ASIA PACIFIC DIGITAL LIMITED
ABN 30 000 386 685
Appendix 4E
Final Report
Year Ended 30 June 2016

Current Period: **30 June 2016**

Previous Corresponding Period (PCP): **30 June 2015**

1. Results for announcement to the market

	30-Jun-16 $000's	30-Jun-15 $000's	Change $000's	Change %
Revenue from ordinary activities	55,202	54,270	932	1.7%
Loss from continuing operations after tax attributable to members	(8,961)	(5,576)	(3,385)	(61)%
Loss from discontinued operations after tax attributable to members	(1,088)	(2,001)	913	46%
Loss for the period attributable to members	(10,049)	(7,577)	(2,472)	(33)%
Loss before interest, tax, depreciation, amortisation and impairment (EBITDA)	(5,943)	(1,120)	(4,823)	(431)%

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	(2.7) cents	(0.9) cents

This report should be read in conjuction with the attached audited financial statements for the year ended 30 June 2016 and any public announcements made by the Company during the year ended 30 June 2016

ASIA PACIFIC DIGITAL LIMITED

ACN 000 386 685

Annual Report

Year Ended 30 June 2016

Contents

Company Directory

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

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

Chairman's Letter

On behalf of Directors I present the Annual Report of Asia Pacific Digital Limited (the "Group", or the "Company") for the year ended 30 June 2016, its second full year of operations as a 360 degree digital services provider.

Financial Result

Your Company reported an EBITDA loss from continuing operations of $5.9m ($5.7m excluding share options costs) in FY16 (2015: EBITDA loss from continuing operations $1.1m, excluding share options costs $0.8m).

There is an important story behind these numbers. The Company reached the end of its "build" phase during FY16 and has since scaled back or exited activities that will impede it from reaching acceptable levels of profitability. Its underlying financial performance improved markedly during the second half, and by the end of the financial year, the core operating business achieved breakeven and was trending to profit.

The Company's continuing operations are being placed under a standalone holding company so that its performance can be measured on a standalone basis going forward.

Head Office costs dedicated to building the business in Asia were reduced, and will be further reduced during FY17.

History

In April 2014 the Company embarked on a journey to build the largest independent digital services platform across Australasia and Southeast Asia in a fast-growing and rapidly consolidating market.

In FY15 the Company launched a single brand (APD) to roll out its 360 degree digital services approach to doing business.

In FY16 the Company appointed Newton Smith and Damien O'Donohoe as CEO and CFO with a mandate to drive profit from the platform.

The Infrastructure to Scale

During FY16 the Company integrated its internal processes, investing in the infrastructure, financial and HR systems to build scalability into its business. As a result, the Group now has significant capacity to grow its revenues without materially increasing its overheads.

360 Degree Digital Services

During FY15 and FY16 the Company trialed several new initiatives to develop a business model that would scale and deliver high margin, recurring revenues from serving clients on their digital journeys across the very diverse Asia Pacific landscape. Profitability was deliberately sacrificed during this period, in order to develop the business model and build a scalable platform.

The formula for success is now in place. The core business, APD, is expert at providing integrated 360 degree digital solutions comprising digital strategy, technology, performance marketing, CRM and analytics to large corporates with complex multi-jurisdictional digital needs.

We're good at solving problems for such clients. In the year to 30 June we won complex, cross-border digital assignments for major corporations like Chubb, Ford Motor Corporation, USG Boral and Microsoft. The infrastructure and teams we've built in Singapore, Kuala Lumpur, Manila, Shanghai, Sydney, Melbourne and Auckland enable us to serve significant clients in multiple countries at best practice with efficiency.

Increasingly, we find ourselves shortlisted against the world's major strategy, technology and marketing corporations when pitching for business. Being shortlisted against such formidable competitors was a pipe dream only a year or two ago.

Organisational Structure

During FY16 we have implemented country leadership and commenced the transition to country based P&Ls, which will replace our regional service lines. Today we manage APD by country profitability and are finding that, having integrated at a country level, we can drive greater cost efficiencies and co-ordinate our client servicing activities more effectively. From FY17 we will report country profitability as a key metric.

Partnerships

Channel partnerships have the potential to become an important source of revenue. The Teaming Agreement announced at the half year resulted in two client wins in Singapore. A similar alliance has been negotiated since balance date with a global technology company.

Focus

Having refined the formula for success, we discontinued business units that were not going to achieve the level of profit we needed. We exited the APD Venture division, taking what we learned from partnering with eCommerce SMEs, and applying this knowledge to providing integrated solutions to multinational corporations. Our experience has enabled us to win at least one major account across 12 regional markets.

Asia

At the half year we flagged a sharp reduction in revenues from our major client Ford, due to a technology restructuring project. Excluding Ford, our revenues grew by 49% across Asia. With recent contract wins we expect this strong growth rate to continue.

An option was struck to acquire a small digital services firm in Jakarta, providing an opportunity to enter the fast-growing Indonesian market. We will exercise the option, buy and integrate the business if it performs to our financial criteria.

Australia

APD Australia is the product of several good and well-established businesses that have now been integrated. The combined business was more difficult to integrate than the rest of the group and has lagged somewhat in terms of profitability and revenue growth. We are very focused on improving our performance in this important market, and are confident that we have the people and the formula to do so.

The Journey to Profitability

In the second half, as we tapered off investment spend and closed businesses that were not going to meet our core objectives, costs steadily declined while revenues increased. By the end of the financial year, the operating business achieved break even and was trending to profit.

Our objective is now to move it to acceptable industry profit margins during calendar 2017.

KPIs

At the start of this journey your Company set itself multi-year targets:

- build our core Asian capabilities (*achieved*);
- 50% of group revenues outside Australia (*on target, at 31%*);
- 50% of employees located in Asia (*achieved, at 60%*);
- minimum 30% organic growth rate in Asia (*achieved*); and
- an EBITDA loss of $0 to -2m while building out the network (*the core business missed this target in H1 but improved materially in H2*).

The Group has achieved much of what it set out to do in when the journey was commenced in FY14 and is now targeting industry profit margins. We expect the profit run rate to progressively improve during FY17.

In Conclusion

APD remains the only independent digital services platform operating at scale across Asia Pacific. As such it represents an important alliance or equity partner for an international consulting, technology or marketing company wishing to enter the region.

We envisage negotiating such a partnership during FY17 to accelerate your Company's growth.

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

Roger Sharp
Chairman

Directors' Report

The Directors submit their report for the year ended 30 June 2016.

DIRECTORS

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

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

Ms. Ashton is Director of Business Development, Marketing and Communication Asia Pacific: Baker & McKenzie. Throughout her 31-year career, which includes 19 years in Asia, Ms. Ashton has held marketing and leadership roles at national, regional and global levels in diverse industries including consumer packaged goods, advertising, downstream energy, consumer durables, electronics and professional services. Ms. Ashton is a graduate of McGill University in Montreal.

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

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

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

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

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

Mr. Hyndman is a Partner at APGM, a Singapore-based management consultancy and investment firm that specialises in digital technology. APGM advises multinational corporations including some of the world's largest advertising agencies on their growth and digital strategies across the Asia-Pacific region. Previously Mr. Hyndman was CEO of the Company's Australian performance marketing business prior to its acquisition by APD.

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

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

David SWEET, *Non-Executive Director.* Appointed 1 September 2009. Served as Executive Director from 18 June 2004 to 31 August 2009. Resigned 5 August 2015. Resides in Australia.

COMPANY SECRETARY

Mr. Sam Monkivitch was appointed as Company Secretary on 2 August 2016. Sam has been employed as the Company's General Counsel for the past three years and continues in that role. Mr Campbell Nicholas resigned from the Company effective 1 August 2016 and held the position of Company Secretary during the year.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

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

DIRECTORS' INTERESTS

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

Director	Ordinary Shares	Options granted over ordinary shares in the Company
Mr R Sharp (i)	73,086,293	1,156,000
Mr P Hynd (ii)	61,663,075	1,156,000
Mr F Hyndman	-	133,333
Ms L Ashton	197,777	-
Mr M Dalgleish	4,931,498	-

(i) 61,663,075 of the ordinary shares are held by funds managed by North Ridge Partners Pty Ltd. Mr Sharp is a Director and controlling shareholder of North Ridge Partners Pty Ltd.

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

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

DIRECTORS' MEETINGS

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

		Meetings of Committees	
	Directors Meetings	Audit	Remuneration
Number of meetings held:	9	2	-
Number of meetings attended:			
Laura Ashton	8	-	-
Fionn Hyndman	9	n/a	-
Peter Hynd	9	2	-
Roger Sharp	9	n/a	n/a
Mark Dalgleish	8	2	n/a
David Sweet	-	n/a	n/a

All Directors were eligible to attend all meetings except for Laura Ashton, who was eligible to attend eight meetings, Mark Dalgleish, who was eligible to attend eight meetings and David Sweet, who was eligible to attend one meeting.

Committee Membership

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

PRINCIPAL ACTIVITIES

The principal activities during the year within the consolidated entity were:

- digital strategy, creative and technology solutions: **APD Interact**;
- digital market research, lead generation and performance marketing: **APD Acquire**; and
- customer engagement and retention: **APD Engage**.

OPERATING AND FINANCIAL REVIEW

Operating results for the year

The consolidated result from continuing operations before interest, tax depreciation, amortisation and impairment losses (EBITDA) was a loss of $5,943,000 (2015: $1,120,000). The consolidated entity net loss after income tax for the financial year ended 30 June 2016 was $10,049,000 (2015: a loss of $7,577,000).

Included in this year's EBITDA result are:

- a $0.2m non-cash expense relating to the post-balance date vesting of employee share options in respect of the year; and
- restructuring costs associated with the move to country-based management of the Group of $0.5m.

Segment Activities and Performance

APD

In the year ended 30 June 2016 the Company incurred an EBITDA loss of $5.9m ($5.7m excluding share option costs) (2015: an EBITDA loss from continuing operations $1.1m, excluding share options costs of $0.8m).

The result comprised an EBITDA loss $1.7m from the Company's core 360 degree digital services business plus $4.2m in unallocated costs (2015: EBITDA profit $1.6m and $3.4m in unallocated costs, excluding a $0.7m gain in FY 15 on the disposal of an investment).

The Company's continuing operations are being placed under a holding company so that its performance can be measured on a standalone basis. On a pro forma basis, reallocation of $1.5m of the unallocated costs to the core business indicates a headline EBITDA operating loss of $3.2m for the year (including $0.5m of restructuring costs), and Head Office costs of $2.7m.

In H2 the Group undertook a detailed review of its cost structure which identified $4m of savings including discontinued operations. This program has been activated and the business incurred $0.5m of restructuring costs.

This resulted in the underlying performance of the core business improving markedly during the second half, and by the end of the financial year, it had achieved breakeven and was trending to profit. Head Office costs dedicated to building the business in Asia were reduced, and are expected to reduce further during FY17.

Overall group revenues grew by 1.7% over PCP, with a 49% increase in Asia (excluding the Ford account, which declined), flat revenues in Australia and a 35% decline in New Zealand. The Company's Asian business won and executed a number of complex multi-jurisdictional digital assignments for large corporate clients. The slight decline in Australian revenues resulted from a major client reducing its activities in FY16, after releasing a peak of new product launches in FY15. The decline in New Zealand is attributable to the decision to migrate clients away from the Company's proprietary email marketing platform to the IBM Marketing Cloud, which involved exiting certain clients. Both Australia and New Zealand are now showing an improved trajectory.

Having substantially completed its green fields build phase during FY16, the Company tapered off its investment spend and focused on driving efficiency and scale into its regional 360 Degree Digital Services business. Two key senior management appointments were made in January to drive improved performance. The Company exited its SME eCommerce Ventures business to concentrate on its core business.

Under the Teaming Agreement previously announced, the Company has secured two client mandates which are being delivered from our Singapore office. Post balance date the Company has entered a channel partnership with a multinational technology company to serve its clients' digital needs.

The new executive team has transitioned the business from divisional to country-based management in order to accelerate integration and serve clients better across the Company's 360 degree offering. Each country leader has a strategy to integrate legacy service lines and sales, client serving and solutions personnel into integrated teams that serve clients facing the challenges of digital transformation.

APD Interact

APD Interact incurred an EBITDA loss of $0.6m (2015: EBITDA profit of $1.1m). The division has developed a strong capability across the region, delivering projects and campaigns on time and on budget. Revenues from its major client, Ford Motor Company, declined in FY16 after peaking in FY15. New regional clients including USG Boral, AIA and Microsoft have offset the decline in Ford and have set the stage for future growth.

APD Acquire

APD Acquire incurred an EBITDA loss of $0.01m (2015: EBITDA profit of $1.3m). The division had a challenging year while funding its expansion into Southeast Asia and building the client pipeline. A number of contracts have been secured that will underpin growth for FY17.

APD Engage

APD Engage reported an EBITDA loss of $1.0m (2015: EBITDA loss of $0.8m). The division focused on its partnership with IBM, and began to migrate its email marketing clients from its legacy platform to the IBM Marketing Cloud product suite.

Countries

APD Malaysia delivered a strong performance, expanding existing client relationships such as Fonterra, Maxis (Malaysia's largest telco) and Proton (the Malaysian vehicle manufacturer) and winning new clients such as Toyota, Kimberly Clarke, Magnum and F&N.

APD Singapore was acquired during FY15 and since then invested heavily in capability and talent. In Q4 this business secured a significant 360 degree digital services contract across 12 countries, to deliver the group's suite of Strategy, Research, Technology, Creative, Performance, CRM and Data. Early wins were also secured with the Company's teaming partner in the banking and pharmaceutical sectors.

APD Philippines had another successful year, delivering a complete range of shared services to the group, ranging from recruitment, accounting and finance support, to development and performance marketing. Manila has been a great success for APD and is a foundation stone of the Company's ability to scale profitably.

APD Australia launched digital platform projects for Village Roadshow and Goodyear Dunlop, cementing its position as a quality digital technology provider and partner to mid to large size Australian companies. Performance marketing clients that were expanded or won during the year include Lend Lease, Australian Unity as well as Harvey Norman, which APD will take into Southeast Asia.

APD New Zealand is building a 360 Degree Digital Services business from its legacy email marketing business. The signs are encouraging, with several early wins. In addition, clients such as Mitre 10, Resene and Flight Centre committed to or migrated to the new IBM Marketing Cloud platform.

APD Venture

APD Venture, which reported an EBITDA loss of $1.1m (FY 15: EBITDA loss $0.7m), was discontinued so the Company could focus on scaling its 360 Degree Digital Services business. The FY16 result provided for $0.6 million of unrecovered debt the remaining balance will be recovered during FY17. For further details of our discontinued operations please refer to note 28.

Corporate Costs

Corporate costs for the period were $4.2m (FY15: $3.7m). Following a review of these costs in H2 FY16, $1.5m was identified as directly attributable to the 360 Degree Digital Services business resulting in direct net Corporate costs of $2.7m.

Financial position

The net assets of the Group declined by $2.9m from $12.1m at 30 June 2015 to $9.3m as at 30 June 2016. The major balance sheet movements during FY2016 were:

- a $7.1m increase in paid up capital following the pro rata rights issue in May 2016 and conversion of debt into equity in December 2015 and May 2016;
- a $2.0m increase in total interest-bearing debt due to a $4m issue of convertible note in November 2015, the conversion of $0.8m of secured debt to equity in December 2015 and $0.8m in May 2016, capitalization of interest payable in December 2015 of $0.2m, and repayment of syndicated debt via shares in May 2016 of $1.0m and an increase in the NAB debtors finance facility of $0.3m; and
- a $0.5m decrease in intangible assets arising from amortization of software $0.9m partially offset by software purchases $0.5m.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SHARE OPTIONS

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

- 600,000 unlisted options to subscribe for 600,000 ordinary shares. The options are exercisable on or before 24 July 2017 at an exercise price of 75 cents for each ordinary share; and
- 11,420,736 unlisted options to subscribe for 11,420,736 ordinary shares. 4,382,078 options had vested at balance date and are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share. The remaining options are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share and remain subject to vesting conditions (vesting dates of 30 September 2016 and 30 September 2017).

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

DIVIDENDS

The Directors recommend that no amount be paid by way of dividend for the year ended 30 June 2016. No dividend has been paid or declared since the start of the financial year.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, or the state of affairs of the Company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

REMUNERATION REPORT (AUDITED)

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

Remuneration Policy

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

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

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

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

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

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

Remuneration Committee

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

Remuneration Structure

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

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

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

Senior Manager Remuneration

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

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

Structure

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

Details of remuneration for year ended 30 June 2016

The remuneration for each Key Management Personnel Director and executive of the consolidated entity was as follows. Some Key Management Personnel are located in Asia and are remunerated in foreign currencies. The remuneration of these KMP is converted to Australian dollars for reporting purposes and is consequently subject to Australian dollar fluctuations. Singapore based KMP (Roger Sharp, Newton Smith, Damien O'Donohoe, Fionn Hyndman and Laura Ashton) Australian dollar remuneration has been impacted in FY2016 by currency movements.

Details of Key Management Personnel

(i) Directors

Roger Sharp (appointed 16 October 2012)	Executive Chairman
Peter Hynd (appointed 31 August 2012)	Executive Director
David Sweet (appointed 18 June 2004. Resigned 5 August 2015)	Non-Executive Director
Fionn Hyndman (appointed 1 January 2011)	Non-Executive Director
Laura Ashton (appointed 5 August 2015)	Non-Executive Director
Mark Dalgleish (appointed 5 August 2015)	Non-Executive Director

(ii) Continuing Executives

Newton Smith (appointed 1 April 2014)	Chief Executive Officer
Damien O'Donohoe (appointed 1 January2016)	Chief Financial Officer

(iii) Departing Executives

Campbell Nicholas (Resigned 29 July 2016)	Group Financial Controller
Shaun McNamara (Resigned 2 June 2016)	CEO Acquire
Paula Harrison (Resigned 31 January 2016)	CEO Engage
Sean Toohey (Resigned 7 December 2015)	CEO Venture

Details of remuneration for year ended 30 June 2016 *(continued)*

		Short-term benefits			Post employment		Share-based payments		
		Salary & fees	Bonus	Non-monetary benefits	Super	Termination Payments	Options /shares	Total	Performance related
		$	$	$	$	$	$	$	%
KMP Directors									
P Hynd	**2016**	225,043	-	-	15,411	-	20,222	260,676	8
Executive Director	**2015**	177,753	-	-	15,027	-	22,165	214,945	10
D Sweet[1]	**2016**	4,167	-	-	-	-	-	4,167	-
Non-Executive Director	**2015**	50,000	-	-	-	-	-	50,000	-
F Hyndman[2]	**2016**	60,000	-	-	-	-	2,916	62,916	5
Non-Executive Director	**2015**	60,000	-	-	-	-	2,915	62,915	5
R Sharp	**2016**	448,612	-	-	-	-	20,222	468,834	4
Executive Director	**2015**	414,403	-	-	-	-	22,165	436,568	5
L Ashton[3]	**2016**	-	-	-	-	-	54,493	54,493	-
Non-Executive Director	**2015**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
M Dalgleish[3]	**2016**	49,639	-	-	4,716	-	-	54,335	-
Non-Executive Director	**2015**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sub total	**2016**	**787,461**	**-**	**-**	**20,127**	**-**	**97,853**	**905,441**	**5**
Directors	**2015**	**702,156**	**-**	**-**	**15,027**	**-**	**47,245**	**764,428**	**6**

1. Resigned 5 August 2015.
2. Mr Hyndman received a grant of share options in recognition of his contribution beyond his role as a non-executive director.
3. Appointed 5 August 2015.

Details of remuneration for year ended 30 June 2016 *(continued)*

		Short-term benefits			Post employment		Share-based payments		
		Salary & fees	Bonus	Non-monetary benefits	Super	Termination Payments	Options /shares	Total	Performance related
		$	$	$	$	$	$	$	%
KMP Executives									
N Smith [1] *Chief Executive Officer*	**2016**	370,531	-	-	-	-	12,420	382,951	3
	2015	273,637	-	-	-	-	15,521	289,158	5
D O'Donohoe [2] *Chief Financial Officer*	**2016**	185,265	-	-	-	-	9,936	195,201	5
C Nicholas [3] *Group Financial Controller*	**2016**	250,000	-	-	23,750	-	9,936	283,686	4
	2015	250,000	-	-	23,750	-	12,417	286,167	4
S McNamara [4] *CEO Acquire*	**2016**	242,212	-	-	23,010	83,922	-	349,143	-
	2015	319,802	-	-	27,120	-	12,417	359,339	3
P Harrison [5] *CEO Engage*	**2016**	172,914	-	-	-	105,149	-	278,063	-
	2015	281,001	-	-	-	-	12,417	293,418	4
S Toohey [6] *CEO Venture*	**2016**	91,539	-	-	8,152	46,682	-	146,373	-
	2015	203,438	-	-	18,701	-	12,417	234,556	5
Sub total Executives	**2016**	1,312,461	-	-	54,912	235,763	32,292	1,635,417	2
	2015	1,327,878	-	-	69,571	-	65,189	1,462,638	4
TOTALS	**2016**	**2,099,922**	**-**	**-**	**75,039**	**235,753**	**130,145**	**2,540,859**	**3**
	2015	**2,030,034**	**-**	**-**	**84,589**	**-**	**112,434**	**2,227,066**	**5**

1. Appointed 1 January 2016. Prior to this appointment, Newton Smith served as Chief Operating Officer.
2. Appointed 1 January 2016
3. Resigned 29 July 2016
4. Resigned 2 June 2016
5. Resigned 31 January 2016
6. Resigned 7 December 2015

Shareholdings of Key Management Personnel

	Balance at beginning of period	Granted as remuneration	On exercise of options	Net change other	Balance at end of period
2016 Directors					
R Sharp and P Hynd (1)	63,455,914	-	-	9,630,379	73,086,293
D Sweet	35,335	-	-	-	35,335
F Hyndman	-	-	-	-	-
L Ashton	-	197,777	-	-	197,777
M Dalgleish	-	-	-	4,931,498	4,931,498
Executives					
N Smith	-	-	-	-	-
D O'Donohoe	-	-	-	-	-
C Nicholas	-	-	-	-	-
S McNamara	-	-	-	-	-
P Harrison	-	-	-	-	-
S Toohey	-	-	-	-	-
Total	63,491,249	197,777	-	9,630,379	78,250,903

	Balance at beginning of period	Granted as remuneration	On exercise of options	Net change other	Balance at end of period
2015 Directors					
R Sharp and P Hynd (1)	57,596,263	-	-	5,859,651	63,455,914
D Sweet	35,335	-	-	-	35,335
F Hyndman	-	-	-	-	-
Executives					
N Smith	-	-	-	-	-
C Nicholas	39,600	-	19,800	-	59,400
S McNamara	-	-	-	-	-
P Harrison	-	-	-	-	-
S Toohey	-	-	-	-	-
Total	57,671,198	-	19,800	5,859,651	63,550,649

(1) 61,663,075 of the shares at the end of the period are held by funds managed by North Ridge Partners Pty Ltd. Mr Sharp and Mr Hynd are Directors and shareholders of North Ridge Partners Pty Ltd.

11,423,218 of the shares at the end of the period are held by Wentworth Financial Pty Ltd as trustee for Wentworth Trust and Christine Sharp. Roger Sharp is a shareholder in and director of Wentworth Financial Pty Ltd. Christine Sharp is Roger Sharp's wife.

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

Key Management Personnel Share Options Movements

Option Series	Balance at 30 June 2015	Granted as Compen sation	Forfeited/ Lapsed	Balance at 30 June 2016	Balance Vested at 30 June 2015	Options Vested During Year	Options Sold/ Transferred	Balance Vested at 30 June 2016
R Sharp	1,156,000	-	-	**1,156,000**	-	385,334	(47,374)*	**337,960**
P Hynd	1,156,000	-	-	**1,156,000**	-	385,334	(47,374)*	**337,960**
F Hyndman	133,333	-	-	**133,333**	-	44,444	-	**44,444**
N Smith	710,000	-	-	**710,000**	-	236,667	-	**236,667**
D O'Donohoe	568,000	-	-	**568,000**	-	189,333	-	**189,333**
C Nicholas	568,000	-	-	**568,000**	-	189,333	-	**189,333**
S McNamara	568,000	-	(378,667)	**189,333**	-	189,333	-	**189,333**
P Harrison	568,000	-	(378,667)	**189,333**	-	189,333	-	**189,333**
S Toohey	568,000	-	(378,667)	**189,333**	-	189,333	-	**189,333**

*Transferred to other employees within a related party

Key Management Personnel Share Options on Issue at Balance Date

Option Series	Number	Grant Date	Vesting Date	Expiry Date	Exercise Price	Fair Value at Grant Date	Vested at Balance Date
R Sharp							
Tranche 1	385,334	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	385,334
Tranche 2	385,333	16/12/14	30/9/16	28/11/18	$0.625	$0.0656	-
Tranche 3	385,333	16/12/14	30/9/17	28/11/18	$0.625	$0.0656	-
P Hynd							
Tranche 1	385,334	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	385,334
Tranche 2	385,333	16/12/14	30/9/16	28/11/18	$0.625	$0.0656	-
Tranche 3	385,333	16/12/14	30/9/17	28/11/18	$0.625	$0.0656	-
F Hyndman							
Tranche 1	44,444	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	44,444
Tranche 2	44,444	16/12/14	30/9/16	28/11/18	$0.625	$0.0656	-
Tranche 3	44,444	16/12/14	30/9/17	28/11/18	$0.625	$0.0656	-
N Smith							
Tranche 1	236,667	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	236,667
Tranche 2	236,667	16/12/14	30/9/16	28/11/18	$0.625	$0.0656	-
Tranche 3	236,666	16/12/14	30/9/17	28/11/18	$0.625	$0.0656	-
D O'Donohoe							
Tranche 1	189,333	1/1/16	1/1/16	28/11/18	$0.625	$0.0656	189,333
Tranche 2	189,333	1/1/16	30/9/16	28/11/18	$0.625	$0.0656	-
Tranche 3	189,334	1/1/16	30/9/17	28/11/18	$0.625	$0.0656	-
C Nicholas							
Tranche 1	189,333	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	189,333
Tranche 2	189,333	16/12/14	30/9/16	28/11/18	$0.625	$0.0656	-
Tranche 3	189,334	16/12/14	30/9/17	28/11/18	$0.625	$0.0656	-
S McNamara							
Tranche 1	189,333	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	189,333
P Harrison							
Tranche 1	189,333	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	189,333
S Toohey							
Tranche 1	189,333	16/12/14	30/9/15	28/11/18	$0.625	$0.0656	189,333

Employment Contracts

Executives

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

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

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

INDEMNIFICATION AND INSURANCE OF OFFICERS (NOT AUDITED)

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

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

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE STATEMENT

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

ROUNDING OF AMOUNTS

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

Dated in Singapore this 31st day of August 2016

Signed in accordance with a resolution of the Directors.

ROGER SHARP
Chairman

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Level 11, 1 Margaret St
Sydney NSW 2000
Australia

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

As lead auditor of Asia Pacific Digital Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

John Bresolin
Partner

BDO East Coast Partnership

Sydney, 31 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016

	Note	2016 $000's	2015 $000's
Continuing operations			
Rendering of services		55,202	54,270
Other income		-	725
Cost of sales		(35,207)	(28,674)
Employee benefits expense	4(b)	(17,274)	(18,645)
Business acquisition costs		-	(22)
Restructuring		(455)	(483)
Other expenses	4(c)	(8,209)	(8,291)
Loss before interest, tax, depreciation amortisation and impairment losses (EBITDA)		**(5,943)**	**(1,120)**
Depreciation and amortisation	4(a)	(1,597)	(1,821)
Impairment losses	4(a)	-	(2,225)
Loss from continuing operations before interest and tax		**(7,540)**	**(5,166)**
Finance income		50	35
Finance costs	5	(1,343)	(1,025)
Loss from continuing operations before income tax		**(8,833)**	**(6,156)**
Income tax (expenses)/ benefit	6	(128)	580
Loss from continuing operations after income tax		**(8,961)**	**(5,576)**
Loss after income tax expense from discontinued operations	28	(1,088)	(2,001)
Loss for the year attributable to owners of the parent		**(10,049)**	**(7,577)**

Earnings per share

From continuing and discontinued operations:

	Note	*Cents*	*Cents*
- Basic earnings/(loss) per share	7	(10.31)	(9.22)
- Diluted earnings/(loss) per share	7	(10.31)	(9.22)

From continuing operations:

	Note	*Cents*	*Cents*
- Basic earnings/(loss) per share	7	(9.19)	(6.79)
- Diluted earnings/(loss) per share	7	(9.19)	(6.79)

From discontinued operations:

	Note	*Cents*	*Cents*
- Basic earnings/(loss) per share	7	(1.12)	(2.44)
- Diluted earnings/(loss) per share	7	(1.12)	(2.44)

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2016

	2016 $000's	2015 $000's
Loss for the year	**(10,049)**	**(7,577)**
Other comprehensive income / (loss)		
Exchange difference on translation of foreign operations	(174)	(188)
Net gain / (loss) on available – for – sale financial assets	53	212
Income tax effect	(9)	(36)
	44	176
Net other comprehensive income to be reclassified to profit or loss in subsequent year	**(130)**	**(12)**
Other comprehensive income for the year, net of tax	**(130)**	**(12)**
Total comprehensive income for the year attributable to owners of the parent	**(10,179)**	**(7,589)**

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

Consolidated Statement of Financial Position
As at 30 June 2016

	Note	2016 $000's	2015 $000's
ASSETS			
Current assets			
Cash and cash equivalents	8	2,349	970
Trade and other receivables	9	11,556	12,014
Other financial assets	10	146	730
Other	11	599	559
Total current assets		**14,650**	**14,273**
Non-current assets			
Trade and other receivables	9	-	158
Other financial assets	10	735	519
Plant and equipment	12	1,020	723
Deferred tax assets	6 (c)	996	955
Investments	14	651	598
Intangible assets	13	1,013	1,498
Goodwill	13	11,523	11,523
Total non-current assets		**15,938**	**15,974**
Total assets		**30,588**	**30,247**
LIABILITIES			
Current liabilities			
Trade and other payables	15	8,780	7,743
Provisions	16	1,934	1,838
Interest-bearing loans and borrowings	17	3,627	2,046
Provision for Income tax		118	153
Deferred income		943	1,154
Total current liabilities		**15,402**	**12,934**
Non-current liabilities			
Interest-bearing loans and borrowings	17	5,122	4,664
Trade and other payables	15	187	92
Provisions	16	585	413
Total non-current liabilities		**5,894**	**5,169**
Total liabilities		**21,296**	**18,103**
Net assets		**9,292**	**12,144**
EQUITY			
Contributed equity	18	143,344	136,211
Reserves	19	(8,246)	(8,310)
Accumulated losses	20	(125,806)	(115,757)
Total equity attributable to equity holders of the parent		**9,292**	**12,144**

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

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2016

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

	Note	Ordinary shares	Accumulated losses	Share based payment reserve	Common control reserve	Available-for-sale reserve	Foreign currency translation reserve	Total
		$000's	$000's	$000's	$000's	$000's	$000's	$000's
At 1 July 2014 as reported in the 2014 annual report		128,850	(108,180)	4,023	(12,311)	(199)	(310)	11,873
Loss for year		-	(7,577)	-	-	-	-	(7,577)
Other comprehensive income /(loss) for the year		-	-	-	-	176	(188)	(12)
Total comprehensive (loss) / income		-	(7,577)	-	-	176	(188)	(7,589)
Transactions with owners in their capacity as owners:								
Acquisition of subsidiary	18	324	-	-	-	-	-	324
Issue of share capital	18	7,326	-	-	-	-	-	7,326
Transaction costs	18	(325)	-	-	-	-	-	(325)
Share based payments		-	-	300	-	-	-	300
Deferred tax movements on share issue costs	18	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**

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

Consolidated Cash Flow Statement
For the Year Ended 30 June 2016

	Note	2016 $000's	2015 $000's
Cash flows from operating activities			
Receipts from customers		57,275	59,111
Payments to suppliers and employees		(63,537)	(62,206)
Payments for business acquisition costs		-	(4)
Payments for restructuring		(507)	(416)
Interest received		51	35
Interest paid		(798)	(663)
Income tax paid		(163)	(210)
Net cash used in operating activities	8	**(7,679)**	**(4,353)**
Cash flows from investing activities			
Payments for plant and equipment		(519)	(465)
Payments for intangible assets		(457)	(1,010)
Purchase of investments		-	(130)
Consideration paid for acquisition of subsidiaries		-	(510)
Cash acquired on acquisition of subsidiary		-	77
Payment of term deposit		(298)	(295)
Proceeds from sale of investments		1,010	690
Refund of term deposits		702	-
Net cash provided by / (used in) investing activities		**438**	**(1,643)**
Cash flows from financing activities			
Proceeds from issues of shares		3,748	3,252
Proceeds from / repayments of borrowings		5,537	1,810
Payment of share issue costs		(352)	(180)
Repayment of borrowings – Vendor financing		-	(281)
Payment of finance fees		(284)	(20)
Net cash provided by financing activities		**8,649**	**4,581**
Net increase / (decrease) in cash and cash equivalents held		1,408	(1,415)
Net foreign exchange difference		(29)	(40)
Cash and cash equivalents at the beginning of the financial year		970	2,425
Cash and cash equivalents at the end of the financial year	8	**2,349**	**970**

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

CORPORATE INFORMATION

The financial report of Asia Pacific Digital Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 31st August 2016. Asia Pacific Digital Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

Going Concern

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

This is notwithstanding that the consolidated entity incurred a net cash outflow from operations of $7.7 million (2015: $4.4million) during the year ended 30 June 2016 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $0.8 million (30 June 2015: surplus $1.3 million).

The Directors note the following items in particular:

- included in current liabilities is deferred revenue of $0.9 million (30 June 2015: $1.2 million) representing a liability for services not yet performed (as distinct from a liability for unpaid expenses). On the basis that the consolidated entity continues as a going concern, the Directors expect the vast majority of deferred revenue to be delivered in services to clients and recognised as revenue, and do not have any expectation that any material amount would be needed to be paid back as a cash payment (as a refund);
- the Company notes that it has historically funded its operations and investment in growing its regional platform via capital raisings conducted through the public equity markets. The Directors have cause to believe that equity market funding will continue to be available in the future to allow the Company to continue to meet its commitments;
- The Company has largely concluded the major expansion phase of its regional platform and in the second half of the 2016 financial year moved its focus to optimising costs across the network to better align with current revenue levels. The Company outlined to the ASX its target to achieve a breakeven outcome by mid-year 2016, and through a combination of sustained cost improvements and revenue growth, this was achieved in June. While seasonal variations are likely to lead to short term results that sit both above and below the breakeven line in the first half of the 2017 financial year, management are now targeting a trend towards typical industry earnings margins. Directors expect that the recent improvements in financial performance will lead to a continuing reduction in net cash requirements in future periods;
- the Company has received financial support in the past from North Ridge Partners since it became the majority shareholder in 2008. North Ridge Partners currently holds 67% of the shares on issue and also provides a loan facility which the consolidated entity has regularly used to fund short term working capital requirements, and North Ridge has in the past demonstrated a willingness to re-negotiate the term of the facility. To the extent that North Ridge Partners remains the Company's majority shareholder the Directors expect to continue to receive its financial support.

Going Concern (continued)

The balance of current assets and current liabilities at 30 June 2016 and the reliance on future capital raisings gives rise to a material uncertainty which may cast doubt over the consolidated entity's ability to continue as a going concern. Having regard to the above factors and noting post-balance date agreements to convert or refinance current debt, the Directors have concluded that there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they fall due. On this basis the financial report has been prepared on a going concern basis.

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

(a) Compliance with IFRS

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

(b) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Reference	Title and Summary	Application date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 2014-4	**Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)** AASB 116 Property Plant and Equipment and AASB 138 Intangible Assets both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	No impact	1 July 2016

(b) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2016, outlined in the table below:

Reference	Title and Summary	Application date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 9	**Financial Instruments** AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. Classification and measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below. *Financial assets* a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. Financial liabilities Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount. Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. *Hedge accounting* Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E. AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014. AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.	1 January 2018	Management has not assessed the full impact of the change as at the reporting date	1 July 2018

(b) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title and Summary	Application date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 15	**Revenue from Contracts with Customers** AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Currently, AASB 15 is effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted. (Note A) AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2018 Note A	Management has not assessed the full impact of the change as at the reporting date	1 July 2018 Note B

(b) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title and Summary	Application date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 2015-1	**Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle** The subjects of the principal amendments to the Standards are set out below: AASB 5 *Non-current Assets Held for Sale and Discontinued Operations:* • Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or vice versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. AASB 7 *Financial Instruments: Disclosures:* • Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. • Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 *Interim Financial Reporting* when its inclusion would be required by the requirements of AASB 134. AASB 119 *Employee Benefits*: • Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level. AASB 134 *Interim Financial Reporting:* Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.	1 January 2016	Management has not assessed the full impact of the change as at the reporting date	1 July 2016
AASB 2015-2	**Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101** The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	1 January 2016	No impact	1 July 2016

(b) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title and Summary	Application date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 16	Leases When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases The main changes introduced by the new Standard include: - recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value asset - depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components; - variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date; - by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and - additional disclosure requirements. The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application. Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.16 (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Currently, AASB 15 is effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted. (Note A) AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.	1 January 2019	Management has not assessed the full impact of the change as at the reporting date	1 July 2019

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group’s voting rights and potential voting rights.

(c) Basis of consolidation (continued)

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

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

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

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

(d) Business combinations

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

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

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

(e) Segment reporting

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

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

► Nature of the products and services,
► Type or class of customer for the products and services,
► Methods used to distribute the products or provide the services, and
► Nature of the regulatory environment.

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

(f) Cash and cash equivalents

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

(g) Trade and other receivables

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

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

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

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

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

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

(i) Financial Instruments

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

Financial Assets

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

Loans and receivables

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

Available-for-sale (AFS) financial investments

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

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

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

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

Impairment of financial assets

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

(i) Financial Instruments *(continued)*

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

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

<u>Fair value in an inactive or unquoted market</u>

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

<u>Financial Liabilities</u>

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

<u>Subsequent Measurement</u>

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

Financial liabilities at fair value through profit or loss

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

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

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

Loans and borrowings

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

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

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

(i) Financial Instruments *(continued)*

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

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

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

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

(k) Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

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

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

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

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

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

(l) Impairment of non-financial assets other than goodwill *(continued)*

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

(m) Goodwill and intangibles

Goodwill

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

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

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

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

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

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

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

Intangibles

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

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

(m) Goodwill and Intangibles *(Continued)*

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

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

Customer Contracts		
Useful life	-	Finite
Amortisation method used	-	Amortised over the remaining life of the customer contracts on a straight same line basis
Internally generated or acquired	-	Acquired
Impairment assessment	-	Annually and more frequently when an indication of impairment exists

Brand Names		
Useful life	-	Finite
Amortisation method used	-	Amortised over 14 years being the expected useful life on a straight same line basis
Internally generated or acquired	-	Acquired
Impairment assessment	-	Annually and more frequently when an indication of impairment exists

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

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

(n) Trade and other payables

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

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

(o) Interest bearing loans and borrowings

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

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

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

Borrowing costs

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

(p) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

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

Employee leave benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

(q) Member rewards

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

(r) Share based payment transactions

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

Equity settled transactions

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

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

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

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

(s) Contributed equity

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

(t) Revenue recognition

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

Rendering of Media Services

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

(u) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Tax consolidation legislation

Asia Pacific Digital Limited and its wholly-owned Australian subsidiaries at the time formed an income tax consolidated group in July 2004. There have been subsequent changes in group membership since the formation date and as at 30 June 2016, the members of the income tax consolidated group are:

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

(u) Income tax and other taxes *(continued)*

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

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

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

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

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

(v) Earnings per share

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

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

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

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

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

(x) Significant accounting judgements, estimates and assumptions

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

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

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

Significant accounting judgements and estimates

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

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

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

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

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

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

(x) Significant accounting judgements, estimates and assumptions *(continued)*

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

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

(y) Foreign currency transactions and balances

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

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

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

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

(z) **Fair Values**

The Company measures financial instruments at fair value at each balance sheet date.

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

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

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

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

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

(z) Fair Values *(continued)*

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

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

2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES

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

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

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

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

Risk exposures and responses

Market risk

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

Foreign Currency risk

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

Equity Price risk

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

Interest rate risk

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

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

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

	Consolidated	
	2016	**2015**
	$000's	**$000's**
Financial assets		
Cash and cash equivalents	2,349	970
Other financial assets	881	1,249
	3,230	2,219
Financial liabilities		
Receivables financing facility	1,881	1,554
	1,881	1,554

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. At 30 June 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgement of reasonably possible movements:

	Post tax profit – Higher/(lower)		**Equity – Higher/(lower)**	
	2016	**2015**	**2016**	**2015**
	$000's	**$000's**	**$000's**	**$000's**
+1 % (100 basis points)	13	7	-	-
-.5 % (50 basis points)	(7)	(3)	-	-

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

Credit risk

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

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk

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

The table below reflects all contractually fixed payments, repayments and interest resulting from recognised financial liabilities as at 30 June 2016. For other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amounts or timing are based on the conditions existing at 30 June 2016.

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

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

2016	< 6 Mths $000	6-12 Mths $000	1-5 Years $000	>5 Years $000	Total $000
Trade and other payables	8,780	-	-	-	8,780
Interest bearing borrowings	3,400	302	5,164	-	8,866
	12,180	302	5,164	-	17,646
2015					
Trade and other payables	7,743	-	-	-	7,743
Interest bearing borrowings	1,521	381	4,847	-	6,749
	9,264	381	4,847	-	14,492

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

Fair Value Measurement

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

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June 16:

			Fair vale measurement using		
	Valuation date	Total $000	Quoted prices in active markets Level 1 $000	Significant observable inputs Level 2 $000	Significant unobservable inputs Level 3 $000
Assets measured at fair value:					
Available-for-sale investments (Note 14):					
Unquoted equity shares	30 June 16	651	-	651	-
Liabilities measured at amortised cost:					
Convertible debt (Note 17)	30 June 16	5,215	-	-	5,215

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

3. OPERATING SEGMENTS

Identification of reportable segments

For FY16 the business continued to report the group operating segments but also in parallel commenced the reporting of the country based P&L's and based on the internal reports 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 build for each country and group.

In FY2017, the Company will report its financial results on a country basis, as teams focus entirely on servicing clients with a broader set of digital solutions from APD to position the business as a complete 360 degree service offering. APD will transition to reporting operating segments on a country basis from 1 July 2016.

The new executive team has developed and set KPI's for each country which supports the roadmap for to target profitability for each country.

Types of products and services

APD Interact

This segment provides digital strategy, creative and technology services.

APD Acquire

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.

APD Engage

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

APD Venture

This discontinued segment provided end to end eCommerce services. Refer note 28.

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 accounts, with the exception of unallocated expenses as discussed below.

Major customers

The Group has a number of customers to which it provides services. The most significant customer accounts for 14% (2015: 18%) of external revenue.

3. OPERATING SEGMENTS *(continued)*

Consolidated

Year ended 30 June 2016	**Interact**	**Acquire**	**Engage**	**Total**
Revenue	**$000's**	**$000's**	**$000's**	**$000's**
Sales to external customers	20,812	29,800	3,831	55,443
Inter-segment sales	66	2	10	78
Total segment revenue	20,878	29,802	3,841	54,521
Inter-segment elimination				(78)
Other revenue				759
Total consolidated revenue				**55,202**
Reconciliation of segment results to net loss after tax				
Segment results (EBITDA before unallocated expenses)	(623)	(62)	(973)	(1,658)
Other revenue				759
Unallocated expenses				(5,044)
EBITDA				**(5,943)**
Depreciation and amortisation	(408)	(475)	(346)	(1,229)
Unallocated depreciation and amortisation				(368)
Loss from continuing operations before interest and tax				**(7,540)**
Finance income				50
Finance costs				(1,343)
Loss from continuing operations before income tax				(8,833)
Income tax expense				(128)
Loss from discontinued operations after income tax				(1,088)
Loss for the year				**(10,049)**

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

- Non-executive Directors fees ($122,000);
- Corporate remuneration ($2,449,000);
- Share based payments ($249,000)
- Audit, legal, ASX and other professional expenses ($458,000);
- Business acquisition costs ($nil);
- Manila overheads ($243,000); and
- Other corporate overheads ($1,523,000)

3. OPERATING SEGMENTS *(continued)*

Consolidated

Year ended 30 June 2015	**Interact**	**Acquire**	**Engage**	**Total**
Revenue	**\$000's**	**\$000's**	**\$000's**	**\$000's**
Sales to external customers	21,648	27,099	5,230	53,977
Inter-segment sales	118	151	288	557
Total segment revenue	21,766	27,250	5,518	54,534
Inter-segment elimination				(557)
Other revenue				293
Total consolidated revenue				**54,270**
Reconciliation of segment results to net loss after tax				
Segment results (EBITDA before unallocated expenses)	1,139	1,279	(826)	1,592
Other revenue				293
Other income				725
Unallocated expenses				(3,730)
EBITDA				**(1,120)**
Depreciation and amortisation	(572)	(614)	(461)	(1,647)
Unallocated depreciation and amortisation				(174)
Impairment costs	(2,060)	-	-	(2,060)
Unallocated impairment costs				(165)
Loss from continuing operations before interest and tax				**(5,166)**
Finance income				35
Finance costs				(1,025)
Loss before income tax				(6,156)
Income tax benefit				580
Loss from discontinued operations after income tax				(2,001)
Loss for the year				**(7,577)**

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

- 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).

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

	Consolidated 2016 $000's	Consolidated 2015 $000's
4. EXPENSES		
(a) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Depreciation of plant and equipment	385	246
Depreciation of leasehold improvement	273	113
Amortisation of intangible assets:		
- Software	939	1,174
- Customer contracts	-	175
- Brand names	-	113
	1,597	1,821
Impairment		
- Brand names	-	2,060
- Software	-	165
- Available for Sale investment	-	-
	-	2,225
(b) Employee benefits expense		
Salaries and wages	13,922	15,115
Share-based payments	249	263
Superannuation	1,068	1,197
Annual leave benefits	454	224
Payroll tax	550	674
Training/recruitment/amenities	585	959
Other	446	213
	17,274	18,645
(c) Other expenses		
Communication costs	1,357	1,262
Non-Executive directors' fees	122	110
Rent and office supplies	4,359	4,097
Professional fees	652	745
Contractors and consultants	473	1,107
Other	1,246	970
	8,209	8,291
5. FINANCE COSTS		
Interest expense	1,116	960
Finance fees	227	65
	1,343	1,025

6. INCOME TAX

	Consolidated 2016 $000's	Consolidated 2015 $000's
(a) The major components of income tax expenses are:		
Statement of profit or loss and comprehensive income		
Current income tax		
- Current income tax charge	(129)	(172)
Deferred income tax		
- Relating to origination and reversal of temporary differences	1	752
Income tax benefit / (expense) reported in the statement of comprehensive income	(128)	580

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

	2016 $000's	2015 $000's
Accounting loss before income tax from continuing operations	(8,833)	(6,156)
Accounting loss before income tax from discontinued operations	(1,088)	(2,001)
Total accounting loss before tax	(9,921)	(8,157)
Tax benefit at the Group's statutory income tax rate of 30% (2015:30%)	2,977	2,447
Effects of tax rates in foreign jurisdictions	(167)	(314)
Tax effect of non – deductible impairment loss	-	(1,050)
Tax effect of other non-deductible / non-assessable	(143)	(503)
Tax effect of current year tax losses for which no tax deferred asset has been recognised	(2,795)	-
Aggregate income tax benefit	(128)	580

6. INCOME TAX *(continued)*

(c) **Recognised deferred tax assets and liabilities**

	Consolidated 2016 $000's	Consolidated 2015 $000's
	Deferred Income Tax	Deferred Income Tax
Opening balance	955	288
Charged to income	1	752
Charged to OCI - available-for-sale financial assets	(9)	(121)
Charged to equity	49	36
Closing balance	996	955

	2016 $000's	2015 $000's
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Intangible assets	24	33
Fixed assets	5	5
Available –for –sale financial assets	45	36
Unbilled revenue	194	91
	268	165
(ii) Deferred tax assets		
Audit fee payable	42	44
Accruals	86	61
Intangible assets	112	142
Provisions:		
- Doubtful debts	48	30
- Rent	55	28
- Annual leave	311	255
- Long service leave	191	219
- Make good	96	99
- Member rewards	77	89
Borrowing costs	28	11
Foreign currency balances	35	8
Capital raising costs	183	134
	1,264	1,120
Net deferred tax asset	996	955

Based upon the Company's projected earnings, it is expected that sufficient future profits will be generated to recover the deferred tax asset recognised as at 30 June 2016 in respect of taxable temporary differences.

6. INCOME TAX *(continued)*

(d) Tax losses

The group has tax losses which arose in Australia of $25,259,000 (2015: $29,505,000). These tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the group, they have arisen in subsidiaries that have been loss making for some time, and there are no other tax planning opportunities and other evidence of recoverability in the near future. If the group were able to recognise all unrecognised deferred tax assets the profit would increase by $7,577,700.

(e) Tax consolidation

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

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

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

Measurement method adopted under interpretation 1052 *Tax Consolidation Accounting*

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

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

Nature of the tax funding agreement

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

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

7. EARNINGS PER SHARE

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

(a) Earnings used in calculating earnings per share

	Consolidated	
	2016	**2015**
	$000's	**$000's**
For basic and diluted earnings per share:		
Loss from continuing operations attributable to ordinary equity holders of the parent	(8,961)	(5,576)
Loss attributable to discontinued operations	(1,088)	(2,001)
Net loss attributable to ordinary equity holders of the parent	(10,049)	(7,577)

(b) Weighted average number of shares

	2016	**2015**
	000's	**000's**
Weighted average number of ordinary shares for basic earnings per share	97,497	82,159
Weighted average number of ordinary shares	97,497	82,159

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

8. CASH AND CASH EQUIVALENTS

	2016	**2015**
	$000's	**$000's**
Cash at bank	2,344	967
Cash on hand	5	3
Total cash and cash equivalents	2,349	970

8. CASH AND CASH EQUIVALENTS *(continued)*

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

	Consolidated 2016 $000's	Consolidated 2015 $000's
Loss after income tax	(10,049)	(7,577)
Non-cash flows in loss:		
Depreciation and amortisation	1,603	1,883
Impairment losses	-	3,499
Share-based payments	249	263
Amortisation of borrowing costs	51	36
Gain on disposal of investment	-	(725)
Changes in assets and liabilities:		
- Increase in trade and other receivables	(581)	(1,095)
- Decrease/(increase) in other assets	(95)	(939)
- Increase in deferred tax assets	(94)	(58)
- Decrease in deferred tax liabilities	103	(658)
- Increase/(decrease) in trade and other payables	1,129	878
- Increase in provisions	5	140
Net cash flows used in from operating activities	(7,679)	(4,353)

9. TRADE AND OTHER RECEIVABLES

		2016 $000's	2015 $000's
Current			
Trade receivables	(i)	10,716	10,076
Less allowance for impairment loss	(a)	(160)	(102)
Other receivables	(ii)	1,000	2,040
		11,556	12,014
Non - current			
Other receivables		-	158
		-	158

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

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

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

9. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 – 60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of continuing operations of $135,000 (2015: $186,000) has been incurred by the Group. These amounts have been included in the other expense item.

	Consolidated	
	2016	**2015**
	$000's	**$000's**
Movements in the provision for impairment loss were as follows:		
Carrying amount at beginning of year	102	117
Additional provision – continuing operations	193	171
Additional provision – discontinued operations	571	-
Amounts utilised during the year – continuing operations	(135)	(186)
Amounts utilised during the year – discontinued operations	(571)	-
Carrying amount at end of year	160	102

At 30 June 2016, the ageing analysis of trade receivables is as follows:

	Total	**0-30 days**	**31-60 days**	**61-90 days PDNI^**	**61-90 days CI***	**+91 days PDNI^**	**+91 days CI***
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
2016	10,716	8,193	1,376	429	-	558	160
2015	10,076	7,978	1,105	432	-	459	102

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

10. OTHER FINANCIAL ASSETS

Current		
Restricted cash term deposits (i)	146	730
Non-current		
Restricted cash term deposits (i)	735	519

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

11. OTHER CURRENT ASSETS

Prepayments	599	559

12. PLANT AND EQUIPMENT

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

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

	Office equipment	Leased computer equipment	Leasehold improvement	Total
Year ended 30 June 2015				
At 1 July 2014 net of accumulated depreciation and impairment	367	-	171	538
Additions	266	-	278	544
Depreciation	(246)	-	(113)	(359)
At 30 June 2015, net of accumulated depreciation and impairment	387	-	336	723
At 30 June 2015				
Cost	2,799	-	705	3,504
Accumulated depreciation and impairment	(2,412)	-	(369)	(2,781)
Net carrying amount	387	-	336	723

13. INTANGIBLE ASSETS AND GOODWILL

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

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

	Customer contracts	Brand name	Software	Total Intangible	Goodwill	Total
Year ended 30 June 2015						
At 1 July 2014, net of accumulated amortisation and impairment	175	2,173	1,777	4,125	10,607	14,732
Additions	-	-	1,123	1,123	-	1,123
Acquisition of subsidiary	-	-	-	-	916	916
Amortisation	(175)	(113)	(1,236)	(1,524)	-	(1,524)
Impairment	-	(2,060)	(166)	(2,226)	-	(2,226)
At 30 June 2015, net of accumulated amortisation and impairment	-	-	1,498	1,498	11,523	13,021
At 30 June 2015						
Cost	2,286	-	6,157	8,443	11,523	19,966
Accumulated amortisation and impairment	(2,286)	-	(4,659)	(6,945)	-	(6,945)
Net carrying amount	-	-	1,498	1,498	11,523	13,021

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

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

(i) Customer contracts
The value of the group's customer contracts represents the fair value of contractual customer relationships. The customer contracts are amortised over the shorter of the term of each contract or five years.

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

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

(c) Impairment tests for goodwill

Description of the cash generating units and other relevant information
In FY16 the business reported results under the current operating segment basis including APD Acquire, APD Interact and APD Engage. The business is transitioning to report on a country basis in FY17 to facilitate the market positioning of the full 360 degree suite of APD products in each country. Therefore the assessment of impairment of goodwill has been undertaken on a country basis, namely Australia, Malaysia, Singapore and New Zealand.

Detailed consideration of both AASB 8 – Operating Segments and AASB 136 – Impairment of Assets has been made, as the Australia CGU revenues are in excess of the largest operating segment outlined in Note 3. This is the most practical and transparent way to present these financial statements, as APD was reporting as per the operating segments for the full financial year; however has been restructured to report on a country (geographical) basis from 1 July 2016. This is the operational and strategic direction of the Company, and therefore all budgets and future cash flows are produced in this manner. The impairment models therefore could only feasibly have been carried out based on this method outlined as impairment is assessed at balance date. Restating the operating segment notes for FY2015 and FY2016 would be both impracticable and not accurately reflect the method of reporting as at 30 June 2016.

Australia

The recoverable amount of the Australia cash generating unit has been determined with a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a twelve-month period to 30 June 2017 and a forecast covering a further four years.

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

	30 June 2016
	$000's
Carrying amount of goodwill	7,593

(ii) Key assumptions used in value in use calculations for the Australia CGU for 30 June 2016.
The calculation of value in use in the Australia unit is most sensitive to the following assumptions:

An average revenue growth rate of 2.5% p.a. has been used in the 5 year forecast. This rate is based on historical actual growth rates plus the forecast growth rate.

Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the group. The pre-tax discount rate used is 15%.

Terminal value growth rate – a terminal value growth rate of 3% has been used.

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

(iii) Sensitivity to changes in assumptions

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

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than negative14.6% from FY2017 would result in the recoverable amount of the Australia unit to fall below its carrying value with all other assumptions held constant.
- *Discount rate assumptions* - Management recognises that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 40% for the recoverable amount of the Australia unit to fall below its carrying value with all other assumptions held constant.

Malaysia

The recoverable amount of the Malaysia cash generating unit has been determined with a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a twelve month period to 30 June 2017 and a forecast covering a further four years.

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

	30 June 2016
	$000's
Carrying amount of goodwill	753

(ii) Key assumptions used in value in use calculations for the Malaysia CGU for 30 June 2016.
The calculation of value in use in the Malaysia unit is most sensitive to the following assumptions:

An average revenue growth rate of 33% p.a. has been used in the 5 year forecast. This rate is based on historical actual growth rates plus the forecast growth rate.

Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the group. The pre-tax discount rates used is 16%.

Terminal value growth rate – a terminal value growth rate of 3% has been used.

(iii) Sensitivity to changes in assumptions

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

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 16% from FY2017 would result in the recoverable amount of the Malaysia unit to fall below its carrying value with all other assumptions held constant.
- *Discount rate assumptions* - Management recognises that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 136% for the recoverable amount of the Malaysia unit to fall below its carrying value with all other assumptions held constant.

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

Singapore

The recoverable amount of the Singapore cash generating unit has been determined with a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a twelve-month period to 30 June 2017 and a forecast covering a further four years.

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

	30 June 2016
	$000's
Carrying amount of goodwill	916

(ii) Key assumptions used in value in use calculations for the Singapore CGU for 30 June 2016.
The calculation of value in use in the Singapore unit is most sensitive to the following assumptions:

An average revenue growth rate of 21% p.a. has been used in the 5 year forecast. This rate is based on historical actual growth rates plus the forecast growth rate.

Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the group. The pre-tax discount rates used is 13%.

Terminal value growth rate – a terminal value growth rate of 3% has been used.

(iii) Sensitivity to changes in assumptions

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

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 12% from FY2017 would result in the recoverable amount of the Singapore unit to fall below its carrying value with all other assumptions held constant.
- *Discount rate assumptions* - Management recognises that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 65% for the recoverable amount of the Singapore unit to fall below its carrying value with all other assumptions held constant.

New Zealand

The recoverable amount of the New Zealand cash generating unit has been determined with a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a twelve month period to 30 June 2017 and a forecast covering a further four years.

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

	30 June 2016
	$000's
Carrying amount of goodwill	2,262

(ii) Key assumptions used in value in use calculations for the New Zealand CGU for 30 June 2016.
The calculation of value in use in the New Zealand unit is most sensitive to the following assumptions:

An average revenue growth rate of 15% p.a. has been used in the 5 year forecast. This rate is based on historical actual growth rates plus the forecast growth rate.

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the group. The pre-tax discount rates used is 15%.

Terminal value growth rate – a terminal value growth rate of 3% has been used.

(iii) Sensitivity to changes in assumptions

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

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 14% from FY2017 would result in the recoverable amount of the New Zealand unit to fall below its carrying value with all other assumptions held constant.
- *Discount rate assumptions* - Management recognises that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 17% for the recoverable amount of the New Zealand unit to fall below its carrying value with all other assumptions held constant.

14. INVESTMENTS

	Consolidated	
	2016	**2015**
	$000's	**$000's**
Non-Current		
Unquoted equity shares	651	598
	651	598

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 AUD 0.7m. The investment is denominated in US dollars. The Company holds 0.08% (2015: 1%) of the issued capital in this entity.

The Company assessed as at 30 June 2016 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 $44,000 (2015:$176,000) (net of tax) being recognised as other comprehensive income (OCI) and credited in the available for sale reserve.

15. TRADE AND OTHER PAYABLES

	Consolidated 2016 $000's	Consolidated 2015 $000's
Current		
Trade payables and accruals (i)	8,780	7,743
	8,780	7,743
Non - current		
Operating lease incentive accrual	187	92
	187	92

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

16. PROVISIONS

	2016 $000's	2015 $000's
Current		
Employee benefits	1,676	1,354
Member rewards (i)	258	297
Lease make good	-	187
	1,934	1,838
Non-Current		
Employee benefits	215	270
Lease make good	370	143
	585	413

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

Movement in provisions

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

	Lease Make Good $000	Member Rewards $000	Total $000
At 1 July 2015	330	297	627
Arising during the year	333	474	807
Utilised	(293)	(513)	(806)
At 30 June 2016	370	258	628

17. INTEREST BEARING LOANS AND BORROWINGS

	Consolidated 2016 $000's	Consolidated 2015 $000's
Current		
Bank receivables financing facility (i)	1,881	1,554
Secured loan (ii)	475	492
Interest bearing debt facility (iii)	1,186	-
Obligations under finance lease contracts	85	-
	3,627	2,046
Non-current		
Secured loan (ii)	1,072	2,514
Interest bearing debt facility (iii)	4,029	2,150
Obligations under finance lease contracts	21	-
	5,122	4,664

(i) Debtor finance facility

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

(ii) Secured debt facility

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

(iii) Syndicated debt facility

a) Syndicated debt facility

The Company has a syndicated debt facility with a group of financiers with an outstanding balance of $1.25m as at 30 June 2016. The facility is due to be repaid on or before 15 October 2016. The remaining financiers have elected repayment of the outstanding amounts via the issue of convertible notes on substantially the same terms as the arrangements described item (b) below.

b) Convertible note deed

On 19 November 2015, the Company entered into a convertible note deed with an aggregate face value of $4,050,000 with various sophisticated and professional investors. The unsecured and unlisted convertible notes have a two year maturity date of 18 November 2017 with an interest rate of 10% per annum. The notes are convertible into ordinary shares in the Company at the noteholders' option at any time after 30 June 2016 (or in the case of specified redemption events). The conversion pricing is 50 cents per share if the Company achieves greater than $65 million in revenues in the financial year ending 30 June 2016 or 45 cents per share if revenues are less than $65 million.

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

Fair values

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

	Carrying Amount		Fair Value	
	2016	2015	2016	2015
	$000	$000	$000	$000
Financial Liabilities				
Interest-bearing loans and borrowings	5,215	2,150	5,347	2,301
Total	5,215	2,150	5,347	2,301

The fair value of financial liabilities has been calculated by discounting the expected future cash flows at a rate representative of the market cost of each type of debt. The discount rate applied to calculate the fair value of the convertible debt facility was 11.3% (2015: 12.5%).

(a) **Assets pledged as security**

	Consolidated	
	2016	2015
	$000's	$000's
Current		
Fixed and floating charge:		
Cash and cash equivalents	1,391	477
Trade and other receivables	9,340	10,781
Other	668	389
Term deposits for bank guarantees:		
Other financial assets	5	730
Total current assets pledged as security	11,404	12,377
Non-current		
Fixed and floating charge:		
Trade and other receivables	-	158
Plant and equipment	390	664
Term deposits for bank guarantees:		
Other financial assets	534	295
Total non-current assets pledged as security	924	1,117
Total assets pledged as security	12,328	13,494

(b) Defaults and breaches

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

(c) Interest rate and liquidity risk

Please see note 2.

18. CONTRIBUTED EQUITY

	Consolidated 2016 $000's	Consolidated 2015 $000's
Issued and paid-up capital		
Ordinary shares each fully paid	143,344	136,211

(a) Ordinary shares

Ordinary Shares

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

	Consolidated and Company Number of shares 2016	2016 $000's	Consolidated and Company Number of shares 2015	2015 $000's
Fully paid ordinary shares	118,381,487	143,344	92,931,343	136,211
Movements in shares on issue				
Beginning of the financial year	92,931,343	136,211	74,767,891	128,850
Unlisted employee options exercised	-	-	50,400	-
Acquisition consideration	-	-	874,700	324
Issue of share capital	25,252,367	7,585	17,238,352	7,326
Acquisition of treasury shares	-	(200)	-	-
Share based payment	197,777	60	-	-
Share issue expenses	-	(361)	-	(325)
Deferred tax on share issue expenses	-	49	-	36
End of the financial year	118,381,487	143,344	92,931,343	136,211

(b) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The gearing ratios based at 30 June 2016 and 2015 were as follows:

	2016 $000's	2015 $000's
Total borrowings*	17,529	14,453
Less: cash and cash equivalents	(2,349)	(970)
Net debt	15,180	13,483
Total equity	9,292	12,144
Total capital	24,472	25,627
Gearing ratio	62%	53%

**Includes interest bearing loans and borrowings and trade and other payables*

18. CONTRIBUTED EQUITY (continued)

(c) Options

Unlisted options

At year-end there were 12,020,736 (2015: 13,033,334) unlisted options over ordinary shares on issue (granted). The details of each unlisted options are as follows:

- 600,000 unlisted options to subscribe for 600,000 ordinary shares. The options are exercisable on or before 24 July 2017 at an exercise price of 75 cents for each ordinary share; and
- 11,420,736 unlisted options to subscribe for 11,420,736 ordinary shares. 4,382,078 options had vested at balance date and are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share. The remaining options are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share and remain subject to vesting conditions (vesting dates of 30 September 2016 and 30 September 2017).

19. RESERVES

	Consolidated 2016 $000's	Consolidated 2015 $000's
Employee equity options reserve (i)	1,297	1,102
Options reserve (ii)	3,220	3,220
Common control reserve (iii)	(12,311)	(12,311)
Foreign currency translation (iv)	(672)	(497)
Available-for-sale reserve (v)	220	176
	(8,246)	(8,310)

Movement in reserves

Balance at 1 July 2015 $000's	Employee equity options reserve $000's	Options reserve $000's	Foreign currency translation $000's	Available-for-sale reserve $000's	Balance at 30 June 2016 $000's
(8,310)	194	-	(174)	44	(8,246)

Nature and purpose of reserve

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

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

(iii) The group acquired A.C.N. 123 287 025 Pty Limited (formerly Asia Pacific Digital Australia Pty Ltd) in FY 14 and is accounted for as a common control transaction. As a consequence, the difference between the fair value of the consideration paid and the existing book values of the assets and liabilities of A.C.N. 123 287 025 Pty Limited (formerly Asia Pacific Digital Australia Pty Ltd) has been debited to a common control reserve ($12,311,000).

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

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

20. ACCUMULATED LOSSES

	Consolidated 2016 $000's	2015 $000's
Accumulated losses	125,806	115,757
Balance at beginning of year	115,757	108,180
Net loss attributable to members of the Company	10,049	7,577
Balance at end of year	125,806	115,757

21. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments
Future operating property lease rentals:

- Within one year	1,817	2,244
- After one year but not more than five years	3,114	5,305
	4,931	7,549

(b) Finance lease commitments
Future finance lease payments:

- Within one year	97	-
- After one year but not more than five years	24	-
Total minimum lease payments	121	-
Finance charges	(15)	-
	106	-

(c) Contingent liabilities
There were no contingent liabilities as at 30 June 2016.

22. KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel	2016 $	2015 $
Short-term	2,099,922	2,030,034
Post-employment	75,039	84,598
Share based payment	130,145	112,434
Termination benefits	235,753	-
	2,540,859	2,227,066

22. KEY MANAGEMENT PERSONNEL (continued)

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

- North Ridge Partners Pty Ltd (North Ridge), an entity associated with Peter Hynd and Roger Sharp:
  - Interest of $426,921 (2015: $298,057) on the loan (refer note 17 (ii)). At reporting date, $nil interest remained payable;
  - Rights issue underwriting fee of $287,733 (2015:$86,138). At reporting date, $nil remained payable;
  - Loan financing fees of $nil (2015: $50,000);
  - Administration and support services of $200,000 (2015: $145,000). At reporting date, $18,333 remained payable;
  - The Company charged $38,116 of rent to North Ridge (2015: $31,361) for its share of co-locating at the Company's Pyrmont premises. At reporting date, $3,176 remained receivable.
  - The Company charged $17,977of rent to North Ridge (2015: $nil) for its share of co-locating at the Company's Singapore premises. At reporting date, $19,252 remained receivable.
- Pyvis Nominees Pty Ltd, an entity associated with Richard Pyvis who is a Director of North Ridge:
  - Interest of $20,164 (2015: 35,508) on the loan (refer note 17 (iv)). At reporting date, $nil interest remained payable (2015: $5,610).
  - Issue of 548,361 fully paid ordinary shares in the Company as repayment of $164,508 owed under the syndicated debt facility. (refer note 17 (iv)). At reporting date $nil remained payable (2015: $150,000).

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

	Consolidated 2016	2015
	$	**$**
Assets and liabilities		
Trade and other receivables	22,428	38,578
Total assets	22,428	38,578
Trade and other payables	18,333	161,943
Total liabilities	18,333	161,943
Expenses		
Expenses included in net loss	590,992	448,701
Total expenses	590,992	448,701

23. AUDITOR'S REMUNERATION

	Consolidated 2016 $	Consolidated 2015 $
Amounts received or due and receivable by the auditors for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group by BDO;		
- BDO East Coast Partnership	144,000	-
- Other BDO network firms	61,000	-
Other firms:		
- an audit of the financial report of an entity in the consolidated group	-	305,572
- tax compliance services in relation to the entity and any other entity In the consolidated group	93,600	63,000
	298,600	368,572

24. RELATED PARTY DISCLOSURE

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

Ongoing operations:

Company and country of incorporation		Class of share	Beneficial percentage held by consolidated entity 2016 %	2015%
APD Performance Pty Ltd	Aust	Ordinary	100	100
Asia Pacific Digital Australia Pty Ltd (formerly APD Acquire Pty Ltd)	Aust	Ordinary	100	100
APD Venture Pty Ltd *	Aust	Ordinary	100	100
Asia Pacific Digital Pte Ltd	Singapore	Ordinary	100	100
APD Holdings Pte Ltd	Singapore	Ordinary	100	100
APD Operating Pte Ltd	Singapore	Ordinary	100	100
Asia Pacific Digital Philippines Pte Ltd	Singapore	Ordinary	100	100
Asia Pacific Digital Manila	Manila	Ordinary	100	100
Asia Pacific Digital Limited	New Zealand	Ordinary	100	100
APD Digital Services Sdn Bhd	Malaysian	Ordinary	100	100
APD Services Limited	Hong Kong	Ordinary	100	100
Next Digital Shanghai Co Ltd	China	Ordinary	100	100
Next Digital (USA) Inc	USA	Ordinary	100	100

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

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

* Discontinued operation -refer note 28

24. RELATED PARTY DISCLOSURE (continued)

Dormant entities:

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

Company and country of incorporation		Class of share	Beneficial percentage held by consolidated entity	
			2016 %	**2015%**
ACN 123 287 025 Pty Ltd (formerly Asia Pacific Digital Australia Pty Limited *	Aust	Ordinary	100	100
APP Engage Holdings Pty Ltd *	Aust	Ordinary	100	100
APP Engage Pty Ltd *	Aust	Ordinary	100	100
APD Interact Holdings Pty Ltd *	Aust	Ordinary	100	100
APD Interact Pty Ltd *	Aust	Ordinary	100	100
Asia Pacific Digital Pte Ltd	Singapore	Ordinary	100	100
Jericho Digital Asia Pte Ltd *	Singapore	Ordinary	100	100

25. SHARE BASED PAYMENT PLANS

(a) Recognised share based payment expenses

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

	Consolidated 2016 $000's	2015 $000's
Expense arising from equity-settled share based payment transactions	249	263

The expense includes $194,153 in respect of share options vested and $54,493 in respect of shares issued for Director remuneration. The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the year ended 2016.

(b) Types of share-based payment plans

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

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

25. SHARE BASED PAYMENT PLANS *(continued)*

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

	30 June 2016 No.	30 June 2016 WAEP	30 June 2015 No.	30 June 2015 WAEP
Balance at beginning of period	12,433,334	$0.625	140,400	$1.00
- granted	1,387,399	$0.625	12,433,334	$0.625
- expired	-		(90,000)	$1.00
- exercised	-		(50,400)	$1.00
- forfeited/not vested	(2,399,997)	$0.625	-	$0.00
Balance at end of period	11,420,736	$0.625	12,433,334	$0.625
Exercisable at end of period	4,382,078	$0.625	4,005,778	$0.625

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

Weighted average remaining contractual life
The weighted average fair value of options granted in the year was 62.5 cents. The weighted average remaining contractual life for share options outstanding as at 30 June 2016 is 2.4 years (2015: 3.4 years).

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

26. PARENT ENTITY INFORMATION

	2016 $000's	2015 Restated $000's
Information relating to Asia Pacific Digital Limited		
Current assets	1,672	758
Total assets	24,267	23,407
Current liabilities	(3,639)	(3,773)
Total liabilities	(9,241)	(8,672)
Net assets	15,026	14,735
Issued capital	143,289	136,205
Accumulated losses	(132,484)	(125,497)
Reserves	4,221	4,027
	15,026	14,735
Total comprehensive income of the parent	(6,987)	(16,295)

For the 2015 comparative, the parent entity note was incorrectly disclosed by including intercompany receivable balances (included in the total assets balance) that were unlikely to be repaid. The 2015 comparative has therefore been restated to incorporate the assumed non-recovery of the intercompany receivables. This has resulted in a decrease in Total Assets and Net Assets of $13,068k, and an increase in accumulated losses of $13,068k, and a decrease in the total comprehensive income for the parent of $13,068k for 2015. This restatement does not affect the balances disclosed on the face of the consolidated statement of profit or loss and other comprehensive income or the consolidated statement of financial position as at 30 June 2015.

27. EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, or the state of affairs of the Company in future financial years.

28. DISCONTINUED OPERATIONS

(a) Details of discontinued operations

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

	2016 $000's	2015 $000's
(b) Financial performance information		
Revenue	169	520
Expenses	(1,251)	(1,185)
EBITDA	(1,082)	(665)
Depreciation and amortisation	(6)	(62)
Impairments losses	-	(1,274)
Loss before income tax expense	(1,088)	(2,001)
Income tax benefit	-	-
Loss after income tax expense from discontinued operations	(1,088)	(2,001)
(c) Carrying amounts of assets and liabilities		
Assets		
Cash	9	1
Trade and other receivables	6	17
Property, plant and equipment	-	3
Intangible assets	-	3
Total assets	15	24
Liabilities		
Trade and other payables	85	104
Provisions	-	21
Total Liabilities	85	125
Net assets	(70)	(101)
(d) Cash flow information		
Net cash used in operating activities	(660)	(679)
Net cash used in investing activities	-	(4)
Net cash provided by financing activities	668	654
Net decrease in cash from discontinued operations	8	(29)

Director's Declaration

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

(1) In the opinion of the Directors:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of their performance for the year ended on that date; and

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

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

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2016.

Signed in accordance with a resolution of the Directors.

ROGER SHARP
Executive Chairman

Singapore, 31 August 2016

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INDEPENDENT AUDITOR'S REPORT

To the members of Asia Pacific Digital Limited

Report on the Financial Report

We have audited the accompanying financial report of Asia Pacific Digital Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Asia Pacific Digital Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which shows that the consolidated entity incurred a loss after tax of $10.08 million (2015: $7.58 million) as well as a net cash outflow from operations of $7.68 million (2015: $4.35 million) during the year ended 30 June 2016. As of that date, the consolidated entity's current liabilities exceeded its current assets by $752,000.

These conditions, along with other matters as set forth in Note 1 indicates the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Asia Pacific Digital Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

J Bresolin

John Bresolin
Partner

Sydney, 31 August 2016

ASX Additional Information

Additional information included in accordance with the Listing Rules of the ASX Limited.

1. Shareholder Information

(a) Distribution of holders at 30 August 2016

	Fully paid ordinary shares
Number of Holders	1,549
Distribution is :	
1 - 1,000	1,206
1,001 - 5,000	186
5,001 - 10,000	34
10,001 - 100,000	71
100,001 - 999,999,999	52
	1,549
Holding less than a marketable parcel	1,267

(b) Voting rights
There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

(c) Substantial shareholders at 30 August 2016
The Company's register of substantial shareholders shows the following:

Shareholder	Number of shares
North Ridge Partners Pty Ltd and Associates	79,089,316
Wentworth Financial Pty Ltd	79,089,316
VBS Investments Pty Ltd	79,089,316
Illimite Pty Ltd	6,169,074

(d) Shareholders
The twenty largest shareholders hold 91.1% of the total issued ordinary shares in the Company as at 30 August 2016.

(e) Unlisted 24 July 2017 Options
There are 600,000 options held by 1 holder, exercisable at 75 cents on or before 24 July 2017. The option holder does not have any voting rights.

(f) Unlisted 28 November 2018 Options
There are 11,420,736 options held by 43 holders, exercisable at 62.5 cents on or before 28 November 2018. The option holders do not have any voting rights.

1. Shareholder Information *(continued)*

Listed securities in Asia Pacific Digital Limited are quoted on ASX Limited (ASX code: DIG).

Top Twenty Shareholders as at 30 August 2016

Name		Number of Shares	% of Issued Shares
1.	Valuestream Investment Management Limited <Co-Investor No3 PIPE Fund A/C>	57,728,312	48.8
2.	Wentworth Financial Pty Limited <Wentworth A/C>	8,202,793	6.9
3.	Illimite Pty Ltd	6,169,074	5.2
4.	Armada Trading Pty Ltd	4,200,030	3.6
5.	VBS Investments Pty Ltd	4,173,380	3.5
6.	North Ridge Partners Pty Ltd <Co-Investor No1 Fund A/C> Armada Trading Pty Ltd	3,929,513	3.3
7.	Christine Catherine Sharp	3,220,425	2.7
8.	Citicorp Nominees Pty Limited	3,142,056	2.7
9.	HSBC Custody Nominees (Aust) Ltd	2,936,059	2.5
10.	Mr Mark Dalgleish & Mrs Sophie Dalgleish	2,656,874	2.2
11.	JP Morgan Nominees Australia Limited	2,042,753	1.7
12.	Pyvis Nominees Pty Ltd	1,829,643	1.6
13.	Mr Mark Dalgleish <Dalgleish Family A/C>	1,814,118	1.5
14.	Jasforce Pty Ltd	1,681,291	1.4
15.	Cable Nominees Pty Ltd <143660 Trade A/C>	832,000	0.7
16.	Connaught Consultants (Finance) Pty Ltd <Super Fund A/C>	762,000	0.6
17.	Forsyth Barr Custodians Ltd <Forsyth Barr Ltd - Nominee A/C>	707,992	0.6
18.	Big Art Investments Pty Ltd	667,690	0.6
19.	Mr Brett Anthony Orsler	617,314	0.5
20.	Modern Dragon Investments Limited	500,296	0.4
		107,813,613	**91.1**