Appendix 4D
for the half-year ended 31 December 2014

Current Period: 31 December 2014

Previous Corresponding Period (PCP): 31 December 2013

1. Results for announcement to the market

	31-Dec-14 $000	31-Dec-13 $000	Change $000	Change %
Revenue from ordinary activities	28,971	15,634	13,337	85%
Net (loss) / profit from continuing operations after tax attributable to members	(4,214)	30	(4,244)	(14147%)
Net (loss) / profit for the period attributable to members	(4,214)	30	(4,244)	(14147%)
Earnings before interest, tax, depreciation, amortisation (EBITDA)	104	862	(758)	(88%)

2. Dividends

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	-	-
Previous corresponding period	-	-

3. Net Tangible Assets per Security

	Current period	Previous corresponding period
Net Tangible Assets per Ordinary Share	(2.9) cents	(7.2) cents

4. Compliance Statement

The Appendix 4D is to be read in conjunction with the attached half yearly report for the period ended 31 December 2014 and the annual financial report for the year ended 30 June 2014. It is also recommended that the Appendix 4D be considered together with any public announcements by the Company during and after the half-year ended 31 December 2014.

ASIA PACIFIC DIGITAL LIMITED

ABN 30 000 386 685

Half-Year Financial Report

Period Ended 31 December 2014

ASIA PACIFIC DIGITAL Limited

Contents

The Directors submit their report for the half-year ended 31 December 2014.

DIRECTORS

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

Roger Sharp	Executive Chairman
Peter Hynd	Executive Director
Fionn Hyndman	Non-Executive Director
David Sweet	Non-Executive Director

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the half-year 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
- eCommerce Ventures (eCommerce Division - Asia Pacific Digital eCommerce).

OPERATING AND FINANCIAL REVIEW

Operating results for the period

The consolidated entity net loss after tax for the half-year ended 31 December 2014 was $4,214,000 (2013: net profit of $30,000).

Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA) was $104,000 (2013: $862,000). Included in EBITDA are restructuring costs of $331,000 (2013: $70,000).

The Directors note that the net cash flow used in operating activities for the financial period was $302,000 (2013: net cash flow generated in operating activities $193,000). The net cash flow used in by operating activities is reconciled to the EBITDA of $104,000 referred to above in the following table as EBITDA is often considered as a proxy for operating cash flows:

	$000
Net cash used in operating activities	**(302)**
Adjusted for:	
Amounts included in operating cash flow but not in EBITDA (i)	400
Other net working capital timing differences	6
EBITDA	**104**

(i) This represents net interest payments of $321,000 and an income tax payment of $79,000.

Strategies & Solutions Division

Strategies & Solutions divisional revenues and EBITDA increased by 40% and 177% on the pro-forma previous corresponding period (PCP) which represents three months audited result and 9 month unaudited pre-acquisition result. The growth in divisional performance was broad based, with all major geographies seeing significant uplifts in performance.

Australia delivered a number of key client wins, including in particular major ongoing digital platform projects for Village Roadshow.

Asia revenues grew more than 80% on PCP on the back of significant new clients such as Fonterra, GlaxoSmithKline, Maxis (Malaysia's largest telco) and Proton (the Malaysian vehicle manufacturer). Significant investments were made in new employees and premises to serve these clients and the Company expects a further uplift in financial performance during the second half when associated revenues come onstream.

Global Clients continued its long run growth trend, with revenues up 41% on PCP.

Customer Acquisition Division

Customer Acquisition revenues decreased by 8% on the 6 months to 31 December 2103 due to the previously announced losses of Westpac and Apple during FY14. These clients departed the group during PCP therefore the comparable period still includes significant revenues from them and the PCP comparison is not completely reflective of current momentum and performance. To better illustrate current period progress, if comparison is made against PCP that is adjusted to remove Westpac and Apple, the Customer Acquisition division increased revenues by 18%. This was achieved through growth in Paid Search and Search Engine Optimisation (revenues up 26% on PCP through new clients such as eBay and Harvey Norman), and in the Online Research channel (up 28% on PCP).

Customer Acquisition has now diversified its customer base, with no single client representing more than 10% of revenues. Divisional EBITDA was down slightly from $1.47m to $1.39m, with the growth across all other areas of Customer Acquisition largely offsetting the loss of prior year earnings from Westpac and iTunes.

Customer Management Division

Customer Management delivered 9% revenue growth over the pro-forma PCP, in line with long run expectations for market growth in its New Zealand home market. Margin expansion resulted in stronger earnings growth, with the core New Zealand business increasing EBITDA by 20% on PCP.

Corporate Overheads

Corporate overheads increased by $248k over PCP or 27%, reflecting the merger of APD and DPG, and the cost of the Company's expansion in Asia.

Growth Initiatives

The Company accelerated its investment in growth initiatives across the region by focusing on six key projects in the first half:

1. **Build Out of Strategies & Solutions Division in Shanghai and Singapore**

   The Strategies & Solutions division recruited new teams in Shanghai and Singapore and has been winning new clients in both markets. Since the reporting period the Company has agreed to acquire a Singapore digital agency, @ccomplice, that will strengthen its position in that market.

2. **Build Out of Customer Management Division in Australia and Singapore**

   Customer Management continues to invest in personnel in Australia and in Asia from its hub in Singapore.

3. **Development of Business Intelligence and Big Data Capability**

   The Company established a discrete team based in Australia to test and customise third party business intelligence tools that can be productised and rolled out to the group's client base. Pilot projects on the Company's eCommerce ventures have shown encouraging results and a rollout of the product to external clients is imminent.

4. **Establishment of Regional Operations Centre (ROC) in Manila**

   On 1 October 2014 APD opened its Regional Operations Centre (ROC) in Makati, the Philippines. The ROC is now delivering operational and technical solutions for the region, creating the economies of scale required to underpin the Company's current expansion programme.

5. **Dedicated Growth Team in Singapore**

   APD maintains a small corporate development team in Singapore to identify and manage acquisitions and ensure that soft and hard infrastructure are in place across the region to underpin the group's rapid expansion. This capability will not be required when Asian operations reach scale.

6. **eCommerce Ventures**

   The Company outsources eCommerce operations for selected clients across the region in sectors where it has domain expertise. A dedicated team of professionals based across the region wins and manages these ventures.

   Cellarmasterwines

   APD's first eCommerce venture is Cellarmasterwines in Hong Kong. This venture proved APD's ability to manage complex eCommerce businesses across multiple time zones under this outsourcing structure.

   APD believes that Cellarmasterwines has significant potential in the Hong Kong market and subsequently in China. However its parent, Macro Wines & Spirits Asia Limited (Macro), in which APD has a 19% interest, has experienced acute liquidity problems and has not been in a position to provide its online business with the required level of marketing or media expenditure. Macro has been undertaking a capital raising process. Although APD does not intend to participate in the capital raising, it has, as a viable alternative, put forward an urgent restructuring proposal to Macro that would see APD manage and control the online Cellarmaster business together with Macro under a revised structure.

   APD believes that it is prudent to write off the full net value of the Macro investment currently held at $1.3m in its balance sheet until the resulting value implications of the capital raising and / or restructuring are finally determined.

   Advintage

   The group's second venture is Advintage, one of New Zealand's leading online wine retailers. Advintage has performed well since the launch of this venture in H1 FY15. APD holds a note convertible into 24% of Advintage ordinary shares.

   aCommerce

   APD invested US$1m in aCommerce during FY14. aCommerce has experienced very strong growth rates in its home markets of Thailand, Indonesia and the Philippines. aCommerce is not a venture but an investment that provides a strategic launch pad for other APD ventures in Southeast Asia.

Capital Structure

As noted in prior ASX announcements, the Company expects that its acquisition activity and further working capital requirements associated with the high levels of growth are likely to call for further capital funding in the future.

Intangible Impairment

The Company has booked an impairment of the Next Digital brand name intangible asset of $2.1m as a result of the decision to rebrand all business units within the group as APD as foreshadowed at the November 2014 AGM.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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..

EVENTS SUBSEQUENT TO BALANCE DATE

On 16 February 2015, the Company announced that it had agreed to acquire the business and assets of Accomplice Pte Ltd, a digital agency based in Singapore. Completion of the acquisition is subject to a number of conditions precedent. The purchase price will be $0.9 million comprising $0.4 million in cash and $0.5 million in shares issued at 42 cents per share with an incentive payment dependent upon the certain performance conditions.

On 16 February 2015, the Company announced that it had entered into a 5 year eCommerce venture agreement with Supps R Us, an Australian B2C online sports supplements retailer. The Company will provide digital services over the life of the agreement and will in return be remunerated via a fixed retainer, a tiered share of revenues above an agreed hurdle and a convertible note equivalent to a 30% opening equity interest.

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

AUDITOR'S INDEPENDENCE STATEMENT

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

ROUNDING OF AMOUNTS

The amounts contained in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC CO 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Roger Sharp
Executive Chairman

Sydney, 27 February 2015

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 half-year ended 31 December 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
27 February 2015

Consolidated Statement of Comprehensive Income
For the Half-Year Ended 31 December 2014

	Note	2014 $000	2013 $000
Continuing operations			
Rendering of services		28,971	15,634
Cost of sales		(15,599)	(10,011)
Employee benefits expense	3(a)	(8,838)	(3,640)
Business acquisition costs		(4)	(48)
Restructuring		(331)	(70)
Other expenses	3(b)	(4,095)	(1,003)
Earnings before interest, tax, depreciation and amortisation and impairment losses (EBITDA)		**104**	**862**
Depreciation and amortisation	3(c)	(1,050)	(671)
Impairment losses	3(c)	(3,334)	-
(Loss) / profit from continuing operations before interest and income tax		**(4,280)**	**191**
Finance income		24	-
Finance costs	3(d)	(491)	(231)
Loss from continuing operations before income tax		**(4,747)**	**(40)**
Income tax benefit		533	70
(Loss) / profit from continuing operations after income tax		**(4,214)**	**30**
(Loss) / profit for the period attributable to owners of the parent		**(4,214)**	**30**

(Loss) / earnings per share from continuing operations attributable to the ordinary equity holders of the parent:

	Cents	Cents
- basic (loss) / earnings per share	(5.41)	0.1
- diluted (loss) / earnings per share	(5.41)	0.1

	2014 $000	2013 $000
(Loss) / profit for the period	**(4,214)**	**30**
Other comprehensive income / (loss)		
Exchange difference on translation of foreign operations	(159)	-
	-	-
Other comprehensive loss for the year, net of tax	**(159)**	**-**
Total comprehensive (loss) / profit for the period attributable to owners of the parent	**(4,373)**	**30**

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements.

Consolidated Statement of Financial Position
For the Half-Year Ended 31 December 2014

	Note	31 December 2014 $000	30 June 2014 $000
ASSETS			
Current assets			
Cash and cash equivalents		1,736	2,425
Trade and other receivables		10,720	9,129
Other financial assets		90	83
Other		573	655
Total current assets		**13,119**	**12,292**
Non-current assets			
Other financial assets		894	843
Plant and equipment		572	538
Deferred tax assets		948	288
Investments	7	1,079	2,851
Intangible assets	6	1,688	4,125
Goodwill	6	10,607	10,607
Total non-current assets		**15,788**	**19,252**
Total assets		**28,907**	**31,544**
LIABILITIES			
Current liabilities			
Trade and other payables	8	8,430	7,587
Provisions		1,601	1,516
Interest-bearing loans and borrowings	9	3,005	2,321
Provision for Income tax		312	190
Deferred income		1,112	557
Total current liabilities		**14,460**	**12,171**
Non-current liabilities			
Provisions		395	475
Deferred income		-	625
Interest-bearing loans and borrowings	9	4,079	6,400
Total non-current liabilities		**4,474**	**7,500**
Total liabilities		**18,934**	**19,671**
Net assets		**9,973**	**11,873**
EQUITY			
Contributed equity	4	131,087	128,850
Reserves		(8,720)	(8,797)
Accumulated losses		(112,394)	(108,180)
Total equity attributable to equity holders of the parent		**9,973**	**11,873**

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

Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2014

	Ordinary shares $000	Accumulated losses $000	Share based payment reserves $000	Common control reserve $000	Available-for-sale reserve $000	Foreign currency translation reserve $000	Total $000
At 1 July 2014	**128,850**	**(108,180)**	**4,023**	**(12,311)**	**(199)**	**(310)**	**11,873**
Loss for the half-year	-	(4,214)	-	-	-	-	(4,214)
Other comprehensive loss	-	-	-	-	-	(159)	(159)
Total comprehensive income for the period	-	(4,214)	-	-	-	(159)	(4,373)
Transactions with owners in their capacity as owners:							
Share purchase plan	168	-	-	-	-	-	168
Issue of shares for repayment of secured debt facility	2,167	-	-	-	-	-	2,167
Share placement expenses	(37)	-	37	-	-	-	-
Share purchase plan expenses	(59)	-	-	-	-	-	(59)
Share consolidation expenses	(12)	-	-	-	-	-	(12)
Share options expenses	(2)	-	-	-	-	-	(2)
Deferred tax movements on share issue costs	12	-	-	-	-	-	12
AFS investment impairment	-	-	-	-	199	-	199
At 31 December 2014	**131,087**	**(112,394)**	**4,060**	**(12,311)**	**-**	**(469)**	**9,973**
At 1 July 2013	**109,275**	**(106,923)**	**3,728**	**-**	**-**	**-**	**6,080**
Net profit for the half-year	-	30	-	-	-	-	30
Total comprehensive profit for the period	-	30	-	-	-	-	30
Transaction with owners in their capacity as owners:							
Share based payments	-	-	104	-	-	-	104
Share options expenses	(2)	-	-	-	-	-	(2)
At 31 December 2013	**109,273**	**(106,893)**	**3,832**	-	-	-	**6,212**

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

Consolidated Cash Flow Statement
For the Half-Year Ended 31 December 2014

	2014 $000	2013 $000
Cash flows from operating activities		
Receipts from customers	30,930	16,310
Payments to suppliers and employees	(30,791)	(15,840)
Payments for business acquisition costs	(4)	(33)
Payments for restructuring	(37)	(166)
Interest received	24	-
Interest paid	(345)	(78)
Income tax paid	(79)	-
Net cash (used in) / provided by operating activities	**(302)**	**193**
Cash flows from investing activities		
Payments for plant and equipment	(235)	(36)
Payments for intangible assets	(470)	(257)
Net cash used in investing activities	**(705)**	**(293)**
Cash flows from financing activities		
Proceeds from share purchase plan	168	-
Proceeds from borrowings – Related party loan	150	-
Proceeds from borrowings	390	507
Payment of share purchase plan	(59)	-
Payment of share options expenses	(2)	(2)
Repayment of borrowings - vendor financing	(281)	(264)
Payment of finance fees	(10)	(46)
Net cash provided by financing activities	**356**	**195**
Net (decrease) / increase in cash and cash equivalents held	(651)	95
Net foreign exchange difference	(38)	-
Cash and cash equivalents at beginning of the period	2,425	76
Cash and cash equivalents at the end of the period	**1,736**	**171**

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

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial report of Asia Pacific Digital Ltd for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 27 February 2015. Asia Pacific Digital Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

a) Basis of preparation

Asia Pacific Digital Limited is a for-profit entity. The financial report is a general-purpose financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001. The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide a full understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2014 and considered together with any public announcements made by the Company during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year financial report has been prepared on a historical cost basis and is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless stated otherwise.

Going Concern

The Directors believe that the Company and the consolidated entity will be able to continue as a going concern and, as a consequence, the half-year financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Directors are aware however that as at 31 December 2014 the group had an excess of current liabilities over current assets of $1.3 million (30 June 2014: the group had an excess of current assets over current liabilities of $0.1 million). Of this excess, a $1.0 million loan is payable to Co-Investor Capital Partners Pty Ltd (Co-Investor), the Company's majority shareholder.

The Directors note the financial support received in the past from Co-Investor since it became the majority shareholder in 2008. Co-Investor currently holds 72% of the shares on issue and also provides a loan facility which the Company has regularly used to fund short term working capital requirements, and has in the past demonstrated a willingness to re-negotiate the term of the facility. During the six months to 31 December 2104, the Company drew down $150,000 under this loan facility and up until the date of this report has subsequently drawn down $212,000. If required, the Directors expect to continue to receive this 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 EBITDA is reconciled to the net cash flow used in operating activities as follows:

	$000
Net cash used in operating activities	**(302)**
Adjusted for:	
Net interest payments	321
Income tax paid	79
Net working capital movements	6
Reported EBITDA	**104**

b) Significant accounting policies

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report. New accounting standards effective from 1 July 2014 did not have material effect on the financial position or performance of the company. The consolidated entity has not elected to early adopt any new standards or amendments that are issued but not yet effective.

3. EXPENSES

	2014 $000	2013 $000
a) Employee benefits expense		
Salaries and wages	7,142	2,946
Share based payments	-	104
Superannuation	566	267
Leave benefits	(4)	20
Payroll tax	371	161
Training / recruitment / amenities	674	90
Other	89	52
	8,838	3,640
b) Other expenses		
Communication costs	607	329
Non-executive Director fees	55	110
Rent and office supplies	1,971	353
Professional fees	308	89
Other	1,154	122
	4,095	1,003
c) Depreciation, amortisation and impairment		
Depreciation:		
Plant and equipment	203	39
Amortisation of intangible assets:		
- Customer contracts	146	255
- Software	588	377
- Brand names	113	-
	1,050	671
Impairment:		
- Brand name	2,060	-
- Available For Sale investment	1,274	-
	3,334	-
d) Finance costs		
Interest expense	458	170
Finance fees	33	61
	491	231

4. CONTRIBUTED EQUITY

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Consolidated 31 December 2014		Consolidated 30 June 2014	
	Shares	**$000's**	**Shares**	**$000's**
Fully paid ordinary shares	80,312,012	131,087	1,869,197,281	128,850
Movements in shares on issue				
Beginning of the financial year	1,869,197,281	128,850	839,626,756	109,275
Unlisted employee options exercised	1,260,000	-	1,560,000	-
Acquisition consideration	-	-	786,010,525	15,720
Share placement	-	-	242,000,000	4,114
Share purchase plan	9,882,367	168	-	-
Issue of shares for repayment of secured debt facility	127,451,975	2,167	-	-
Share placement expenses	-	(37)	-	(229)
Share purchase plan expenses	-	(59)	-	-
Share consolidation expenses	-	(12)	-	-
Share options expenses	-	(2)	-	-
Deferred tax on share issue expenses	-	12	-	(30)
	2,007,791,623	131,087	1,869,197,281	128,850
Share consolidation: 25 to 1 on 11 December 2014	80,312,012	-	-	-
End of the financial period	80,312,012	131,087	1,869,197,281	128,850

5. OPERATING SEGMENTS

Identification of reportable segments

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

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

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

Geographically, the majority of customers are located in Australia.

5. OPERATING SEGMENTS (continued)

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 Half Year Financial 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 consolidated entity in reporting segments internally are the same as those contained in note 2 to the accounts, with exception of unallocated expenses as discussed below.

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

5. OPERATING SEGMENTS (continued)

Unallocated expenses comprise the following:

- Non-Executive Directors fees ($55,000);
- Corporate remuneration ($935,000);
- Audit, legal, ASX and other professional fees ($199,000);
- Business acquisition costs ($4,000); and
- Other corporate overheads ($280,000).

Segment assets and liabilities are not reported as these numbers are not specifically reported to the Board of Directors and executive management team, being the chief operating decision makers.

31 December 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	15,634	N/A	N/A	15,634
Inter-segment sales	N/A	479	N/A	N/A	479
Total segment revenue	N/A	16,113	N/A	N/A	16,113
Inter-segment elimination	N/A	(479)	N/A	N/A	(479)
Total consolidated revenue	**N/A**	**15,634**	**N/A**	**N/A**	**15,634**
Reconciliation of segment results to net loss after tax					
Segment results (EBITDA before unallocated expenses)	N/A	1,701	N/A	N/A	1,701
Unallocated expenses	N/A	(839)	N/A	N/A	(839)
EBITDA	**N/A**	**862**	**N/A**	**N/A**	**862**
Depreciation and amortisation	N/A	(655)	N/A	N/A	(655)
Unallocated depreciation and amortisation					(16)
Profit before tax and net finance costs					191
Finance income					-
Finance costs					(231)
Loss before income tax					(40)
Income tax benefit					70
Profit for the year					**30**

Unallocated expenses comprise the following:

- Non-Executive Directors fees ($110,000);
- Corporate remuneration ($320,000);
- Audit, legal and other professional fees ($89,000);
- Business acquisition costs ($48,000);
- Restructuring costs ($70,000);
- Employee share option expense ($104,000); and
- Other corporate overheads ($98,000).

Segment assets and liabilities are not reported as these numbers are not specifically reported to the Board of Directors and executive management team, being the chief operating decision makers.

6. INTANGIBLE ASSETS AND GOODWILL

(a) Carrying amounts at the beginning and end of the period

	Customer contracts	Brand name	Software	Total Intangible	Goodwill	Total
At 31 December 2014						
Cost	2,285	3,818	6,373	12,476	10,607	23,083
Accumulated amortisation and impairment	(2,256)	(3,818)	(4,714)	(10,788)	-	(10,788)
Net carrying amount	29	-	1,659	1,688	10,607	12,295
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

(b) Description of the Group's intangible assets and goodwill

(i) Customer contracts

The value of the group's customer contracts represents the fair value of contractual customer relationships. The customer contracts are amortised over the shorter of the term of each contract or five years.

(ii) Software

The value of the group's software represents the fair value of software developed in-house, less amortisation and impairment losses. This software is amortised over its useful life of 2.5 to 3 years.

(iii) Goodwill

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis or whenever there is an indication of impairment (refer to section (c) of this note).

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.

(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. This asset was fully impaired in December 2014 (refer section (c) of this note).

(c) Impairment tests

Brand Name

The Company has booked an impairment of the written down value of the Next Digital brand name intangible asset of $2.1m directly as a result of the decision to rebrand all business units within the group as APD as foreshadowed at the November 2014 AGM.

6. INTANGIBLES AND GOODWILL (continued)

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.

Under performance against the Company's internal Board approved budget during the six months ending 31 December 2014 is considered an indicator of possible impairment. As such, an impairment test of the carrying value of goodwill in this CGU was undertaken.

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 forecast approved by senior management covering the period to 30 June 2015 and a projection covering a further four years.

The pre-tax, discount rate applied to the dgm cash flow projections is 18.6% (30 June 2014: 18.6%).

(ii) Carrying amount of goodwill

The goodwill allocated to the DGM/Viva9 CGU is $7,593,000.

(iii) Key assumptions used in value in use calculations for the dgm CGU for 31 December 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 7.5% p.a. has been used in the 5 year forecast (30 June 2014: 7.4%). 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% (30 June 2014: 18.6%).

Terminal value growth rate – a terminal value growth rate of 3% has been used (30 June 2014: 3%).

(iv) Sensitivity to changes in assumptions

There are reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. The actual recoverable amount of the dgm unit exceeds its carrying value by $4.0 million (30 June 2014: $8.7 million).

- *Growth rate assumptions* - Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast growth rate less than 3.0% from FY2016 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 23.9% for the recoverable amount of the dgm unit to fall below its carrying value with all other assumptions held constant.

7. INVESTMENTS

	31 December 2014 $000's	30 June 2014 $000's
Non-Current		
Unquoted equity shares (i)	1,079	2,851
	1,079	2,851

(i) The Company's unquoted equity shares are available for sale investments measured at fair value with unrealised gains or losses recognised as 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% (30 June 2014: 19%) in the client in March 2014.

   The fair value assessment as at 30 June 2014 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 debited in the available for sale (AFS) reserve. The carrying value of this investment as at 30 June 2014 was $1.8 million.

   The Company assessed at 31 December 2014 there was objective evidence that this investment was impaired as the investee was experiencing significant financial difficulty. The unrealised loss of $284,000 referred to above was reversed and an impairment loss of $1.3 m has been recognised in the statement of comprehensive income. The carrying value of this investment as at 31 December 2014 was nil.

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% (30 June 2014: 4%) of the issued capital in this entity.

Not included in available for sale investments is a convertible note held in a New Zealand wine eCommerce client. The Company entered into a 5 year agreement in March 2014 to provide end-to-end eCommerce and digital advertising services to this client. As part compensation for the provision of these services, the Company has the right to convert the note into 24% of the issued capital of the client at the end of the 5 year agreement or under certain trigger conditions. This right has not been recognised as an available for sale investment.

8. TRADE AND OTHER PAYABLES

	December 2014 $000	June 2014 $000
Current		
Trade payable and accruals (a)	8,430	7,587
	8,430	7,587

Carrying value approximates fair value of the trade payables and accruals.

a) Trade payables are non-interest bearing and are generally payable on 30 to 60 day terms.

9. INTEREST – BEARING LOANS AND BORROWINGS

	December 2014 $000	June 2014 $000
Current		
Secured loan from related party (a)	959	384
Bank receivables financing facility (b)	2,046	1,656
Vendor financing (c)	-	281
	3,005	2,321
Non Current		
Secured loan from related party (a)	579	900
Convertible debt facility (d)	3,500	5,500
	4,079	6,400

a) Secured loan from related parties

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. The interest payable is 15% p.a. (2014: 15%).

b) Bank 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.

c) 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 facility was fully repaid in December 2014.

d) 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. On 25 July 2014, $2,000,000 debit facility converted into 117,647,059 fully paid ordinary shares at an issue price of 1.7 cents per share (post consolidation share 4,705,882 at an issue price of 42.5 cents per share).

The remaining 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. The interest payable is 15% p.a. (30 June 2014: 15%).

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.

The fair value of the convertible debt amounts to $3,788,000. This has been calculated by discounting the expected future cash flows at a rate representing the market cost of each type of debt. The discount rate applied to calculate the fair value of the convertible debt is 12.5% (30 June 2014: 12.5%).

10. COMMITMENTS AND CONTINGENCIES

	December 2014 $000	June 2014 $000
a) Operating lease commitments		
Future operating lease rentals:		
- Within one year	1,954	1,437
- After one year but not more than five years	4,164	1,749
	6,118	3,186

b) Capital Commitments

There were no capital commitments at 31 December 2014.

c) Contingent assets and liabilities

There were no contingent assets or liabilities as at 31 December 2014.

11. SHARE BASED PAYMENTS

A total of 4,144,445 options are scheduled to vest during the year ending 30 June 2015. These options are dependent on the achievement of various performance criteria. The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options unless converted into ordinary shares.

Number of options	Exercise price	Grant date	Vesting date	Vesting Period	Expiry date
4,144,445	62.5 cents	16-Dec-14	30-Sept-15	FY 2015	28-Nov-18

These options, linked with FY2015 quantitative and qualitative performance criteria, were valued at $271,800. No amount has been expensed in the period ending 31 December 2014 as the attainment of the performance criteria is uncertain.

12. EVENTS AFTER THE REPORTING PERIOD

On 16 February 2015, the Company announced that it had agreed to acquire the business and assets of Accomplice Pte Ltd, a digital agency based in Singapore. Completion of the acquisition is subject to a number of conditions precedent. The purchase price will be $0.9 million comprising $0.4 million in cash and $0.5 million in shares issued at 42 cents per share with an incentive payment dependent upon the certain performance conditions.

On 16 February 2015, the Company announced that it had entered into a 5 year eCommerce venture agreement with Supps R Us, an Australian B2C online sports supplements retailer. The Company will provide digital services over the life of the agreement and will in return be remunerated via a fixed retainer, a tiered share of revenues above an agreed hurdle and a convertible note equivalent to a 30% opening equity interest.

Director's Declaration

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

In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

For and on behalf of the board

ROGER SHARP
Director

Sydney, 27 February 2015

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 review report to the members of Asia Pacific Digital Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Asia Pacific Digital Limited, which comprises the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Asia Pacific Digital Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Building a better working world

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Asia Pacific Digital Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualification to the opinion above, we draw attention to the matters outlined in Note 2 (a) in the financial report.

As a result of these matters, if the support from the company's major shareholder, Co Investor Capital Partners Pty Limited, is withdrawn, 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 or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Ernst & Young

Ernst & Young

Meredith Scott

Meredith Scott
Partner
Sydney
27 February 2015