Asia Pacific Digital Limited
ACN 000 386 685

RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2017

Current Period: 31 December 2017

Previous Corresponding Period (PCP): 31 December 2016

	31-Dec-17 $000's	31-Dec-16 $000's	Change $000's	Change %
Revenue from ordinary activities	19,240	23,107	(3,867)	(17%)
Net loss from continuing operations after tax attributable to members	(3,328)	(2,541)	(787)	(31%)
Net loss from discontinued operations after tax attributable to members	(863)	11	(874)	n/a
Net loss for the period attributable to members	(4,191)	(2,530)	(1,661)	(66%)
(Loss) / Earnings before interest, tax, depreciation, amortisation & impairment (EBITDA)	(2,076)	(1,016)	(1,060)	(104%)

Dividends

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

Net tangible asset information

	31-Dec-17 (cents)	31-Dec-16 (cents)
Net tangible assets per security	(7.9)	(4.5)

These interim financial statements do not include all of the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated half-year financial report for the six months ended 31 December 2017has been reviewed by BDO. The Independent Auditor's Review Report is included in this report on page 21.

ASIA PACIFIC DIGITAL LIMITED

ACN 000 386 685

Half-Year Financial Report

Period Ended 31 December 2017

Contents

Company Directory

DIRECTORS:	Mark Dalgleish *Non-Executive Director* Peter Hynd *Executive Director* Fionn Hyndman *Non-Executive Director* Roger Sharp *Non-Executive Chairman*
EXECUTIVES:	Damien O'Donohoe, *Chief Financial & Operating Officer*
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 East Coast Partnership 1 Margaret Street Sydney NSW 2000
WEBSITE:	www.apdgroup.com

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

The Board of Directors of Asia Pacific Digital Limited (the **Company**) submit their report for the half-year ended 31 December 2017. This half-year report covers the consolidated entity consisting of the Company and its controlled entities (collectively, **Group**). The financial statements are presented in Australian dollars (unless otherwise stated).

DIRECTORS

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

Non-executive

Fionn Hyndman

Laura Ashton (Resigned 27th October 2017)

Mark Dalgleish

Roger Sharp (Chairman)

Executive

Peter Hynd

COMPANY SECRETARY

Sam Monkivitch

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

Operating Summary

- APD's financial performance is improving following final closure of the Ford account during H1. Ford was formerly APD's major client and its wind-down has negatively affected four consecutive reporting periods.
- EBITDA in the core operating business improved from a $1.036m loss in Q1 to $0.554m loss in Q2.
- Momentum is being re-established. A recovery is underway, driven by new clients won, revenue increases from existing clients and tight cost management.
- Business is being conducted from a smaller base. The Company had headcount of 305 at 31 December 2017, 15% fewer than at 30 June 2017 on lower revenues.
- Malaysia remains strongly profitable, while Singapore and New Zealand moved into profit in Q2. Australia's turnaround is showing encouraging signs. When Australia moves into profit, the group will become self-sustaining.
- H1 revenues were $19.240m (PCP $23.107m), expenses were $21.316m (PCP: $24.123) and EBITDA from continuing business was $(2.076)m (PCP: $(1.016)m). Operating cash flow was $(3.585)m (PCP $+0.183m).
- Current balance sheet was strengthened via initiatives included a sale of non-core assets ($0.701m), a $2.350m shareholder loan, a $1.965m equity placement and an extension of the Company's primary convertible note series to January 2019. A rights issue is planned following resolution of the strategic partner process.
- Post-balance date a new debtor facility from Octet Finance was arranged to replace the existing NAB facility at reduced cost.
- Non-binding term sheets were presented by three strategic partners during H1 and negotiations are underway to reduce conditionality.

Operating results for the period

In the first half of FY18 the Company focused on moving its New Zealand and Singapore country operations into profit, while building out its 'Digital Transformation' consulting and execution practice (primarily in Australia initially).

Digital activity for Ford closed in November 2017 after two years of progressive reductions and this contributed to an increased loss in Q1, particularly versus prior corresponding period (PCP). However, strong revenue growth and a shift to profit in Singapore and New Zealand in Q2, continued profitability in Malaysia, and seasonal strength in the lead up to Christmas in Australia saw overall group growth restored in Q2 (revenues up 16% vs Q1) and a material reduction in loss levels versus Q1 (EBITDA improved by 54% vs Q1).

Australia's turnaround is showing encouraging signs. Australia incurred losses for the period, due in part to the retention of operational capacity from the Ford delivery team in anticipation of near term project opportunities. With all other parts of the Group now delivering revenue and earnings growth, management's key focus is on securing revenue opportunities for Australia, particularly in the Digital Transformation area. When Australia moves into profit, the group will become self-sustaining.

The consolidated result from continuing operations before interest, tax, depreciation, amortisation and impairment (EBITDA) for the six-month period to 31 December 2017 was $(2.076)m, (PCP: loss of ($1.016)m). The consolidated entity net loss after income tax for the period was $(4.191)m (PCP: loss of $(2.530)m). Group revenues for the current period were $19.240m (down 17% on PCP).

The Company's Digital Services operating subsidiary (APD) incurred a loss of $1.591m in the half (break even in FY17) as Ford contribution ceased and APD elected to retain some highly experienced capability from that team in expectation of near term revenue growth from Digital Transformation activities.

Operating expenses for Digital Services (excluding direct cost of sales) were $14.157m, a reduction of $0.8m (5%) versus PCP. Corporate costs associated with the listed entity during the half were reduced to $0.809m (vs $0.962m in PCP) and are expected to further improve in Q2.

Net cash used from operating activities was $3.585m, (PCP: net cash generated of $0.183m). Operating cash generation in the prior period benefited from improvements in cash collections procedures and a greater focus on partial upfront payment of large project revenues. While the improved working capital performance has been maintained, in the absence of this one-off opportunity for improvement, operating cash was more in line with P&L performance for the half.

Segment Activities and Performance

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

The Board of Directors and the executive management team base their decisions around these two operating segments and as a result, the Company now reports in two segments: (1) Australia & New Zealand (ANZ), and (2) Asia.

ANZ represented 74% of revenues and 66% of Income (revenues less direct third party costs of sale) for the half.

Growth in Singapore, Malaysia and New Zealand in Q2 drove Income from outside Australia to an historical high of 47% of total Income.

ANZ reported sales to external customers of $14.212m (PCP: $17.938m) with an EBITDA loss of $1.517m (PCP: $(0.617)m). Asia reported sales to external customers of $5.028m (PCP: $5.169m) and an EBITDA loss of $0.074m (PCP: $0.563m).

Balance Sheet Overview

$4.315m of new capital was provided by shareholders. A $2.350m short term loan was made by the major shareholder group, with these funds intended to be converted to equity in the Company's planned rights issue on the same terms as offered to all shareholders.

$4.050m of the convertible notes outstanding have been extended to January 2019, with interest capitalised until APD has achieved sustained profitability. Conversion terms have been adjusted to reflect a 20% premium to the pricing of the forthcoming rights issue.

As a result of these initiatives, APD's current net asset position improved by $2.290m relative to 30 June 2017.

Personnel

APD's Group CEO, Newton Smith, has transitioned into a senior business development role focussed on top tier client opportunities. Local CEOs in Malaysia, Singapore, the Philippines, New Zealand and Australia have assumed his responsibilities.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

AUDITOR'S INDEPENDENCE DECLARATION

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

ROUNDING

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

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

Roger Sharp
Chairman

Dated 26 February 2018

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Sydney NSW 2000
Australia

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

As lead auditor for the review of Asia Pacific Digital Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

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

John Bresolin
Partner

BDO East Coast Partnership

Sydney, 26 February 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2017

	Note	2017 $000	2016 $000
Continuing operations			
Rendering of services		19,240	23,107
Other Income		324	-
Cost of sales	3(a)	(15,379)	(16,322)
Employee benefits expense	3(b)	(3,049)	(4,687)
Restructuring		(102)	(279)
Other expenses	3(c)	(3,110)	(2,835)
(Loss) / Earnings before interest, tax, depreciation and amortisation and impairment losses (EBITDA)		**(2,076)**	**(1,016)**
Depreciation and amortisation	3(d)	(429)	(576)
Loss from continuing operations before interest and income tax		**(2,505)**	**(1,592)**
Finance income		7	8
Finance costs	3(e)	(640)	(525)
Loss from continuing operations before income tax		**(3,138)**	**(2,109)**
Income tax expense		(190)	(432)
Loss from continuing operations after income tax		**(3,328)**	**(2,541)**
Loss after income tax expense from discontinued operations	11	(863)	11
Loss from the period attributable to owners of the parent		**(4,191)**	**(2,530)**

Earnings per share		
From continuing and discontinued operations:		
	Cents	Cents
- Basic earnings / (loss) per share	(3.47)	(2.14)
- Diluted earnings / (loss) per share	(3.47)	(2.14)
From continuing operations:		
	Cents	Cents
- Basic earnings / (loss) per share	(2.76)	(2.15)
- Diluted earnings / (loss) per share	(2.76)	(2.15)
From discontinued operations:		
	Cents	Cents
- Basic earnings / (loss) per share	(0.71)	0.01
- Diluted earnings / (loss) per share	(0.71)	0.01

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)
For the Half-Year Ended 31 December 2017

	2017 $000	2016 $000
Loss for the year	**(4,191)**	**(2,530)**
Other comprehensive income		
Exchange difference on translation of foreign operations	(36)	(183)
Net gain / (loss) on available – for – sale financial assets	(265)	-
Income tax effect	45	-
	(220)	**-**
Other comprehensive income for the year, net of tax	**(256)**	**(183)**
Total comprehensive income for the year attributable to owners of the parent	**(4,447)**	**(2,713)**

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

Consolidated Statement of Financial Position
As at 31 December 2017

	Note	31 December 2017 $000	30 June 2017 $000
ASSETS			
Current assets			
Cash and cash equivalents		1,964	903
Trade and other receivables		8,015	7,742
Other financial assets		284	303
Investments	7	-	651
Other		419	481
Total current assets		**10,682**	**10,080**
Non-current assets			
Other financial assets		478	477
Plant and equipment		526	748
Deferred tax assets		748	860
Goodwill	6	11,523	11,523
Other intangible assets	6	306	500
Total non-current assets		**13,581**	**14,108**
Total assets		**24,263**	**24,188**
LIABILITIES			
Current liabilities			
Trade and other payables		8,361	8,009
Provisions		1,389	1,616
Borrowings	8	4,592	6,389
Current tax liabilities		327	308
Deferred income		1,811	1,846
Total current liabilities		**16,480**	**18,168**
Non-current liabilities			
Trade and other payables		343	292
Provisions		268	293
Borrowings	8	6,575	2,676
Total non-current liabilities		**7,186**	**3,261**
Total liabilities		**23,666**	**21,429**
Net assets		**597**	**2,759**
EQUITY			
Contributed equity	4	146,219	143,934
Reserves		(8,768)	(8,512)
Accumulated losses		(136,854)	(132,663)
Total equity attributable to equity holders of the parent		**597**	**2,759**

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

Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2017

	Ordinary shares $000	Accumulated losses $000	Options reserve $000	Common control reserve $000	Available-for-sale reserve $000	Foreign currency translation reserve $000	Total $000
At 1 July 2017	143,934	(132,663)	4,517	(12,311)	220	(938)	2,759
Loss for the half-year	-	(4,191)	-	-	-	-	(4,191)
Other comprehensive income	-	-	-	-	(220)	(36)	(256)
Total comprehensive income for the period	-	(4,191)	-	-	(220)	(36)	(4,447)
Transactions with owners in their capacity as owners:							
Issue of share capital	1,965	-	-	-	-	-	1,965
Transaction costs	(44)	-	-	-	-	-	(44)
Share based payments	382	-	-	-	-	-	382
Deferred tax movements on share issue costs	(18)	-	-	-	-	-	(18)
At 31 December 2017	146,219	(136,854)	4,517	(12,311)	-	(974)	597
At 1 July 2016	143,344	(125,806)	4,517	(12,311)	220	(672)	9,292
Loss for the half-year	-	(2,530)	-	-	-	-	(2,530)
Other comprehensive income	-	-	-	-	-	(183)	(183)
Total comprehensive income for the period	-	(2,530)	-	-	-	(183)	(2,713)
Transactions with owners in their capacity as owners:							
Issue of share capital	374	-	-	-	-	-	374
Transaction costs	(34)	-	-	-	-	-	(34)
Deferred tax movements on share issue costs	(18)	-	-	-	-	-	(18)
At 31 December 2016	143,666	(128,336)	4,517	(12,311)	220	(855)	6,901

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

Consolidated Cash flow Statement
For the Half-Year Ended 31 December 2017

	2017 $000	2016 $000
Cash flows from operating activities		
Receipts from customers	19,934	27,623
Payments to suppliers and employees	(23,074)	(26,979)
Payments for restructuring	(425)	(303)
Interest received	6	8
Interest paid	(28)	(112)
Income tax paid	2	(54)
Net cash provided by / (used in) operating activities	**(3,585)**	**183**
Cash flows from investing activities		
Payments for plant and equipment	(31)	(86)
Payments for intangible assets	-	(59)
Proceeds from sale of investments	701	-
Refund of lease rental bond	18	69
Net cash provided / (used in) by investing activities	**688**	**(76)**
Cash flows from financing activities		
Proceeds from issues of shares	1,895	374
Proceeds from borrowings	2,079	45
Payment of finance fees	(10)	(14)
Net cash provided by financing activities	**3,964**	**405**
Net increase in cash and cash equivalents held	1,067	512
Net foreign exchange difference	(6)	39
Cash and cash equivalents at beginning of the period	903	2,349
Cash and cash equivalents at the end of the period	**1,964**	**2,900**

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

1. CORPORATE INFORMATION

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of preparation

The consolidated financial statements for the half-year ended 31 December 2017 have been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The consolidated financial statements do not include all of the information and disclosure normally required in the annual financial report and should be read in conjunction with the Group's annual report for the year ended 30 June 2017 and considered together with any public announcements made by the Company during the half-year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules.

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

<u>Going Concern</u>

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

The consolidated entity incurred a net cash outflow from operations of $3.585m (2016: cash inflow $0.183m) during the half-year ended 31 December 2017 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $5.798m (30 June 2017: $8.089m).

The Directors note the following items in particular:

- included in current liabilities is deferred revenue of $1.811 million representing a liability for services not yet performed (as distinct from a liability for unpaid expenses). On the basis that the consolidated entity continues as a going concern, the Directors expect the vast majority of deferred revenue to be delivered in services to clients of the business and recognised as revenue, and do not have any expectation that any material amount would be needed to be paid back as a cash payment (as a refund);
- included in current liabilities are convertible notes of $1.351 million. The Company is under negotiations with the note holders which would result in extending the terms of those notes to 1 January 2019 and defer cash payments of interest until the Company achieves consistent profitability;
- included in current liabilities is a $2.350m of short term loans that was made by the major shareholder group, with a majority of these funds intended to be converted to equity in the Company's planned rights issue on the same terms as offered to all shareholders;
- Post-balance date a new debtor facility from Octet Finance was arranged to replace the existing NAB facility at reduced cost.
- the Company has historically funded its operations and prior investments in growing its regional platform via debt and equity capital raisings from institutional, sophisticated and professional investors. The Directors have cause to believe that both private debt and equity market funding will continue to be available in the future to allow the Company to continue to meet its commitments;

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

- the Company has received working capital funding from North Ridge Partners and its associates (NRP) since it became the majority shareholder of the Company in 2008. NRP currently holds 56% of the shares on issue and also provides a secured working capital loan facility which the consolidated entity has regularly used to fund short term working capital requirements. NRP has in the past demonstrated a willingness to extend the maturity date of the facility. To the extent that NRP remains the Company's majority shareholder the directors expect that it will continue to provide financial support in this regard.

The balance of current assets and current liabilities at 31 December 2017 and the reliance on future capital raisings gives rise to a material uncertainty which may cast doubt over the consolidated entity's ability to continue as a going concern. Having regard to the above factors, the Directors have concluded that there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they fall due. On this basis the financial report has been prepared on a going concern basis.

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

b) Significant accounting policies

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. New accounting standards effective from 1 July 2017 did not have a material effect on the financial position or performance of the company. The consolidated entity has not elected to early adopt any new standards or amendments that are issued but not yet effective.

3. EXPENSES

	2017 $000	2016 $000
a) Cost of sales		
Direct cost of services	6,587	8,214
Direct staff & contractor costs	7,602	6,807
Licences/SEO tools costs	156	175
SMS/Deliverability costs	415	506
Members reward	429	399
Other	190	221
	15,379	16,322

Note: *Direct staff & contractor costs* increased due to a re-classification of staffing that are included in Cost of Sales. This reclassification of staffing also led to a corresponding drop in *Salaries & Wages* under Employee benefits expense (below). Overall staffing costs reduced by $0.792m versus prior corresponding period.

	2017 $000	2016 $000
b) Employee benefits expense		
Salaries and wages	2,388	3,975
Share based payments	235	-
Superannuation	138	266
Annual leave benefits	(24)	(68)
Payroll tax	59	130
Training / recruitment / amenities	155	213
Other	98	171
	3,049	4,687

	2017 $000	2016 $000
c) Other expenses		
Communication costs	571	553
Non-executive Director fees[1]	(66)	90
Share based payments (in lieu of Director fees)	146	-
Rent and office supplies	1,594	1,612
Professional fees	256	299
Contractors and consultants	226	163
Other	383	118
	3,110	2,835

[1]Recovery from non – executive Directors fees is due to last year accrued fees paid in shares.

	2017 $000	2016 $000
d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Depreciation of plant and equipment	106	137
Depreciation of leasehold improvement	129	101
Amortisation of intangible assets:		
- Software	194	338
	429	576

	2017 $000	2016 $000
e) Finance costs		
Interest expense	605	468
Finance fees	35	57
	640	525

4. CONTRIBUTED EQUITY

Ordinary shares

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

	Consolidated 31 December 2017		Consolidated 30 June 2017	
	Shares	$000's	Shares	$000's
Fully paid ordinary shares	142,602,228	146,219	120,185,784	143,934
Movements in shares on issue				
Beginning of the financial year	120,185,784	143,934	118,381,487	143,344
Issue of share capital	1,9650,000	1,965	850,023	374
Share based payment	2,766,444	382	954,274	318
Share issue expenses	-	(44)	-	(52)
Deferred tax on share issue expenses	-	(18)	-	(50)
End of the financial period	142,602,228	146,219	120,185,784	143,934

5. OPERATING SEGMENTS

Identification of reportable segments

APD operates in two distinctly different markets: the established Australasian market, and the emerging Southeast Asian market. These two marketplaces are marked by differences in culture, language, economic development and digital penetration, however both require a range of similar or complementary digital skills. Increasingly the Board of Directors and the executive management team have based their decisions around these two operating segments, leading to the Company foreshadowing in FY16 that it would transition from functional to geographic reporting. Accordingly, the Company now reports in two segments: (1) Australia & New Zealand (ANZ), and (2) Asia.

Types of offering and services

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

Accounting policies and inter-segment transactions

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

5. OPERATING SEGMENTS (continued)

	Australia & New Zealand		Asia		Total Group	
	31 Dec 2017 $000's	31 Dec 2016 $000's	31 Dec 2017 $000's	31 Dec 2016 $000's	31 Dec 2017 $000's	31 Dec 2016 $000's
Revenue						
Sales to external customers	14,212	17,938	5,028	5,169	19,240	23,107
Inter-segment sales	7	10	689	1,257	696	1,267
Total segment revenue	14,219	17,948	5,717	6,426	19,936	24,374
Inter-segment elimination					(696)	(1,267)
Total consolidated revenue					**19,240**	**23,107**
Reconciliation of segment results to net loss after tax						
Segment EBITDA	(779)	(59)	426	1050	(353)	991
Other income					324	-
Regional allocations expenses (a)					(1,238)	(1045)
Listed entity expenses (b)					(809)	(962)
EBITDA					**(2,076)**	**(1,016)**
Depreciation and amortisation	(195)	(364)	(115)	(121)	(310)	(485)
Unallocated depreciation and amortisation					(119)	(91)
Loss from continuing operations before interest and tax					(2,505)	(1,592)
Finance income					7	8
Finance costs					(640)	(525)
Loss from continuing operations before tax					(3,138)	(2,109)
Income tax expenses					(190)	(432)
Loss from discontinued operations after tax					(863)	11
Loss for the half year					**(4,191)**	**(2,530)**

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

b) Listed entity expenses comprise mainly non-executive directors' fees, listed entity employee remuneration, audit, legal, ASX and other professional expenses.

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

6. OTHER INTANGIBLE ASSETS AND GOODWILL

Carrying amounts at the beginning and end of the period

	Software $000's	Goodwill $000's	Total $000's
At 31 December 2017			
At 1 July 2017, net of accumulated amortisation and impairment Cost	500	11,523	12,023
Additions	-	-	-
Amortisation	(194)	-	(194)
Net carrying amount	306	11,523	11,829
At 30 June 2017			
Cost	2,316	11,523	13,839
Accumulated amortisation and impairment	(1,816)	-	(1,816)
Net carrying amount	500	11,523	12,023

7. INVESTMENTS

	December 2017 $000's	June 2017 $000's
Non-Current		
Unquoted equity shares	-	651
	-	651

The Company sold the remaining 0.08% of its shareholding in the Southeast Asian eCommerce service provider in September 2017 for total gross proceeds of $0.7 million. A net gain on the sale of this available for sale financial asset of $324,000 was recognized in the statement of profit or loss and other comprehensive income as other income.

8. BORROWINGS

	December 2017 $000	June 2017 $000
Current		
Debtor finance facility (i)	465	723
Secured debt facility (ii)	2,776	273
Interest bearing debt facility (convertible notes)	1,351	5,380
Obligation under finance lease contracts	-	13
	4,592	6,389

8. BORROWINGS (Continued)

	December 2017 $000	June 2017 $000
Non - Current		
Secured debt facility (ii)	2,525	2,676
Interest bearing debt facility (convertible notes) (iii)	4,050	-
	6,575	2,676

i) Debtors 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

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

iii) Convertible notes

The Company has issued a series of unlisted and unsecured convertible notes to sophisticated and professional investors. An interest rate of 10% per annum applies to the notes. The notes are convertible, at the election off the noteholder, at any time before the maturity date, which is on 1 January 2019, into fully paid ordinary shares in the Company.

Fair Values

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

9. COMMITMENTS AND CONTINGENCIES

	December 2017 $000	June 2017 $000
a) Operating lease commitments		
Future operating lease rentals:		
- Within one year	1,566	1,505
- After one year but not more than five years	1,454	2,129
	3,020	3,634
b) Finance lease commitments		
Future finance lease payments:		
- Within one year	-	22
- After one year but not more than five years	-	-
Total minimum lease payments	-	22
Finance charges	-	(9)
	-	13

c) Contingent liabilities

There were no contingent assets or liabilities as at 31 December 2017.

10. EVENTS AFTER THE REPORTING PERIOD

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

11. DISCONTINUED OPERATIONS

(a) Details of discontinued operations

The Chinese operation was serving the contract with the Ford Motor Company. Due to reduction in business and loss of retainer, it was not economically viable to operate in China. The Company therefore decided to cease the trading in China in November 2017.

	2017 $000	2016 $000
(b) Financial performance information		
Revenue	4	986
Expenses	(882)	(971)
EBITDA	(878)	15
Depreciation and amortisation	(19)	(2)
Finance costs	-	(2)
(Loss) / profit before income tax expense	(897)	11
Income tax benefit	34	-
(Loss) / profit after income tax from discontinued operations	(863)	11
(c) Carrying amounts of assets and liabilities		
Assets		
Cash	14	63
Trade and other receivables	-	119
Property, plant and equipment	-	23
Total assets	14	205
Liabilities		
Trade and other payables	99	320
Provisions	-	11
Total Liabilities	99	331
Net assets	(85)	(126)
(d) Cash flow information		
Net cash used in operating activities	(778)	(560)
Net cash used in investing activities	21	18
Net cash provided by financing activities	723	570
Net decrease in cash from discontinued operations	(34)	28

Directors' Declaration

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) Giving a true and fair view of the financial position as at 31 December 2017 and the performance for the half-year ended on that date of the consolidated entity; and
   (ii) Complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

ROGER SHARP
Director

26 February 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Asia Pacific Digital Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Asia Pacific Digital and its subsidiaries ('the Group'), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

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

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

BDO East Coast Partnership

BDO

J Bresolin

John Bresolin
Partner

Sydney, 26 February 2018