ASIA PACIFIC DIGITAL LIMITED

ABN 30 000 386 685

Annual Report

Year Ended 30 June 2014

ASIA PACIFIC DIGITAL Limited

Contents

ASIA PACIFIC DIGITAL Limited

Company Directory

DIRECTORS:	Roger Sharp *Executive Chairman* Peter Hynd *Executive Director* Fionn Hyndman *Non-Executive Director* David Sweet *Non-Executive Director*
SECRETARY:	Campbell Nicholas
REGISTERED OFFICE:	Ground Floor 33-35 Saunders Street Pyrmont NSW 2009 Telephone: (02) 8569 0000 Facsimile: (02) 8569 0001
PRINCIPAL PLACE OF BUSINESS:	Ground Floor 33-35 Saunders Street Pyrmont NSW 2009 Telephone: (02) 8569 0000 Facsimile: (02) 8569 0001
SHARE REGISTRY:	Computershare Investor Services Pty Limited Level 5 115 Grenfell Street Adelaide SA 5000 Telephone: (08) 8236 2300 Facsimile: (08) 8236 2305
AUDITORS:	Ernst & Young 680 George Street Sydney NSW 2000
SOLICITORS:	K&L Gates Level 31 1 O'Connell Street Sydney NSW 2000
BANKERS:	National Australia Bank

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

On behalf of Directors I present the Preliminary Final Report of Asia Pacific Digital Limited (the "Group", "Company" or "APD") for the year ended 30 June 2014.

During FY14 the Company embarked on a significant shift in strategy as it recognised the need to achieve scale and grow. This led to the significant restructuring you've witnessed over the last nine months, and the beginning of the Company's transition into a regional digital marketing and commerce leader.

At the time of the restructuring, when the Company announced that it would acquire three new divisions, we indicated that the merged business would have annualised revenues of over $50m and would use its Australasian operating earnings to grow in Southeast Asia and China.

The acquisition and consequent reshaping of the Company's business mix and management team occurred during the final quarter of the year and as a consequence its financial performance to 30 June 2014, with group revenues of $35.3m and a net loss of $1.3m, bears limited resemblance to the business going forward.

Therefore this review focuses on why we are going on the journey, how we are going to get there and how we are going to measure our progress.

Why we are going on this journey

Our customers are now telling us that in today's digital marketplace, the fragmented vendor ecosystem makes it difficult to build brands and sell to consumers online with transparency and accountability. With multiple vendors each competing to provide individual service lines like digital strategy, technology, demand generation, CRM and analytics, customers can struggle to derive value from their online spend. This is because few digital marketing and commerce businesses like Asia Pacific Digital can act as *business partners*, providing an integrated package with financial transparency and accountability. In other words, the digital value chain is somewhat broken. We are on a journey to improve it.

Before becoming Asia Pacific Digital, Digital Performance Group owned two customer acquisition businesses in a maturing market: dgm and Empowered Communications. With the acquisition and integration of Next Digital, Jericho and Asia Pacific Digital eCommerce, the Company now spans the value chain and has the capability to provide a significantly more seamless and accountable service to its clients.

Meanwhile, our core Australian and New Zealand markets are now growing at a slower pace. This has led us to take the great skills, experience and client relationships we have built there to focus on new growth regions in Southeast Asia and China.

Three year compound annual growth rates in digital advertising and commerce in Australia are forecast at around 10%, whereas the Southeast Asian and Chinese markets are growing at 30-50%, typically off a lower base.

Finally, Australia and New Zealand are now high cost markets. To compete against international peers it is necessary to place vital technology and operational resources in lower cost markets. The pending opening of the Group's new 120 seat Regional Operations Centre in Manila evidences the seriousness with which we take the mission to increase productivity and ensure that our cost to serve is internationally competitive.

How we are going to get there

Over the past five years the businesses that now make up Asia Pacific Digital have been acquired from different owners. Given the diverse origins of our businesses, it has been necessary to work to overcome the structural and cultural barriers which prevent collaboration.

We currently own 100% of every business in our stable. There are currently no earn-outs or minority shareholdings in our companies, and there are clearly established business rules that govern how we work together to serve clients. Importantly, the management teams within our businesses come to work not because they are working through an earn out, after which they'll probably leave, but because they want to be part of our journey to provide a seamless service to clients. It has taken time to achieve the right balance and personnel.

In our experience, getting the structure right is just the first important step. The next is to build a culture that recognises that serving clients well across the value chain is the end game, and that profits will follow.

With those principles in mind, we're building out our core businesses across the region. We are focused on Australia, New Zealand, Southeast Asia and China. We do not expect to target Japan, South Korea, Taiwan or India in the near term, because we don't currently have the capital, skills or bandwidth to succeed in those markets.

We are using the cash flows we generate from Australia and New Zealand to build new businesses in China, the Philippines, Malaysia and Singapore. We are also looking for opportunities to extend our footprint into Indonesia and Thailand. We intend buying small, high potential businesses in our chosen markets then building them, just as our team in Malaysia has done so successfully over the past three years.

The ultimate evidence that we can work together across geographic and service line boundaries is that we can partner with clients to build eCommerce ventures, taking the same risks as our business partners, and reaping the same rewards. Risk-based eCommerce venture partnerships are difficult to execute and few competitors can offer this capability. By way of example, our partnerships with Cellarmasterwines and Advintage are supported by multi-disciplined teams operating in six countries, all with one objective: to grow our partners' businesses and share in the increases in revenue and shareholder value that we generate.

The pilot project, www.cellarmasterwines.com, in which the Group currently holds a 19% equity share, has required significant time and effort. Whether or not the business of www.cellarmasterwines.com is a commercial success, its launch proves that APD can deliver integrated eCommerce ventures. As a result we have forged our second partnership with www.advintage.co.nz.

Our eCommerce venture model is now becoming sought after, and we have a robust forward pipeline.

How we are going to measure our progress

As at 30 June around 80% of our revenues came from Australia and about 40% of our employees were based in Asia. We've set ourselves some ambitious three year goals that we think will drive value for our shareholders, clients and employees alike:

- conclude building our core capabilities in Asia;
- earn 50% of group revenues outside Australia;
- locate 50% of our employees in Asia;
- maintain minimum 30% organic growth rate in Asia;
- maintain break even operating EBITDA while building the network; and
- earn a minimum 10% operating company EBITDA margin after completion of the network build out.

Achieving 50% of our revenues outside Australia is going to require acquisitions and more capital. We are evaluating a number of potential acquisitions however to proceed to execution they need to represent strong business and cultural fits, and have to be available at accretive pricing - by no means an easy task in Asia.

What will success look like in three years? Success will be a thriving business in Australia and New Zealand with effective beachheads throughout Southeast Asia, serving local and international clients, run substantially by local people. It will offer uniformity of service, it will be growing at a fast clip, and it will be building successful eCommerce ventures capable of being monetised.

Finally, the path to success will by no means be linear, and we expect there to be highs and lows along the way. We have now launched new operations in several countries and logic says that despite rigorous planning and recruitment some of these will work, some won't, and some will be slower to build than planned - so there is an element of uncertainty ahead of us. Wherever we get it wrong we plan to "fail fast" and move on quickly. The goal is worthwhile, and we are now underway.

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 2014.

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.

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 Co-Investor Capital Partners Pty Limited, the major shareholder of Asia Pacific Digital. Roger has 31 years' experience in finance and international markets and prior to founding Co-Investor 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 Limited until its sale in January 2008 and was appointed to the Board of Webjet Limited on 1 January 2013. Roger has BA LLB qualifications from the University of Auckland, is a Member of the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

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 Co-Investor Capital Partners Pty Limited, the major shareholder of the Company. Mr Hynd has over seventeen 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 more recently, Managing Director - Australia of Co-Investor. Prior to that Mr. Hynd spent eight years with global accounting firm, Ernst & Young and as a small cap corporate financier with small and mid-cap focused broking firms, BBY and Patersons. A Member of the Financial Services Institute of Australasia and the Institute of Chartered Accountants of Australia, Peter holds B.Bus.Mgmt, B.Com, and Grad.Dip. in Applied Finance & Investment qualifications.

David Sweet, *Non-Executive Director.* Appointed 1 September 2009. Served as *Executive Director* from 18 June 2004 to 31 August 2009. Resides in Australia.

Mr Sweet has a Bachelor of Business degree and has held a number of executive roles over the past 15 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.

Fionn Hyndman, *Non-Executive Director.* Appointed 1 January 2011. Resides in Singapore.

Mr Hyndman has held executive roles in a number of online advertising businesses including having previously been the Managing Director of Deal Group Media Pty Ltd, prior to the acquisition by the Company in October 2010.

COMPANY SECRETARY

Mr Campbell Nicholas has been a certified practicing accountant for 22 years. He was appointed as company secretary on 31 July 2007 following the on-market takeover of Sonnet Corporation Ltd. He held the position of company secretary in Sonnet Corporation Ltd from September 2005.

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 P Hynd and Mr R Sharp (i)	1,439,906,563	-
Mr D Sweet	883,385	-
Mr F Hyndman	-	-

(i) These securities are held by funds managed by Co-Investor Capital Partners Pty Ltd and Co-Investor Capital Partners (NZ) Ltd. Mr Hynd and Mr Sharp are Directors and shareholders of Co-Investor Capital Partners Pty Ltd. Co-Investor Capital Partners (NZ) Ltd is a subsidiary of Co-Investor Capital Partners Pty Ltd.

No Director options were exercised between the end of the financial year and the date of this report.

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:	11	2	-
Number of meetings attended:			
David Sweet	11	n/a	n/a
Fionn Hyndman	11	n/a	-
Peter Hynd	11	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 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 (Strategies and Solutions Division - Next Digital);
- online lead and demand generation (Customer Acquisition Division - dgm and Empowered);
- customer retention and engagement (Customer Management Division - Jericho); and
- end-to-end eCommerce services (eCommerce Division - Asia Pacific Digital eCommerce).

OPERATING AND FINANCIAL REVIEW

Operating results for the year

Consolidated earnings from continuing operations before interest, tax depreciation, amortisation and impairment losses (EBITDA) were $667,000 (2013: $1,008,000). The consolidated entity net loss after income tax for the financial year ended 30 June 2014 was ($1,257,000) (2013: $378,000).

Segment Activities and Performance

The Group formally acquired the Asia Pacific Digital group including Next Digital, Jericho and eCommerce on 31 March 2014 and was subsequently rebranded. In the period between April and financial year end considerable effort was made to integrate people, systems and business processes. That process will continue for some time.

The Company accelerated its Asian expansion plans immediately after the transaction was settled, increasing recruitment and infrastructure spending in several key centres, in particular Shanghai, Manila, Kuala Lumpur and Singapore.

By year end, the Company had begun to establish an operating rhythm, with its four divisions working together to win and service new clients. There have been positive early signs of new client wins and momentum. Considerable effort was put into establishing the group's new Regional Operations Centre in Manila which is expected to be activated in October 2014.

Strategies and Solutions

Next Digital joined the group in the last eleven weeks of the financial year and did not have a material impact on the full year result, delivering revenues of $4,063,000 and EBITDA ($173,000) for the period (reflecting integration costs and the acceleration of its growth in Asia).

During the final quarter Next Digital established new infrastructure and teams in Shanghai, Manila, Kuala Lumpur and Singapore. Costs and headcount were reduced in Australia to pave the way for an improved financial performance in FY15. The Global Clients division continued its strong ten year growth path. Ford Motor Company is now the group's largest client and Next Digital now has three of the group's top ten clients, with two based outside Australia.

Customer Acquisition

Empowered and dgm delivered revenues of $29,275,000 for the full year (PCP: $29,856,000) and EBITDA of $2,835,000 (PCP: $2,767,000).

Empowered has begun to show a resurgence in momentum and earnings, driven by improved lead generation and market research activities, and the launch of its long anticipated co-registration platform for clients seeking new customer sign-ups. dgm had a mixed year, with its Affiliate operations material negatively impacted by the loss of Apple and Westpac as major affiliate clients during the first half of FY14, while the Search channel had an outstanding year with very strong year-on-year growth and substantial new client wins including eBay and Harvey Norman.

Both Empowered and dgm are currently in advanced planning to enter South East Asia and intend to adopt a single new brand covering all customer acquisition operations.

Customer Management

Jericho also joined the group in the last eleven weeks of the financial year and did not have a material impact on the group result, delivering revenues of $1,513,000 and EBITDA ($4,000) for the period (like Next Digital, also reflecting integration costs and the acceleration of its growth initiatives in Asia).

Jericho continued to grow in Australia and Asia during the period. A highlight of the reporting period was the migration of all clients off its predecessor's legacy platform in Australia to SmartMailPro, Jericho's proprietary marketing technology platform.

eCommerce

eCommerce delivered revenues of $440,000 for the period and EBITDA of ($17,000) in the last eleven weeks of the financial year. Immediately prior to year end eCommerce shifted its focus from its fee-for-service model to a risk and reward sharing venture model. We have now entered two ventures in which we are entitled to a share of revenues and equity participation: (www.cellarmasterwines.com and www.advintage.co.nz).

Revenues for eCommerce ventures will be brought to account in line with the works to be undertaken over a venture's life (currently anticipated to be five years). Revenues to 30 June 2014 included partial recognition of the value of the equity position in the parent company of www.cellarmasterwines.com post the acquisition of Asia Pacific Digital Australia on 31 March 2014.

With a promising pipeline of new venture opportunities under consideration, it is now evident that the eCommerce division occupies a unique market position.

Business Intelligence

During the period the Group spent considerable time and cost building out a new business intelligence product that will enable clients to review the performance of their marketing channels and to optimise their marketing spend.

Once the product has been rolled out to our eCommerce ventures we intend launching a new business unit through offering a productised version to our client base.

Corporate costs

Corporate costs for the period were $1,974,000 (PCP: $1,759,000), reflecting the integration of the corporate operations of the acquired Group and merger transaction costs. The Group now has corporate operations in Sydney and Singapore, with the regional team in Singapore fully engaged in reviewing acquisitions and implementing organic growth strategies around the region. A number of potential acquisition targets were reviewed in Asia during the period.

Financial position

The net assets of the Group have increased by $5,793,000 from $6,080,000 at 30 June 2013 to $11,873,000 at 30 June 2014. The net assets of Asia Pacific Digital Australia Pty Ltd as at 30 June 2014 were $1,660,000.

The major balance sheet movements during FY2014 were:

- an increase in paid up capital of $3,885,000 following the placement in May 2014 to regional fund managers and sophisticated investors;
- an increase in total interest bearing loans and borrowings of $4,960,000 as a result of assuming the Asia Pacific Digital Australia Pty Ltd convertible note facility of $5,500,000 and an increase in the loan with Co-Investor Capital Partners Pty Ltd of $203,000 offset by an decrease in the NAB debtors finance facility of $159,000 and a reduction in the vendor finance loan of $584,000 for the acquisition of Viva9 in August 2012;
- a decrease in equity of $12,311,000 for the common control reserve booked following the acquisition of Asia Pacific Digital Australia Pty Ltd;
- an increase in investments of $2,851,000 for shareholdings in aCommerce (the Southeast Asian end-to-end e-commerce logistics service provider) and Macro Wines and Spirits Asia (the Hong Kong based parent of www.cellarmasterwines.com); and
- an increase in goodwill of $3,014,000 relating to pre-existing goodwill in Asia Pacific Digital Australia Pty Ltd.

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 share options were outstanding:

- 1,260,000 unlisted options to subscribe for 1,260,000 ordinary shares. The options are exercisable on or before 31 October 2014 with a nil exercise price for each ordinary share;
- 2,250,000 unlisted options to subscribe for 2,250,000 ordinary shares. The options are exercisable on or before 31 October 2014 at an exercise price of 6 cents for each ordinary share; and
- 15,000,000 unlisted options to subscribe for 15,000,000 ordinary shares. The options are exercisable on or before 24 July 2017 at an exercise price of 3 cents for each ordinary share.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

DIVIDENDS

The Directors recommend that no amount be paid by way of dividend for the year ended 30 June 2014. 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 17 July 2014, the Company held an extraordinary general meeting of shareholders where it was resolved to approve the conversion of $2.0 million of secured debt into equity. The fully paid ordinary shares issued in relation to the conversion of the secured debt into equity were issued on 25 July 2014.

On 25 July 2014, the Company raised $0.2 million under a share purchase plan to existing shareholders.

On 25 July 2014, the Company issued 15,000,000 options with an exercise price of 3 cents each to Canaccord Genuity (Australia) Limited in consideration for services provided by Canaccord as lead manager in the Company's capital raising in May 2014. The options will not be quoted and will expire on 24 July 2017.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Other than for matters referred to in note 27 and elsewhere in this report, the disclosure of further information as to likely developments in the operations of the consolidated entity and expected results of those operations would, in the opinion of the Directors, be speculative and such disclosure could result in unreasonable prejudice to the consolidated entity.

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 Company and individual performance against targets. The Company target is the Board approved annual Underlying EBITDA[1] budget. The individual 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.

Company performance

The Company's financial performance is primarily measured against Underlying EBITDA[1`] forecasts.

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

1. Underlying EBITDA has been used because the Directors consider that this amount reflects the operating earnings result and excludes costs that are not attributable to the normal trading activities of the company.

Details of remuneration for year ended 30 June 2014

The remuneration for each Key Management Personnel Director and executive of the consolidated entity was as follows:

		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 [1] *Executive Director*	**2014**	119,541	-	-	3,555	-	-	123,096	-
	2013	83,333	-	-	-	-	-	83,333	-
P Pryke[2] *Non-Executive Chairman*	**2014**	-	-	-	-	-	-	-	-
	2013	16,667	-	-	-	-	-	16,667	-
C Meehan[3] *Executive Director*	**2014**	-	-	-	-	-	-	-	-
	2013	206,731	-	-	18,606	159,324	-	384,661	-
D Sweet *Non-Executive Director*	**2014**	50,000	-	-	-	-	-	50,000	-
	2013	50,000	-	-	-	-	-	50,000	-
F Hyndman *Non-Executive Director*	**2014**	60,000	-	-	-	-	-	60,000	-
	2013	60,000	-	-	-	-	-	60,000	-
R Sharp [4] *Non-Executive Director*	**2014**	97,094	-	-		-	-	97,094	-
	2013	-	-	-	-	-	-	-	-
C Burns [5] *Non-Executive Director*	**2014**	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-
Sub total Directors	**2014**	**326,635**	**-**	**-**	**3,555**	**-**	**-**	**330,190**	**-**
	2013	**416,731**	**-**	**-**	**18,606**	**159,324**	**-**	**594,661**	**-**

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. Resigned 31 August 2012.
3. Redundant 26 April 2013.
4. 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 Co-Investor Capital Partners Pty Ltd.
5. Resigned 16 October 2012. Christin Burns was not paid any Director's fees. He was an employee of Co-Investor Capital Partners Pty Ltd.

Details of remuneration for year ended 30 June 2014 *(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	**2014**	250,000	-	-	23,125	-	-	273,125	-
Chief Financial Officer	**2013**	250,000	-	-	22,500	-	-	272,500	-
S McNamara [1]	**2014**	281,125	30,000	-	26,004	-	-	337,129	-
Customer Acquisition Chief Executive Officer	**2013**	303,621	30,000	-	25,572	-	-	359,193	-
N Smith [2]	**2014**	70,572	-	-	-	-	-	70,572	-
Next Digital Chief Executive Officer	**2013**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
P Harrison [2]	**2014**	64,156	-	-	-	-	-	64,156	-
Jericho Chief Executive Officer	**2013**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
S Toohey [2]	**2014**	52,500	-	-	4,444	-	-	56,944	-
eCommerce Chief Executive Officer	**2013**	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sub total Executives	**2014**	**718,353**	**30,000**	**-**	**53,573**	**-**	**-**	**801,926**	**-**
	2013	**553,621**	**30,000**	**-**	**48,072**	**-**	**-**	**631,693**	**-**
TOTALS	**2014**	**1,044,988**	**30,000**	**-**	**57,128**	**-**	**-**	**1,132,116**	**-**
	2013	**970,352**	**30,000**	**-**	**66,678**	**159,324**	**-**	**1,226,354**	**-**

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 is for the 3 month period following the acquisition of the Asia Pacific Digital Australia Pty Ltd group of companies.

Options granted as part of remuneration:

2014
No options were granted as part of remuneration during the year.

	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 %
C Meehan	-	13,600	96,104	-	-
C Nicholas	-	8,800	61,847	-	-
S McNamara	-	-	39,305	-	-
N Smith	-	-	-	-	-
P Harrison	-	-	-	-	-
S Toohey	-	-	-	-	-
Total	**-**	**22,400**	**197,256**	**-**	**-**

Compensation options: Granted / vested during the year (consolidated)

2014 - Options exercised and forfeited during the year.
No options were granted or vested during the year. The vesting conditions are non-market.

Director / Executive	Year options granted	Number of options granted	Award date	Fair value per option at grant date	Vesting date	Exercise price per option	Expiry date	Date options exercised	Date options forfeited
C Meehan	2010	680,000	25 Oct 10	2 cents	25 Oct 10	nil	31 Oct 13	25 Oct 13	n/a
	2009	850,000	2 Nov 09	2 cents	2 Nov 09	nil	2 Nov 12	2 Nov 12	n/a
	2011	655,714	15 Dec 11	2.38 cents	31 Oct 14	nil	31 Oct 17	n/a	30 Jun 14
	2011	5,850,000	15 Dec 11	1.38 cents	31 Oct 14	4.1 cents	31 Oct 17	n/a	30 Jun14
	2011	8,357,143	30 Nov 11	1.12 cents	31 Oct 12	3 cents	31 Oct 15	n/a	5 Feb 13
	2011	728,571	30 Nov 11	2.38 cents	31 Oct 12	nil	31 Oct 15	n/a	5 Feb 13
	2011	5,200,000	30 Nov 11	1.18 cents	31 Oct 13	4.1 cents	31 Oct 16	n/a	5 Feb 13
	2011	582,857	30 Nov 11	2.38 cents	31 Oct 13	nil	31 Oct 16	n/a	5 Feb 13
C Nicholas	2010	440,000	25 Oct 10	2 cents	25 Oct 10	nil	31 Oct 13	25 Oct 13	n/a
	2009	550,000	2 Nov 09	2 cents	2 Nov 09	nil	2 Nov 12	2 Nov 12	n/a
	2011	424,286	15 Dec 11	2.38 cents	31 Oct 14	nil	31 Oct 17	n/a	30 Jun 14
	2011	3,760,714	15 Dec 11	1.38 cents	31 Oct 14	4.1 cents	31 Oct 17	n/a	30 Jun14
	2011	5,571,429	30 Nov 11	1.12 cents	31 Oct 12	3 cents	31 Oct 15	n/a	5 Feb 13
	2011	471,429	30 Nov 11	2.38 cents	31 Oct 12	nil	31 Oct 15	n/a	5 Feb 13
	2011	3,342,857	30 Nov 11	1.18 cents	31 Oct 13	4.1 cents	31 Oct 16	n/a	5 Feb 13
	2011	377,143	30 Nov 11	2.38 cents	31 Oct 13	nil	31 Oct 16	n/a	5 Feb 13
S McNamara	2012	2,470,397	20 Jan 12	1.59 cents	31 Oct 14	2.4 cents	31 Oct 17	n/a	30 Jun 14
	2011	1,114,286	30 Nov 11	1.12 cents	31 Oct 12	3 cents	31 Oct 15	n/a	5 Feb 13
	2011	2,223,357	30 Nov 11	1.46 cents	31 Oct 13	2.4 cents	31 Oct 16	n/a	5 Feb 13
	2011	2,470,397	20 Jan 12	1.59 cents	31 Oct 14	2.4 cents	31 Oct 17	n/a	30 Jun 13
Total		**46,120,580**							

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.

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:

	2014	**2013**
	$	**$**
Taxation services	71,000	24,500
	71,000	24,500

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 Sydney this 30th day of September 2014

Signed in accordance with a resolution of the Directors.

ROGER SHARP
Executive Chairman

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

In relation to our review of the financial report of Asia Pacific Digital Limited for the year ended 30 June 2014, 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

Ernst & Young

Meredith Scott

Meredith Scott
Partner
Sydney
30 September 2014

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of Asia Pacific Digital Ltd ("APD" or 'the Company"). The Board of Directors ("Board") supports a system of corporate governance to ensure that the management of the Company is conducted to maximise shareholder wealth in a proper and ethical manner.

On 2 August 2007, the ASX Corporate Governance Council issued revised "Principles of Good Corporate Governance and Best Practice Recommendations" (**Revised Principles**).

The Board adopted the Revised Principles for the financial year commencing 1 July 2008. This statement reports on compliance with the Revised Principles for the year ended 30 June 2014.

During the financial year ended 30 June 2014, the Company believes it achieved reasonable compliance with the Revised Principles recommendations based on the Company's circumstances, the size of the Board and Company and its activities. Where recommendations of the Revised Principles have not been implemented during the period, an explanation of the extent to which the guidelines have not been followed is disclosed below in accordance with the Revised Principles. The Board wishes to acknowledge that nothing has come to its attention which would lead the Board to conclude that its current practices and procedures are not appropriate for an organisation of its size and maturity.

Principle 1: Lay solid foundations for management and oversight

The Board considers that the essential responsibilities of the Directors are to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value.

The Board has a Charter (available on the Company's website under its Corporate Governance section), www.asiapacificdigital.com, which clearly establishes the relationship between the Board and management and describes their functions and responsibilities.

The key responsibilities of the Board include to:

- appoint and review the performance of the Managing Director;
- develop with management and approve strategy, planning and major capital expenditure;
- arrange for effective budgeting and financial supervision;
- ensure that appropriate audit arrangements are in place;
- ensure that effective and appropriate reporting systems in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately; and
- report to shareholders.

The Board, where appropriate, may establish a number of committees to assist in carrying out its responsibilities in an effective and efficient manner. The Board meets at least eleven times a year to consider the business of the Company, its financial performance and other operational issues.

The terms and conditions of the appointment and retirement of Directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

The Board is responsible for setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of those goals.

Principle 1: Lay solid foundations for management and oversight *(continued)*

The Board has delegated to management responsibility for:

- implementing corporate strategies;
- making recommendations for the appointment of senior management, determining terms of appointment and evaluating performance;
- developing the Company's annual budget and managing day-to-day operations within the budget;
- maintaining effective risk management frameworks;
- keeping the Board fully informed about material developments; and
- managing day-to-day operations in accordance with standards for social, ethical and environmental practices which have been set by the Board.

The Board reviews the performance of the Executive Directors and the Executive Directors review the performance of senior executives on an annual basis against key performance indicators relevant to each particular role. Executive's performance was assessed in July 2014 in accordance with the relevant formal executive performance review process adopted at that time.

Principle 2: Structure the Board to add value

During the financial year the Board comprised:

- Roger Sharp, executive chairman (appointed Non-Executive director 16 October 2012 and appointed executive chairman on 1 April 2014).
- Peter Hynd, executive director (appointed Non-Executive director 31 August 2012 and appointed executive director on 1 April 2014);
- David Sweet, Non-Executive director;
- Fionn Hyndman, Non-Executive director;

The Company is confident its current Board size is adequate, in reference to the size and structure of the Company and it allows the Board to effectively and efficiently discharge its role and responsibilities. The current composition of the Board is in accordance with the following principles:

- the Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas;
- the Board should not comprise a majority of executive Directors; and
- Directors should bring characteristics which allow a mix of qualifications, skills and experience both nationally and internationally.

The Board has a broad range of relevant financial, legal and other skills, experience and expertise. The current Board composition, with details of each Director's background, is set out in the Directors' report.

The term of office held by each Director in office at the date of this Report is set out in the Directors' Report.

Director Independence

Directors are expected to bring independent views and judgement to the Board's deliberations.

An independent Director is a non-executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

In considering whether a Director is independent, the Board has regard to the series of relationships affecting independence, as outlined in Revised Principle 2.1, and the interests disclosed by them.

Principle 2: Structure the Board to add value *(continued)*

Based upon this information, the following table outlines the independent status of each Director:

Director	Title	Independent	Reason
Roger Sharp	Executive Chairman	No	A Director of a substantial shareholder of the Company
David Sweet	Non-Executive Director	Yes	Mr Sweet become an independent Director on 1 September 2012. Prior to this date he was not an independent Director because he was previously employed in an executive capacity
Fionn Hyndman	Non-Executive Director	Yes	Independent from management and free of any material business or other relationship
Peter Hynd	Executive Director	No	A Director of a substantial shareholder of the Company

Revised Principle 2.1 requires that a majority of the Board be independent. The composition of the Board is not consistent with ASX Principle 2.1 in that the Company does not currently have a majority of independent Directors. Whilst the Revised Principles recommend that the Board should consist of a majority of independent Directors, the Company believes that the individuals on the Board make quality and independent judgments at all times and act in the best interests of all relevant stakeholders. If any Director has a material interest in a matter, the Director is not permitted to vote on the matter.

Chairman

Mr Roger Sharp, who is not classed as an independent Director, is Chairperson of the Board. This is not in accordance with Revised Principle 2.2 that recommends the chair be an independent Director. The reason for the current position of the Chairperson being held by Mr Roger Sharp, who is not classed as an independent Director, is because he is a director of the substantial shareholder of the Company with the requisite qualifications and experience.

Separate role of Chair and Managing Director

Revised Principle 2.3 states that the role of the Chairperson and Managing Director should not be exercised by the same individual. On 26 April 2013, Mr Meehan's position as Managing Director was made redundant. This position was not replaced however given the size of the Company.

Nomination Committee

The selection and appointment process of future Directors is deemed to be the responsibility of the whole Board.

Revised Principle 2.4 recommends that the Board establish a nomination committee. During the year, the Company did not have a separately established nomination committee in accordance with Revised Principle 2.4.

The Board does not have a formal written policy for the nomination and appointment of Directors.

The Constitution of the Company requires one third of the Directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of Directors to retire at that Annual General Meeting. Directors cannot hold office for a period in excess of three years or later than the third Annual General Meeting following their appointment without submitting themselves for re-election. Retiring Directors are eligible for re-election by shareholders.

Principle 2: Structure the Board to add value *(continued)*

When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process.

The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

Given the current size of the Board, the Board considers that this function is efficiently achieved with full Board support, and in accordance with the appointment, removal and re-election procedures of Directors set out in the Company's Constitution.

Evaluating Board Performance

The Chairperson reviews the performance of individual Directors each year.

The Board reviews its performance and composition on an annual basis to ensure that it has the appropriate mix of expertise and experience. The Board also reviews the performance and composition of its committees on annual basis.

The Board undertook an evaluation of itself and its committees in July 2014, with all Directors providing input on the effectiveness of board processes, meetings, composition and reporting with Directors having an opportunity to discuss and comment on such matters with the Chairperson.

Induction and education

The Company has in place an induction program for new Directors and Directors have access to continuing education to update and enhance their skills and knowledge.

Access to information and Company Secretary

The Board receives regular detailed financial and operational reports from senior management to enable it to carry out its duties. Directors can request additional information and can contact an executive where further information or clarification is required.

Each Director may, with the prior written approval of the Chairman, obtain independent professional advice to assist the Director in the proper exercise of powers and discharge of duties as a Director or as a member of a Board Committee. The Company will reimburse the Director for the reasonable expense of obtaining that advice.

The Company Secretary is appointed by and reports to the Board on all corporate governance issues. The decision to appoint and remove the Company Secretary is a matter for the decision of the Board as a whole. All directors have access to Mr Nicholas, the Company Secretary to assist them in carrying out their role.

Principle 3: Promote ethical and responsible decision-making

Code of Conduct

The Board has established a Code of Conduct to guide the Directors, Chief Financial Officer and other key executives as to the practices necessary to maintain confidence in the Company's integrity.

The Code of Conduct requires that Directors:

- act with honesty and integrity;
- respect the law and act accordingly;
- respect confidentiality and not misuse information;
- value and maintain professionalism;
- avoid conflicts of interest;

Principle 3: Promote ethical and responsible decision-making *(continued)*

- strive to be good corporate citizens; and
- have respect for each other.

The principles set out in the Code of Conduct apply to executives, management and employees. It is the Board's responsibility to ensure that all staff is aware of the Code of Conduct.

All Directors, executives and employees are charged with the responsibility to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

As noted above, the Board has adopted a Code of Conduct which guides compliance with legal and other obligations to legitimate stakeholders.

The Code of Conduct is available on the Company's website under its Corporate Governance section.

Share Trading

Under the Company's share trading policy, all employees and Directors of the Company and its related companies are prohibited from trading in the Company's shares or other securities if they are in possession of price-sensitive "inside information". Subject to this condition and in light of the ASX's continuous disclosure requirements, trading can occur at any time but subject to conditions surrounding periods prior to the publication of financial results.

In addition, in order to trade, Directors and senior executives of the Company must advise the Chairman of their intention to trade and must also have been advised by the Chairman that there is no known reason to preclude them trading in the Company's shares or other securities.

The Company's policy provides that the Chairman will generally not allow Directors and senior executives to deal in securities of the Company within the period of 1 month prior to the release of annual or half yearly results or within the period of 1 month prior to the issue of a prospectus.

The Company's policy on Directors and senior executives dealing in securities is available on the Company's website under its Corporate Governance section.

Diversity

The Company recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. We actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated.

To this end, the Company supports and complies with the recommendations contained in the ASX Corporate Governance Principles and Recommendations. The Company has established a diversity policy outlining the Board's objectives for achieving diversity. This is assessed annually to measure the progress towards achieving those objectives. The diversity policy is available in the corporate governance section on the Company's website.

To achieve the diversity objectives set out in our policy, the Company has undertaken the following initiatives:

- reviewing and standardising our processes for recruitment to eliminate potential bias;
- succession planning across the group to identify high potential employees whose skills can be further developed;
- as part of the annual performance and pay review process, Management undertake a review of pay parity to ensure there is no gender basis;
- a flexible work policy around how and when work is done and to recognise that employees may have different domestic requirements throughout their career. Part time and flexible work practices are available across the group;
- a cultural survey of all staff, recognising that diversity is broader than solely gender matters;

Principle 3: Promote ethical and responsible decision-making *(continued)*

- a paid parental leave policy of 12 weeks for the primary carer and one week for partners;
- continue to maintain and promote a culture of equality and respect and provide a workplace free from discrimination, harassment and abuse; and
- ensuring all employees have equal access to workplace opportunities, training and development programs.

As at 30 June 2014, women represented 42% in the Company's total workforce (2013: 35%), 25% in key executive positions (2013: 14%) and held no directorships on the Board (2013: nil).

In FY2014, of our current employees, two took maternity leave and were provided with paid parental leave in addition to the government sponsored entitlement. We are currently working closely with them to provide a flexible re-entry to the business. A further 2 employees were provided with part time and flexible work from home practices.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The Board has established an Audit Committee to assist the Board in the discharge of its responsibilities.

The Audit Committee monitors internal control policies and procedures designed to safeguard company assets and to maintain the integrity of financial reporting. The role of the Audit Committee is to provide a direct link between the Board and the external auditors.

The Audit Committee also gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

The member of the Audit Committee at the date of this report is Mr Peter Hynd, the Executive Director and the chair of the Audit Committee.

Revised Principle 4.2 recommends that an Audit Committee should be structured so that it consists only of non-executive Directors, consists of a majority of independent Directors, is chaired by an independent chair who is not the chair of the board and has at least three members.

Considering the size of the Company and the Board, the Board is confident that Mr Hynd was the most suitable person to fulfil the position of chair of the Audit Committee having regard to his qualifications and financial accounting knowledge and skills. Mr Hynd is a Chartered Accountant.

Further, the Audit Committee did not comply with Revised Principle 4.2 because it did not consist of at least three members and the Audit Committee does not consist of a majority of Independent Directors. Given the current size of the Board, the Board considers that the function of the Audit Committee is efficiently achieved with one member and whilst a majority of members are not independent, this member brings valuable knowledge, skills and experience to the Audit Committee deliberations.

The Audit Committee Charter details the Audit Committee's role and responsibilities.

The responsibilities of the Audit Committee include:
- monitoring compliance with regulatory requirements;
- improving the quality of the accounting function;
- reviewing and assessing the process surrounding the disclosures made by the Managing Director and CFO in connection with their personal certifications of the half-year and annual financial statements;
- recommending to the Board the appointment, removal and remuneration of the external auditors;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management; and
- liaising with external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner.

Principle 4: Safeguard integrity in financial reporting *(continued)*

The Audit Committee requires management to confirm that the accounting methods applied by management are consistent with and comply with applicable accounting standards.

The Audit Committee reviews the performance of the external auditors on an annual basis and meets with them at least twice during the year. The Audit Committee also meets with and receives reports from the external auditors concerning any matters which arise in connection with the performance of their respective roles, including the adequacy of internal controls.

The Audit Committee Charter is available on the Company's website under its Corporate Governance section.

During the financial year ended 30 June 2014, the Audit Committee held 2 meetings and Mr Hynd attended both meetings.

The qualifications of the Audit Committee member are set out in the Director's Report contained in this annual report.

Principle 5: Make timely and balanced disclosure

The Company understands and respects that timely disclosure of price sensitive information is central to the efficient operation of the Australian Securities Exchange's securities market and has adopted a comprehensive policy covering announcements to the Australian Securities Exchange, prevention of selective or inadvertent disclosure, conduct of investor and analysts briefings, media communications, commenting on expected earnings, communications black-out periods and review of briefings and communications.

The policy is reviewed periodically and updated as required. The Company's policy on Continuous Disclosure is available on the Company's website under its Corporate Governance section. The Managing Director and Company Secretary have responsibility for overseeing and co-ordinating disclosure of information to the Australian Securities Exchange.

The Company Secretary also liaises with the Chairman in relation to continuous disclosure matters. The Chairman is responsible for overseeing and co-ordinating disclosure of information to analysts, brokers and shareholders.

Principle 6: Respect the rights of shareholders

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. The Investor Centre section of the Company's website details and provides links to all of the Company's ASX and company releases, general meeting information, financial reports and investor presentations. This is updated regularly to ensure shareholders have ready access to Company information.

Information is communicated to shareholders through the distribution of annual reports and by presentations to shareholders at the Annual General Meeting, which they are encouraged to attend.

In addition, all reports, including quarterly reports and releases made by the Company throughout the year with respect to its activities are distributed widely via the Australian Securities Exchange and on the Company's website located at www.asiapacificdigital.com.

The Company's Communications with Shareholders Policy is available on the Company's website under its Corporate Governance section. The Company's Continuous Disclosure Policy outlines the Company's obligations regarding price sensitive information.

The Company will arrange for its external auditors to attend and be available to answer questions at the Company's annual general meetings.

Principle 7: Recognise and manage risk

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has embedded in its management and reporting systems a number of risk management controls.

The Board monitors and receives advice on areas of operational and financial risk, and regularly considers strategies for appropriate risk management arrangements.

Specific areas of risk identified which are considered at Board meetings include competition, intellectual property, changes in government regulation, technology changes, human resources, integrity of data, statutory compliance and continuous disclosure obligations.

The Board and senior management have adopted a Risk Management Program to ensure that risks facing the business are appropriately managed. The framework of the Risk Management Program is available on the Company's website under its Corporate Governance section. The Board reviews annually with key management the implementation and effectiveness of the Risk Management Program.

The Revised Principle 7.1 recommends that companies establish policies for the oversight and management of material business risks and disclose a summary of those policies. Other than the Risk Management Program, the Board has not formalised other risk management policies. Given the current size and nature of the Company's business the Board does not consider that formal risk management policies are required in addition to the Risk Management Program adopted by the Board.

The Board receives regular reports about the Company's financial condition and operational results. Given the size and nature of the Company's business, a separate risk management committee has not been established, with the primary responsibility of risk management being undertaken by the Board and senior management.

The Chief Financial Officer annually provides formal statements to the Board that:

- the financial records of the Company for the financial year have been properly maintained for the purposes of section 295A of the Corporations Act;
- in all material respects the integrity of the Company's financial statements is founded on a system of risk management and internal compliance and control;
- the financial statements comply with the accounting standards and give a true and fair view of the Company's financial position for the purposes of section 295A of the Corporations Act; and
- in all material respects the Company's risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

Prior to the release of this report the Chief Financial Officer reported to the Board as to the effectiveness of the Company's management of its material business risks and provided such assurances for the purpose of section 295A of the Corporations Act.

As part of the Company's commitment to safeguarding integrity in financial reporting, the Company's accounts are subject to annual audit by an independent, professional auditor, who also reviews the half-yearly accounts.

The Company has implemented procedures to monitor the independence and competence of the company's external auditors. Details of the amounts paid for both audit work and non-audit services are set out in this annual report.

The Board requires that adequate hand-over occurs in the year prior to rotation of an audit partner to ensure an efficient and effective audit under the new partner.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

The Board has established a Remuneration Committee.

The members of the Remuneration Committee at the date of this report are:

- Mr Peter Hynd, chair of the Remuneration Committee; and
- Mr Fionn Hyndman, a Non-Executive Director.

Revised Principle 8.1 recommends that a remuneration committee established by a company have a charter that clearly sets out its role and responsibilities, composition, structure and membership requirements and the procedures for non-committee members to attend meetings. The Company does not have a formal Remuneration Committee charter as recommended by Revised Principle 8.1 and considers it is not necessary given the size of the Company, Board and senior management. However, the Remuneration Report in this annual report sets out the general role and responsibilities of the Remuneration Committee.

When reviewing Directors' fees the Board takes into account any changes in the size and scope of the Company. The Remuneration Committee reviews the remuneration and policies applicable to all Directors on an annual basis and did so during the financial year. Remuneration levels are competitively set to attract the most qualified and experienced Directors and senior executives.

Where necessary the Remuneration Committee can obtain independent advice on the appropriateness of remuneration packages.

Revised Principle 8.1 recommends that a remuneration committee should be structured so that it consists of a majority of independent Directors, is chaired by an independent Director and has at least three members.

The Company's Remuneration Committee does not comply with Revised Principle 8.1 because Mr Hynd who is not classed as an independent Director is the current chair of the Remuneration Committee. Considering the size of the Company and the Board, the Board is confident that Mr Hynd, despite not being classed as an independent Director, is the most appropriate Director to fulfil the current role of chair of the Remuneration Committee, having regard to his qualifications and interests associated with Co-Investor.

Further, the Remuneration Committee did not comply with Revised Principle 8.1 because it did not consist of at least 3 members and the Remuneration Committee does not consist of a majority of independent Directors. Given the current size of the Board, the Board considers that the function of the Remuneration Committee is efficiently achieved with two members and whilst a majority of members are not independent, the members bring valuable knowledge, skills and experience to the Remuneration Committee deliberations.

Remuneration Structure

Revised Principle 8.2 recommends that companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.

The remuneration of non-executive Directors of the Company is different to that of executive directors and senior executives of the Company. Executive Directors receive a salary and may receive other benefits. Non-executive Directors receive a set fee per annum, in addition to their statutory superannuation entitlements, and are fully reimbursed for any out of pocket expenses necessarily incurred in carrying out their duties.

Further details on the structure and disclosure of the Company's remuneration policies for Non-Executive and Executive Directors and senior executives are set out in the Remuneration Report contained in this report.

The Board believes that it has implemented suitable remuneration practices and procedures that are appropriate for an organisation of its size and maturity.

Statement of Comprehensive Income
For the Year Ended 30 June 2014

	Note	2014 $000's	2013 $000's
Continuing operations			
Rendering of services		35,291	29,856
Cost of sales		(21,643)	(19,061)
Employee benefits expense	4(b)	(9,192)	(6,682)
Business acquisition costs		(225)	(146)
Restructuring		(299)	(371)
Other expenses	4(c)	(3,265)	(2,588)
Earnings before interest, tax, depreciation amortisation and impairment losses (EBITDA)		**667**	**1,008**
Depreciation and amortisation	4(a)	(1,466)	(1,148)
Loss from continuing operations before interest and tax		**(799)**	**(140)**
Finance income		19	8
Finance costs	5	(667)	(483)
Loss from continuing operations before income tax		**(1,447)**	**(615)**
Income tax benefit	6	190	237
Loss from continuing operations after income tax		**(1,257)**	**(378)**
Loss for the period attributable to owners of the parent		**(1,257)**	**(378)**

Earnings per share for the loss from continuing operations attributable to the ordinary equity holders of the parent:

	Note	*Cents*	*Cents*
- basic earnings per share	7	(0.12)	(0.05)
- diluted earnings per share	7	(0.12)	(0.05)

		2014 $000's	2013 $000's
Loss for the period		**(1,257)**	**(378)**
Other comprehensive income / (loss)			
Exchange difference on translation of foreign operations		83	-
Net loss on available – for – sale financial assets		(284)	-
Income tax effect		85	-
		(199)	-
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(116)**	**-**
Other comprehensive loss for the year, net of tax		**(116)**	**-**
Total comprehensive loss for the period attributable to owners of the parent		**(1,373)**	**(378)**

The statement of 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 2014

	Note	2014 $000's	2013 $000's
ASSETS			
Current assets			
Cash and cash equivalents	8	2,425	76
Trade and other receivables	9	9,129	5,568
Other financial assets	10	83	-
Other	11	655	53
Total current assets		**12,292**	**5,697**
Non-current assets			
Other financial assets	10	843	59
Plant and equipment	12	538	114
Deferred tax assets	6	288	419
Investments	14	2,851	-
Intangible assets	13	4,125	1,430
Goodwill	13	10,607	7,593
Total non-current assets		**19,252**	**9,615**
Total assets		**31,544**	**15,312**
LIABILITIES			
Current liabilities			
Trade and other payables	15	7,587	4,534
Provisions	16	1,516	724
Interest-bearing loans and borrowings	17	2,321	3,038
Provision for Income tax		190	-
Deferred income		557	90
Total current liabilities		**12,171**	**8,386**
Non-current liabilities			
Interest-bearing loans and borrowings	17	6,400	723
Deferred income		625	-
Provisions	16	475	123
Total non-current liabilities		**7,500**	**846**
Total liabilities		**19,671**	**9,232**
Net assets		**11,873**	**6,080**
EQUITY			
Contributed equity	18	128,850	109,275
Reserves	19	(8,797)	3,728
Accumulated losses	20	(108,180)	(106,923)
Total equity attributable to equity holders of the parent		**11,873**	**6,080**

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 2014

	Note	Ordinary shares $000's	Accumulated losses $000's	Share based payment reserve $000's	Common control reserve $000's	Available-for-sale reserve $000's	Foreign currency translation reserve $000's	Total $000's
At 1 July 2013 as reported in the 2013 annual report		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)
Total comprehensive (loss) / income		-	(1,257)	-	-	(199)	83	(1,373)
Transactions with owners in their capacity as owners:								
Acquisition of subsidiary	28(1)	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)
At 30 June 2014		**128,850**	**(108,180)**	**4,023**	**(12,311)**	**(199)**	**(310)**	**11,873**

	Ordinary shares $000's	Accumulated losses $000's	Share based payment reserve $000's	Common control reserve $000's	Available-for-sale reserve $000's	Foreign currency translation reserve $000's	Total $000's
At 1 July 2012 as reported in the 2013 annual report	109,275	(106,545)	3,976	-	-	-	6,706
Total comprehensive loss for the period	-	(378)	-	-	-	-	(378)
Transactions with owners in their capacity as owners:							
Cost of share based payments	-	-	(248)	-	-	-	(248)
At 30 June 2013	**109,275**	**(106,923)**	**3,728**	**-**	**-**	**-**	**6,080**

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 2014

	Note	2014 $000's	2013 $000's
Cash flows from operating activities			
Receipts from customers		38,063	32,596
Payments to suppliers and employees		(37,747)	(31,775)
Payments for business acquisition costs		(172)	(146)
Payments for restructuring		(424)	(246)
Interest received		19	23
Interest paid		(376)	(301)
Income tax paid		(181)	-
Net cash (used in) / provided by operating activities	8	**(818)**	**151**
Cash flows from investing activities			
Payments for plant and equipment		(82)	(109)
Payments for intangible assets		(584)	(559)
Purchase of investments		(1,078)	-
Consideration paid for acquisition of subsidiaries	28	(415)	(339)
Cash acquired on acquisition of subsidiary	28	2,381	424
Payment of term deposit		(119)	(59)
Refund of term deposits		-	233
Net cash provided by / (used in) investing activities		**103**	**(409)**
Cash flows from financing activities			
Proceeds from issues of shares		4,114	-
Repayment / proceeds from borrowings		(159)	816
Payment of share placement costs		(228)	-
Repayment of borrowings – Related party loan		-	(282)
Repayment of borrowings – Vendor financing		(601)	(288)
Payment of finance fees		(73)	(111)
Net cash provided by financing activities		**3,053**	**135**
Net increase / (decrease) in cash and cash equivalents held		2,338	(123)
Net foreign exchange difference		11	-
Cash and cash equivalents at the beginning of the financial year		76	199
Cash and cash equivalents at the end of the financial year	8	**2,425**	**76**

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

CORPORATE INFORMATION

The financial report of Asia Pacific Digital Ltd for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 30th September 2014. 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.

The Directors are aware that as at 30 June 2014 the group had an excess of current assets over current liabilities of $0.1 million (30 June 2013: the group had an excess of current liabilities over current assets of $2.7 million).

The Directors note however that the net cash flow generated in operating activities for FY2014 was $(0.8) million. This amount includes payments for abnormal payments such as restructuring payments ($424,000) and business acquisition payments ($172,000).

The Directors note the financial support that the Company has received in the past from Co-Investor Capital Partners since it became the majority shareholder in 2008. Co-Investor Capital Partners currently holds 72% 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. If required, the Directors expect to continue to receive financial support from Co-Investor in order to meet all its obligations as and when they fall due.

As the Company's financial performance is primarily measured against EBITDA, the reported EBITDA is reconciled to the net cash flows used in operating activities as follows:

	$000's
Net cash used in by operating activities	(818)
Adjusted for:	
Business acquisition costs	172
Restructuring	424
Net interest payments	376
Income tax paid	181
Net working capital movements	332
Reported EBITDA	**667**

(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 119	**Employee Benefits** The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	No material impact	1 July 2013
AASB 10	**Consolidated Financial Statements** AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.	1 January 2013	No material impact	1 July 2013
AASB 11	**Joint Arrangements** AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities - Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. Amendments made by the IASB in May 2014 add guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business	1 January 2013	No material impact	1 July 2013
AASB 12	**Disclosure of Interests in Other Entities** AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 January 2013	No material impact	1 July 2013
AASB 13	**Fair Value Measurement** AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	No material impact	1 July 2013
AASB 2013-3	**Recoverable Amount Disclosures for Non-Financial Assets** AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. 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 January 2014	The Company early adopted these amendments	1 July 2013

(b) New accounting standards and interpretations (continued)

(ii) 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 2014, outlined in the table below:

Reference	Title and Summary	Application date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 2012-3	**Offsetting Financial Assets and Financial Liabilities** 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 January 2014	No impact	1 July 2014
Interpretation 21	**Levies** This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	No impact	1 July 2014
AASB 9	**Financial Instruments** AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. 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. b. 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. c. 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. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. 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 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time In February 2014, the IASB tentatively decided that the mandatory effective date for AASB 9 will be 1 January 2018	1 January 2018	Management has not assessed the full impact of the change as at the reporting date.	1 July 2018

(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 2013-4	**Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]** AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	No impact	1 July 2014
AASB 2013-5	**Investment Entities** **[AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]** These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 *Business Combinations* when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	No impact	1 July 2014
AASB 2013-7	**Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders [AASB 1038]** AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.	1 January 2014	No impact	1 July 2014
Annual Improvements 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► IFRS 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 segments' asset to the entity's total assets. ► IAS 16 & IAS 38 - 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. IAS 24 - 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 IAS 24 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 impact	1 July 2014

(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
Annual Improvements 2011–2013 Cycle	This standard sets out amendments to International Financial Reporting. Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. ► IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.	1 July 2014	No impact	1 July 2014
AASB 1031	**Materiality** 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.	1 January 2014	No impact	1 July 2014
AASB 2013-9	**Conceptual Framework, Materiality and Financial Instruments** The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	1 January 2014	No impact	1 July 2014
Amendments to IAS 16 and IAS 38	**Clarification of Acceptable Methods of Depreciation & Amortisation (Amendments to IAS 16 and IAS 38)** IAS 16 and IAS 38 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. 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. The IASB 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.	1 January 2016	No impact	1 July 2017

(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
IFRS 15	**Revenue from Contracts with Customers** IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 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: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 July 2017	Management has not assessed the full impact of the change as at the reporting date	1 July 2017

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. 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 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.

(c) Basis of consolidation ***(continued)***

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.

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, Co-Investor. 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.

(e) Segment Reporting (*continued*)

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.

(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 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.

(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 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 re 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.

(i) Financial Instruments *(continued)*

<u>Financial Liabilities</u>

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.

(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 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 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 Empowered and dgm cash generating unit 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.

(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

(m) Goodwill and intangibles *(continued)*

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.

(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 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.

(p) Provisions and employee benefits *(continued)*

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.

(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 Asia Pacific Digital Limited (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.

(r) Share based payment transactions *(continued)*

The statement of 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 comprehensive income.

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

(u) Income tax and other taxes *(continued)*

- 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.

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 2014, the members of the income tax consolidated group are:

- Asia Pacific Digital Limited
- Empowered Communications Pty Ltd
- Deal Group Media Pty Ltd
- Asia Pacific Digital Australia Limited
- Next Digital Group Holdings Pty Ltd
- Next Digital Group Pty Ltd
- Jericho Digital Holdings Pty Ltd
- Jericho Australia Pty Ltd
- 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.

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.

(u) Income tax and other taxes *(continued)*

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.

(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.

(x) Significant accounting judgements, estimates and assumptions *(continued)*

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 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.

(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.

2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES *(continued)*

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.

	2014 $000's	2013 $000's
Financial assets		
Cash and cash equivalents	2,425	76
Other financial assets	926	59
	3,351	135
Financial liabilities		
Receivables financing facility	1,656	1,815
	1,656	1,815

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 2014, 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)	
	2014 $000's	2013 $000's	2014 $000's	2013 $000's
+1 % (100 basis points)	17	(17)	-	-
-.5 % (50 basis points)	(8)	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.

2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES *(continued)*

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 2014. 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 2014.

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

2014	**< 6 Mths**	**6-12 Mths**	**1-5 Years**	**>5 Years**	**Total**
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
2013					
Trade and other payables	4,534	-	-	-	4,534
Interest bearing borrowings	2,162	638	1,036	-	3,836
	6,696	638	1,036	-	8,370

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

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 14:

			Fair vale measurement using		
	Valuation date	**Total $000**	**Quoted prices in active markets Level 1 $000**	**Significant observable inputs Level 2 $000**	**Significant unobservable inputs Level 3 $000**
Assets measured at fair value:					
Available-for-sale investments (Note 14):					
Unquoted equity shares	30 June 14	2,851	-	2,851	-
Liabilities measured at amortised cost:					
Convertible debt (Note 17)	30 June 14	5,500	-	-	5,500

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 customers are located in Australia.

Types of products and services

Strategies and Solutions

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

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. In the 2013 Annual Report, the customer acquisition segment was separately disclosed as the dgm segment and the Empowered segment. Following the acquisition of Asia Pacific Digital Australia Pty Ltd, the Company changed its internal reporting and consequently the dgm segment and the Empowered segment merged to become the customer acquisition segment.

Customer Management

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

eCommerce

This segment provides end to end eCommerce services.

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 11.1% (2013: 14.5%) of external revenue.

3. OPERATING SEGMENTS *(continued)*

Year ended 30 June 2014 **Revenue**	Strategies & Solutions $000's	Customer Acquisition $000's	Customer Management $000's	eCommerce $000's	Total $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)
Total consolidated revenue					**35,291**
Reconciliation of segment results to net loss after tax					
Segment results (EBITDA before unallocated expenses)	(173)	2,835	(4)	(17)	2,641
Unallocated expenses					(1,974)
EBITDA					**667**
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
Loss for the year					**(1,257)**

a) Includes Strategies and Solutions, Customer Management and 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).

3. OPERATING SEGMENTS *(continued)*

Year ended 30 June 2013 **Revenue**	**Strategies & Solutions $000's**	**Customer Acquisition $000's**	**Customer Management $000's**	**eCommerce $000's**	**Total $000's**
Sales to external customers	N/A	29,856	N/A	N/A	29,856
Inter-segment sales	N/A	546	N/A	N/A	546
Total segment revenue	N/A	30,402	N/A	N/A	30,402
Inter-segment elimination	N/A	(546)	N/A	N/A	(546)
Total consolidated revenue	**N/A**	**29,856**	**N/A**	**N/A**	**29,856**
Reconciliation of segment results to net loss after tax					
Segment results (EBITDA before unallocated expenses)	N/A	2,767	N/A	N/A	2,767
Unallocated expenses	N/A	(1,759)	N/A	N/A	(1,759)
EBITDA	**N/A**	**1,008**	**N/A**	**N/A**	**1,008**
Depreciation and amortisation	N/A	(1,141)	N/A	N/A	(1,141)
Unallocated depreciation and amortisation					(7)
Loss before tax and net finance costs					(140)
Finance income					8
Finance costs					(483)
Loss before income tax					(615)
Income tax benefit					237
Loss for the year					**(378)**

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

- Non-executive Directors fees ($218,000);
- Corporate remuneration ($422,000);
- Audit, legal, ASX and other professional expenses ($218,000);
- Share based payments ($-248,000);
- Business acquisition costs ($146,000);
- Restructuring costs ($371,000); and
- Other corporate overheads ($632,000).

b) In the 2013, the customer acquisition segment was separately disclosed as the dgm segment and the Empowered segment.

	2014 $000's	**2013 $000's**
(i) Segment revenue reconciliation to the statement of comprehensive income		
Total segment revenue	36,517	30,402
Inter segment sales elimination	(1,226)	(546)
Total revenue	35,291	29,856

3. OPERATING SEGMENTS *(continued)*

	2014 $000's	2013 $000's
(ii) Segment EBITDA reconciliation to the statement of comprehensive income		
Total segment EBITDA	2,641	2,767
Unallocated expenses	(1,974)	(1,759)
Total EBITDA	667	1,008

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

	2014 $000's	2013 $000's
(a) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Depreciation of plant and equipment	128	64
Amortisation of intangible assets:		
- Software	915	603
- Customer contracts	355	481
- Brand names	68	-
	1,466	1,148
(b) Employee benefits expense		
Salaries and wages	7,569	5,685
Share-based payments	-	(248)
Superannuation	637	513
Annual leave benefits	149	164
Payroll tax	406	316
Training/recruitment/amenities	332	155
Other	99	97
	9,192	6,682
(c) Other expenses		
Communication costs	799	642
Directors fees	241	351
Rent and office supplies	1,400	1,005
Professional fees	248	173
Other	577	417
	3,265	2,588

		2014 $000's	2013 $000's
5.	**FINANCE COSTS**		
	Interest expense	551	354
	Finance fees	116	129
		667	483

6. INCOME TAX

(a) The major components of income tax expenses are:
Statement of comprehensive income

	2014 $000's	2013 $000's
Current income tax		
- Current income tax charge	(159)	-
Deferred income tax		
- Relating to origination and reversal of temporary differences	349	237
Income tax benefit / (expense) reported in the statement of comprehensive income	190	237

(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and calculated per statutory income tax rate:

	2014 $000's	2013 $000's
Accounting loss before income tax from continuing operations	(1,447)	(615)
Total accounting loss before tax	(1,447)	(615)
Tax benefit at the Group's statutory income tax rate of 30% (2013:30%)	434	185
Effects of tax rates in foreign jurisdictions	(6)	-
Tax effect of other non-deductible / non-assessable	(238)	52
Aggregate income tax benefit	190	237

6. INCOME TAX *(continued)*

(c) Recognised deferred tax assets and liabilities

	2014 $000's Deferred Income Tax	2013 $000's Deferred Income Tax
Opening balance	419	227
Charged to income	376	237
Charged to OCI - available-for-sale financial assets	85	-
Charged to goodwill	-	(64)
Charged to equity	(30)	-
Acquisitions	(562)	19
Closing balance	288	419

	2014 $000's	2013 $000's
Deferred income tax at 30 June relates to the following:		
(i) Deferred tax liabilities		
Intangible assets	783	113
Fixed assets	5	-
Foreign currency balances	-	2
Unbilled revenue	52	-
	840	115
(ii) Deferred tax assets		
Audit fee payable	35	19
Available-for-sale financial assets	85	-
Accruals	62	52
Intangible assets	173	102
Provisions:		
- Doubtful debts	33	33
- Annual leave	258	107
- Long service leave	184	55
- Make good	75	5
- Member rewards	71	88
Borrowing costs	27	13
Foreign currency balances	17	-
Capital raising costs	108	60
	1,128	534
Net deferred tax asset / (liability)	288	419

6. INCOME TAX *(continued)*

(d) Tax losses

The group has tax losses which arose in Australia of $28,209,000 (2013: 1,997,000) of which $25,364,000 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 $2,845,000 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 $8,463,000.

(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.

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

	2014 $000's	2013 $000's
For basic and diluted earnings per share:		
Net loss from continuing operations attributable to ordinary equity holders of the parent	(1,257)	(378)
Net loss attributable to ordinary equity holders of the parent	(1,257)	(378)

(b) Weighted average number of shares

	2014 000's	2013 000's
Weighted average number of ordinary shares for basic earnings per share	1,014,586	838,959
Weighted average number of ordinary shares	1,014,586	838,959

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

	2014 $000's	2013 $000's
Cash at bank	2,425	71
Cash on hand	-	5
Total cash and cash equivalents	2,425	76

8. CASH AND CASH EQUIVALENTS *(continued)*

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

	2014 $000's	2013 $000's
Loss after income tax	(1,257)	(378)
Non-cash flows in loss:		
Depreciation and amortisation	1,466	1,148
Share-based payments	-	(248)
Capitalised interest expense	16	26
Amortisation of borrowing costs	51	46
Changes in assets and liabilities:		
- Decrease/(increase) in trade and other receivables	(755)	(237)
- Decrease/(increase) in other assets	294	(142)
- Decrease/(increase) in deferred tax assets	(61)	110
- Decrease in deferred tax liabilities	(295)	(82)
- Increase/(decrease) in trade and other payables	(297)	101
- Increase/(decrease) in provisions	20	(193)
Net cash flows (used in) / from operating activities	(818)	151

9. TRADE AND OTHER RECEIVABLES

		2014 $000's	2013 $000's
Current			
Trade receivables	(i)	8,830	5,583
Less allowance for impairment loss	(a)	(117)	(111)
Other receivables	(ii)	416	96
		9,129	5,568

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 that are not past due. 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.

(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 $82,000 (2013: $72,000) has been incurred by the Group. These amounts have been included in the other expense item.

9. TRADE AND OTHER RECEIVABLES *(continued)*

	2014 $000's	2013 $000's
Movements in the provision for impairment loss were as follows:		
Carrying amount at beginning of year	111	61
Balance transferred in from acquired subsidiary	9	59
Additional provision – continuing operations	79	63
Amounts utilised during the year	(82)	(72)
Carrying amount at end of year	117	111

At 30 June 2014, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days PDNI^	61-90 days CI*	+91 days PDNI^	+91 days CI*
	$000's	$000's	$000's	$000's	$000's	$000's	$000's
2014	8,830	7,073	1,085	396	-	159	117
2013	5,583	2,667	2,373	371	-	61	111

^ PDNI = Past due not impaired.
* CI = Considered impaired.

10. OTHER FINANCIAL ASSETS

	2014	2013
Current		
Restricted cash term deposits (i)	83	-
Non-current		
Restricted cash term deposits (i)	843	59

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

11. OTHER

	2014	2013
Prepayments	655	53

12. PLANT AND EQUIPMENT

Reconciliation of the carrying amounts at the beginning and end of the period

	Office equipment	Leasehold improvement	Total
Year ended 30 June 2014			
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
At 30 June 2014			
Cost	2,597	454	3,051
Accumulated depreciation and impairment	(2,230)	(283)	(2,513)
Net carrying amount	367	171	538

	Office equipment	Leasehold improvement	Total
Year ended 30 June 2013			
At 1 July 2012 net of accumulated depreciation and impairment	54	27	81
Additions	25	72	97
Depreciation	(38)	(26)	(64)
At 30 June 2013, net of accumulated depreciation and impairment	41	73	114
At 30 June 2013			
Cost	98	126	224
Accumulated depreciation and impairment	(57)	(53)	(110)
Net carrying amount	41	73	114

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
Year ended 30 June 2014						
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
At 30 June 2014						
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

	Customer contracts	Brand name	Software	Total Intangible	Goodwill	Total
Year ended 30 June 2013						
At 1 July 2012, net of accumulated amortisation and impairment	642	-	1,086	1,728	6,733	8,461
Additions	-	-	572	572	-	572
Acquisition of subsidiary	214	-	-	214	860	1,074
Amortisation	(481)	-	(603)	(1,084)	-	(1,084)
At 30 June 2013, net of accumulated amortisation and impairment	375	-	1,055	1,430	7,593	9,023
At 30 June 2013						
Cost	1,668	-	1,939	3,607	7,593	11,200
Accumulated amortisation and impairment	(1,293)	-	(884)	(2,177)	-	(2,177)
Net carrying amount	375	-	1,055	1,430	7,593	9,023

(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.

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

(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).

(iv) Brand name
The Company acquired the brand name Next Digital as a part of the acquisition of Asia Pacific Digital Australia Pty Ltd on 31 March 2014. This asset is amortised over its useful life of 14 years.

(c) Impairment tests for goodwill

Deal Group Media (dgm) cash generating unit

(i) Description of the cash generating units and other relevant information
Goodwill acquired through business combinations has been allocated to the Deal Group Media (dgm) cash generating unit which includes the Viva9 business acquired on 31 August 2012.

The recoverable amount of the dgm 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 2015 and a forecast covering a further four years.

The pre-tax, discount rate applied to the dgm cash flow projections is 18.6% (2013: 18.6%).

(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 2014
	$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 dgm CGU for 30 June 2014.
The calculation of value in use in the dgm unit is most sensitive to the following assumptions:

dgm – An average revenue growth rate of 7.4% p.a. has been used in the 5 year forecast (2013: 5.8%). 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% (2013: 18.6%).

Terminal value growth rate – a terminal value growth rate of 3% has been used (2013: 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 dgm unit exceeds its carrying value by $8.7 million (2013: $2.3 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 1.2% from FY2015 would result in the recoverable amount of the dgm 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 24.8% for the recoverable amount of the dgm unit to fall below its carrying value with all other assumptions held constant.

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

Next Digital (Next) cash generating unit

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

Goodwill in the 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 Next 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 2015 and a forecast covering a further four years.

The pre-tax, discount rate applied to the Next cash flow projections is 18.6% (2013: n/a).

(ii) Carrying amount of goodwill

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

	30 June 2014
	$000's
Carrying amount of goodwill	753

(iii) Key assumptions used in value in use calculations for the Next CGU for 30 June 2014.

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

Next – An average revenue growth rate of 14.8% p.a. has been used in the 5 year forecast (2013: n/a). 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% (2013: 18.6%).

Terminal value growth rate – a terminal value growth rate of 3% has been used (2013: n/a).

(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 Next unit exceeds its carrying value by $8.4 million (2013: n/a).

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 4.1% from FY2015 would result in the recoverable amount of the Next 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 21.2% for the recoverable amount of the Next unit to fall below its carrying value with all other assumptions held constant.

Jericho cash generating unit

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

Goodwill in the 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 Jericho 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 2015 and a forecast covering a further four years.

The pre-tax, discount rate applied to the Jericho cash flow projections is 18.6% (2013: n/a).

13. INTANGIBLE ASSETS AND GOODWILL *(continued)*

(ii) Carrying amount of goodwill

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

	30 June 2014
	$000's
Carrying amount of goodwill	2,262

iii) Key assumptions used in value in use calculations for the Jericho CGU for 30 June 2014.

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

Jericho – An average revenue growth rate of 16.3% p.a. has been used in the 5 year forecast (2013: n/a). 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% (2013: 18.6%).

Terminal value growth rate – a terminal value growth rate of 3% has been used (2013: n/a).

(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 Jericho unit exceeds its carrying value by $5.0 million (2013: n/a).

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 6.4% from FY2015 would result in the recoverable amount of the Jericho 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 21.9% for the recoverable amount of the Jericho unit to fall below its carrying value with all other assumptions held constant.

14. INVESTMENTS

	2014 $000's	2013 $000's
Non-Current		
Unquoted equity shares (i)	2,851	-
	2,851	-

(i) The Company's unquoted equity shares are available for sale investments carried at fair value with adjustments to the fair value recorded through OCI and consist of shareholdings in:

a. a Hong Kong wine eCommerce client pursuant to Asia Pacific Digital Pte Ltd entering into a 5 year agreement in December 2013 to provide end-to-end eCommerce and digital advertising services. As part compensation for the provision of these services, Asia Pacific Digital Pte Ltd has received a non-controlling shareholding of 16% and separately acquired a further 3% (2013: nil) in the client in March 2014. The carrying value of this investment is $1.8 million and it is denominated in US dollars.

b. a Southeast Asian end-to-end eCommerce logistics service provider in which the Company made a strategic equity investment in June 2014 to assist with its growth in the Asian region. The carrying value of this investment is $1.1 million and it is denominated in US dollars. The Company holds 4% (2013: nil) of the issued capital in this entity.

The Company assessed as at 30 June 2014 the fair value of its two unquoted equity investments. The fair value of the unquoted equity investments was calculated using valuation techniques based upon recent arm's-length market transactions between knowledgeable and willing parties. The fair value measurement hierarchy for these financial assets is using significant observable or level 2 inputs.

The fair value assessment of the Company's shareholding in the Hong Kong wine eCommerce client resulted in an unrealised loss of $284,000 being recognised as other comprehensive income (OCI) and credited in the available for sale reserve.

15. TRADE AND OTHER PAYABLES

	2014 $000's	2013 $000's
Current		
Trade payables and accruals (i)	7,587	4,534
	7,587	4,534

(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

	2014	2013
Current		
Employee benefits	1,217	415
Member rewards (i)	235	294
Lease make good	64	15
	1,516	724
Non-Current		
Employee benefits	288	123
Lease make good	187	-
	475	123

16. PROVISIONS *(continued)*

(i) Members of 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 2013	15	294	309
Acquisition of subsidiary	251	-	251
Arising during the year	-	657	657
Utilised	(15)	(716)	(731)
At 30 June 2014	251	235	486

17. INTEREST BEARING LOANS AND BORROWINGS

	2014 $000's	2013 $000's
Current		
Bank receivables financing facility (i)	1,656	1,815
Secured loan (ii)	384	358
Vendor financing (iii)	281	865
	2,321	3,038
Non-current		
Secured loan (ii)	900	723
Convertible debt facility (iv)	5,500	-
	6,400	723

(i) Bank receivables financing facility

Deal Group Media Pty Ltd and 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 Co-Investor Capital Partners Pty Ltd, a related party. The principle is repayable over the period to 31 July 2016. The loan is secured by a charge over the Company. A variation to the loan agreement was executed on 30 June 2014 extending the loan repayment date to 31 July 2016. The interest payable is 15% p.a. (2013: 15%).

(iii) Vendor financing

An unsecured loan facility was entered into on 31 August 2012 with IPMG 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 is for 24 months to 30 November 2014 and the interest payable is 10% per annum (2013:10%), accrued daily and payable monthly in arrears.

(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 Next Digital Holdings Pty Ltd and Jericho Holdings Pty Ltd. In July 2014, $2.0 million of the facility was converted into equity (refer to note 27, Events After Balance Sheet Date). The interest payable is 15% p.a. (2013: n/a).

17. INTEREST BEARING LOANS AND BORROWING *(continued)*

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	
	2014	2013	2014	2013
	$000	$000	$000	$000
Financial Liabilities				
Interest-bearing loans and borrowings				
Convertible debt facility	5,500	-	6,010	-
Total	**5,500**	**-**	**6,010**	**-**

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% (2013: n/a).

(a) Assets pledged as security

	2014	2013
	$000's	$000's
Current		
Fixed and floating charge:		
Cash and cash equivalents	706	76
Trade and other receivables	8,973	5,568
Other	355	53
Term deposits for bank guarantees:		
Other financial assets	83	-
Total current assets pledged as security	10,117	5,697
Non-current		
Fixed and floating charge:		
Plant and equipment	501	114
Term deposits for bank guarantees:		
Other financial assets	674	59
Total non-current assets pledged as security	1,175	173
Total assets pledged as security	11,292	5,870

(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.

18. CONTRIBUTED EQUITY

	2014 $000's	2013 $000's
Issued and paid-up capital		
Ordinary shares each fully paid	128,850	109,275

(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 2014	2014 $000's	Number of shares 2013	2013 $000's
Fully paid ordinary shares	1,869,197,281	128,850	839,626,756	109,275
Movements in shares on issue				
Beginning of the financial year	839,626,756	109,275	837,676,756	109,275
Unlisted employee options exercised	1,560,000	-	1,950,000	-
Acquisition consideration	786,010,525	15,720	-	-
Share placement	242,000,000	4,114	-	-
Share placement expenses	-	(229)	-	-
Deferred tax on share issue expenses	-	(30)	-	-
End of the financial year	1,869,197,281	128,850	839,626,756	109,275

(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 2014 and 2013 were as follows:

	2014 $000's	2013 $000's
Total borrowings*	16,308	8,295
Less: cash and cash equivalents	(2,425)	(76)
Net debt	13,883	8,219
Total equity	11,873	6,080
Total capital	25,756	14,299
Gearing ratio	54%	57%

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

18. CONTRIBUTED EQUITY (continued)

(c) Options

Unlisted options

At year-end there were 3,510,000 (2013: 6,870,000) unlisted options over ordinary shares on issue. The details of each unlisted options are as follows:

- 1,260,000 unlisted options to subscribe for 1,260,000 ordinary shares. The options are exercisable on or before 31 October 2014 with a nil exercise price for each ordinary share; and
- 2,250,000 unlisted options to subscribe for 2,250,000 ordinary shares. The options are exercisable on or before 31 October 2014 at an exercise price of 6 cents for each ordinary share.

19. RESERVES

	2014 $000's	**2013 $000's**
Employee equity options reserve (i)	839	544
Options reserve (ii)	3,184	3,184
Common control reserve (iii)	(12,311)	-
Foreign currency translation (iv)	(310)	-
Available-for-sale reserve (v)	(199)	-
	(8,797)	3,728

Movement in reserves

Balance at 1 July 2013 $000's	**Employee equity options reserve $000's**	**Common control reserve $000's**	**Foreign currency translation $000's**	**Available-for-sale reserve $000's**	**Balance at 30 June 2014 $000's**
3,728	295	(12,311)	(310)	(199)	(8,797)

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 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.

20. ACCUMULATED LOSSES

	2014 $000's	2013 $000's
Accumulated losses	108,180	106,923
Balance at beginning of year	106,923	106,545
Net loss attributable to members of the Company	1,257	378
Balance at end of year	108,180	106,923

21. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

Future operating property lease rentals:

	2014 $000's	2013 $000's
- Within one year	1,437	425
- After one year but not more than five years	1,749	250
	3,186	675

(b) Finance lease commitments

There were no finance lease commitments as at 30 June 2014.

(c) Contingent liabilities

There were no contingent liabilities as at 30 June 2014.

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)	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 – Customer Acquisition – Empowered and dgm
Newton Smith (appointed 1 April 2014)	Chief Executive Officer – Strategies & Solutions – Next Digital
Paula Harrison (appointed 1 April 2014)	Chief Executive Officer – Customer Management – Jericho
Sean Toohey (appointed 1 April 2014)	Chief Executive Officer – eCommerce

There are no other employees regarded as executives.

22. KEY MANAGEMENT PERSONNEL *(continued)*

	2014 $000's	2013 $000's
(b) Compensation of Key Management Personnel		
Short-term	1,075	1,217
Post-employment	57	89
Termination benefits	-	159
	1,132	1,465

(c) Options holdings of Key Management Personnel

	Balance at beginning of period	Granted as remun-eration	Options exercised	Net change other	Balance at end of period	Total	Exer-cisable (vested)	Not exer-cisable (non-vested)
2014								
Directors								
P Hynd	-	-	-	-	-	-	-	-
D Sweet	-	-	-	-	-	-	-	-
F Hyndman	-	-	-	-	-	-	-	-
R Sharp	-	-	-	-	-	-	-	-
Executives								
C Nicholas	935,000	-	(440,000)	-	495,000	495,000	495,000	-
S McNamara	-	-	-	-	-	-	-	-
N Smith	-	-	-	-	-	-	-	-
P Harrison	-	-	-	-	-	-	-	-
S Toohey	-	-	-	-	-	-	-	-
Total	935,000	-	(440,000)	-	495,000	495,000	495,000	-

22. KEY MANAGEMENT PERSONNEL *(continued)*

	Balance at beginning of period	Granted as remun-eration	Options exercised	Net change other (1)	Balance at end of period	Total	Exer-cisable (vested)	Not exer-cisable (non-vested)
2013								
Directors								
P Hynd	-	-	-	-	-	-	-	-
D Sweet	-	-	-	-	-	-	-	-
F Hyndman	-	-	-	-	-	-	-	-
R Sharp	-	-	-	-	-	-	-	-
Executives								
C Nicholas	7,527,858	-	(550,000)	(6,042,858)	935,000	935,000	935,000	-
S McNamara	1,114,286	-	-	(1,114,286)	-	-	-	-
Total	8,642,144	-	(550,000)	(7,157,144)	935,000	935,000	935,000	-

(1) Represents options that did not vest because FY2012 performance target criteria were not achieved.

(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
2014 Directors					
P Hynd and R Sharp (1)	653,896,038	-	-	786,010,525	1,439,906,563
D Sweet	883,385	-	-	-	883,385
F Hyndman	-	-	-	-	-
Executives					
C Nicholas	550,000	-	440,000	-	990,000
S McNamara	-	-	-	-	-
N Smith	-	-	-	-	-
P Harrison	-	-	-	-	-
S Toohey	-	-	-	-	-
Total	655,329,423	-	440,000	786,010,525	1,441,779,948

(1) These shares are held by funds managed by Co-Investor Capital Partners Pty Ltd and Co-Investor Capital Partners (NZ) Ltd. Mr Hynd and Mr Sharp are Directors and shareholders of Co-Investor Capital Partners Pty Ltd. Co-Investor Capital Partners (NZ) Ltd is a subsidiary of Co-Investor Capital Partners Pty Ltd.

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
2013 Directors					
P Hynd and R Sharp (1)	653,896,038	-	-	-	653,896,038
D Sweet	883,385	-	-	-	883,385
F Hyndman	-	-	-	-	-
Executives					
C Nicholas	-	-	550,000	-	550,000
S McNamara	-	-	-	-	-
Total	654,779,423	-	550,000	-	655,329,423

(1) These shares are held by funds managed by Co-Investor Capital Partners Pty Ltd and Co-Investor Capital Partners (NZ) Ltd. Mr Hynd and Mr Sharp are Directors and shareholders of Co-Investor Capital Partners Pty Ltd. Co-Investor Capital Partners (NZ) Ltd is a subsidiary of Co-Investor Capital 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

- Co-Investor Capital Partners Pty Ltd (Co-Investor), an entity associated with Peter Hynd and Roger Sharp:
  - Interest of $202,496 (2013: $199,022) on the loan (refer note 17 (ii)). At reporting date, $nil interest remained payable;
  - Business acquisition and disposal consulting fees of $nil (2013:$ 60,000). At reporting date, $nil remained payable;
  - Directors' fees of $75,000 (2013: $100,000). At reporting date, $nil remained payable;
  - Loan financing fees of $50,000 (2013: $52,155). At reporting date, $50,000 remained payable;
  - Administration and support services of $36,250 (2013: $nil). At reporting date, $36,250 remained payable;
  - Roger Sharp did not earn any fees for his role as an non-executive Director of the Company for the period 1 July 2013 to 31 March 2014 (as an employee of Co-Investor);
  - The Company charged $27,891 of rent to Co-Investor (2013: $nil) for its share of co-locating at the Company's Pyrmont premises. At reporting date, $3,133 remained receivable.

- Wentworth Financial Pty Ltd, an entity associated with Roger Sharp:
  - Interest of $45,863 (2013: n/a) on the loan (refer note 17 (iv)). At reporting date, $45,863 interest remained payable.

- Pyvis Nominees Pty Ltd, an entity associated with Richard Pyvis who is a Director of Co-Investor:
  - Interest of $19,110 (2013: n/a) on the loan (refer note 17 (iv)). At reporting date, $19,110 interest remained payable.

22. KEY MANAGEMENT PERSONNEL *(continued)*

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

	2014 $000's	2013 $000's
Assets and liabilities		
Trade and other receivables	3	-
Investment in unlisted entity	-	-
Total assets	3	-
Trade and other payables	151	103
Total liabilities	151	103
Expenses		
Expenses included in net loss	285	359
Total expenses	285	359

23. AUDITORS' REMUNERATION

	2014 $	2013 $
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	279,000	130,000
- tax compliance services in relation to the entity and any other entity In the consolidated group	71,000	24,500
	350,000	154,500

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	
			2014 %	**2013%**
Empowered Communications Pty Ltd	Aust	Ordinary	100	100
Deal Group Media Pty Ltd	Aust	Ordinary	100	100
Viva9 Pty Ltd	Aust	Ordinary	100	100
Virtel Operations Pty Ltd (de-registered)	Aust	Ordinary	-	100
Asia Pacific Digital (Australia) Limited	Aust	Ordinary	100	-
Jericho Digital Holdings Pty Ltd	Aust	Ordinary	100	-
Jericho Australia Pty Ltd	Aust	Ordinary	100	-
Next Digital Group Holdings Pty Ltd	Aust	Ordinary	100	-
Next Digital Group Pty Ltd	Aust	Ordinary	100	-
Asia Pacific Digital eCommerce Pty Ltd	Aust	Ordinary	100	-
Asia Pacific Digital Pte Ltd	Singapore	Ordinary	100	-
Jericho Digital Asia Pte Ltd	Singapore	Ordinary	100	-
Next Digital Asia Pte Ltd	Singapore	Ordinary	100	-
Next Digital Singapore Pte Ltd	Singapore	Ordinary	100	-
Asia Pacific Digital Philippines Pte Ltd	Singapore	Ordinary	100	-
Jericho Limited	New Zealand	Ordinary	100	-
Future Idea Group Sdn Bhd	Malaysian	Ordinary	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. The common control transaction with Co-Investor Capital Partners Pty Ltd is disclosed in Note 28.

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:

	2014 $000's	2013 $000's
Expense arising from equity-settled share based payment transactions	-	(248)

The FY2012 options did not vest as the performance criteria were not met. Accordingly, the FY2012 share based payment expense booked in relation to these options were reversed in FY2013.

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the year ended 2014.

(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.

25. SHARE BASED PAYMENT PLANS *(continued)*

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 2014 No.	30 June 2014 WAEP	30 June 2013 No.	30 June 2013 WAEP
Balance at beginning of period	6,870,000	$0.04	31,909,883	$0.03
- granted	-	-	-	-
- expired	(1,800,000)	$0.06	(3,000,000)	$0.40
- exercised	(1,560,000)	$0.00	(1,950,000)	$0.00
- forfeited/not vested	-	$0.00	(20,089,883)	$0.03
Balance at end of period	3,510,000	$0.04	6,870,000	$0.03
Exercisable at end of period	3,510,000	$0.04	6,870,000	$0.04

Options vest once the relevant performance hurdles (earnings targets) and service period conditions have been satisfied. Exercise prices for exercisable options range from nil to 6 cents.

Weighted average remaining contractual life

There were no options granted during the year. The weighted average fair value of options granted in the prior year was 1.2 cents. The weighted average remaining contractual life for share options outstanding as at 30 June 2014 is 0.3 years (2013: 1.9 years).

26. PARENT ENTITY INFORMATION

	2014 $000's	2013 $000's
Information relating to Asia Pacific Digital Limited		
Current assets	352	144
Total assets	10,421	6,644
Current liabilities	(1,636)	(1,751)
Total liabilities	(2,536)	(2,473)
Net assets	7,885	4,171
Issued capital	113,160	109,275
Accumulated losses	(109,003)	(108,832)
Reserves	3,728	3,728
	7,885	4,171
Total comprehensive profit / (loss) of the parent	(170)	1,356

27. EVENTS AFTER THE BALANCE SHEET DATE

On 17 July 2014, the Company held an extraordinary general meeting of shareholders where it was resolved to approve the conversion of $2.0 million of secured debt into equity. The fully paid ordinary shares issued in relation to the conversion of the secured debt into equity were issued on 25 July 2014.

On 25 July 2014, the Company raised $0.2 million under a share purchase plan to existing shareholders.

On 25 July 2014, the Company issued 15,000,000 options with an exercise price of three cents each to Canaccord Genuity (Australia) Limited in consideration for services provided by Canaccord as lead manager in the Company's capital raising in May 2014. The options will not be quoted and will expire on 24 July 2017.

The financial effect of the above transactions have not been reflected in these financial statements

28. COMMON CONTROL ACQUISITION

On 31 March 2014, the Company acquired 100% of the shares in Asia Pacific Digital Australia Pty Ltd and its controlled entities (Asia Pacific Digital Australia), an unlisted company operating in Australia, New Zealand, Singapore, China and Malaysia. The Company acquired Asia Pacific Digital Australia because it enables it to become a regional digital commerce service provider. The information in this preliminary final report for the year to 30 June 2014 includes the results for Asia Pacific Digital Australia for the period from 1 April 2014 to 30 June 2014.

The acquisition of Asia Pacific Digital Australia 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, Co-Investor Capital Partners. The pooling of interest or predecessor accounting method was used. 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.

The carrying values of the identifiable assets and liabilities of Asia Pacific Digital Australia as at the date of acquisition were:

	Carrying value
	$000
Cash and cash equivalents	2,381
Trade receivables	2,484
Other current assets	1,224
Plant and equipment	471
Investment	2,079
Intangible assets	3,450
Goodwill	3,014
Other non-current assets	742
Deferred tax asset	463
Total assets	16,308
Trade and other payables	3,727
Deferred income	1,450
Interest bearing loans and borrowings	5,500
Provisions	1,316
Deferred tax liability	1,004
Total liabilities	12,997
Carrying value of identifiable net assets	3,311
Common control reserve arising on acquisition	12,311
Foreign currency translation reserve on acquisition	393
Share based payment reserve on acquisition	(295)
Cost of acquisition at 31 March 2014	15,720
Cost of acquisition comprises:	
Shares issued (1)	15,720
	15,720

(1) The issue of shares was approved by shareholders on 17 March 2014 and was issued in two tranches. The first tranche of $15,547,000 was issued on 22 April 2014. The second tranche of $173,000 (representing balance sheet adjustment items) was only able to be issued on 12 June 2014 (which was outside the approval timeframe advised in the Notice of Meeting) and therefore will be held in escrow until such time as their issue is further approved by shareholders at the 2014 annual general meeting.

Transaction costs associated with the acquisition amounted to $224,000.

28. COMMON CONTROL ACQUISITION *(continued)*

From the date of acquisition (31 March 2014), Asia Pacific Digital Australia Pty Ltd contributed $6,016,000 in revenue and a $1,243,000 net loss before tax (including restructuring costs) to the consolidated group.

Had the acquisition of Asia Pacific Digital Australia occurred at the beginning of the financial year, the Asia Pacific Digital Australia result would have been revenues of $21,760,000 and a loss before tax of $5,524,000. This loss before tax includes the impact of a loss on disposal of entities not acquired by the Company and associated transaction and restructuring costs.

Information on acquisition made by Asia Pacific Digital Australia Pty Ltd

Asia Pacific Digital Australia Pty Ltd acquired Future Idea Group Sdn Bhd, a Malaysian digital advertising company in January 2012, prior to the acquisition of Asia Pacific Digital Australia Pty Ltd by the Company. In May 2014, Asia Pacific Digital Australia Pty Ltd paid the final purchase price instalment of $415,000 to the sellers of Future Idea Group Sdn Bhd as a performance based earn out.

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 2014 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 2014.

Signed in accordance with a resolution of the Directors.

ROGER SHARP
Executive Chairman

Sydney, 30 September 2014

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

Report on the financial report

We have audited the accompanying financial report of Asia Pacific Digital Limited , which comprises the consolidated statement of financial position as at 30 June 2014, 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 Limited 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 2014 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 1 in the financial report regarding going concern.

As a result of these matters, if the company's major shareholder, Co Investor Capital Partners Pty Limited, 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 2014. 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 Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Ernst & Young

Ernst & Young

Meredith Scott

Meredith Scott
Partner
Sydney
30 September 2014

ASIA PACIFIC DIGITAL Limited

ASX Additional Information

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

1. Shareholder Information

(a) Distribution of holders at 29 September 2014

	Fully paid ordinary shares
Number of Holders	1,672
Distribution is :	
1 - 1,000	222
1,001 - 5,000	612
5,001 - 10,000	229
10,001 - 100,000	433
100,001 - 999,999,999	175
1,000,000,000 - 9,999,999,999	1
	1,672
Holding less than a marketable parcel	1,320

(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 29 September 2014

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

Shareholder	Number of shares
Co-Investor Capital Partners Pty Ltd and Associates	1,536,449,577

(d) Shareholders

The twenty largest shareholders hold 91.66% of the total issued ordinary shares in the Company as at 29 September 2014.

(e) Unlisted 31 October 2014 Options

There are 1,260,000 options held by 1 holder on issue are exercisable at nil cents on or before 31 October 2014. The option holder does not have any voting rights.

(f) Unlisted 31 October 2014 Options

There are 2,250,000 options held by 1 holder on issue are exercisable at 6 cents on or before 31 October 2014. The option holder does not have any voting rights.

(g) Unlisted 24 July 2017 Options

There are 15,000,000 options held by 1 holder on issue are exercisable at 3.0 cents on or before 24 July 2017. The option holder does not have any voting rights.

1. Shareholder Information ***(continued)***

2. QUOTATION

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

Top Twenty Shareholders as at 29 September 2014

Name		Number of Shares	% of Issued Shares
1.	Valuestream Investment Management Limited (a) <Co-Investor No3 PIPE Fund A/C>	1,352,069,925	67.38
2.	Co-Investor Capital Partners Pty Ltd <Co-Investor No1 Fund A/C>	87,836,638	4.38
3.	Wentworth Financial Pty Ltd	80,510,621	4.01
4.	J P Morgan Nominees (Australia) Ltd	53,181,480	2.65
5.	HSBC Custody Nominees (Aust) Ltd	47,408,927	2.36
6.	Citicorp Nominees Pty Ltd	47,007,484	2.34
7.	Armada Trading Pty Lyd	29,602,275	1.48
8.	Cable Nominees Pty Ltd	20,800,000	1.04
9.	Pyvis Nominees Pty Ltd	16,032,393	0.80
10.	Big Art Investments Pty Ltd	14,000,000	0.70
11.	Modern Dragon Investments Pty Ltd	12,507,398	0.62
12.	Connaught Consultants (Finance) Pty Ltd	11,882,353	0.59
13.	Rapaki Pty Ltd	10,963,236	0.55
14.	Mr. Gregory Jarvis	9,848,330	0.49
15.	Jetosea Pty Ltd	8,882,343	0.44
16.	Dylide Pty Ltd	8,406,249	0.42
17.	Mr Brett A Orsler	7,930,430	0.40
18.	Mr. David Reberger	6,255,149	0.31
19.	Mr. Paul Bull	6,250,000	0.31
20.	ABN Amro Clearing Sydney Nominees Pty Ltd	6,036,003	0.30
		1,837,411,234	**91.57**

(a) Held as external trustee for the Co-Investor No. 3 PIPE Fund