltd, the Company agreed to assume nine convertible debt facility agreements with a total face value of \$5,500,000. Of the nine agreements, three were with related party financiers with a total face value of \$2,800,000.

The facility must be repaid in full on 15 October 2016. The Financiers may elect to have part or all of their debt repaid by the Company issuing new shares to the Financiers at conversion windows at 24 months and 36 months into the facility, or in the event of an equity capital raising. The loans are secured by charges over the net assets of APD Interact Holdings Pty Ltd (formerly Next Digital Holdings Pty Ltd) and APD Engage Holdings Pty Ltd (formerly Jericho Holdings Pty Ltd).

In July 2014, \$2.0 million of principal under the facility was converted into equity. In June 2015, \$1.35 million of principal and \$0.2 million of interest under the facility was converted into equity.

Fair values

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

	Carrying Amount		Fair Value	
	2015	2014	2015	2014
	\$000	\$000	\$000	\$000
Financial Liabilities				
Interest-bearing loans and borrowings				
Convertible debt facility	2,150	5,500	2,301	6,010
Total	2,150	5,500	2,301	6,010

The fair value of this financial liability have been calculated by discounting the expected future cash flows at a rate representative of the market cost for this type of debt. The fair value measurement hierarchy for this financial liability is using level 3 inputs.

8. EVENTS AFTER THE BALANCE SHEET DATE

On 5 August 2015, the Company announced the resignation of non-executive and independent Director David Sweet and the appointment of non-executive and independent Directors Laura Ashton and Mark Dagleish.

A major client of Interact Global Clients is currently undertaking a technology platform change. As part of that process, APD is participating in new tender processes associated with the management and/or implementation of the platform change. The Company's assessment is that these tender processes do not affect the current services provided by APD.

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Notes to the Financial Statements (*continued*)

9. BUSINESS COMBINATIONS

On 23 March 2015, the Company acquired the @ccomplce business from Accomplce Pte Ltd, an unlisted company operating in Singapore. The Company acquired @ccomplce because it is in line with the group's strategy of becoming a regional digital services provider. The information in this preliminary final includes the results for the @ccomplce business for the period from 23 March 2014 to 30 June 2015.

The carrying values of the identifiable assets and liabilities of the Accomplce business as at the date of acquisition were:

	Carrying value \$000
Cash and cash equivalents	77
Trade receivables	132
Other current assets	38
Total assets	<u>247</u>
Trade and other payables	266
Deferred income	62
Provisions	1
Total liabilities	<u>329</u>
Carrying value of identifiable net assets	(82)
Goodwill	916
Cost of acquisition at 23 March 2015	<u>834</u>
Cost of acquisition comprises:	
Cash paid	510
Shares issued	324
	<u>834</u>

As part of the @ccomplce purchase agreement, a contingent consideration was agreed if certain revenue targets are achieved. The fair value assessment of contingent consideration based on the probability of achieving the revenue targets is nil.

Transaction costs associated with the acquisition were \$nil.

From the date of acquisition (23 March 2015), the @ccomplce business contributed \$0.4 million in revenue. Had the acquisition of the @ccomplce business occurred at the beginning of the financial year, the @ccomplce result would have been revenues of \$1.0 million.

APD acquired the @ccomplce business rather than the company Accomplce Pte Ltd. The @ccomplce business has been integrated into the existing APD Singapore trading entity, APD Operating Pte Ltd (formerly Next Digital Singapore Pte Ltd). Consequently, it is impractical to disclose the @ccomplce net profit or loss after tax from the date of acquisition and had the acquisition occurred at the beginning of the financial year.

A key factor contributing towards the goodwill of \$916,000 relates to the synergies expected to be achieved as a result of combining @ccomplce with the rest of the Group. Goodwill can also be attributed to the workforce of the acquired business.

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Additional Information

AUDIT

This report is based on accounts which are in the process of being audited. The accounts are likely to contain an independent audit report that is subject to an emphasis of matter where attention will be drawn to the matters outlined in Note 1 of this report regarding going concern as in previous corresponding periods.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'P. Hynd', with a stylized flourish at the end.

PETER HYND
Executive Director
Sydney, 31 August 2015