

Appendix 4E – Preliminary Final Report

(ASX Listing Rule 4.3A)

Name of entity	ApplyDirect Limited
ABN or equivalent company reference	29 123 129 162
Year ended	30 June 2017
Previous corresponding period	30 June 2016

\$

Results for announcement to the market

Revenue from ordinary activities	Increased	18.69%	to	1,052,368
Net loss (from ordinary activities) for the period attributable to members	Increased	29.57%	to	(4,480,161)
Net loss for the period attributable to members	Increased	29.57%	to	(4,480,161)

Dividends

No dividends have been paid or declared in either the current or previous reporting period

Net tangible assets per share	30 June 2017	30 June 2016
Net tangible assets (\$)	2,821,036	5,634,708
Shares (No.)	171,463,134	164,521,823
Net tangible assets per share (\$)	0.016	0.034

Explanation of results

The results for the year show a loss of \$4,480,161 (2016: \$3,457,790) representing an increase of 29.57% against the comparative year. For further commentary on the financial results, refer to the attached Preliminary Final Report.

Other information required by Listing Rule 4.3A

- There have been no changes in controlled entities.
- There have been no changes in associates and joint ventures

Audit

The accounts are currently in the process of being audited. An annual report for the year ended 30 June 2017 containing the audit report shall be produced in due course.

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Preliminary final report – 30 June 2017

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Corporate Directory

Directors

Mr Michael Kay
Mr Bryan Petereit
Mr Drew Ilsley
Mr Anthony Charles

Secretary

Mr Phillip Hains

Principal registered office in Australia

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Share and debenture register

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Auditor

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Melbourne Victoria 3000

Solicitors

Minter Ellison
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Melbourne Victoria 3000

Website

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Review of Operations

During FY2017 ApplyDirect made significant progress towards its strategic priorities and enters FY2018 with considerable momentum.

Over the past 12 months, ApplyDirect's technology and digital marketing services were further refined and enhanced, having regard to continuous feedback from its targeted customer segments – government, institutional corporate, medium enterprises and small enterprises. The specific tailoring of its solutions relative to the characteristics of these customer segments makes ApplyDirect more differentiated in, and more relevant to, the market.

Importantly, the ongoing investment made to educate these customers on ApplyDirect's unique value proposition, including the significant cost savings and other benefits that its solutions deliver to employers, is yielding returns. In summary, management is excited by the size of the opportunity available and has set aggressive growth targets for the next 12 months.

Strategic priorities

In November 2016 ApplyDirect presented its key strategic priorities:

- Build scale and relevance in a select number of industry verticals;
- Engage channel partners to build leverage into sales and marketing initiatives;
- Align and focus brand strategy with select industry verticals; and
- Become the industry standard for candidate experience.

The healthcare and government verticals were the priority focus in FY2017 and during FY2018 management's focus will be extended to include the professional services and retail verticals.

Building scale and relevance

The strategic alliance with the Mercury Group was executed in November 2016 and is already delivering significant benefits for ApplyDirect. The HealthBuzz talent search platform for the healthcare industry was launched in December 2016 and the relationship with Mercury has accelerated its brand awareness and provided immediate credibility and relevance.

By the end of June 2017, 95% of all healthcare sector jobs were listed on the HealthBuzz platform. The HealthBuzz platform received in excess of 1.5 million candidate visits in the period to June 2017 – those visits resulted in approximately 17 million job searches.

Integrated talent acquisition solution

The HealthBuzz integrated talent acquisition solution was launched in June 2017 and was subsequently extended to the ApplyDirect platform. The integrated product is a 'plug and play' solution combining ApplyDirect's candidate attraction technology and digital marketing solutions with the Mercury Group's applicant tracking system. In the first two months since its launch six new customers have already signed up and are currently being on-boarded. Importantly, the majority of customers are signing up to three year agreements, therefore making long-term commitments to ApplyDirect and contributing to revenue predictability.

Once on-boarded these customers will contribute to a significant uplift to ApplyDirect's average customer size. Revenue from the new integrated solution customers is expected to commence early in the second quarter of FY2018.

Consolidating our position in government

In July 2017 ApplyDirect announced that it had signed a three-year managed services agreement with the NSW Government. The new agreement extends the existing long-term relationship with the NSW Government whilst also expanding the scope of services to include digital marketing, thus complementing the ApplyDirect technology both in attracting job seekers to, and engaging candidates on, the iworkformsw platform that ApplyDirect developed for the NSW Government.

The ability of ApplyDirect to now combine its proprietary technology and its digital marketing capabilities in this expanded services agreement underscores its unique position in the e-recruitment market and demonstrates the

importance of ApplyDirect to the largest employer in Australia.

The new managed services agreement is in addition to the Company's role in advising the NSW Government on the iworkfornsw innovation roadmap, and in delivering ongoing platform enhancements such as the technology integration between NSW Health's e-recruitment system and the iworkfornsw platform that was announced in May 2017. The long-term commitment of the NSW Government is also expected to support a pipeline of additional opportunities throughout the term of the agreement, and is an outstanding case study for the application of similar solutions to other large employers.

Leveraging scale and relevance

Opportunities have been created to expand media advertising campaigns leveraging the increasing market penetration achieved by ApplyDirect and HealthBuzz. Media advertising campaigns have been conducted across both the ApplyDirect and HealthBuzz platforms by a range of business using our digital advertising products including superannuation funds, business services providers and retailers. Major campaigns have been conducted on behalf of Defence Force Recruitment, Australia Post, Federation University and most recently our largest campaign to date, a six-month multi-faceted media campaign for First State Super.

Growth drivers

The primary growth drivers for ApplyDirect in FY2018 will include:

Integrated solution: This will be the primary focus for management in FY2018. The early success since launch of the integrated solution has been very exciting and is expected to provide the majority of growth in FY2018. Revenue is generated on a per job basis, but the expanded service offering effectively doubles the average revenue per customer.

Government: The scale of these employers makes this sector very attractive for ApplyDirect, however, the lead times for government contracts are long. ApplyDirect's widely recognised success with the NSW government has been the catalyst for strong interest from other governments. The revenue model is based on ongoing managed services and project based functionality enhancements. The NSW Government innovation roadmap will continue to provide an ongoing pipeline of project work and opportunities exist to leverage HealthBuzz as government is the largest hirer in the health sector.

Media: Increasing scale and market penetration of the ApplyDirect and HealthBuzz platforms is driving increased demand for digital marketing campaigns. Relationships with customers developed via the digital advertising campaigns represent an opportunity to up sell media customers to other digital recruitment solutions.

Outlook

The primary objective of ApplyDirect in FY2018 is to leverage its success over the past 12 months in order to accelerate penetration of its targeted industry verticals and expand revenue aggressively. Harnessing the positive momentum, particularly that of the past three months, will enable it to deliver strong and sustainable revenue growth throughout FY2018 and beyond.

Specifically, the recently signed integrated solution customers are currently being onboarded, and are expected to contribute to revenue in the second quarter of FY2018 and beyond. The early success of this solution, combined with the size of the potential customer base, means that it is an important ongoing source of revenue.

Further, the new managed services agreement with the NSW Government was executed in July 2017 and will generate incremental revenue from the first quarter of FY2018 onwards. In addition to being an important case study for other governments, it also underscores the value of ApplyDirect to other employers, both institutional and corporate.

The relationship with the Mercury Group has been a very important contributor to ApplyDirect's success, and management is continuing to explore further opportunities to leverage that relationship to accelerate its market penetration and revenue growth, particularly within the healthcare sector.

Importantly, management will continue to invest prudentially in expanding its business capability over the next 12 months, with a particular focus on digital marketing and solution sales. Such investments will enable ApplyDirect to sustain its differentiated position, whilst also increasing market penetration.

ApplyDirect Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

		Year ended	
	Notes	30 June 2017	30 June 2016
		\$	\$
Revenue			
Operating revenue		694,330	628,997
Other income	3	358,038	257,625
		1,052,368	886,622
Expenses			
Employee benefits expense		(2,818,656)	(897,513)
Marketing expense		(1,397,443)	(1,353,406)
Professional fees		(422,617)	(1,154,285)
Travel expenses		(63,020)	(74,618)
Administration and other expenses		(311,682)	(248,799)
Software development		(432,468)	(491,638)
Finance expenses		(86,643)	(124,153)
		(5,532,529)	(4,344,412)
Loss before income tax		(4,480,161)	(3,457,790)
Income tax expense		-	-
Loss for the year		(4,480,161)	(3,457,790)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(4,480,161)	(3,457,790)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the company:			
Basic loss per share	13	(2.90)	(3.62)
Diluted loss per share	13	(2.90)	(3.62)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

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ApplyDirect Limited
Statement of Financial Position
As at 30 June 2017

		Year ended	
	Notes	30 June 2017	30 June 2016
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	4	3,209,838	7,384,118
Trade and other receivables	5	401,406	566,182
Total current assets		3,611,244	7,950,300
Non-current assets			
Property, plant and equipment	6	33,868	8,691
Other non-current assets		16,587	16,500
Total non-current assets		50,455	25,191
Total assets		3,661,699	7,975,491
LIABILITIES			
Current liabilities			
Trade and other payables	7	574,395	908,573
Borrowings	8	-	1,214,020
Employee benefit obligations	9	150,926	79,029
Deferred revenue	10	113,010	91,511
Total current liabilities		838,331	2,293,133
Non-current liabilities			
Employee benefit obligations	9	2,332	47,650
Total non-current liabilities		2,332	47,650
Total liabilities		840,663	2,340,783
Net assets		2,821,036	5,634,708
EQUITY			
Share capital	11(a)	16,033,935	14,655,529
Reserve	11(b)	1,836,133	1,548,050
Accumulated losses		(15,049,032)	(10,568,871)
Total equity		2,821,036	5,634,708

The above balance sheet should be read in conjunction with the accompanying notes.

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ApplyDirect Limited
Statement of Changes in Equity
For the year ended 30 June 2017

	Notes	Share Capital \$	Reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2015		5,607,414	1,311,620	(7,111,081)	(192,047)
Loss for the year		-	-	(3,457,790)	(3,457,790)
Total comprehensive Loss for the year		-	-	(3,457,790)	(3,457,790)
Transactions with owners in their capacity as owners:					
Shares issued	11(a)	9,600,000	-	-	9,600,000
Capital raising costs	11(a)	(551,885)	-	-	(551,885)
Share-based payment expense	11(b)	-	75,217	-	75,217
Value of conversion rights on convertible notes	11(b)	-	161,213	-	161,213
		9,048,115	236,430	-	9,284,545
Balance at 30 June 2016		14,655,529	1,548,050	(10,568,871)	5,634,708
Loss for the year		-	-	(4,480,161)	(4,480,161)
Total comprehensive Loss for the year		-	-	(4,480,161)	(4,480,161)
Transactions with owners in their capacity as owners:					
Shares issued – conversion of convertible notes	11(a)	1,300,000	-	-	1,300,000
Shares issued – options exercised	11	78,406	(28,538)	-	49,868
Share-based payment expense	11(b)	-	316,621	-	316,621
		1,378,406	288,083	-	1,666,489
Balance at 30 June 2017		16,033,935	1,836,133	(15,049,032)	(2,821,036)

The above statement of changes in equity should be read in conjunction with the accompanying notes.

ApplyDirect Limited
Statement of Cash Flows
For the year ended 30 June 2017

	Notes	Year ended	
		30 June 2017 \$	30 June 2016 \$
Cash flows from operating activities			
Receipts from customers		800,156	687,868
Payments to suppliers and employees		(5,310,870)	(3,544,299)
Interest and other costs of finance paid		(4,178)	(48,920)
Other income		70,300	5,900
R&D claim		252,136	215,380
Net cash outflow from operating activities	12	(4,192,457)	(2,684,071)
Cash flows from investing activities			
Payments for property, plant and equipment		(31,691)	(3,047)
Net cash outflow from investing activities		(31,691)	(3,047)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		49,868	9,450,000
Capital raising costs		-	(557,000)
Proceeds from borrowings		-	1,350,000
Repayment of borrowings		-	(250,000)
Net cash inflow from financing activities		49,868	9,993,000
Net increase (decrease) in cash and cash equivalents		(4,174,280)	7,305,882
Cash and cash equivalents at the beginning of the financial year		7,384,118	78,236
Cash and cash equivalents at end of period	4	3,209,838	7,384,118

The above statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

(a) Corporate information

The Preliminary Final Report covers the entity ApplyDirect Limited (the 'company'). The company's principle activities is providing an innovative on-line database and search platform that links employers and job candidates directly to live job opportunities on employer websites.

The company's Preliminary Final Report does not include all the notes of the type normally included in an Annual Final Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report would.

This Preliminary Final Report has been prepared in accordance with the recognition and measure requirements, but not all disclosure requirements, of Australian Accounting Standards and Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalent to the International Financial Reporting Standards.

The Preliminary Final Report has been prepared on an accruals basis and is based on historical costs, except for the revaluation of certain non-current assets and financial instruments. Cost is based on fair values of the consideration given in exchange for assets.

The Preliminary Final Report is presented in Australian dollars.

(b) Basis of preparation

The company's Preliminary Final Report has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. ApplyDirect Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The Preliminary Final Report of the ApplyDirect Limited company also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The Preliminary Final Report has been prepared under the historical cost basis, except for the revaluation of certain financial instruments to fair value.

(iii) New and amended standards adopted by the company

The company has adopted all new mandatory standards and interpretations for the current reporting period. The adoption of these standards and interpretations did not result in a material change on the reported results and position of the consolidated entity, as they did not result in any changes to the company's existing accounting policies.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by company
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	While the company has yet to undertake a detailed assessment of the classification and measurement of financial assets and financial liabilities, the company does not expect the impact to be material.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

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ApplyDirect Limited
Notes to the financial statements 30 June 2017
(continued)

1 Summary of significant accounting policies (continued)

(b) Basis of preparation (continued)

Title of standard	Nature of change	Impact	Mandatory application date/ Date of adoption by company
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.	At this stage, the company is not able to estimate the effect of the new rules on the company's financial statements. The company will make more detailed assessments of the effect over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2018, but available for early adoption. Expected date of adoption by the group: 1 July 2018.
AASB 16 Leases	AASB16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. replaces AASB 117 Leases and some lease-related Interpretations. Provides new guidance on the application of the definition of lease and on sale and lease back accounting largely retains the existing lessor accounting. Requirements in AASB 117 requires new and different disclosures about leases.	At this stage, the company is not able to estimate the effect of the new rules on the company's financial statements. The company will make more detailed assessment of the effect over the next twelve months.	Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. Expected date of adoption by the group: 1 July 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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1 Summary of significant accounting policies (continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the preliminary financial reports of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Preliminary Final Report is presented in Australian dollars (\$), which is ApplyDirect Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Revenue from services – Subscription revenue, Website Use

Timing of recognition

Revenue from subscription services is recognised on a straight line basis over the accounting period in which the services are rendered. When amounts have been received but services not delivered at balance date the amount is recognised in unearned income.

Measurement of revenue

Subscription revenue is measured based on the underlying subscription agreement.

(ii) Revenue from services – fee for one service or one-off job advertisement

Timing of recognition

Revenue from fees for one service or one-off job advertisement is recognised in the accounting period in which the services are rendered.

Measurement of revenue

Revenue is measured based on the value of fee for service or job advertisement.

(e) Government grants

The research and development ("R&D") tax offset ("R&D tax offset"), also known as the R&D Tax Incentive, replaced the R&D Tax Concession for research and development expenditure incurred in income years commencing on or after 1 July 2011. It provides for a 43.5% refundable tax offset for eligible R&D entities with an aggregated turnover of less than \$20 million per annum that are not controlled by exempt entities ("refundable R&D credit"), or a non-refundable 38.5% tax offset for all other eligible companies.

For financial reporting purposes, the R&D tax offset can be analogised as a government grant or an income tax item. General practice is that refundable R&D credits are accounted for as government grants.

The directors have considered AASB 112 *Income Taxes* ("AASB 112") and AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* ("AASB 120"). Given the above the directors have determined to recognise the R&D amount in accordance with AASB 120.

1 Summary of significant accounting policies (continued)

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(g) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The 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 which 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 an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(k) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

1 Summary of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amounts. Plant and equipment that have been contributed for no cost or for a nominal cost are valued and recognised as the fair value of the asset at the date it is acquired.

The depreciable amount of all fixed assets is recognised on a straight line basis over the asset's estimated useful life to the company commencing from the time the asset is held ready for use. The useful life for each class of depreciable assets is:

Computer equipment	1-3 years
Plant and equipment	2-5 years
Furniture and fittings	2-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(l) Intangible assets

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an internal project is recognised only when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Development costs are capitalised only in accordance with this accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan.

(o) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1 Summary of significant accounting policies (continued)

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan and an employee share scheme collectively known as employee equity incentive plan ("EEIP").

Share-based compensation benefits are provided to employees via the company's EEIP. In addition to this, other Share based payments are undertaken for certain goods and services provided to the company.

The fair value of Options granted under the EEIP is recognised as an employee benefits expense with a corresponding increase in equity (other Share based payments are recognised in the statement of profit or loss or directly in equity depending upon goods or services received).

The total amount to be expensed is determined by reference to the fair value of the Options granted, which included any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of Options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the company revises its estimates of the number of Options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The EEIP is designed to provide long-term incentives for staff to deliver long-term shareholder returns. Under the EEIP, participants may be granted Shares, Options and/ or performance rights. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the EEIP or to receive any guaranteed benefits.

(q) Contributed equity

Ordinary shares are 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.

ApplyDirect Limited
Notes to the financial statements 30 June 2017
(continued)

1 Summary of significant accounting policies (continued)

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

(s) Significant estimates and judgements

(i) Deferred tax assets

The company has not recognised deferred tax assets relating to carried forward tax losses or timing differences. These amounts have not been recognised given the recognition requirements of AASB 112 and the fact the company has not previously generated taxable income.

(ii) Intangible assets

Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a project has reached a defined milestone according to an established project management model.

(iii) Share based payments

The determination of the fair value of options granted requires the utilisation of numerous variables. The fair value at grant date was determined using a binomial or Black-Scholes option pricing model.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

(iv) Convertible note

The directors consider that the carrying value of the financial liability in respect of the convertible notes recognised in the statement of financial position approximates its fair value.

2 Segment information

The company continues to operate in one segment, being the provision of an on-line database and search platform to link employers and job candidates. The segment details are therefore fully reflected in the body of the financial report.

3 Other income

The company derives the following types of revenue:

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
Research and development income	287,658	251,725
Interest income	70,380	-
Support services	-	5,900
Total other income	358,038	257,625

4 Cash and cash equivalents

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
Cash at bank and in hand	<u>3,209,838</u>	<u>7,384,118</u>

5 Trade and other receivables

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
Current		
Trade receivables	66,592	101,898
GST receivable	34,221	212,559
Prepayments	13,346	-
R&D tax claim receivable	287,247	251,725
	<u>401,406</u>	<u>566,182</u>

6 Property, plant and equipment

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
Plant and equipment		
Cost or fair value	77,974	46,282
Accumulated depreciation	(44,106)	(37,591)
	<u>33,868</u>	<u>8,691</u>
Opening net book amount	8,691	11,927
Additions	31,691	3,046
Depreciation charge	(6,514)	(6,282)
	<u>33,868</u>	<u>8,691</u>

7 Trade and other payables

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
Current		
Trade payables	397,324	754,956
Other payables	177,071	153,617
	<u>574,395</u>	<u>908,573</u>

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

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8 Borrowings

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
Convertible notes	-	1,214,020

Convertible notes

The company issued 1,350,000 convertible notes for \$1,350,000 on 10 March 2016 with no interest payable. The note conversion period ended on 21 December 2016. All convertible notes were converted into shares and options by the noteholders as detailed in Note 11(a).

Prior to the conversion period ending on 21 December 2016 the following terms applied to the convertible notes.

Conversion by the noteholder

The noteholder may elect at any time up to 21 December 2016 to convert all their notes into shares and options at a rate of 5 shares and 5 options for every note converted. The noteholder is not entitled to receive any additional payments on account for this conversion.

Redemption by the noteholder

The noteholder may elect at any time up to the end of the note exercised period to redeem some or all of their notes. On redemption the noteholder is entitled to receive the principle amount of the notes redeemed as a cash payment, without interest, and 5 options for every note held.

Failure to convert or redeem

If the noteholder does not convert or redeem their notes during the note exercise period then at the company's election the notes will be:

- Converted and the noteholder will be entitled to be issued 5 shares and 5 options for each note converted; or
- Redeemed and the noteholder will be entitled to receive the principal amounts of the notes as a cash payment, without interest, and 5 options for every note redeemed.

Movement of convertible notes

	2017	2016
	\$	\$
Carrying value as at the beginning of the year	1,214,020	-
Issue of convertible notes – face value	-	1,350,000
Fair value of equity component – conversion right	-	(161,213)
Redemption of convertible notes	(1,300,000)	(50,000)
Unwinding of discount	85,980	75,233
Carrying value as at the end of the year	-	1,214,020

Terms of options

Options issued on the conversion or redemption of convertible notes will have an exercise price of \$0.25 and an expiry of 3 years from date of issue of the relevant options.

9 Employee benefit obligations

	Year ended	
	30 June 2017	30 June 2016
Current		
Employee benefit obligations	\$ 150,926	\$ 79,029
Non-current		
Employee benefit obligations	2,332	47,650
Total employee benefit obligation	153,258	126,679

Current employee benefit obligations include long service leave for staff with more than six years of tenure.

10 Deferred revenue

	Year ended	
	30 June 2017	30 June 2016
	\$	\$
Unearned website subscription revenue paid in advance	113,010	91,511

11 Equity

(a) Share capital

	30 June 2017 Shares	30 June 2017 \$	30 June 2016 Shares	30 June 2016 \$
Ordinary shares - fully paid	171,463,134	16,033,935	164,521,823	14,655,529
Total share capital	171,463,134	16,033,935	164,521,823	14,655,529

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

Movements in ordinary shares:

Details	Note	Number of shares	\$
30 June 2016			
Opening balance		38,323,941	5,607,414
Shares issued	11(a)(i)	126,197,882	9,600,000
Capital raising costs		-	(551,885)
Closing balance		164,521,823	14,655,529
30 June 2017			
	Note	Number of shares	\$
Opening balance		164,521,823	14,655,529
Shares issued	11(a)(ii)	6,941,311	1,349,868
Transfer from reserve for value of options exercised		-	28,538
Closing balance		171,463,134	16,033,935

11 Equity (continued)

(a) Share capital (continued)

Movements in ordinary shares: (continued)

(i) Details of ordinary share movement in the prior year

Date	Details	Number \$	Issue price \$	Value \$
24 August 2015	Issue of shares to sophisticated investors	400,000	0.50	200,000
3 September 2015	Issue of shares to sophisticated investors	200,000	0.50	100,000
15 October 2015	Issue of shares to sophisticated investors	2,100,000	0.50	1,050,000
16 October 2015	Issue of shares to directors	400,000	0.50	200,000
30 November 2015	Share split 4:1	124,271,823	-	-
18 January 2016	Share consolidation 4:1	(41,423,941)	-	-
16 June 2016	Issue of shares from convertible notes	250,000	0.20	50,000
22 June 2016	Issue of shares under IPO	40,000,000	0.20	8,000,000
		126,197,882		9,600,000

(ii) Details of ordinary share movement in the current year

Date	Details	Number	Issue price	Value
19 August 2016	Issue of shares from convertible notes	125,000	0.20	25,000
23 August 2016	Issue of shares from convertible notes	750,000	0.20	150,000
5 September 2016	Issue of shares from convertible notes	750,000	0.20	150,000
9 September 2016	Issue of shares from convertible notes	250,000	0.20	50,000
29 September 2016	Issue of shares from convertible notes	500,000	0.20	100,000
29 September 2016	Issue of shares from exercise of options	441,311	0.11	49,868
7 October 2016	Issue of shares from convertible notes	1,000,000	0.20	200,000
14 October 2016	Issue of shares from convertible notes	50,000	0.20	10,000
29 November 2016	Issue of shares from convertible notes	1,000,000	0.20	200,000
2 December 2016	Issue of shares from convertible notes	950,000	0.20	190,000
12 December 2016	Issue of shares from convertible notes	250,000	0.20	50,000
19 December 2016	Issue of shares from convertible notes	875,000	0.20	175,000
		6,941,311		1,349,868

(b) Reserve

	Year ended	
	30 June 2017 \$	30 June 2016 \$
Reserve	1,836,133	1,548,050
Movements in reserve		
Opening balance	1,548,050	1,311,620
Share based payments - relating to options issued during the current year	316,621	22,250
Share based payments - relating to options issued in prior year	-	52,967
Options exercised	(28,538)	-
Equity portion of the convertible notes (refer to note 9)	-	161,213
Closing balance	1,836,133	1,548,050

11 Equity (continued)

(b) Reserve (continued)

(i) Details of options movement in the current year

Date	Details	Number	Value
19-Aug-16	Issue of options on conversion of convertible notes	125,000	-
23-Aug-16	Issue of options on conversion of convertible notes	750,000	-
5-Sep-16	Issue of options on conversion of convertible notes	750,000	-
9-Sep-16	Issue of options on conversion of convertible notes	250,000	-
12-Sep-16	Issue of options under ESOP to employees and consultants	3,666,667	121,097
12-Sep-16	Issue of options under ESOP to employees and consultants	3,666,667	101,730
12-Sep-16	Issue of options under ESOP to employees and consultants	3,666,666	83,240
29-Sep-16	Issue of options on conversion of convertible notes	500,000	-
29-Sep-16	Options exercised under ESOP to employees and consultants	(441,311)	(28,538)
7-Oct-16	Issue of options on conversion of convertible notes	1,000,000	-
10-Oct-16	Issue of options on ESOP to employees and consultants	464,401	5,010
14-Oct-16	Issue of options on conversion of convertible notes	50,000	-
29-Nov-16	Issue of options on conversion of convertible notes	1,000,000	-
2-Dec-16	Issue of options on conversion of convertible notes	950,000	-
2-Dec-16	Issue of options under ESOP to employees and consultants	365,046	10,554
12-Dec-16	Issue of options on conversion of convertible notes	250,000	-
19-Dec-16	Issue of options on conversion of convertible notes	875,000	-
5-May-17	Options forfeited	(464,401)	(5,010)
		<u>17,423,735</u>	<u>288,083</u>

(ii) Details of options movement in the prior year

Date	Details	Number	Value
28-Sep-15	Issue of options under ESOP to employees and consultants	250,000	22,250
17-Jun-16	Issue of options on conversion of convertible notes	250,000	-
		<u>500,000</u>	<u>22,250</u>

The reserve is used to recognise:

- The fair value of options issued to employees but not exercised; and
- The fair value of options issued for goods or services received but not exercised.

12 Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

	30 June 2017	30 June 2016
	\$	\$
Loss for the year	(4,480,161)	(3,457,790)
Adjustment for		
Depreciation	6,514	6,283
Convertible note – deemed interest	85,980	75,233
Share-based payment expense	316,621	175,217
Change in operating assets and liabilities:		
Movement in trade receivables	35,306	123,009
Movement in other current assets	129,470	(244,505)
Movement in accounts payable	(357,720)	760,051
Movement in fees in advance	21,499	(64,138)
Movement in provisions	26,579	71,354
Movement in other current liabilities	23,454	(128,785)
Net cash outflow from operating activities	<u>(4,192,457)</u>	<u>(2,684,071)</u>

13 Loss per share

(a) Basic and diluted loss per share

ApplyDirect Limited
Notes to the financial statements 30 June 2017
(continued)

	Year ended	
	30 June 2017	30 June 2016
	Cents	Cents
Basic loss per share (cents)	(2.90)	(3.62)
Diluted loss per share (cents)	(2.90)	(3.62)

(b) Net loss

The net loss used in the calculation of basic and diluted earnings per share is \$4,480,161 (2016: \$3,457,790).

(c) Weighted average number of shares used as the denominator

	Year ended	
	30 June 2017	30 June 2016
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	154,655,260	95,396,741

Options that are considered to be potential ordinary shares are excluded from the weighted average number of ordinary shares used in the calculation of basic loss per share. All the options on issue do not have the effect of diluting the loss per share therefore, they have been excluded from the calculation of diluted loss per share.

Capital was split on 4:1 basis on 30 November 2015 and consolidated on a 4:3 basis on the 18 January 2016.

As at the date of this report, a total of 48,309,203 of potential additional ordinary shares (from outstanding options and convertible notes) have not been included in the dilution calculation as they are determined as anti-dilutive.

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