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**ApplyDirect Limited**

ABN 29 123 129 162

**Interim financial report  
for the half year 31 December 2018**

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**Interim financial report - 31 December 2018**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by ApplyDirect Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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<b>Directors</b>	Mr Michael Kay Non-Executive Chairman
	Mr Bryan Petereit Executive Director
	Mr Michael Norster Non-Executive Director
<b>Company Secretary</b>	Mr Prashant Chandra
<b>Principal registered office in Australia</b>	Unit 3, 3 Wellington Street Kew Victoria 3101 1300 554 842
<b>Share and debenture register</b>	Link Market Services Limited Level 12, 680 George Street Sydney New South Wales 2000 +61 2 8280 7100
<b>Auditor</b>	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne Victoria 3008
<b>Solicitors</b>	Minter Ellison Level 23, Rialto Towers 525 Collins Street Melbourne Victoria 3000
<b>Website</b>	<a href="http://www.applydirect.com.au">www.applydirect.com.au</a>

## Directors' report

Your directors present the interim financial report of ApplyDirect Limited (ApplyDirect or the Company) for the half year ended 31 December 2018.

### Directors

The following persons held office as directors of ApplyDirect Limited during the financial period and up to the date of this report, unless otherwise stated:

Mr Michael Kay (Non-Executive Chairman)  
Mr Bryan Petereit (Chief Technology Officer & Executive Director)  
Mr Michael Norster (Non-Executive Director)

### Review of operations

Year to date highlights for HY2019

- Transaction documents signed for the proposed acquisition of Utility Software Services Pty Ltd (USS), subject to shareholder approval. In addition, received firm commitments in support of a placement to raise approximately \$1 million, which is also subject to shareholder approval
- Total revenue and cash receipts for the period were \$0.71 million and \$1.27 million respectively
- Won a significant managed services contract with APM, which is expected to be launched in the 4th quarter of FY2019. APM is Australia's largest provider of Disability Employment Services, as well as a key provider under the Federal Government's jobactive program,
- Secured three individual Victorian Government contracts with Development Victoria; the Department of Health & Human Services; and the Department of Environment, Land, Water and Planning
- Completed placement of shares in December 2018 to raise just over \$1.0 million, with the proceeds to be used for general working capital requirements

The first half of FY2019 saw some critical developments that are fundamental to the long-term success of ApplyDirect. The proposed acquisition of USS and share placement provide the clearest and most viable path for ApplyDirect to ultimately become successful and profitable.

The proposed acquisition of USS is expected to provide a number of important benefits for ApplyDirect including a diversified revenue stream, the opportunity to access cost synergies and important technical capability that should accelerate our pathway to breakeven.

The acquisition will also see the opportunity to direct our resources towards higher yielding revenue sources and customers, with a focus on providing ApplyDirect powered employment ecosystems to our target market segments.

An Extraordinary General Meeting of ApplyDirect shareholders is scheduled for 19 March 2019 to consider and approve the proposed acquisition and the related share placement. The Notice of Meeting and Independent Expert's Report were released on 18 February 2019.

HY2019 financial results

1H19 Summary	31-Dec 2018 \$	31-Dec 2017 \$	% Change
Operating revenue	531,863	591,579	(10.1%)
Other income	182,778	543	33560.8%
<b>Revenue from continuing operations</b>	<b>714,641</b>	592,122	20.7%
<b>Expenses</b>			
Employee benefits expense	(1,643,405)	(1,512,129)	8.7%
Total expenses	(3,757,037)	(3,350,328)	12.1%
<b>Loss for the period</b>	<b>(3,042,396)</b>	(2,758,206)	10.3%
	31-Dec 2018 \$	31-Dec 2017 \$	% Change
<b>Cash balance</b>	<b>1,687,278</b>	3,459,851	(51.2%)

Operating revenue was \$0.53 million, down 10% from the prior period (1H18 \$0.59 million). In part, this reduction reflected execution of the capital management plan and the associated reduced focus on lower yielding revenue. In addition, the Government segment experienced a slowdown due to the Victorian State election. This segment is expected to rebound in the second half of FY2019.

Other income for the period included an accrual for the estimated R&D tax offset amount to \$182,777.

ApplyDirect's expanding footprint in the Government segment was the largest contributor to revenue for the period. In addition to ongoing managed services revenue, this was underpinned by the integration of VicRoads and the Department of Education with the CAREERS.VIC jobs portal.

The recently secured contracts with Development Victoria; the Department of Health & Human Services; and the Department of Environment, Land, Water and Planning are expected drive further revenue in the second half of FY2019.

The long-term agreement signed with APM represents an important milestone for the Company as it extends the application of its platform technology and digital services to large ecosystems. APM is Australia's largest provider of Disability Employment Services, and a key provider under the Federal Government's jobactive program. Globally, APM has over 5,000 staff in more than 670 locations across ten countries including Australia, New Zealand, the United Kingdom, Spain, Germany, Switzerland, South Korea, Singapore, Canada and the United States of America, which collectively support more than 350,000 people annually.

The implementation of the APM agreement is well underway and is expected to contribute to revenue from the June 2019 quarter onwards. With similar Institutional Corporate opportunities at the latter stages of the sales cycle, it is expected that this segment will be an important contributor to revenue in FY20 and beyond.

Total expenses increased by 12%, which was largely due to one-off expenses associated with the October 2018 placement and execution of the USS transaction. The increase in software development costs (71%) reflected the ongoing investment in IP, particularly in the Government and Institutional Corporate segments. Consistent with the strategy to prune of lower yielding revenue, advertising expenses reduced by over 40%.

In the second half of FY2019 management will continue its focus on prudential cost savings, thus seeking to accelerate ApplyDirect's pathway towards breakeven.

The closing cash position as at 31 December 2018 was \$1.69 million.

**Matters subsequent to the end of the financial period**

As at the date of this report, the Company has scheduled an Extraordinary General Meeting on 19 March 2019 to secure shareholder approval for the Transactions. Refer to Note 12 Events occurring after the reporting period.

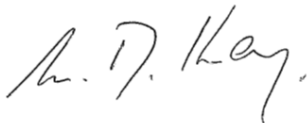
No additional matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or in subsequent financial periods.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

The Directors report has been issued following a resolution of the Directors pursuant to section 306(3) of the *Corporations Act 2001*.

For and on behalf of the Board,



Mr Michael Kay  
Director

Melbourne  
19 February 2019

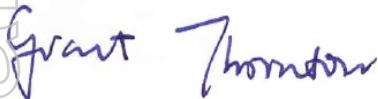
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## Auditor's Independence Declaration

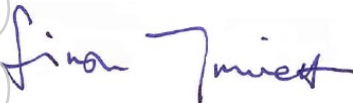
To the Directors of ApplyDirect Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of ApplyDirect Limited for the half-year ended 31 December 2018. I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



S C Trivett  
Partner – Audit & Assurance

Melbourne, 19 February 2019



**ApplyDirect Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half year ended 31 December 2018**

		31 December 2018	31 December 2017
	Notes	\$	\$
<b>Revenue from continuing operations</b>			
Operating revenue		531,863	591,579
Other income		182,778	543
		714,641	592,122
<b>Expenses</b>			
Employee benefits expense	6	(1,643,405)	(1,512,128)
Professional fees		(935,379)	(533,469)
Advertising expenses		(466,813)	(810,580)
Travel expenses		(35,398)	(15,961)
Other expenses		(192,292)	(195,314)
Software development		(481,556)	(280,864)
Finance expenses		(2,194)	(2,012)
<b>Total expenses</b>		<b>(3,757,037)</b>	<b>(3,350,328)</b>
<b>Loss before income tax</b>		<b>(3,042,396)</b>	<b>(2,758,206)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(3,042,396)</b>	<b>(2,758,206)</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income for the period, net of tax</b>		-	-
<b>Total comprehensive loss for the period</b>		<b>(3,042,396)</b>	<b>(2,758,206)</b>
<b>Loss per share attributable to the ordinary equity holders of the company:</b>			
Basic loss per share	9	(1.3)	(1.6)
Diluted loss per share	9	(1.3)	(1.6)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

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**ApplyDirect Limited**  
**Statement of financial position**  
**As at 31 December 2018**

	31 December 2018	30 June 2018
Notes	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,687,278	2,729,064
Trade and other receivables	428,763	833,849
<b>Total current assets</b>	<b>2,116,041</b>	<b>3,562,913</b>
<b>Non-current assets</b>		
Property, plant and equipment	30,055	34,586
Other non-current assets	16,590	16,589
<b>Total non-current assets</b>	<b>46,645</b>	<b>51,175</b>
<b>Total assets</b>	<b>2,162,686</b>	<b>3,614,088</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	813,345	479,407
Contract liabilities (Deferred revenue)	134,189	74,383
Employee benefit obligations	211,986	199,623
<b>Total current liabilities</b>	<b>1,159,520</b>	<b>753,413</b>
<b>Non-current liabilities</b>		
Employee benefit obligations	11,103	5,875
<b>Total non-current liabilities</b>	<b>11,103</b>	<b>5,875</b>
<b>Total liabilities</b>	<b>1,170,623</b>	<b>759,288</b>
<b>Net assets</b>	<b>992,063</b>	<b>2,854,800</b>
<b>EQUITY</b>		
Share capital	7 21,419,411	20,439,014
Reserve	8(a) 1,484,774	1,428,928
Accumulated losses	(21,912,122)	(19,013,142)
<b>Total equity</b>	<b>992,063</b>	<b>2,854,800</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

ApplyDirect Limited  
Statement of changes in equity  
For the half year ended 31 December 2018

	Share Capital \$	Reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2017</b>	16,033,935	1,836,133	(15,049,032)	2,821,036
Loss for the period	-	-	(2,758,206)	(2,758,206)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(2,758,206)</b>	<b>(2,758,206)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	2,558,929	-	-	2,558,929
Capital raising costs	(139,808)	-	-	(139,808)
Options forfeited	-	(10,553)	-	(10,553)
Share-based payment expense	-	193,528	-	193,528
	2,419,121	182,975	-	2,602,096
<b>Balance at 31 December 2017</b>	<b>18,453,056</b>	<b>2,019,108</b>	<b>(17,807,238)</b>	<b>2,664,926</b>
<b>Balance at 1 July 2018</b>	20,439,014	1,428,928	(19,013,142)	2,854,800
Loss for the period	-	-	(3,042,396)	(3,042,396)
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(3,042,396)</b>	<b>(3,042,396)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	1,020,000	-	-	1,020,000
Capital raising costs	(39,603)	-	-	(39,603)
Options expired	-	(143,416)	143,416	-
Share-based payment expense	-	199,262	-	199,262
	980,397	55,846	143,416	1,179,659
<b>Balance at 31 December 2018</b>	<b>21,419,411</b>	<b>1,484,774</b>	<b>(21,912,122)</b>	<b>992,063</b>

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

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**ApplyDirect Limited**  
**Statement of cash flows**  
**For the half year ended 31 December 2018**

	<b>31 December 2018</b>	31 December 2017
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	<b>840,637</b>	556,593
Payments to suppliers and employees	<b>(3,278,699)</b>	(3,137,508)
R&D Claim	<b>424,916</b>	287,247
Interest and other costs of finance paid	<b>(1,969)</b>	(2,663)
<b>Net cash (outflow) from operating activities</b>	<b>(2,015,115)</b>	(2,296,331)
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	<b>(3,108)</b>	-
<b>Net cash (outflow) from investing activities</b>	<b>(3,108)</b>	-
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares and other equity securities	<b>1,020,000</b>	2,558,929
Proceeds received in advance for future share issue	-	66,136
Capital raising costs	<b>(43,563)</b>	(78,721)
<b>Net cash inflow from financing activities</b>	<b>976,437</b>	2,546,344
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(1,041,786)</b>	250,013
Cash and cash equivalents at the beginning of the financial year	<b>2,729,064</b>	3,209,838
<b>Cash and cash equivalents at end of period</b>	<b>1,687,278</b>	3,459,851

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

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## 1 Basis of preparation of half-year report

The condensed interim financial statements ('the interim financial statements') of ApplyDirect Limited ("Company") are for the six (6) months ended 31 December 2018 and are presented in Australian Dollars (\$), which is the functional currency of the Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Company for the year ended 30 June 2018 and any public announcements made by the Company during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 19 February 2019.

### (a) Going concern

For the six (6) months ended 31 December 2018, the entity recorded a loss of \$3,042,396 (six (6) months ended 2017: \$2,758,206) and net cash outflow of \$2,015,115 (2017: \$2,296,331) from operating activities.

The net current asset position as at 31 December 2018 was \$956,521 including a cash balance of \$1,687,277.

As noted in the 2018 Chairman's Address at AD1's Annual General Meeting (AGM), the Board and Management of the AD1 retained independent advisors shortly prior to the AGM to assist AD1 with assessing and executing upon its capital management options.

The process undertaken by the Board and Management to assess the capital management options available to AD1 was detailed and following its conclusion, the Transactions (outlined below) were identified by the Independent Board Committee as the most viable and reasonable option available to AD1 in the circumstances.

As at the date of this report, the Company has scheduled an Extraordinary General Meeting on 19 March 2019 to secure shareholder approval for the following:

- Acquisition of 100% of the issued shares in Utility Software Services Pty Ltd (USS)
- Undertaking a placement to raise \$990,000 at \$0.027 per share

#### (Transactions)

The Independent Board Committee established to consider the Transactions has formed the view that among other things, the Transactions provide some immediate capital required to fund the combined entity and, of all the capital management options explored by AD1, the Transactions (in the opinion of the Independent Directors) provide the clearest and most viable path towards the business of the combined AD1 ultimately becoming a successful and profitable business. The prospects of success of any subsequent capital raising required, in the opinion of the Independent Directors, may well be enhanced as well.

On this basis, the financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

If the Transactions do not proceed, then it is the view of the Independent Directors that the ability of AD1 to continue as a going concern and to fund its operating activities will be dependent on securing urgent additional funding through share placements to new or existing investors or an entitlement issue with existing shareholders. Access to this urgent additional funding in circumstances where the Transactions are not implemented, is unlikely to be available within the relevant time frame. This indicates a material uncertainty that may cast material doubt about the entity's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Should the company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and it should be noted that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

*Notes: Independent Board Committee means the Board sub-committee formed to consider the Transactions, consisting of the Independent Directors. Independent Directors means Michael Kay and Bryan Petereit, being those Directors who have no interest in the outcome of the resolutions related to the Transactions other than as Shareholders and who are able to vote the Shares they hold.*

## 2 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

### (a) New and amended standards adopted by the Company

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies and consider making retrospective adjustments as a result of adopting the following standards:

- AASB 9 *Financial Instruments* ("AASB 9"), and
- AASB 15 *Revenue from Contracts with Customers* ("AASB 15")

The impact of the adoption of these standards and the new accounting policies are disclosed below in Note 3. No other standards had a material impact on the Company's accounting policies and did not require retrospective adjustments.

## 3 New standards adopted as at 1 January 2018

### (a) AASB 9 – Financial Instruments

The Company undertook a comprehensive review of AASB 9 which 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.

Based on this assessment, there has been no material impact on the transactions and balances recognised in the financial statements.

### (b) AASB 15 – Revenue from Contract with Customers

#### *Impact on adoption*

The Company undertook a comprehensive analysis of the impact of the new revenue standard with the primary focus being to understand whether the timing, amount and nature of revenue recognised could differ pursuant to AASB 15.

Based on this assessment, the application of AASB 15 did not have a material impact on the recognition, timing or measurement of the Company's revenue.

#### *ApplyDirect Revenue Recognition Policy*

##### (i) Managed Services (1H19: \$213,750)

- Managed Services relates to the hosting and maintenance of customer branded recruitment marketing platforms and the provision of related digital marketing services. Revenue is recognised over the life of the contract period on a monthly basis in line with the month of service.

##### (ii) Projects (1H19: \$16,560)

- Projects relates to the initial development and implementation of recruitment marketing platforms, and subsequent functionality enhancements and new e-recruitment integrations. Revenue is recognised when the fulfilment of each performance obligation as detailed in the commercial contract is satisfied.

##### (iii) Digital Media and Advertising (1H19: \$301,553)

- Revenue for the promotion of employer jobs and other marketing campaigns advertised on ApplyDirect websites is recognised on a monthly basis over the campaign or service period.

**(c) Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Company**

**AASB 16 Leases**

AASB 16 requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset 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.

AASB 16 is mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. The expected date of adoption by the Company is 1 July 2019.

#### **4 Critical accounting estimates and judgements**

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

**(a) Critical accounting estimates and assumptions**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

*(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 *Income Taxes* 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.

#### **5 Segment information**

The Company operates in one segment, being the development of customer branded recruitment marketing platforms and the provision of related digital services. The segment details are therefore fully reflected in the body of the interim financial report.

## 6 Expenses

	<b>31 December 2018</b>	31 December 2017
	\$	\$
<b>Loss before income tax includes the following specific expenses:</b>		
Depreciation	<b>7,281</b>	5,436
<i>Employee benefits expenses</i>		
Share based payments	<b>199,262</b>	182,975
Salaries and wages	<b>1,176,929</b>	1,153,906
Superannuation	<b>100,288</b>	92,129
Other employee related expenses	<b>166,926</b>	83,118
Total employee benefits expenses	<b>1,643,405</b>	1,512,128

## 7 Share capital

### (a) Ordinary shares

	<b>31 December 2018</b>	31 December 2017	<b>31 December 2018</b>	31 December 2017
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<b>256,299,655</b>	199,895,680	<b>21,419,411</b>	18,453,056

### (b) Movements in ordinary share capital

<b>Details</b>	<b>Number of shares</b>	<b>Value (\$)</b>
<b>31 December 2017</b>		
Opening balance	171,463,134	16,033,935
Shares issued	28,432,546	2,558,929
Capital raising costs	-	(139,808)
Closing balance	<b>199,895,680</b>	<b>18,453,056</b>
	<b>Number of shares</b>	<b>Value (\$)</b>
<b>31 December 2018</b>		
Opening balance	222,299,656	20,439,014
Shares issued	33,999,999	1,020,000
Capital raising costs	-	(39,603)
Closing balance	<b>256,299,655</b>	<b>21,419,411</b>



## 7 Share capital (continued)

### (c) Details of ordinary share movements

#### 31 December 2017

Date	Details	Number	Issue price (\$)	Value (\$)
21 December 2017	Issue of shares to sophisticated investors	28,432,546	0.09	2,558,929
		<b>28,432,546</b>		<b>2,558,929</b>

#### 31 December 2018

Date	Details	Number	Issue price (\$)	Value (\$)
4 October 2018	Issue of shares to sophisticated investors	25,666,667	0.03	770,000
21 December 2018	Issue of shares to sophisticated investors	8,333,332	0.03	250,000
		<b>33,999,999</b>		<b>1,020,000</b>

## 8 Reserve

	31 December 2018	31 December 2017
	\$	\$
Reserve	<b>1,484,774</b>	<b>2,019,108</b>

### (a) Movements in reserve

#### Movements in reserve

Opening balance	1,428,928	1,836,133
Share based payments expense (i)	199,262	193,528
Options forfeited/expired	<b>(143,416)</b>	<b>(10,553)</b>
Closing balance	<b>1,484,774</b>	<b>2,019,108</b>

- (i) The share based payments expense of \$199,262 primarily relates to the expensing of options granted to a key employee. The key employee is in the process of finalising their employment with the Company and therefore the service based vesting conditions will not be met.

As the key employee will not satisfy the service based vesting condition, the applicable share based payment expense for the current period, and prior periods, will reverse upon the formal departure of the employee in the second half of the 2019 financial year.

## 8 Share capital (continued)

### (b) Details of movements in reserve

#### 31 December 2017

Date	Details	Number	Value (\$)
6 November 2017	Options forfeited	(365,043)	(10,553)
		<u>(365,043)</u>	<u>(10,553)</u>

#### 31 December 2018

Date	Details	Number	Value (\$)
1 July 2018	Issue of share based payments under EEIP to employees (i)	9,000,000	-
19 July 2018	Options expired	(233,766)	(3,740)
27 July 2018	Options expired	(825,174)	(53,637)
23 September 2018	Options expired	(194,808)	(6,039)
4 October 2018	Capital raise options issued – October 2018	8,555,547	-
16 December 2018	Options expired	(600,000)	(40,000)
16 December 2018	Options expired	(600,000)	(40,000)
21 December 2018	Capital raise options issued – December 2018	2,777,776	-
31 December 2018	Issue of options under ESOP to employees	-	199,262
		<u>17,879,575</u>	<u>55,846</u>

- (i) As detailed in Note 10(b) The key employee to which the Performance Rights were granted is in the process of finalising their employment with the Company and accordingly the service based vesting conditions of the Performance Rights will not be met. Accordingly, no Performance Rights will ultimately vest.

The reserve is used to recognise:

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

## 9 Loss per share

### (a) Basic & diluted loss per share

	31 December 2018 Cents	31 December 2017 Cents
Basic loss per share	(1.3)	(1.6)
Diluted loss per share	(1.3)	(1.6)

### (b) Reconciliation of loss used in calculating loss per share

	31 December 2018 (\$)	31 December 2017 (\$)
Loss attributable to the ordinary equity holders of the Company used in calculating basic & diluted loss per share:	(3,042,396)	(2,758,206)

## 9 Loss per share (continued)

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

	31 December 2018 Number	31 December 2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic & diluted loss per share	235,097,471	173,016,825

## 10 Options

### (a) Options granted

	31 December 2018 Number of options	31 December 2018 Average exercise price (\$)	31 December 2017 Number of options	31 December 2017 Average exercise price (\$)
Opening balance (1 July)	53,319,480	0.34	48,309,203	0.38
Granted during the period – equity issue (i)	11,333,323	0.06	14,216,273	0.09
Granted during the period – share based payment (ii)	9,000,000	-	-	-
Expired during the period	(2,453,748)	0.15	-	-
Forfeited during the period	-	-	(365,043)	0.39
<b>Closing balance (31 December)</b>	<b>71,199,055</b>	<b>0.26</b>	<b>62,160,433</b>	<b>0.32</b>

(i) One option was granted for every three shares taken up in the placement to sophisticated investors with an exercise price of \$0.06.

(ii) Refer to details on share based payments granted in Note 10(b).

### (b) Fair value of share based payments granted

Performance rights (“Performance Rights”) were issued to a key employee during the reporting period via the EEIP. The Performance Rights issued vest based on the achievement of various performance hurdles. In order to remain an eligible participant, the key employee must also remain employed by the Company at all times during the performance period, being the 3 year period from the issue date (1 July 2018) to the vesting date (1 July 2021) (“Performance Period”)

The performance hurdles are based on 3 separate targets relating to the share price (in addition to the key employee remaining employed by the Company at all times during the Performance Period).

- 3,000,000 performance rights – The trading price of the shares of the Company on the ASX must, at any time during the Performance Period, be equal to or greater than the \$0.20
- 3,000,000 performance rights – The trading price of the shares of the Company on the ASX must, at any time during the Performance Period, be equal to or greater than the \$0.28
- 3,000,000 performance rights – The trading price of the shares of the Company on the ASX must, at any time during the Performance Period, be equal to or greater than the \$0.35

The following variables were utilised in the determination of the fair value of the Performance Rights granted during the reporting period (nil issued during the period ended 31 December 2017) and are currently outstanding at balance date. Fair value at grant date is determined using a Black-Scholes pricing method.

## 10 Options (continued)

### (b) Fair value of share based payments granted (continued)

Grant Date	Vesting date	Consideration \$	No. of options granted	Expected Share Price Volatility	Years to Expiry	Divide nd Yield	Risk-free Interest Rate	Fair value at grant date \$
1 July 2018	1 July 2021	Nil	3,000,000	80%	3	Nil	2.19%	4,425
1 July 2018	1 July 2021	Nil	3,000,000	80%	3	Nil	2.19%	3,075
1 July 2018	1 July 2021	Nil	3,000,000	80%	3	Nil	2.19%	2,400

The key employee to which the Performance Rights were granted was terminated during the reporting period and the performance conditions of the Performance Rights have not been met. Accordingly no Performance Rights will ultimately vest and no expense has been recognised in profit and loss in relation to the Performance Rights.

### (c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	31 December 2018 \$	31 December 2017 \$
Share based payments expense for options issued in prior period	<u>199,262</u>	<u>182,975</u>
	<b>199,262</b>	<b>182,975</b>

## 11 Contingencies

The Company had no contingent liabilities at 31 December 2018 (2017: nil).

## 12 Events occurring after the reporting period

As at the date of this report, the Company has scheduled an Extraordinary General Meeting on 19 March 2019 to secure shareholder approval for the following:

- Acquisition of 100% of the issued shares in Utility Software Services Pty Ltd (USS)
- Undertaking a placement to raise \$990,000 at \$0.027 per share

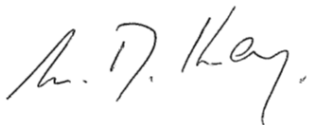
### (Transactions)

No additional matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company or in subsequent financial periods.

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 6 to 17 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134 Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Company's financial position as at 31 December 2018 and of its performance for the half year on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

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



Mr Michael Kay  
Director  
Melbourne  
19 February 2019

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# Independent Auditor's Review Report

To the Members of ApplyDirect Limited

Report on the review of the half year financial report

## Conclusion

We have reviewed the accompanying half year financial report of ApplyDirect Limited (the Company), which comprises the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of ApplyDirect Limited does not give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

## Material uncertainty related to going concern

We draw attention to Note 1(a) in the financial report, which indicates that the Company incurred a net loss of \$3,042,396 during the half year ended 31 December 2018 and, as of that date, the Company is in a net cash outflow position from operating activities of \$2,015,115. As stated in Note 1(a), these events or conditions, along with other matters as set forth in Note 1(a), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

## Directors' responsibility for the half year financial report

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

### Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ApplyDirect Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



S C Trivett  
Partner – Audit & Assurance

Melbourne, 19 February 2019