

ASIA PACIFIC DIGITAL LIMITED

Appendix 4D for the half-year ended 31 December 2015

Current Period: 31 December 2015

Previous Corresponding Period (PCP): 31 December 2014

1. Results for announcement to the market

	31-Dec-15 \$000	31-Dec-14 \$000	Change \$000	Change %
Revenue from ordinary activities	28,733	28,971	(238)	(1%)
Net loss from continuing operations after tax attributable to members	(4,103)	(4,214)	111	3%
Net loss profit for the period attributable to members	(4,103)	(4,214)	111	3%
Earnings before interest, tax, depreciation, amortisation & impairment (EBITDA)	(2,730)	104	(2,834)	n/a

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	(4.7) cents	(2.9) cents

4. Compliance Statement

The Appendix 4D is to be read in conjunction with the attached half yearly report for the period ended 31 December 2015 and the annual financial report for the year ended 30 June 2015. It is also recommended that the Appendix 4D be considered together with any public announcements by the Company during and after the half-year ended 31 December 2015.

ASIA PACIFIC DIGITAL LIMITED

ACN 000 386 685

Half-Year Financial Report

Period Ended 31 December 2015

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Directors' Report

The Directors submit their report for the half-year ended 31 December 2015.

DIRECTORS

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

Roger Sharp	Executive Chairman	
Peter Hynd	Executive Director	
Fionn Hyndman	Non-Executive Director	
Laura Ashton	Non-Executive Director	(appointed 5 August 2015)
Mark Dalglish	Non-Executive Director	(appointed 5 August 2015)
David Sweet	Non-Executive Director	(resigned 5 August 2015)

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the half-year were:

- digital strategy, creative and technology solutions: APD Interact;
- digital market research, lead generation and performance marketing: APD Acquire;
- customer engagement and retention: APD Engage; and
- long term eCommerce partnerships with shared revenues and equity: APD Venture.

OPERATING AND FINANCIAL REVIEW

Operating results for the period

The consolidated result before interest, tax, depreciation, amortisation and impairment (EBITDA) was a loss of \$2,730,000 (2014: EBITDA profit of \$104,000). The consolidated entity net loss after tax for the half-year ended 31 December 2015 was \$4,103,000 (2014: net loss of \$4,214,000).

Segment Activities and Performance

APD Interact

Revenues increased by 2% to \$11,338k and EBITDA fell to \$105k (from \$780k, -87% vs PCP). Asia was the standout contributor in revenue growth on PCP from a combination of organic growth (Malaysia) and a first full half contribution from @ccomplice in Singapore (including significant organic growth). This revenue growth in Asia was offset by a decline in Global Clients resulting from its major client reducing technology spend. Global Clients maintained its staffing levels in anticipation of a revenue pickup from channel partnerships. This decision impacted heavily on the half year result but provides capacity to serve new clients won in H2.

APD Acquire

Revenues increased by 2% to \$15,024k and EBITDA fell to \$79k (from \$1,298k in PCP). Much focus has since been applied to restoring the division's performance and an improvement is expected in the second half, with a stronger forward pipeline in place.

Revenues in Australia were down slightly on PCP due to lower spend from major Search clients such as eBay and Harvey Norman, while demand for Lead Generation services from the private education sector came off the historical highs. Affiliate and Research activity saw steady growth. In Asia, Acquire delivered its first \$500k in revenues and is expected to grow strongly.

Directors' Report *(continued)*

While revenues were stable, EBITDA was similar to H2 FY15 and remained well down on PCP. This reflects several factors including a higher percentage of revenues generated from lower margin channels such as Affiliate and Search Media, one-off fully expensed investment in increasing the size of APD's Research database in Australia (with benefits to flow in future periods) and the launch in Asia.

APD Engage

Revenues fell by \$1.0m to \$2.0m. Proactive cost management somewhat offset the revenue decline, however EBITDA decreased by \$395k to \$(453)k.

Engage previously announced a partnership with IBM to roll out its Silverpop enterprise level CRM platform, driven by the entry of global technology companies into CRM / email marketing sector which threatened APD's proprietary solution (SmartMailPro). Engage suffered Tier One client losses in New Zealand before the agreement to roll out Silverpop was secured. The impact of those client losses was felt acutely in the first half.

Corporate Overheads

Corporate overheads increased from \$1.4m to \$2.1m in order to complete the core regional build out, and will be reduced during the second half of the calendar year.

Cash Flows and Capital Structure

The Company is considering several capital raising alternatives to complete the journey into profit.

Net cash outflows from customer activities of \$(3.3) million for the six months to December 2015 exceeded the EBITDA for the first half of \$(2.7) million by \$0.6 million. This was driven by an increase in trade and other receivables of \$1.9 million with the seasonal increase in revenue over the Christmas period (relative to May and June 2015). This increase in receivables was offset by an increase trade and other payables of \$1.4 million being direct non-labour costs increasing in line with the revenue rise and net other working capital movements of \$(.02) million.

In July 2015, \$1.1 million was received as the balance of the proceeds from the sale of the aCommerce investment. Cash from financing activities primarily represents the receipt of convertible note funds of \$4.1 million received in November 2015.

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.

EVENTS SUBSEQUENT TO BALANCE DATE

In February 2016, the consolidated entity agreed with three of its four original convertible debt holders to either convert to equity or to refinance the debt at maturity to the terms and conditions of the November 2015 note issue, including a later maturity date of November 2017.

The financial effect of the above transaction has not been reflected in these financial statements.

AUDITOR'S INDEPENDENCE STATEMENT

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

Directors' Report *(continued)*



ROUNDING OF AMOUNTS

The amounts contained 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.

Signed in accordance with a resolution of the directors.

A handwritten signature in blue ink, which appears to read 'Roger Sharp', is positioned above the printed name.

Roger Sharp
Executive Chairman
29 February 2016

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 2015, 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, 29 February 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2015

	Note	2015 \$000	2014 \$000
Continuing operations			
Rendering of services		28,733	28,971
Cost of sales		(16,946)	(15,599)
Employee benefits expense	3(a)	(9,760)	(8,838)
Restructuring		(58)	(331)
Other expenses	3(b)	(4,699)	(4,099)
(Loss) / earnings before interest, tax, depreciation and amortisation and impairment losses (EBITDA)		(2,730)	104
Depreciation and amortisation	3(c)	(860)	(1,050)
Impairment losses	3(c)	-	(3,334)
Loss from continuing operations before interest and income tax		(3,590)	(4,280)
Finance income		27	24
Finance costs	3(d)	(553)	(491)
Loss from continuing operations before income tax		(4,116)	(4,747)
Income tax benefit		13	533
Loss continuing operations after income tax		(4,103)	(4,214)
Loss profit for the period attributable to owners of the parent		(4,103)	(4,214)
Other comprehensive income			
Exchange difference on translation of foreign operations		(513)	(159)
Other comprehensive income for the period, net of tax		(513)	(159)
Total comprehensive income for the period attributable to owners of the parent		(4,616)	(4,373)
Loss per share from continuing operations attributable to the ordinary equity holders of the parent:			
- basic loss per share		Cents (4.41)	Cents (5.41)
- diluted loss per share		(4.41)	(5.41)

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 2015

	Note	31 December 2015 \$000	30 June 2015 \$000
ASSETS			
Current assets			
Cash and cash equivalents		2,634	970
Trade and other receivables		12,228	12,014
Other financial assets		101	730
Other		590	559
Total current assets		15,553	14,273
Non-current assets			
Trade and other receivables		373	158
Other financial assets		733	519
Plant and equipment		1,039	723
Deferred tax assets		1,046	955
Investments	7	598	598
Intangible assets	6	1,220	1,498
Goodwill	6	11,523	11,523
Total non-current assets		16,532	15,974
Total assets		32,085	30,247
LIABILITIES			
Current liabilities			
Trade and other payables	8	9,288	7,743
Provisions		1,747	1,838
Interest-bearing loans and borrowings	9	4,412	2,046
Provision for Income tax		152	153
Deferred income		1,497	1,154
Total current liabilities		17,096	12,934
Non-current liabilities			
Trade and other payables		137	92
Provisions		474	413
Interest-bearing loans and borrowings	9	6,176	4,664
Total non-current liabilities		6,787	5,169
Total liabilities		23,883	18,103
Net assets		8,202	12,144
EQUITY			
Contributed equity	4	136,885	136,211
Reserves		(8,823)	(8,310)
Accumulated losses		(119,860)	(115,757)
Total equity attributable to equity holders of the parent		8,202	12,144

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements, in particular Note 2 relating to going concern.

Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2015

	Ordinary shares \$000	Accumulated losses \$000	Share based payment reserves \$000	Common control reserve \$000	Available -for-sale reserve \$000	Foreign currency translation reserve \$000	Total \$000
At 1 July 2015	136,211	(115,757)	4,323	(12,311)	176	(498)	12,144
Loss for the half-year	-	(4,103)	-	-	-	-	(4,103)
Other comprehensive income	-	-	-	-	-	(513)	(513)
Total comprehensive income for the period	-	(4,103)	-	-	-	(513)	(4,616)
Transactions with owners in their capacity as owners:							
Issue of share capital	843	-	-	-	-	-	843
Acquisition of treasury shares	(200)	-	-	-	-	-	(200)
Share based payments	60	-	-	-	-	-	60
Transaction costs	(12)	-	-	-	-	-	(12)
Deferred tax movements on share issue costs	(17)	-	-	-	-	-	(17)
At 31 December 2015	136,885	(119,860)	4,323	(12,311)	176	(1,011)	8,202
At 1 July 2014	128,850	(108,180)	4,023	(12,311)	(199)	(310)	11,873
Loss for the half-year	-	(4,214)	-	-	-	-	(4,214)
Other comprehensive income	-	-	-	-	-	(159)	(159)
Total comprehensive income for the period	-	(4,214)	-	-	-	(159)	(4,373)
Transactions with owners in their capacity as owners:							
Issue of share capital	2,335	-	-	-	-	-	2,335
Share based payments	-	-	37	-	-	-	37
Transaction costs	(110)	-	-	-	-	-	(110)
Deferred tax movements on share issue costs	12	-	-	-	-	-	12
AFS investment impairment	-	-	-	-	199	-	199
At 31 December 2014	131,087	(112,394)	4,060	(12,311)	-	(469)	9,973

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 2015

	2015 \$000	2014 \$000
Cash flows from operating activities		
Receipts from customers	28,915	30,930
Payments to suppliers and employees	(32,158)	(30,791)
Payments for business acquisition costs	-	(4)
Payments for restructuring	(58)	(37)
Interest received	15	24
Interest paid	(229)	(345)
Income tax paid	(96)	(79)
Net cash used in operating activities	(3,611)	(302)
Cash flows from investing activities		
Payments for plant and equipment	(246)	(235)
Payments for intangible assets	(213)	(470)
Proceeds from sale of investments	1,010	-
Payment of lease rental bond	(240)	-
Refund of lease rental bond	702	-
Net cash provided / (used in) investing activities	1,013	(705)
Cash flows from financing activities		
Proceeds from share purchase plan	-	168
Proceeds from borrowings - related party loan	-	150
Proceeds from borrowings - convertible notes	4,050	-
Proceeds from borrowings	273	390
Payment of share issue costs	(7)	(61)
Repayment of borrowings - vendor financing	-	(281)
Payment of finance fees	(40)	(10)
Net cash provided by financing activities	4,276	356
Net increase / (decrease) in cash and cash equivalents held	1,678	(651)
Net foreign exchange difference	(14)	(38)
Cash and cash equivalents at beginning of the period	970	2,425
Cash and cash equivalents at the end of the period	2,634	1,736

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

Notes to the Financial Statement

1. CORPORATE INFORMATION

The financial report of Asia Pacific Digital Ltd for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 29 February 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**a) Basis of preparation**

Asia Pacific Digital Limited is a for-profit entity listed on the Australia Securities Exchange (ASX). The financial report is a general-purpose financial report for the half-year ended 31 December 2015 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by the Company during the half-year ended 31 December 2015 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year financial report has been prepared on a historical cost basis and 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 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.

This is notwithstanding that the consolidated entity incurred a net cash outflow from operations of \$3.61 million (2014: \$302,000) during the half-year ended 31 December 2015 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$1.54 million (30 June 2015: the consolidated entity had an excess of current assets over current liabilities of \$1.3 million).

The Directors note the following items in particular:

- included in current liabilities is deferred revenue of \$1.5 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);
- subsequent to 31 December 2015, the consolidated entity agreed with three of its four original convertible debt holders to either convert to equity or to refinance the debt at maturity to the terms and conditions of the November 2015 note issue, including a later maturity date of November 2017. Had these agreements been reached prior to 31 December 2015, the consolidated entity's current liabilities would have reduced by \$1.4 million and it would have had an excess of current liabilities over current assets of \$0.14 million;

Notes to the Financial Statement (*continued*)**2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (*continued*)**

- 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 noted that it is now concluding the major investment phase of its regional platform establishment and that newly appointed executive management will now focus on moving the business into profit, with a trend towards typical industry earnings margins. Directors expect that this will lead to a progressive 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 70% 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.

The balance of current assets and current liabilities at 31 December 2015 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.

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 2015 did not have 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.

Notes to the Financial Statement (*continued*)

3. EXPENSES

	2015 \$000	2014 \$000
a) Employee benefits expense		
Salaries and wages	8,124	7,142
Share based payments	24	-
Superannuation	637	566
Annual leave benefits	96	(4)
Payroll tax	334	371
Training / recruitment / amenities	310	674
Other	235	89
	<u>9,760</u>	<u>8,838</u>
b) Other expenses		
Communication costs	903	607
Non-executive Director fees	60	55
Rent and office supplies	2,450	1,971
Professional fees	353	308
Other	933	1,154
	<u>4,699</u>	<u>4,095</u>
c) Depreciation, amortisation and impairment		
<i>Depreciation and amortisation</i>		
Depreciation of plant and equipment	192	143
Depreciation of leasehold improvement	176	60
<i>Amortisation of intangible assets:</i>		
- Customer contracts	-	146
- Software	492	588
- Brand names	-	113
	<u>860</u>	<u>1,050</u>
<i>Impairment:</i>		
- Brand name	-	2,060
- Available For Sale investment	-	1,274
	<u>-</u>	<u>3,334</u>
d) Finance costs		
Interest expense	501	458
Finance fees	52	33
	<u>553</u>	<u>491</u>

Notes to the Financial Statement (*continued*)**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 2015		Consolidated 30 June 2015	
	Shares	\$000's	Shares	\$000's
Fully paid ordinary shares	95,909,120	136,885	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	2,977,777	903	17,238,352	7,326
Acquisition of treasury shares	-	(200)	-	-
Share issue expenses	-	(12)	-	(325)
Deferred tax on share issue expenses	-	(17)	-	36
End of the financial period	95,909,120	136,885	92,931,343	136,211

5. OPERATING SEGMENTS**Identification of reportable segments**

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

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

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

Types of products and services***APD Interact***

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

Notes to the Financial Statement (*continued*)**5. OPERATING SEGMENTS (*continued*)****APD Venture**

This segment provides end to end eCommerce services and receives its remuneration through monthly retainers, revenue share and equity.

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, with exception of unallocated expenses as discussed below.

31 December 2015	Interact	Acquire	Engage	Venture	Total
Revenue	\$000's	\$000's	\$000's	\$000's	\$000's
Sales to external customers	11,250	15,022	2,030	137	28,439
Inter-segment sales	88	2	10	-	100
Total segment revenue	11,338	15,024	2,040	137	28,539
Inter-segment elimination					(100)
Other revenue					294
Total consolidated revenue					28,733
Reconciliation of segment results to net loss after tax					
Segment results (EBITDA before unallocated expenses)	105	79	(453)	(288)	(557)
Other revenue					294
Unallocated expenses					(2,467)
EBITDA					(2,730)
Depreciation and amortisation	(232)	(265)	(171)	(2)	(670)
Unallocated depreciation and amortisation					(190)
Impairment losses	-	-	-	-	-
Loss before tax and net finance costs					(3,590)
Finance income					27
Finance costs					(553)
Loss before income tax					(4,116)
Income tax benefit					13
Loss for the half year					(4,103)

Unallocated expenses comprise the following:

- Non-executive Directors fees (\$84,000);
- Corporate remuneration (\$1,350,000);
- Audit, legal, ASX and other professional expenses (\$256,000);
- Data product expenses (\$283,000);
- Philippines overheads (\$54,000); and
- Other corporate overheads (\$440,000).

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.

Notes to the Financial Statement (continued)

5. OPERATING SEGMENTS (continued)

31 December 2014	Interact	Acquire	Engage	Venture	Total
Revenue	\$000's	\$000's	\$000's	\$000's	\$000's
Sales to external customers	11,086	14,711	2,953	221	28,971
Inter-segment sales	7	70	94	-	171
Total segment revenue	11,093	14,781	3,047	221	29,142
Inter-segment elimination					(171)
Total consolidated revenue					28,971
Reconciliation of segment results to net loss after tax					
Segment results (EBITDA before unallocated expenses)	780	1,298	(58)	(443)	1,577
Unallocated expenses					(1,473)
EBITDA					104
Depreciation and amortisation	(431)	(320)	(199)	(32)	(982)
Unallocated depreciation and amortisation					(68)
Impairment losses	(2,060)	-	-	(1,274)	(3,334)
Loss before tax and net finance costs					(4,280)
Finance income					24
Finance costs					(491)
Loss before income tax					(4,747)
Income tax benefit					533
Loss for the half year					(4,214)

Unallocated expenses comprise the following:

- Non-Executive Directors fees (\$55,000);
- Corporate remuneration (\$935,000);
- Audit, legal and other professional fees (\$199,000);
- Business acquisition costs (\$4,000);
- Philippines overheads (\$38,000); and
- Other corporate overheads (\$242,000).

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.

Notes to the Financial Statement (*continued*)**6. 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 2015			
At 1 July 2015, net of accumulated amortisation and impairment Cost	1,498	11,523	13,021
Additions	214	-	214
Amortisation	(492)	-	(492)
Impairment	-	-	-
Net carrying amount	1,220	11,523	12,743
At 30 June 2015			
Cost	6,157	11,523	19,966
Accumulated amortisation and impairment	(4,659)	-	(6,945)
Net carrying amount	1,498	11,523	13,021

7. INVESTMENTS

	December 2015 \$000's	June 2015 \$000's
Non-Current		
Unquoted equity shares	598	598
	598	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 a shareholding in a Southeast Asian end-to-end eCommerce logistics service provider in which the Company made a strategic equity investment in June 2014. The carrying value of this investment is \$0.6 million and it is denominated in US dollars. This shareholding represents 1% (30 June 2015: 1%) of the issued capital in the Company.

Not included in available for sale investments are two convertible notes, one held in a New Zealand wine eCommerce client and another note held in an Australian supplements eCommerce client. The Company entered into a 5 year agreements with both of these clients to provide end-to-end eCommerce and digital advertising services. As part compensation for the provision of these services, the Company has the right to convert the notes into the issued capital of the clients at the end of the 5 year agreements or under certain trigger conditions. These rights (24% in the New Zealand wine client and 30% in the Australian supplements client) have not been recognised as available for sale investments. \$0.4 million been recognised as a non-current other receivable as at 31 December 2015.

Notes to the Financial Statement (*continued*)

8. TRADE AND OTHER PAYABLES

	December 2015 \$000	June 2015 \$000
Current		
Trade payable and accruals	9,288	7,743
	<u>9,288</u>	<u>7,743</u>

Carrying value approximates fair value of the trade payables and accruals. Trade payables are non-interest bearing and are generally payable on 30 to 60 day terms.

9. INTEREST - BEARING LOANS AND BORROWINGS

	December 2015 \$000	June 2015 \$000
Current		
Secured loan from related party (a)	277	492
Bank receivables financing facility (b)	1,827	1,554
Convertible debt facility (c)	2,218	-
Obligation under finance lease contracts (d)	90	-
	<u>4,412</u>	<u>2,046</u>
Non-Current		
Secured loan from related party (a)	2,115	2,514
Convertible debt facilities (c)	3,997	2,150
Obligation under finance lease contracts (d)	64	-
	<u>6,176</u>	<u>4,664</u>

a) Secured loan from related parties

A senior secured loan facility is from North Ridge Partners Pty Ltd, a related party. The principal is repayable over the period to 31 May 2019. The loan is secured by a charge over the Company. The interest payable is 15% p.a. (30 June 2015: 15%).

b) Bank financing facility

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

c) Convertible debt facilities

(i) On 31 March 2014, as a condition under the share sale agreement for acquisition of Asia Pacific Digital Australia Pty Ltd, the Company agreed to assume nine convertible debt facility agreements with a total face value of \$5,500,000. The balance as at 31 December 2015 is \$2,150,000 (30 June 2014: \$2,150,000).

The facility must be repaid in full on 15 October 2016. The Financiers may elect to have part or all of their debt repaid by the Company issuing new shares to the Financiers at conversion windows at 24 months and 36 months into the facility, or in the event of an equity capital raising. In July 2014, \$2.0 million of principal under the facility was converted into equity. In June 2015, \$1.35 million of principal and \$0.2 million of interest under the facility was converted into equity.

Refer Note 13, Events After the Reporting Report for details of a post balance date restructuring.

Notes to the Financial Statement (*continued*)**9. INTEREST - BEARING LOANS AND BORROWINGS (*continued*)**

(ii) On 19 November 2015, the Company entered into four convertible debt facility agreements with a total face value of \$4,050,000. The unsecured convertible notes have a two year maturity date with an interest rate of 10% per annum payable on the face value. 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.

Fair Values

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

d) Obligation under finance lease contract

The Company leases computer equipment with a carrying amount of \$181,000 under a finance lease which expires within two years. Under the term of the lease, all rights, title, interest and ownership of the computer equipment will be transferred to the Company upon payment of the total lease amount at the end of the agreement.

10. COMMITMENTS AND CONTINGENCIES

	December 2015 \$000	June 2015 \$000
a) Operating lease commitments		
Future operating lease rentals:		
- Within one year	1,750	2,244
- After one year but not more than five years	3,627	5,305
	<u>5,377</u>	<u>7,549</u>
b) Finance lease commitments		
Commitments in relation to finance lease is payable as follow:		
- Within one year	99	-
- After one year but not more than five years	74	-
	<u>153</u>	<u>-</u>
- Lease amounts representing finance charges	(20)	-
Present value of minimum lease payments	<u>153</u>	<u>-</u>

c) Capital Commitments

There were no capital commitments at 31 December 2015.

d) Contingent assets and liabilities

There were no contingent assets or liabilities as at 31 December 2015.

Notes to the Financial Statement (*continued*)**11. SHARE BASED PAYMENTS**

A total of 4,144,445 options are scheduled to vest during the year ending 30 June 2016. These options are dependent on the achievement of various performance criteria. 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.

Number of options	Exercise price	Grant date	Vesting date	Vesting Period	Expiry date
4,144,445	62.5 cents	16-Dec-14	30-Sept-16	FY 2016	28-Nov-18

These options are linked with FY2016 quantitative and qualitative performance criteria. No amount has been expensed in the period ending 31 December 2015 as the attainment of the performance criteria is uncertain.

On 11 December 2015, 197,777 fully paid ordinary share were issued to Non-Executive Director, Laura Aston, in lieu of Directors' fees as approved at the Company Annual General Meeting on 12 November 2015.

12. 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 31 December 15

	Valuation date	Total \$000	Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
			Level 1	Level 2	Level 3
			\$000	\$000	\$000
Assets measured at fair value:					
Available-for-sale investments (Note 7):					
Unquoted equity shares	31 Dec 15	598	-	598	-

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

13. EVENTS AFTER THE REPORTING PERIOD

In February 2016, the consolidated entity agreed with three of its four original convertible debt holders to either convert to equity or to refinance the debt at maturity to the terms and conditions of the November 2015 note issue, including a later maturity date of November 2017.

Director's Declaration

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

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 2015 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) Complying with 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.

For and on behalf of the board

A handwritten signature in blue ink, appearing to read 'Roger Sharp', is positioned above the printed name and title.

ROGER SHARP
Director

29 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Asia Pacific Digital Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Asia Pacific Digital Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

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 consolidated entity's financial position as at 31 December 2015 and its 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 Asia Pacific Digital Limited, 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 Asia Pacific Digital Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

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 Asia Pacific Digital Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2 in the half-year financial report, which indicates that the consolidated entity incurred a net cash outflow from operations of \$3.61 million during the half-year ended 31 December 2015 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$1.54 million.

These conditions, along with other matters as set forth in Note 2, 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.

BDO East Coast Partnership


John Bresolin
Partner

Sydney, 29 February 2016