

ASIA PACIFIC DIGITAL LIMITED

ACN 000 386 685

Annual Report

Year Ended 30 June 2015



# Contents

COMPANY DIRECTORY.....	1
CHAIRMAN'S LETTER .....	2
DIRECTOR'S REPORT .....	4
AUDITOR'S INDEPENDENCE DECLARATION.....	16
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	17
STATEMENT OF FINANCIAL POSITION .....	18
STATEMENT OF CHANGES IN EQUITY .....	19
CASH FLOW STATEMENT.....	20
NOTES TO THE FINANCIAL STATEMENTS.....	21
1. Statement of Significant Accounting Policies .....	21
2. Financial Risk Management and Objectives.....	41
3. Operating Segments.....	43
4. Expenses.....	47
5. Finance Costs.....	48
6. Income Tax.....	48
7. Earnings Per Share.....	51
8. Cash and Cash Equivalents .....	51
9. Trade and Other Receivables.....	52
10. Other Financial Assets.....	53
11. Other .....	53
12. Plant and Equipment.....	54
13. Intangible Assets and Goodwill .....	55
14. Investment .....	59
15. Trade and Other Payables.....	60
16. Provisions.....	60
17. Interest Bearing Loans and Borrowings.....	61
18. Contributed Equity .....	64
19. Reserves.....	65
20. Accumulated Losses.....	66
21. Commitments and Contingencies .....	66
22. Key Management Personnel .....	66
23. Auditors Remuneration .....	70
24. Related Party Disclosure .....	71
25. Share Based Payment Plans .....	71
26. Parent Entity Information .....	72
27. Events After the Balance Sheet Date.....	73
28. Business Combination.....	73
DIRECTOR'S DECLARATION .....	74
INDEPENDENT AUDITOR'S REPORT .....	75
ASX ADDITIONAL INFORMATION .....	77



DIRECTORS:	Laura Ashton <i>Non-Executive Director</i> Mark Dalglish <i>Non-Executive Director</i> Peter Hynd <i>Executive Director</i> Fionn Hyndman <i>Non-Executive Director</i> Roger Sharp <i>Executive Chairman</i>
SECRETARY:	Campbell Nicholas
REGISTERED OFFICE:	Ground Floor 33-35 Saunders Street Pyrmont NSW 2009  Telephone: (02) 8569 0000
PRINCIPAL PLACE OF BUSINESS:	77 Amoy Street Singapore 069896  Telephone: (65) 6220 8383
SHARE REGISTRY:	Computershare Investor Services Pty Limited Level 5 115 Grenfell Street Adelaide SA 5000  Telephone: (08) 8236 2300
AUDITORS:	Ernst & Young 680 George Street Sydney NSW 2000

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



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

### Financial Result

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

### FY15 Milestones

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

- opening its Regional Operations Centre in Manila, a competitively priced technology and support services hub;
- rebranding all business units as APD in order to implement its 360 degree strategy;
- working with teams across the region to define APD's culture, values and business goals;
- implementing a country and service line management matrix;
- acquiring and integrating @ccomplice in Singapore, opening a Hong Kong office and appointing a CEO for Greater China;
- launching performance marketing in Asia;
- investing in the infrastructure required to run at scale across the region, including finance, CRM and human resources;
- securing rights for the IBM Silverpop CRM technology platform across the region;
- agreeing a new e-commerce joint venture with health supplements retailer, Supps R Us;
- divesting ¾ of its interest in aCommerce at a 100% uplift in value; and
- refreshing its Board of Directors, with the appointments of Laura Ashton and Mark Dalglish as longstanding director David Sweet retired.

### Rebranding

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

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

### KPIs

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

- build our core Asian capabilities (*on target*, with both geographic and service line expansion);
- 50% of group revenues outside Australia (*on target*, up from 20% to 33%);
- 50% of employees located in Asia (*achieved*, up from 40% to 56%);
- minimum 30% organic growth rate in Asia (*achieved*, 66% growth in FY15); and
- break even EBITDA while growing (*KPI varied during the period to target break even to -\$2m*) (actual result was a loss of \$1.5m excluding share option costs).

### Commentary on KPIs

Your management team and Directors took on a significant programme of work during FY15, delivering a truly transformational series of outcomes. In doing so, the Company met or exceeded all key operational KPIs and revised its primary financial KPI to better provide for ongoing investment in regional growth.

The Group ran at a modest loss during the year, in line with its revised financial KPI target. Current financial performance is driven by the short term expenditure required to build a scale network across the region. As the business reaches critical mass, these one-off expansion costs will be progressively eliminated.

Three operational factors also contributed to the Company's FY15 operating loss:

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

# Chairman's Letter



After year end, your Directors reviewed the Company's first year of operation as a listed company and concluded that it should be prepared to run at a modest loss for the next two years in order to complete building a highly valuable Asian growth platform. This will require some additional capital but should enable us to achieve our strategic goals quicker.

The Board's decision to adjust its own financial KPI reflects a strategic choice: to build long term shareholder value through accelerating the build-out of APD's unique Asian digital services platform at the expense of short term profitability.

A year of hindsight tells us that running a multi-jurisdictional \$55m business at breakeven while growing on multiple fronts, funded by a depreciating currency, is a difficult balancing act. We will continue to evaluate the tradeoff between the velocity of regional growth initiatives and short term financial outcomes. Our guiding objectives are to deliver the most comprehensive regional network and to maximise profit levels at the conclusion of the build phase (targeted for 2017).

## Channel Partnerships

APD is seeking new ways of developing long term revenue streams.

The Company has been negotiating a series of channel partnerships with global technology and services firms that we believe have the potential, over time, to deliver a significant inflow of new client revenues.

One such example is APD's recent agreement by IBM as one of only five global resellers of its Marketing Cloud.

## Acquisitions

We continue to carefully evaluate extending our footprint through organic growth and acquisition.

Culture is everything in a services business, and we are only prepared to acquire or launch where we are convinced there is a strong cultural fit.

## eCommerce Ventures

We see eCommerce ventures as serving an important dual purpose:

- a mechanism for demonstrating that APD can deliver a single, 360 degree outcome for clients;
- offering potential long term capital upside to APD as we work alongside our partners to expand their businesses.

APD now holds interests in three ventures: [www.cellarmasterwines.com](http://www.cellarmasterwines.com) (a 19% direct shareholding plus first ranked security), [www.suppsrus.com.au](http://www.suppsrus.com.au) (a 30% equity interest plus first ranked security and [www.advintage.co.nz](http://www.advintage.co.nz) (a 24% equity interest).

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

## In Conclusion

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

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

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

Roger Sharp  
Executive Chairman



The Directors submit their report for the year ended 30 June 2015.

## 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 Head of Asia Pacific and Global Relationship Marketing at A.T. Kearney, a leading global management consulting firm with offices in more than 40 countries. Throughout her 30-year career, which includes 18 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](http://travel.com.au) Limited until its sale in January 2008 and was appointed to the Board of Webjet Limited on 1 January 2013. He has BA LLB qualifications from the University of Auckland and is a Member of both 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.

Mr Sweet has a Bachelor of Business degree and has held a number of executive roles over the past 16 years, which have included Vodafone and iTouch in Australia and New Zealand. As a Director of Vodafone Australia, Mr Sweet was responsible for the restructure of the sales and distribution group by streamlining and focusing operations as they related to customer markets.

# Directors' Report *(continued)*



## COMPANY SECRETARY

Mr Campbell Nicholas has been a certified practicing accountant for 23 years. He was appointed as company secretary on 31 July 2007 following the on-market takeover of Sonnet Corporation Ltd.

## DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by Directors in the 3 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

## 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 over ordinary shares in the Company
Mr R Sharp (i)	63,455,914	337,960
Mr P Hynd (ii)	58,958,736	337,960
Mr F Hyndman	-	44,444
Mr M Dalglish	1,851,352	-

(i) 58,958,736 of the ordinary shares are held by funds managed by North Ridge Partners Pty Ltd (formerly Co-Investor Capital Partners Pty Ltd). Mr Sharp is a Director and 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' Report *(continued)*

## 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:

	Directors Meetings	Meetings of Committees	
		Audit	Remuneration
Number of meetings held:	10	2	-
Number of meetings attended:			
David Sweet	10	n/a	n/a
Fionn Hyndman	10	n/a	-
Peter Hynd	10	2	-
Roger Sharp	10	n/a	n/a

All Directors were eligible to attend all meetings.

## Committee Membership

As at the date of this report, the Company had an Audit Committee and a Remuneration Committee. Peter Hynd is the sole member of the Audit Committee. Subsequent to year end Mark Dalglish was appointed as a member of the Audit Committee. 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** Division (formerly Strategies and Solutions - Next Digital);
- digital market research, lead generation and performance marketing: **APD Acquire** (formerly Customer Acquisition - dgm and Empowered);
- customer engagement and retention: **APD Engage** Division (formerly Customer Management - Jericho); and
- long term eCommerce partnerships with shared revenues and equity: **APD Venture** Division (formerly eCommerce - Asia Pacific Digital eCommerce).

## OPERATING AND FINANCIAL REVIEW

### Operating results for the year

Consolidated result from continuing operations before interest, tax depreciation, amortisation and impairment losses (EBITDA) was a loss of \$1,785,000 (2014: earnings of \$667,000). The consolidated entity net loss after income tax for the financial year ended 30 June 2015 was (\$7,577,000) (2014: \$1,257,000).

Included in this year's EBITDA are:

- a \$0.3m non-cash accounting expense relating to the vesting of employee share options;
- other income of \$0.7m from the gain on sale of 74% of the Company's shareholding in a Southeast Asian logistics service provider for total gross proceeds of \$1.7 million; and
- one-off rebranding costs of \$0.2 million.





## Segment Activities and Performance

### APD Interact

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

On a pro forma basis, *APD Interact* increased its earnings from established operations from \$0.5m (FY14) to \$2.5m (FY15). The investment in growth initiatives was also increased, up from \$0.3m in FY14 to \$1.3m in FY15, as APD focused on expanding its Asia operations for *APD Interact*, most particularly in Singapore and Greater China.

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

*APD Interact* also delivered a number of key client wins in Australia, including significant digital platform projects for Village Roadshow and Goodyear Dunlop.

*APD Interact's* Global Clients division continued its long track record of growth, with revenues up 38% on PCP and further geographic expansion of the offering, particularly in China. Work is being done to broaden the Global Clients customer base to reduce client concentration.

### APD Acquire

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

On a pro forma basis, *APD Acquire* EBITDA from established operations fell from \$2.8m (FY14) to \$1.7m (FY15). During the latter part of FY15, *APD Acquire* commenced its investment in growth initiatives as it launched operations in Asia for the first time. This investment totalled \$0.2m in FY15 (nil, FY14).

The poor second half performance in Australia was driven by a reduction in revenues from several key clients (e.g. eBay and Harvey Norman), compounded by the APD rebranding process, which temporarily reduced the velocity of sales activity. Considerable work has resulted in month-on-month growth now being re-established across most of *APD Acquire's* channels.

Until April 2015 *APD Acquire* was the Group's only business unit without a presence in Asia. APD's assessment is that there are significant growth opportunities in Asia in research, lead generation and performance marketing. *APD Acquire* plans to build a scale business across Southeast Asia to complement its Australian business, which should underpin the Division's growth.

In the fourth quarter the Company transferred a senior executive from its *APD Acquire* division in Australia to Singapore to launch the business. A team has since been recruited and the early signs are highly encouraging, with several contested client wins, e.g. Grab Taxi and Ace Insurance.

### APD Engage

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

On a pro forma basis, *APD Engage* saw a slight decrease in earnings from its established New Zealand operations from \$0.4m (FY14) to \$0.3m (FY15). The investment in growth initiatives, focused on expanding the division across Australia and Asia, increased from \$0.7m in FY14 to \$1.1m in FY15.

FY2015 was a year of transformation for this division, which entered an agreement to licence the IBM Marketing Cloud across Asia Pacific. *APD Engage* expects that the IBM partnership - one of only five IBM Marketing Cloud reseller agreements in the world - will improve its growth profile, providing a natural upgrade pathway to clients on its proprietary platform (SmartmailPRO), as well as a market-leading option for new enterprise level clients. There are already encouraging signs, with several new client wins since the IBM Marketing Cloud partnership was announced.



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

The New Zealand management and technology teams were restructured as a precursor to entering the IBM Marketing Cloud partnership. This restructuring, when combined with continued investment in *APD Engage's* earlier stage Australian and Asian geographies, drove the \$0.8m EBITDA loss for FY15.

### APD Venture

This division has now built long term revenue share agreements and related equity interests with three eCommerce businesses through providing APD's 360 degree suite of services: [www.cellarmasterwines.com](http://www.cellarmasterwines.com) (Hong Kong, 19% direct shareholding plus first ranked security), [www.suppsrus.com.au](http://www.suppsrus.com.au) (Australia, 30% equity interest plus a first ranked security) and [www.advintage.co.nz](http://www.advintage.co.nz) (New Zealand, 24% equity interest).

As is the case with any portfolio of equity investments, some of these businesses may not ultimately prove to be successful. However, with APD's day-to-day involvement in driving the digital operations of these businesses, there is a prospect that one or more could deliver significant option value to our shareholders. Our focus is on making these existing ventures a success before we pursue new partnerships.

APD Venture divested a majority of its position in its first e-commerce venture during the period, selling down 75% of its holding in regional emerging markets e-commerce business, aCommerce. The divestment delivered a 100% return on capital invested over an approximate 18 month holding period.

*APD Venture* was entitled to minimal revenue share from its current ventures during the year and ran at an EBITDA loss of \$0.7m (excluding the one-off profit from the aCommerce sale of \$0.7m).

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

### Corporate costs

Corporate costs for the period were \$3.7m (PCP: \$2.0m), reflecting a full year of corporate operations in Singapore (three months in FY2014). The regional team in Singapore remains fully engaged in setting up infrastructure, reviewing acquisitions and implementing organic growth strategies around the region. FY2015 Corporate Costs also includes a non-cash accounting expense of \$0.3m relating to the vesting of employee share options (PCP: nil).

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

### Financial position

The net assets of the Group increased by \$0.3m from \$11.9m at 30 June 2014 to \$12.1m as at 30 June 2015.

The major balance sheet movements during FY2015 were:

- a \$7.4m increase in paid up capital following the conversion of debt into equity in July 2014, May 2015 and June 2015, the share purchase plan in July 2014, the placement in March 2015, the rights issue in May 2015 and issue of shares to fund the Accomplice acquisition;
- a \$2.0m decrease in total interest-bearing debt upon the conversion of \$3.4m of secured debt to equity, payment of the final instalments of a \$0.3m vendor loan for the acquisition of Viva9 in August 2012 and a decrease in the NAB debtors finance facility of \$0.1m, offset by a \$1.7m net increase in the working capital loan from the Company's major shareholder;
- a \$2.3m decrease in investments following the 75% sale of the Company's shareholding in aCommerce and a write - off at the half year the investment in Macro (the parent of [www.cellarmasterwines.com](http://www.cellarmasterwines.com));
- a \$2.6m decrease in intangible assets following the rebranding of all business units to APD and impairment of the Next Digital brand name; and
- a \$0.9m increase in goodwill relating to acquisition of the Accomplice business.

### 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 unissued ordinary shares under options were:

- 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
- 4,005,778 unlisted options to subscribe for 4,005,778 ordinary shares. The options are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share.

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 2015. 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

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

## 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. Non-Executive Directors receive a base salary based on factors such as length of service and experience, which is calculated on a total cost basis.

### **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.

# Directors' Report *(continued)*



## Company performance

The Company's financial performance is primarily measured against EBITDA forecasts.

The Company's actual performance has been less than its internal forecast in each of the last three financial years and as a result no executive has been paid a bonus based upon the Company's performance in either 2015, 2014 or 2013.

## Details of remuneration for year ended 30 June 2015

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 and Paula Harrison) Australian dollar remuneration has been impacted in FY2015 by currency movements.

		Short-term benefits			Post employment		Share-based payments		
		Salary & fees	Bonus	Non-monetary benefits	Super	Termination Payments	Options	Total	Performance related
		\$	\$	\$	\$	\$	\$	\$	%
KMP Directors									
P Hynd <sup>1</sup> <i>Executive Director</i>	2015	177,753	-	-	15,027	-	22,165	214,945	10
	2014	119,541	-	-	3,555	-	-	123,096	-
D Sweet <i>Non-Executive Director</i>	2015	50,000	-	-	-	-	-	50,000	-
	2014	50,000	-	-	-	-	-	50,000	-
F Hyndman <i>Non-Executive Director</i>	2015	60,000	-	-	-	-	2,915	62,915	5
	2014	60,000	-	-	-	-	-	60,000	-
R Sharp <sup>2</sup> <i>Executive Director</i>	2015	414,403	-	-	-	-	22,165	436,568	5
	2014	97,094	-	-	-	-	-	97,094	-
Sub total Directors	2015	702,156	-	-	15,027	-	47,245	764,428	6
	2014	326,635	-	-	3,555	-	-	330,190	-

1. Appointed 1 April 2014 as Executive Director. Appointed 31 August 2012 as a Non-Executive Director. For the period 1 July 2013 to 31 March 2014, Peter Hynd was paid a Non-Executive Director fee of \$75,000. For the period 1 March 2014 to 30 June 2014, Peter Hynd was paid a salary of \$44,451 as an Executive Director.
2. Appointed 1 April 2014 as Executive Chairman. Appointed 16 October 2012 as a Non-Executive Director. Roger Sharp was not paid any Director fees for the period 1 July 2013 to 31 March 2014 as he was an employee of North Ridge Partners Pty Ltd.

Directors' Report *(continued)*Details of remuneration for year ended 30 June 2015 *(continued)*

		Short-term benefits			Post employment	Share- based payments			
		Salary & fees	Bonus	Non- monetary benefits	Super	Termination Payments	Options	Total	Performance related
		\$	\$	\$	\$	\$	\$	\$	%
KMP Executives									
C Nicholas <i>Chief Financial Officer</i>	2015	250,000	-	-	23,750	-	12,417	286,167	4
	2014	250,000	-	-	23,125	-	-	273,125	-
S McNamara <sup>1</sup> <i>APD Acquire Chief Executive Officer</i>	2015	319,802	-	-	27,120	-	12,417	359,339	3
	2014	281,125	30,000	-	26,004	-	-	337,129	-
N Smith <sup>2</sup> <i>Chief Operating Officer</i>	2015	273,637	-	-	-	-	15,521	289,158	6
	2014	70,572	-	-	-	-	-	70,572	-
P Harrison <sup>2</sup> <i>APD Engage Chief Executive Officer</i>	2015	281,001	-	-	-	-	12,417	293,418	4
	2014	64,156	-	-	-	-	-	64,156	-
S Toohey <sup>2</sup> <i>Head of APD Venture</i>	2015	203,438	-	-	18,701	-	12,417	234,556	5
	2014	52,500	-	-	4,444	-	-	56,944	-
Sub total Executives	2015	1,327,878	-	-	69,571	-	65,189	1,462,638	4
	2014	718,353	30,000	-	53,573	-	-	801,926	-
TOTALS	2015	2,030,034	-	-	84,598	-	112,434	2,227,066	5
	2014	1,044,988	30,000	-	57,128	-	-	1,132,116	-

1. Shaun McNamara was entitled to a 3 year retention bonus totalling \$90,000 if he remained an employee during the period from July 2011 to June 2014.

2. Appointed 1 April 2014. Remuneration in 2014 is for the 3 month period following the acquisition of the Asia Pacific Digital Australia Pty Ltd group of companies.

# Directors' Report *(continued)*



## Options granted as part of remuneration during the year:

2015	Value of options awarded during the year \$	Value of options exercised during the year \$	Value of options forfeited during the year \$	Value of options lapsed during the year \$	Proportion of remuneration consisting of options for the year %
R Sharp	22,165	-	-	-	5
P Hynd	22,165	-	-	-	10
F Hyndman	2,915	-	-	-	5
N Smith	15,521	-	-	-	6
C Nicholas	12,417	9,900	-	-	4
S McNamara	12,417	-	-	-	3
P Harrison	12,417	-	-	-	4
S Toohey	12,417	-	-	-	5
<b>Total</b>	<b>112,434</b>	<b>9,900</b>	<b>-</b>	<b>-</b>	<b>5</b>

## Options vested and lapsed during the year

The table below discloses the number of share options vested or lapsed during the year. Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

Director / Executive	Year options granted	Number of options granted	Grant date	Fair value per option at grant date	Vesting date	Exercise price per option	Expiry date	Date options exercised	Date options forfeited
R Sharp	2015	337,960	16 Dec 14	6.56 cents	30 Sept 15	62.5	28 Nov	n/a	n/a
P Hynd	2015	337,960	16 Dec 14	6.56 cents	30 Sept 15	62.5	28 Nov	n/a	n/a
F Hyndman	2015	44,444	16 Dec 14	6.56 cents	30 Sept 15	62.5	28 Nov	n/a	n/a
N Smith	2015	236,667	16 Dec 14	6.56 cents	30 Sept 15	62.5	28 Nov	n/a	n/a
C Nicholas	2011	495,000	12 Apr 11	2 cents	31 Oct 11	nil	31 Oct 14	9 Oct 14	n/a
	2015	189,333	16 Dec 14	6.56 cents	30 Sept 15	62.5	28 Nov	n/a	n/a
S McNamara	2015	189,333	16 Dec 14	6.56 cents	30 Sept 15	62.5	28 Nov	n/a	n/a
P Harrison	2015	189,333	16 Dec 14	6.56 cents	30 Sept 15	62.5	28 Nov	n/a	n/a
S Toohey	2015	189,333	16 Dec 14	6.56 cents	30 Sept 15	62.5	28 Nov	n/a	n/a
<b>Total</b>		<b><u>2,209,363</u></b>							



## 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 for either party is 6 months for Campbell Nicholas and Shaun McNamara, 4 months for Newton Smith, 3 months for Sean Toohey and one month for Paula Harrison.

## 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 Ernst & Young, the Company has agreed to indemnify Ernst & Young 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 Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year.



# Directors' Report *(continued)*



## 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

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Directors to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional Independence*, as they did not involve reviewing or auditing the auditors' own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	2015	2014
	\$	\$
Taxation services	63,000	71,000
	<u>63,000</u>	<u>71,000</u>

## 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 30th day of September 2015

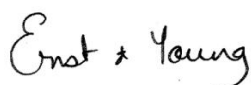
Signed in accordance with a resolution of the Directors.

**ROGER SHARP**

Executive Chairman

## Auditor's Independence Declaration to the Directors of Asia Pacific Digital Ltd

In relation to our review of the financial report of Asia Pacific Digital Ltd for the year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act* 2001 or any applicable code of professional conduct.



Ernst & Young



Meredith Scott  
Partner  
Sydney  
30 September 2015



Statement of Profit or Loss and Other Comprehensive Income  
For the Year Ended 30 June 2015

	Note	2015 \$000's	2014 \$000's
<b>Continuing operations</b>			
Rendering of services		54,790	35,291
Other income	14	725	-
Cost of sales		(29,658)	(21,643)
Employee benefits expense	4(b)	(18,690)	(9,192)
Business acquisition costs		(22)	(225)
Restructuring		(512)	(299)
Other expenses	4(c)	(8,418)	(3,265)
<b>Earnings before interest, tax, depreciation amortisation and impairment losses (EBITDA)</b>		<b>(1,785)</b>	<b>667</b>
Depreciation and amortisation	4(a)	(1,883)	(1,466)
Impairment losses	4(a)	(3,499)	-
<b>Loss from continuing operations before interest and tax</b>		<b>(7,167)</b>	<b>(799)</b>
Finance income		35	19
Finance costs	5	(1,025)	(667)
<b>Loss from continuing operations before income tax</b>		<b>(8,157)</b>	<b>(1,447)</b>
Income tax benefit	6	580	190
<b>Loss from continuing operations after income tax</b>		<b>(7,577)</b>	<b>(1,257)</b>
<b>Loss for the period attributable to owners of the parent</b>		<b>(7,577)</b>	<b>(1,257)</b>
Earnings per share for the loss from continuing operations attributable to the ordinary equity holders of the parent:			
		<i>Cents</i>	<i>Cents</i>
- basic earnings per share	7	(9.22)	(3.10)
- diluted earnings per share	7	(9.22)	(3.10)
<b>Loss for the period</b>		<b>(7,577)</b>	<b>(1,257)</b>
<b>Other comprehensive income / (loss)</b>			
Exchange difference on translation of foreign operations		(188)	83
Net gain / (loss) on available - for - sale financial assets		212	(284)
Income tax effect		(36)	85
		176	(199)
<b>Net other comprehensive loss to be reclassified to profit or loss in subsequent periods</b>		<b>(12)</b>	<b>(116)</b>
<b>Other comprehensive loss for the year, net of tax</b>		<b>(12)</b>	<b>(116)</b>
<b>Total comprehensive loss for the period attributable to owners of the parent</b>		<b>(7,589)</b>	<b>(1,373)</b>

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



Statement of Financial Position  
For the Year Ended 30 June 2015

	Note	2015 \$000's	2014 \$000's
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	970	2,425
Trade and other receivables	9	12,014	9,129
Other financial assets	10	730	83
Other	11	559	655
<b>Total current assets</b>		<b>14,273</b>	<b>12,292</b>
<b>Non-current assets</b>			
Trade and other receivables	9	158	-
Other financial assets	10	519	843
Plant and equipment	12	723	538
Deferred tax assets	6	955	288
Investments	14	598	2,851
Intangible assets	13	1,498	4,125
Goodwill	13	11,523	10,607
<b>Total non-current assets</b>		<b>15,974</b>	<b>19,252</b>
<b>Total assets</b>		<b>30,247</b>	<b>31,544</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	15	7,743	7,587
Provisions	16	1,838	1,516
Interest-bearing loans and borrowings	17	2,046	2,321
Provision for Income tax		153	190
Deferred income		1,154	557
<b>Total current liabilities</b>		<b>12,934</b>	<b>12,171</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	17	4,664	6,400
Trade and other payables	15	92	-
Deferred income		-	625
Provisions	16	413	475
<b>Total non-current liabilities</b>		<b>5,169</b>	<b>7,500</b>
<b>Total liabilities</b>		<b>18,103</b>	<b>19,671</b>
<b>Net assets</b>		<b>12,144</b>	<b>11,873</b>
<b>EQUITY</b>			
Contributed equity	18	136,211	128,850
Reserves	19	(8,310)	(8,797)
Accumulated losses	20	(115,757)	(108,180)
<b>Total equity attributable to equity holders of the parent</b>		<b>12,144</b>	<b>11,873</b>

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.



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

	Note	Ordinary shares \$000's	Accumulate d losses \$000's	Share based payment reserve \$000's	Common control reserve \$000's	Available- for-sale reserve \$000's	Foreign currency translatio n reserve \$000's	Total \$000's
<b>At 1 July 2014 as reported in the 2014 annual report</b>		128,850	(108,180)	4,023	(12,311)	(199)	(310)	11,873
Loss for period		-	(7,577)	-	-	-	-	(7,577)
Other comprehensive income /(loss) for the period		-	-	-	-	176	(188)	(12)
<b>Total comprehensive (loss) / income</b>		-	(7,577)	-	-	176	(188)	(7,589)
Transactions with owners in their capacity as owners:								
Acquisition of subsidiary	28	324	-	-	-	-	-	324
Issue of share capital		7,326	-	-	-	-	-	7,326
Transaction costs		(325)	-	-	-	-	-	(325)
Share based payments		-	-	300	-	-	-	300
Deferred tax movements on share issue costs		36	-	-	-	-	-	36
Available-for-sale financial assets impairment		-	-	-	-	199	-	199
<b>At 30 June 2015</b>		<b>136,211</b>	<b>(115,757)</b>	<b>4,323</b>	<b>(12,311)</b>	<b>176</b>	<b>(498)</b>	<b>12,144</b>

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

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



Cash Flow Statement  
For the Year Ended 30 June 2015

	Note	2015 \$000's	2014 \$000's
<b>Cash flows from operating activities</b>			
Receipts from customers		59,111	38,063
Payments to suppliers and employees		(62,206)	(37,747)
Payments for business acquisition costs		(4)	(172)
Payments for restructuring		(416)	(424)
Interest received		35	19
Interest paid		(663)	(376)
Income tax paid		(210)	(181)
<b>Net cash used in operating activities</b>	8	<b>(4,353)</b>	<b>(818)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(465)	(82)
Payments for intangible assets		(1,010)	(584)
Purchase of investments		(130)	(1,078)
Consideration paid for acquisition of subsidiaries	28	(510)	(415)
Cash acquired on acquisition of subsidiary	28	77	2,381
Payment of term deposit		(295)	(119)
Refund of term deposits		690	-
<b>Net cash (used in) / provided by investing activities</b>		<b>(1,643)</b>	<b>103</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		3,252	4,114
Proceeds / repayments of borrowings		1,810	(159)
Payment of share issue costs		(180)	(228)
Repayment of borrowings - Vendor financing		(281)	(601)
Payment of finance fees		(20)	(73)
<b>Net cash provided by financing activities</b>		<b>4,581</b>	<b>3,053</b>
<b>Net (decrease) / increase in cash and cash equivalents held</b>		<b>(1,415)</b>	<b>2,338</b>
Net foreign exchange difference		(40)	11
Cash and cash equivalents at the beginning of the financial year		2,425	76
<b>Cash and cash equivalents at the end of the financial year</b>	8	<b>970</b>	<b>2,425</b>

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

## Notes to the Financial Statement

**CORPORATE INFORMATION**

The financial report of Asia Pacific Digital Ltd for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 30th September 2015. 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 Company will be able to continue as a going concern and, as a consequence, the financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

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

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

Notes to the Financial Statement (*continued*)

## (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:

Ref	Title and Summary	Application date of standard	Expected impact	Application date for group
AASB 1031	<b>Materiality</b> The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.  AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031. The amendments are effective from 1 July 2014*.	1 January 2014	No material impact	1 July 2014
AASB 2014-1	<b>Part A -Annual Improvements 2010-2012 Cycle</b>  AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) <i>Annual Improvements to IFRSs 2010-2012 Cycle</i> and <i>Annual Improvements to IFRSs 2011-2013 Cycle</i> .  Annual Improvements to IFRSs 2010-2012 Cycle addresses the following items: <ul style="list-style-type: none"> <li>▶ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>▶ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.</li> <li>▶ AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segment assets to the entity's total assets.</li> <li>▶ AASB 116 &amp; AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> </ul> AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 <i>Related Party Disclosures</i> for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	No material impact	1 July 2014
AASB 2012-3	<b>Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities</b>  AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 July 2014	No material impact	1 July 2014
AASB 2013-3	<b>Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets</b>  AASB 2013-3 amends the disclosure requirements in AASB 136 <i>Impairment of Assets</i> . The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 July 2014	No material impact	1 July 2014



Notes to the Financial Statement (*continued*)

## (b) New accounting standards and interpretations (continued)

*(iii) 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 2015, 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	<p><b>Financial Instruments</b></p> <p>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.</p> <p>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.</p> <p>Classification and measurement</p> <p>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.</p> <p>The main changes are described below.</p> <p><i>Financial assets</i></p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol> <p><i>Financial liabilities</i></p> <p>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.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>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.</p> <p><i>Impairment</i></p> <p>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.</p> <p><i>Hedge accounting</i></p> <p>Amendments to AASB 9 (December 2009 &amp; 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.</p> <p>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.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>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.</p>	1 January 2018	Management has not assessed the full impact of the change as at the reporting date	1 July 2018

Notes to the Financial Statement (*continued*)(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 2014-4	<p><b>Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)</b></p> <p>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.</p> <p>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.</p> <p>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.</p>	1 January 2016	No impact	1 July 2016
AASB 15	<p><b>Revenue from Contracts with Customers</b></p> <p>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).</p> <p>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:</p> <ul style="list-style-type: none"> <li>(a) Step 1: Identify the contract(s) with a customer</li> <li>(b) Step 2: Identify the performance obligations in the contract</li> <li>(c) Step 3: Determine the transaction price</li> <li>(d) Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</li> </ul> <p>Currently, AASB 15 is effective for annual reporting periods commencing on or after 1 January 2017. Early application is permitted. (Note A)</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p>	1 January 2017 Note A	Management has not assessed the full impact of the change as at the reporting date	1 July 2017 Note B

Notes to the Financial Statement (*continued*)(b) New accounting standards and interpretations (*continued*)*(ii) Accounting Standards and Interpretations issued but not yet effective (continued)*

Reference	Title and Summary	Applicati on date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 2015-1	<p><b>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</b></p> <p>The subjects of the principal amendments to the Standards are set out below:</p> <p><i>AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</i></p> <ul style="list-style-type: none"> <li>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 visa versa), an entity shall not follow the guidance in paragraphs 27-29 to account for this change.</li> </ul> <p><i>AASB 7 Financial Instruments: Disclosures:</i></p> <ul style="list-style-type: none"> <li>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.</li> <li>Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 <i>Disclosure-Offsetting Financial Assets and Financial Liabilities</i> 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 <i>Interim Financial Reporting</i> when its inclusion would be required by the requirements of AASB 134.</li> </ul> <p><i>AASB 119 Employee Benefits:</i></p> <ul style="list-style-type: none"> <li>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.</li> </ul> <p><i>AASB 134 Interim Financial Reporting:</i></p> <p>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.</p>	1 January 2016	Managem ent has not assessed the full impact of the change as at the reporting date	1 July 2016
AASB 2015-2	<p><b>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</b></p> <p>The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> 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.</p>	1 January 2016	No impact	1 July 2016
AASB 2015-3	<p><b>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i></b></p> <p>The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.</p>	1 July 2015	No Impact	1 July 2015

Notes to the Financial Statement (*continued*)**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. 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.

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.

Notes to the Financial Statement (*continued*)**(d) Business combinations (*continued*)**

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.

**Acquisition of Asia Pacific Digital Australia Pty Ltd**

The acquisition of Asia Pacific Digital Australia Pty Ltd (Asia Pacific Digital Australia) in March 2014 was accounted for as a common control transaction as at the time of this transaction both the Company and Asia Pacific Digital Australia were controlled by the same shareholder, North Ridge Partners Pty Ltd (formerly Co-Investor Capital Partners Pty Ltd). As a common control transaction, the acquisition does not reflect the fair value of assets and liabilities acquired or any recording of additional goodwill at the time of the acquisition of Asia Pacific Digital Australia.

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.

Management has elected not to restate the prior period comparatives.

**(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.

Notes to the Financial Statement (*continued*)**(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.

Notes to the Financial Statement (*continued*)(i) **Financial Instruments (*continued*)**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.

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



Notes to the Financial Statement (*continued*)(i) **Financial Instruments (*continued*)**

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.

Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are 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.

Financial Liabilities

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.

Subsequent Measurement

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.



Notes to the Financial Statement (*continued*)**(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 of 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.

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 both APD Interact, APD Acquire and APD Engage 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.

Notes to the Financial Statement (*continued*)(m) Goodwill and Intangibles (*Continued*)**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.

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.

Notes to the Financial Statement (*continued*)**(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.

**(p) Provisions and employee benefits (*continued*)****(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 national government bonds 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.

Notes to the Financial Statement (*continued*)**(r) Share based payment transactions (*continued*)**

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.

Notes to the Financial Statement (*continued*)**(u) Income tax and other taxes (*continued*)**

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 2015, the members of the income tax consolidated group are:

- Asia Pacific Digital Limited
- APD Performance Pty Ltd (formerly Empowered Communications Pty Ltd)
- APD Acquire Pty Ltd (formerly Deal Group Media Pty Ltd)
- Asia Pacific Digital Australia 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)

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.



Notes to the Financial Statement (*continued*)**(u) Income tax and other taxes (*continued*)****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.



Notes to the Financial Statement (*continued*)(x) Significant accounting judgements, estimates and assumptions (*continued*)

## (i) 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. 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.

Notes to the Financial Statement (*continued*)**(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.

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.

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

	2015 \$000's	2014 \$000's
<b>Financial assets</b>		
Cash and cash equivalents	970	2,425
Other financial assets	1,249	926
	<u>2,219</u>	<u>3,351</u>
<b>Financial liabilities</b>		
Receivables financing facility	1,554	1,656
	<u>1,554</u>	<u>1,656</u>

Notes to the Financial Statement (*continued*)**2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (*continued*)**

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 2015, 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)	
	2015	2014	2015	2014
	\$000's	\$000's	\$000's	\$000's
+1 % (100 basis points)	7	17	-	-
-0.5 % (50 basis points)	(3)	(8)	-	-

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 2015. 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 2015.

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

	<u>&lt; 6 Mths</u>	<u>6-12 Mths</u>	<u>1-5 Years</u>	<u>&gt;5 Years</u>	<u>Total</u>
<b>2015</b>					
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
<b>2014</b>					
Trade and other payables	7,587	-	-	-	7,587
Interest bearing borrowings	1,912	360	6,525	-	8,797
	9,499	360	6,525	-	16,384

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

Notes to the Financial Statement (*continued*)2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES (*continued*)**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 15:

			Fair value measurement using		
			Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
	Valuation date	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000
<b>Assets measured at fair value:</b>					
Available-for-sale investments (Note 14):					
Unquoted equity shares	30 June 15	598	-	598	-
<b>Liabilities measured at amortised cost:</b>					
Convertible debt (Note 17)	30 June 15	2,150	-	-	2,150

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

## 3. 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.

Geographically, the majority of revenue is generated from customers located in Australia.

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

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

***APD Acquire*** (formerly Customer Acquisition)

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

***APD Engage*** (formerly Customer Management))

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

Notes to the Financial Statement (*continued*)3. OPERATING SEGMENTS (*continued*)**APD Venture** (formerly eCommerce)

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 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 18% (2014: 11.1%) of external revenue.

Notes to the Financial Statement (*continued*)3. OPERATING SEGMENTS (*continued*)

Year ended 30 June 2015	Interact	Acquire	Engage	Venture	Total
Revenue	\$000's	\$000's	\$000's	\$000's	\$000's
Sales to external customers	21,648	27,099	5,230	520	54,497
Inter-segment sales	118	151	288	-	557
Total segment revenue	21,766	27,250	5,518	520	55,054
Inter-segment elimination					(557)
Other revenue					293
<b>Total consolidated revenue</b>					<b>54,790</b>
<b>Reconciliation of segment results to net loss after tax</b>					
Segment results (EBITDA before unallocated expenses)	1,139	1,279	(826)	(665)	927
Other revenue					293
Other income					725
Unallocated expenses					(3,730)
<b>EBITDA</b>					<b>(1,785)</b>
Depreciation and amortisation	(572)	(614)	(461)	(62)	(1,709)
Unallocated depreciation and amortisation					(174)
Impairment costs	(2,060)	-	-	(1,274)	(3,334)
Unallocated impairment costs					(165)
Loss before tax and net finance costs					(7,167)
Finance income					35
Finance costs					(1,025)
Loss before income tax					(8,157)
Income tax benefit					580
<b>Loss for the year</b>					<b>(7,577)</b>

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

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

Notes to the Financial Statement (*continued*)3. OPERATING SEGMENTS (*continued*)

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

a) Includes Interact (formerly Strategies and Solutions), Engage (formerly Customer Management) and Ventures (formerly eCommerce) from date of acquisition i.e. 3 months.

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

- Non-executive Directors fees (\$193,000);
- Corporate remuneration (\$798,000);
- Audit, legal, ASX and other professional expenses (\$231,000);
- Business acquisition costs (\$225,000);
- Restructuring costs (\$299,000); and
- Other corporate overheads (\$228,000).

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



Notes to the Financial Statement (*continued*)3. OPERATING SEGMENTS (*continued*)

	2015 \$000's	2014 \$000's
(ii) Segment EBITDA reconciliation to the statement of profit or loss and comprehensive income		
Total segment EBITDA	927	2,641
Other revenue	293	-
Other income	725	-
Unallocated expenses	(3,730)	(1,974)
Total EBITDA	(1,785)	667

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.

## 4. EXPENSES

## (a) Depreciation, amortisation and impairment

*Depreciation and amortisation*

Depreciation of plant and equipment	246	81
Depreciation of leasehold improvement	113	47
Amortisation of intangible assets:		
- Software	1,236	915
- Customer contracts	175	355
- Brand names	113	68
	1,883	1,466

*Impairment*

- Brand names	2,060	-
- Software	165	-
- Available For Sale investment	1,274	-
	3,499	-

## (b) Employee benefits expense

Salaries and wages	15,135	7,569
Share-based payments	263	-
Superannuation	1,198	637
Annual leave benefits	216	149
Payroll tax	704	406
Training/recruitment/amenities	959	332
Other	215	99
	18,690	9,192

## (c) Other expenses

Communication costs	1,273	799
Non-Executive directors fees	110	241
Rent and office supplies	4,162	1,400
Professional fees	759	248
Contractors and consultants	1,107	79
Other	1,007	498
	8,418	3,265

Notes to the Financial Statement (*continued*)

	2015 \$000's	2014 \$000's
<b>5. FINANCE COSTS</b>		
Interest expense	960	551
Finance fees	65	116
	<u>1,025</u>	<u>667</u>
<b>6. INCOME TAX</b>		
<b>(a) The major components of income tax expenses are:</b>		
<b>Statement of profit or loss and comprehensive income</b>		
<i>Current income tax</i>		
- Current income tax charge	(172)	(159)
<i>Deferred income tax</i>		
- Relating to origination and reversal of temporary differences	752	349
Income tax benefit / (expense) reported in the statement of comprehensive income	<u>580</u>	<u>190</u>
<b>(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:</b>		
Accounting loss before income tax from continuing operations	(8,157)	(1,447)
Total accounting loss before tax	<u>(8,157)</u>	<u>(1,447)</u>
Tax benefit at the Group's statutory income tax rate of 30% (2014:30%)	2,447	434
Effects of tax rates in foreign jurisdictions	(314)	(6)
Tax effect of non - deductible impairment loss	(1,050)	-
Tax effect of other non-deductible / non-assessable	(503)	(238)
Aggregate income tax benefit	<u>580</u>	<u>190</u>

Notes to the Financial Statement (*continued*)6. INCOME TAX (*continued*)

## (c) Recognised deferred tax assets and liabilities

	2015 \$000's	2014 \$000's
	Deferred Income Tax	Deferred Income Tax
Opening balance	288	419
Charged to income	752	376
Charged to OCI - available-for-sale financial assets	(121)	85
Charged to equity	36	(30)
Acquisitions	-	(562)
Closing balance	955	288

	2015 \$000's	2014 \$000's
<b>Deferred income tax at 30 June relates to the following:</b>		
<i>(i) Deferred tax liabilities</i>		
Intangible assets	33	783
Fixed assets	5	5
Available -for -sale financial assets	36	-
Unbilled revenue	91	52
	165	840
<i>(ii) Deferred tax assets</i>		
Audit fee payable	44	35
Available-for-sale financial assets	-	85
Accruals	61	62
Intangible assets	142	173
Provisions:		
- Doubtful debts	30	33
- Rent	28	-
- Annual leave	255	258
- Long service leave	219	184
- Make good	99	75
- Member rewards	89	71
Borrowing costs	11	27
Foreign currency balances	8	17
Capital raising costs	134	108
	1,120	1,128
Net deferred tax asset / (liability)	955	288

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 2015 in respect of taxable temporary differences.

Notes to the Financial Statement (*continued*)**6. INCOME TAX (*continued*)****(d) Tax losses**

The group has tax losses which arose in Australia of \$29,505,000 (2014: 28,209,000) of which \$25,160,000 was acquired through the acquisition of Asia Pacific Digital Australia Pty Ltd. The availability of the tax losses from the acquisition of Asia Pacific Digital Australia Pty Ltd remains subject to management's review of the continuity of ownership and the same business tests.

Tax losses of \$4,345,000 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 \$8,852,000.

**(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. The newly acquired subsidiaries became members of the tax group on 31 March 2014. 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.

Notes to the Financial Statement (*continued*)**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**

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

**(b) Weighted average number of shares**

	2015 000's	2014 000's
Weighted average number of ordinary shares for basic earnings per share	<u>82,159</u>	<u>40,583</u>
Weighted average number of ordinary shares	82,159	40,583

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**

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

Notes to the Financial Statement (*continued*)8. CASH AND CASH EQUIVALENTS (*continued*)

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

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

## 9. TRADE AND OTHER RECEIVABLES

**Current**

Trade receivables	(i)	10,076	8,830
Less allowance for impairment loss	(a)	(102)	(117)
Other receivables	(ii)	2,040	416
		<u>12,014</u>	<u>9,129</u>

**Non - current**

Other receivables	(iii)	158	-
		<u>158</u>	<u>-</u>

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.
- (iii) Refer note 14 - Investments.

Notes to the Financial Statement (*continued*)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 \$186,000 (2014: \$82,000) has been incurred by the Group. These amounts have been included in the other expense item.

	2015 \$000's	2014 \$000's
Movements in the provision for impairment loss were as follows:		
Carrying amount at beginning of year	117	111
Balance transferred in from acquired subsidiary	-	9
Additional provision - continuing operations	171	79
Amounts utilised during the year	(186)	(82)
	<u>102</u>	<u>117</u>
Carrying amount at end of year	<u>102</u>	<u>117</u>

At 30 June 2015, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days PDNI <sup>^</sup>	61-90 days CI <sup>*</sup>	+91 days PDNI <sup>^</sup>	+91 days CI <sup>*</sup>
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
2015	10,076	7,979	1,105	432	-	459	102
2014	8,830	7,073	1,085	396	-	159	117

<sup>^</sup> PDNI = Past due not impaired.

<sup>\*</sup> CI = Considered impaired.

## 10. OTHER FINANCIAL ASSETS

**Current**

Restricted cash term deposits (i)	730	83
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**Non-current**

Restricted cash term deposits (i)	519	843
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(i) Restricted cash term deposits are bank term deposits held to secure bank guarantees.

## 11. OTHER

Prepayments	559	655
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Notes to the Financial Statement (*continued*)**12. PLANT AND EQUIPMENT****Reconciliation of the carrying amounts at the beginning and end of the period**

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

	Office equipment	Leasehold improvement	Total
<b>Year ended 30 June 2014</b>			
At 1 July 2013 net of accumulated depreciation and impairment	41	73	114
Additions	79	2	81
Acquisition of a subsidiary	328	143	471
Depreciation	(81)	(47)	(128)
At 30 June 2014, net of accumulated depreciation and impairment	367	171	538
<b>At 30 June 2014</b>			
Cost	2,597	454	3,051
Accumulated depreciation and impairment	(2,230)	(283)	(2,513)
Net carrying amount	367	171	538



Notes to the Financial Statement (*continued*)**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
<b>Year ended 30 June 2015</b>						
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
<b>At 30 June 2015</b>						
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
<b>Year ended 30 June 2014</b>						
At 1 July 2013, net of accumulated amortisation and impairment	375	-	1,055	1,430	7,593	9,023
Additions	-	-	584	584	-	584
Acquisition of subsidiary	155	2,241	1,053	3,449	3,014	6,463
Amortisation	(355)	(68)	(915)	(1,338)	-	(1,338)
At 30 June 2014, net of accumulated amortisation and impairment	175	2,173	1,777	4,125	10,607	14,732
<b>At 30 June 2014</b>						
Cost	2,285	3,818	5,993	12,096	10,607	22,703
Accumulated amortisation and impairment	(2,110)	(1,645)	(4,216)	(7,971)	-	(7,971)
Net carrying amount	175	2,173	1,777	4,125	10,607	14,732

Notes to the Financial Statement (*continued*)**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*****APD Acquire cash generating unit****(i) Description of the cash generating units and other relevant information*

Goodwill acquired through business combinations has been allocated to the APD Acquire cash generating unit which includes the Deal Group Media (dgm) business acquired on 22 October 2010 and the Viva9 business acquired on 31 August 2012. In FY2015 the two cash generating units formerly known as dgm and Empowered were considered to be one cash generating unit because these businesses were no longer largely operating independently.

The recoverable amount of the APD Acquire 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 2016 and a forecast covering a further four years.

*(ii) Carrying amount of goodwill*

The carrying amount of goodwill is allocated within the cash generating unit as follows:

	dgm acquisition	Viva9 acquisition	30 June 2015
	\$000's	\$000's	\$000's
Carrying amount of goodwill	6,733	860	7,593

*(iii) Key assumptions used in value in use calculations for the APD Acquire CGU for 30 June 2015.*

The calculation of value in use in the APD Acquire unit is most sensitive to the following assumptions:

Acquire - An average revenue growth rate of 12.5% p.a. has been used in the 5 year forecast (2014: 7.4%). 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 18.6% (2014: 18.6%).

**Terminal value growth rate** - a terminal value growth rate of 3% has been used (2014: 3%).

*(iv) 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. The actual recoverable amount of the APD Acquire unit exceeds its carrying value by \$3.1 million (2014: \$8.7 million).

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 10.9% from FY2016 would result in the recoverable amount of the APD Acquire 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 20.5% for the recoverable amount of the APD Acquire unit to fall below its carrying value with all other assumptions held constant.

***APD Interact cash generating unit******Brand Name***

The Company booked an impairment of the written down value of the Next Digital brand name intangible asset of \$2.1m at the half year directly as a result of the decision to rebrand all business units within the group as APD.

*(i) Description of the cash generating units and other relevant information*

Goodwill in the APD Interact (formerly Next) CGU is from business combinations that occurred prior to the acquisition of Asia Pacific Digital Australia Pty Limited on 31 March 2014.

The recoverable amount of the APD Interact 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 2016 and a forecast covering a further four years.

*(ii) Carrying amount of goodwill*

The carrying amount of goodwill within the APD Interact cash generating unit as follows:

	30 June 2015
	\$000's
Carrying amount of goodwill	1,669

**13. INTANGIBLE ASSETS AND GOODWILL *(continued)***

*(iii) Key assumptions used in value in use calculations for the APD Interact CGU for 30 June 2015.*

The calculation of value in use in the APD Interact unit is most sensitive to the following assumptions:

**APD Interact** – An average revenue growth rate of 12.2% p.a. has been used in the 5 year forecast (2014: 14.8%). 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 18.6% (2014: 18.6%).

**Terminal value growth rate** – a terminal value growth rate of 3% has been used (2014: 3%).

*(iv) 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. The actual recoverable amount of the APD Interact unit exceeds its carrying value by \$12.0 million (2014: \$8.4 m).

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 6.5% from FY2016 would result in the recoverable amount of the APD Interact 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 20.5% for the recoverable amount of the APD Interact unit to fall below its carrying value with all other assumptions held constant.

***APD Engage cash generating unit***

*(i) Description of the cash generating units and other relevant information*

Goodwill in the APD Engage (formerly Jericho) CGU is from business combinations that occurred prior to the acquisition of Asia Pacific Digital Australia Pty Limited on 31 March 2014.

The recoverable amount of the APD Engage 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 2016 and a forecast covering a further four years.

*ii) Carrying amount of goodwill*

The carrying amount of goodwill within the APD Engage cash generating unit as follows:

	30 June 2015
	\$000's
Carrying amount of goodwill	2,262

*iii) Key assumptions used in value in use calculations for the APD Engage CGU for 30 June 2015.*

Notes to the Financial Statement (*continued*)**13. INTANGIBLE ASSETS AND GOODWILL (*continued*)**

The calculation of value in use in the APD Engage unit is most sensitive to the following assumptions:

**APD Engage** - An average revenue growth rate of 18.2% p.a. has been used in the 5 year forecast (2014: 16.3%). 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 18.6% (2014: 18.6%).

**Terminal value growth rate** - a terminal value growth rate of 3% has been used (2014: 3%).

*(iv) 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. The actual recoverable amount of the APD Engage unit exceeds its carrying value by \$ 3.5 million (2014: \$5.0 m).

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 15.1% from FY2016 would result in the recoverable amount of the APD Engage 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 22.8% for the recoverable amount of the APD Engage unit to fall below its carrying value with all other assumptions held constant.

**14. INVESTMENTS**

	2015 \$000's	2014 \$000's
<b>Non-Current</b>		
Unquoted equity shares	598	2,851
	<u>598</u>	<u>2,851</u>

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

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

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

Notes to the Financial Statement (*continued*)**14. INVESTMENTS (*continued*)**

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

Not included in available for sale investments are two convertible notes, one held in a New Zealand wine eCommerce client and another note held in an Australian supplements eCommerce client. The Company entered into a 5 year agreements with both of these clients to provide end-to-end eCommerce and digital advertising services. As part compensation for the provision of these services, the Company has the right to convert the notes into the issued capital of the clients at the end of the 5 year agreements or under certain trigger conditions. These rights (24% in the New Zealand wine client and 30% in the Australian supplements client) have not been recognised as available for sale investments. \$0.2 million been recognised as a non-current other receivable as at 30 June 2015 (note 9).

**15. TRADE AND OTHER PAYABLES**

	2015 \$000's	2014 \$000's
<b>Current</b>		
Trade payables and accruals (i)	7,743	7,587
	<u>7,743</u>	<u>7,587</u>
<b>Non - current</b>		
Operating lease incentive accrual	92	-
	<u>92</u>	<u>-</u>

- (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**

<b>Current</b>		
Employee benefits	1,354	1,217
Member rewards (i)	297	235
Lease make good	187	64
	<u>1,838</u>	<u>1,516</u>
<b>Non-Current</b>		
Employee benefits	270	288
Lease make good	143	187
	<u>413</u>	<u>475</u>

Notes to the Financial Statement (*continued*)**16. PROVISIONS (*continued*)**

(i) Members of APD Performance Pty Ltd (formerly Empowered Communications 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	Member Rewards	Total
At 1 July 2014	251	235	486
Arising during the year	142	709	851
Utilised	(63)	(647)	(710)
<b>At 30 June 2015</b>	<b>330</b>	<b>297</b>	<b>627</b>

**17. INTEREST BEARING LOANS AND BORROWINGS**

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

*(i) Bank receivables financing facility*

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

*(ii) Secured loan from related party*

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

*(iii) Vendor financing*

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

Notes to the Financial Statement (*continued*)17. INTEREST BEARING LOANS AND BORROWING (*continued*)*(iv) Convertible debt facility*

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

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

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

**Fair values**

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

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

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 12.5% (2014: 12.5%).



Notes to the Financial Statement (*continued*)17. INTEREST BEARING LOANS AND BORROWING (*continued*)

## (a) Assets pledged as security

	2015 \$000's	2014 \$000's
<b>Current</b>		
<i>Fixed and floating charge:</i>		
Cash and cash equivalents	477	706
Trade and other receivables	10,781	8,973
Other	389	355
<i>Term deposits for bank guarantees:</i>		
Other financial assets	730	83
Total current assets pledged as security	<u>12,377</u>	<u>10,117</u>
<b>Non-current</b>		
<i>Fixed and floating charge:</i>		
Trade and other receivables	158	-
Plant and equipment	664	501
<i>Term deposits for bank guarantees:</i>		
Other financial assets	295	674
Total non-current assets pledged as security	<u>959</u>	<u>1,175</u>
Total assets pledged as security	<u>13,336</u>	<u>11,292</u>

## (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.

Notes to the Financial Statement (*continued*)

## 18. CONTRIBUTED EQUITY

	2015 \$000's	2014 \$000's
<b>Issued and paid-up capital</b>		
Ordinary shares each fully paid	136,211	128,850

## (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		Consolidated and Company	
	Number of shares 2015	2015 \$000's	shares 2014	2014 \$000's
Fully paid ordinary shares	92,931,343	136,211	74,767,891	128,850
<b>Movements in shares on issue</b>				
Beginning of the financial year	74,767,891	128,850	33,585,070	109,275
Unlisted employee options exercised	50,400	-	62,400	-
Acquisition consideration	874,700	324	31,440,421	15,720
Issue of share capital	17,238,352	7,326	9,680,000	4,114
Share issue expenses	-	(325)	-	(229)
Deferred tax on share issue expenses	-	36	-	(30)
End of the financial year	92,931,343	136,211	74,767,891	128,850

## (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 2015 and 2014 were as follows:

	2015 \$000's	2014 \$000's
Total borrowings*	14,453	16,308
Less: cash and cash equivalents	(970)	(2,425)
Net debt	13,483	13,883
Total equity	12,144	11,873
Total capital	25,627	25,756
Gearing ratio	53%	54%

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

Notes to the Financial Statement (*continued*)18. CONTRIBUTED EQUITY (*continued*)

## (c) Options

*Unlisted options*

At year-end there were 4,605,778 (2014: 140,400) unlisted options over ordinary shares on issue. 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
- 4,005,778 unlisted options to subscribe for 4,005,778 ordinary shares. The options are exercisable on or before 28 November 2018 at an exercise price of 62.5 cents for each ordinary share.

## 19. RESERVES

	2015 \$000's	2014 \$000's
Employee equity options reserve (i)	1,102	839
Options reserve (ii)	3,220	3,184
Common control reserve (iii)	(12,311)	(12,311)
Foreign currency translation (iv)	(497)	(310)
Available-for-sale reserve (v)	176	(199)
	<u>(8,310)</u>	<u>(8,797)</u>

## Movement in reserves

Balance at 1 July 2014 \$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 2015 \$000's
(8,797)	263	37	(188)	375	(8,310)

## 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) As described in note 1 (m), the acquisition of Asia Pacific Digital Australia Pty Ltd by the Company in FY 14 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 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.

Notes to the Financial Statement (*continued*)**20. ACCUMULATED LOSSES**

	2015 \$000's	2014 \$000's
Accumulated losses	115,757	108,180
Balance at beginning of year	108,180	106,923
Net loss attributable to members of the Company	7,577	1,257
Balance at end of year	115,757	108,180

**21. COMMITMENTS AND CONTINGENCIES****(a) Operating lease commitments**

Future operating property lease rentals:

- Within one year	2,244	1,437
- After one year but not more than five years	5,305	1,749
	7,549	3,186

**(b) Finance lease commitments**

There were no finance lease commitments as at 30 June 2015.

**(c) Contingent liabilities**

There were no contingent liabilities as at 30 June 2015.

**22. KEY MANAGEMENT PERSONNEL****(a) 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

**(ii) Executives**

Campbell Nicholas (appointed 31 July 2007)	Chief Financial Officer and Company Secretary
Shaun McNamara (appointed 1 September 2009)	Chief Executive Officer - APD Acquire (formerly Customer Acquisition - Empowered and dgm)
Newton Smith (appointed 1 April 2014)	Chief Executive Officer - APD Interact (formerly Strategies & Solutions - Next Digital)
Paula Harrison (appointed 1 April 2014)	Chief Executive Officer - APD Engage (formerly Customer Management - Jericho)
Sean Toohey (appointed 1 April 2014)	Chief Executive Officer - APD Venture (formerly eCommerce)

There are no other employees regarded as executives.

Notes to the Financial Statement *(continued)*22. KEY MANAGEMENT PERSONNEL *(continued)*

	2015 \$000's	2014 \$000's
(b) Compensation of Key Management Personnel		
Short-term	2,030	1,075
Post-employment	84	57
Share based payment	112	-
Termination benefits	-	-
	<u>2,227</u>	<u>1,132</u>

## (c) Options holdings of Key Management Personnel

	Balance at beginning of period	Granted as remun- eration (1)	Options exercised	Net change other	Balance at end of period	Vested at 30 June 2015		
						Total	Exer- cisable	Not exer- cisable
<b>2015</b>								
<b>Directors</b>								
R Sharp	-	337,960	-	-	337,960	337,960	-	337,960
P Hynd	-	337,960	-	-	337,960	337,960	-	337,960
D Sweet	-	-	-	-	-	-	-	-
F Hyndman	-	44,444	-	-	44,444	44,444	-	44,444
<b>Executives</b>								
C Nicholas	19,800	189,333	(19,800)	-	189,333	189,333	-	189,333
S McNamara	-	189,333	-	-	189,333	189,333	-	189,333
N Smith	-	236,667	-	-	236,667	236,667	-	236,667
P Harrison	-	189,333	-	-	189,333	189,333	-	189,333
S Toohey	-	189,333	-	-	189,333	189,333	-	189,333
<b>Total</b>	<u>19,800</u>	<u>1,714,363</u>	<u>(19,800)</u>	<u>-</u>	<u>1,714,363</u>	<u>1,714,363</u>	<u>-</u>	<u>1,714,363</u>

(1) These options granted as remuneration in respect of FY2015 vest on 30 September 2015.

## Notes to the Financial Statement (continued)

## 22. KEY MANAGEMENT PERSONNEL (continued)

	Balance at beginning of period	Granted as remun- eration	Options exercised	Net change other	Balance at end of period	Total	Vested at 30 June 2014 Exer- cisable	Not exer- cisable
<b>2014 (1)</b>								
<b>Directors</b>								
R Sharp	-	-	-	-	-	-	-	-
P Hynd	-	-	-	-	-	-	-	-
D Sweet	-	-	-	-	-	-	-	-
F Hyndman	-	-	-	-	-	-	-	-
<b>Executives</b>								
C Nicholas	37,400	-	(17,600)	-	19,800	19,800	19,800	-
S McNamara	-	-	-	-	-	-	-	-
N Smith	-	-	-	-	-	-	-	-
P Harrison	-	-	-	-	-	-	-	-
S Toohey	-	-	-	-	-	-	-	-
<b>Total</b>	<b>37,400</b>	<b>-</b>	<b>(17,600)</b>	<b>-</b>	<b>19,800</b>	<b>19,800</b>	<b>19,800</b>	<b>-</b>

(1) 2014 options have been restated to reflect the 25 for 1 share consolidation of the Company's capital completed in December 2014.

## (d) 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
<b>2015 Directors</b>					
R Sharp and P Hynd (1)	57,596,263	-	-	5,859,651	63,455,914
D Sweet	35,335	-	-	-	35,335
F Hyndman	-	-	-	-	-
<b>Executives</b>					
C Nicholas	39,600	-	19,800	-	59,400
S McNamara	-	-	-	-	-
N Smith	-	-	-	-	-
P Harrison	-	-	-	-	-
S Toohey	-	-	-	-	-
<b>Total</b>	<b>57,671,198</b>	<b>-</b>	<b>19,800</b>	<b>5,859,651</b>	<b>63,550,649</b>

(1) 58,958,736 of the shares at the end of the period are held by funds managed by North Ridge Partners Pty Ltd (formerly Co-Investor Capital Partners Pty Ltd). Mr Sharp and Mr Hynd are Directors and shareholders of North Ridge Partners Pty Ltd.

4,497,178 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.

Notes to the Financial Statement (*continued*)**22. KEY MANAGEMENT PERSONNEL (*continued*)**

	Balance at beginning of period	Granted as remuneration	On exercise of options	Net change other	Balance at end of period
<b>2014 (1)</b>					
<b>Directors</b>					
R Sharp and P Hynd (2)	26,155,842	-	-	31,440,421	57,596,263
D Sweet	35,335	-	-	-	35,335
F Hyndman	-	-	-	-	-
<b>Executives</b>					
C Nicholas	22,000	-	17,600	-	39,600
S McNamara	-	-	-	-	-
N Smith	-	-	-	-	-
P Harrison	-	-	-	-	-
S Toohey	-	-	-	-	-
<b>Total</b>	<u>26,213,177</u>	<u>-</u>	<u>17,600</u>	<u>31,440,421</u>	<u>57,671,198</u>

(1) 2014 shareholdings have been restated to reflect the 25 for 1 share consolidation of the Company's capital completed in December 2014.

(2) These shares are held by funds managed by North Ridge Partners Pty Ltd (formerly Co-Investor Capital Partners Pty Ltd). Mr Sharp and Hynd are Directors and shareholders of North Ridge Partners Pty Ltd.

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.

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

- North Ridge Partners Pty Ltd (formerly Co-Investor Capital Partners Pty Ltd) (North Ridge), an entity associated with Peter Hynd and Roger Sharp:
  - Interest of \$298,057 (2014: \$202,496) on the loan (refer note 17 (ii)). At reporting date, \$nil interest remained payable;
  - Rights issue underwriting fee of \$86,138 (2014:\$nil). At reporting date, \$nil remained payable;
  - Loan financing fees of \$nil (2014: \$50,000). At reporting date, \$50,000 remained payable;
  - Administration and support services of \$145,000 (2014: \$36,250). At reporting date, \$106,333 remained payable;
  - The Company charged \$38,247 of rent to North Ridge (2014: \$27,891) for its share of co-locating at the Company's Pyrmont premises. At reporting date, \$38,578 remained receivable.
- Wentworth Financial Pty Ltd as trustee of the Wentworth Trust, an entity associated with Roger Sharp:
  - Issue of 3,065,131 fully paid ordinary shares in the Company as repayment of the \$1,302,681 owed under the convertible note facility. (refer note 17 (iv)). At reporting date nil remained payable (2014: \$1,200,000).
  - Interest of \$8,384 (2014: \$45,863) on the loan (refer note 17 (iv)). At reporting date, nil interest remained payable (2014: \$94,297).
- Pyvis Nominees Pty Ltd, an entity associated with Richard Pyvis who is a Director of North Ridge:
  - Interest of \$35,508 (2014: 19,110) on the loan (refer note 17 (iv)). At reporting date, \$5,610 interest remained payable (2014: \$20,804).
  - Issue of 920,587 fully paid ordinary shares in the Company as repayment of \$391,250 owed under the convertible note facility. (refer note 17 (iv)). At reporting date \$150,000 remained payable (2014: \$500,000).

Notes to the Financial Statement (*continued*)22. KEY MANAGEMENT PERSONNEL (*continued*)

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

	2015 \$000's	2014 \$000's
<b>Assets and liabilities</b>		
Trade and other receivables	39	3
Investment in unlisted entity	-	-
<b>Total assets</b>	<u>39</u>	<u>3</u>
Trade and other payables	<u>162</u>	<u>151</u>
<b>Total liabilities</b>	<u>162</u>	<u>151</u>
<b>Expenses</b>		
Expenses included in net loss	<u>449</u>	<u>285</u>
<b>Total expenses</b>	<u>449</u>	<u>285</u>

## 23. AUDITORS' REMUNERATION

	2015 \$000's	2014 \$000's
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	243	279
- an audit of the financial report of an entity in the consolidated group by another audit firm	63	28
- tax compliance services in relation to the entity and any other entity in the consolidated group	63	71
	<u>369</u>	<u>378</u>



Notes to the Financial Statement (*continued*)**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:

Company and country of incorporation		Class of share	Beneficial percentage held by consolidated entity	
			2015 %	2014%
APD Performance Pty Ltd (formerly Empowered Communications Pty Ltd)	Aust	Ordinary	100	100
APD Acquire Pty (formerly Deal Group Media Pty Ltd)	Aust	Ordinary	100	100
Viva9 Pty Ltd (de-registered)	Aust	Ordinary	-	100
Asia Pacific Digital (Australia) Limited	Aust	Ordinary	100	100
APP Engage Holdings Pty Ltd (formerly Jericho Digital Holdings Pty Ltd)	Aust	Ordinary	100	100
APP Engage Pty Ltd (formerly) Jericho Australia Pty Ltd	Aust	Ordinary	100	100
APD Interact Holdings Pty Ltd (formerly Next Digital Group Holdings Pty Ltd)	Aust	Ordinary	100	100
APD Interact Pty Ltd (formerly Next Digital Group Pty Ltd)	Aust	Ordinary	100	100
APD Venture Pty Ltd (formerly Asia Pacific Digital eCommerce Pty Ltd)	Aust	Ordinary	100	100
Asia Pacific Digital Pte Ltd	Singapore	Ordinary	100	100
Jericho Digital Asia Pte Ltd	Singapore	Ordinary	100	100
APD Holdings Pte Ltd (formerly) Next Digital Asia Pte Ltd	Singapore	Ordinary	100	100
APD Operating Pte Ltd (formerly Next Digital Singapore Pte Ltd)	Singapore	Ordinary	100	100
Asia Pacific Digital Philippines Pte Ltd	Singapore	Ordinary	100	100
Asia Pacific Digital Limited (formerly Jericho Limited)	New Zealand	Ordinary	100	100
APD Digital Services Sdn Bhd (formerly Future Idea Group Sdn Bhd)	Malaysian	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.

**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:

	2015 \$000's	2014 \$000's
Expense arising from equity-settled share based payment transactions	263	-

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the year ended 2015.

Notes to the Financial Statement (*continued*)**25. SHARE BASED PAYMENT PLANS (*continued*)****(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.

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 2015	30 June 2015	30 June 2014	30 June 2014
	No.	WAEP	No.	WAEP
Balance at beginning of period	140,400	\$1.00	274,800	\$1.00
- granted	4,005,778	\$0.625	-	-
- expired	(90,000)	\$1.00	(72,000)	\$1.50
- exercised	(50,400)	\$1.00	(62,400)	\$0.00
- forfeited/not vested	-	\$0.00	-	\$0.00
Balance at end of period	4,005,778	\$0.625	140,400	\$1.00
Exercisable at end of period	4,005,778	\$0.625	140,400	\$1.00

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

2014 options have been restated to reflect the 25 for 1 share consolidation of the Company's capital completed in December 2014.

**Weighted average remaining contractual life**

The weighted average fair value of options granted in the year was 6.56 cents. There were no options granted during the prior year. The weighted average remaining contractual life for share options outstanding as at 30 June 2015 is 3.4 years (2014: 0.3 years).

**26. PARENT ENTITY INFORMATION**

	2015 \$000's	2014 \$000's
<b>Information relating to Asia Pacific Digital Limited</b>		
Current assets	758	352
Total assets	36,475	10,421
Current liabilities	(3,773)	(1,636)
Total liabilities	(8,672)	(2,536)
Net assets	27,803	7,885
Issued capital	136,205	113,160
Accumulated losses	(112,429)	(109,003)
Reserves	4,027	3,728
	27,803	7,885
Total comprehensive profit / (loss) of the parent	(3,226)	(170)

Notes to the Financial Statement (*continued*)**27. EVENTS AFTER THE BALANCE SHEET DATE**

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

**28. BUSINESS COMBINATION**

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

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

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

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

Transaction costs associated with the acquisition were \$nil.

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

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

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

## 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 2015 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 2015.

Signed in accordance with a resolution of the Directors.

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

**ROGER SHARP**  
Executive Chairman

Singapore, 30 September 2015

## Independent auditor's report to the members of Asia Pacific Digital Ltd

### Report on the financial report

We have audited the accompanying financial report of Asia Pacific Digital Ltd, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. 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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes of the financial statements. The provision of these services has not impaired our independence.

## *Opinion*

In our opinion:

- a. the financial report of Asia Pacific Digital Ltd 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 2015 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 qualification to the opinion above, we draw attention to the matters outlined in Note 2 in the financial report regarding going concern.

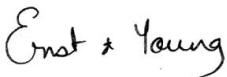
As a result of these matters, if the company's major shareholder, North Ridge Partners Pty Ltd (formerly Co-Investor Capital Partners Pty Ltd), does not continue to provide financial support as and when required, there is material uncertainty that may cast significant doubt as to whether the Company will be able to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

## Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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 Ltd for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.



Ernst & Young



Meredith Scott  
Partner  
Sydney  
30 September 2015



## ASX Additional Information

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

### 1. Shareholder Information

#### (a) Distribution of holders at 28 September 2015

	Fully paid ordinary shares
Number of Holders	1,602
Distribution is :	
1 - 1,000	1,235
1,001 - 5,000	203
5,001 - 10,000	39
10,001 - 100,000	83
100,001 - 999,999,999	42
	1,602
Holding less than a marketable parcel	1,563

#### (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 28 September 2015

The Company's register of substantial shareholders shows the following:

Shareholder	Number of shares
North Ridge Partners Pty Ltd and Associates	64,450,150

#### (d) Shareholders

The twenty largest shareholders hold 90.8% of the total issued ordinary shares in the Company as at 28 September 2015.

#### (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 12,433,334 options held by 37 holders, exercisable at 62.5 cents on or before 28 November 2018. The option holders do not have any voting rights.



# ASX Additional Information *(continued)*

## 1. Shareholder Information *(continued)*

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

### Top Twenty Shareholders as at 28 September 2015

Name	Number of Shares	% of Issued Shares
1. Valuestream Investment Management Limited <Co-Investor No3 PIPE Fund A/C>	55,023,973	59.2
2. North Ridge Partners Pty Ltd <Co-Investor No1 Fund A/C>	3,929,513	4.2
3. J P Morgan Nominees (Australia) Ltd	3,874,099	4.2
4. Christine Sharp	3,220,425	3.5
5. Armada Trading Pty Ltd	2,750,025	3.0
6. Citicorp Nominees Pty Ltd	2,456,073	2.6
7. Illimite Pty Ltd	2,441,016	2.6
8. HSBC Custody Nominees (Aust) Ltd	2,174,104	2.3
9. Mr Mark Dalglish	1,511,765	1.6
10. Wentworth Financial Pty Ltd	1,276,753	1.4
11. Pyvis Nominees Pty Ltd	994,236	1.1
12. Cable Nominees Pty Ltd	832,000	0.9
13. Forsyth Barr Custodians Ltd	590,240	0.6
14. Big Art Investments Pty Ltd	580,000	0.6
15. Mr Brett A Orsler	550,072	0.6
16. Connaught Consultants (Finance) Pty Ltd	519,140	0.6
17. Modern Dragon Investments Limited	500,296	0.5
18. Rapaki Pty Ltd	438,530	0.5
19. Jetosea Pty Ltd	355,294	0.4
20. Mr Tobias Wilson	349,880	0.4
	<b>84,367,434</b>	<b>90.8</b>