

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Appendix 4E**  
**For the Year Ended 30 June 2012**

**Current Period:** 30 June 2012

**Previous Corresponding Period (PCP):** 30 June 2011

**1. Results for announcement to the market**

	<b>30-Jun-12</b> <b>\$000's</b>	<b>30-Jun-11</b> <b>\$000's</b>	<b>Change</b> <b>\$000's</b>	<b>Change</b> <b>%</b>
Revenue from ordinary activities	23,861	19,018	4,843	25%
<b>Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)</b>	<b>680</b>	<b>1,322</b>	<b>(642)</b>	<b>(49%)</b>
Net (loss) / profit from continuing operations after tax attributable to members	(16,060)	257	(16,317)	(6349%)
Profit from discontinued operations after income tax	-	413	(413)	(100%)
Net (loss) / profit for the period attributable to members	(16,060)	670	(16,730)	(2497%)

**2. Dividends**

<b>Dividends (distributions)</b>	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	(0.2) cents	(0.1) cents

This report should be read in conjunction with the attached audited financial statements for the year ended 30 June 2012 and any public announcements made by the Company during the year ended 30 June 2012.

## ASX Release

23 August 2012

### DIG Announces Full Year Results

\$'000's	Pro-forma <sup>1</sup> Result		Variance	Reported Result		Variance
	FY2012	FY2011	%	FY2012	FY2011	%
<b>Continuing Operations</b>						
Empowered	1,535	2,738	(43.9)	1,535	2,738	(43.9)
dgm	1,520	1,664	(8.7)	1,520	1,255	21.1
<b>Operating EBITDA</b>	<b>3,055</b>	<b>4,402</b>	<b>(30.6)</b>	<b>3,055</b>	<b>3,993</b>	<b>(23.5)</b>
Corporate costs	(1,932)	(1,590)	(21.5)	(1,932)	(1,590)	(21.5)
<b>Underlying<sup>2</sup> EBITDA</b>	<b>1,123</b>	<b>2,812</b>	<b>(60.1)</b>	<b>1,123</b>	<b>2,403</b>	<b>(53.3)</b>
<b>Non-recurring Items</b>						
Restructuring costs				(121)	(371)	
Acquisition costs				(74)	(626)	
Share option costs				(248)	(84)	
<b>Reported EBITDA</b>				<b>680</b>	<b>1,322</b>	

The Directors of the Company advise that the full year trading result is in line with the market update of 17 May 2012. The operating businesses delivered an underlying<sup>2</sup> EBITDA result for FY12 of \$3.1m before head office costs. Underlying<sup>2</sup> EBITDA after head office costs was \$1.1m.

In line with the Company's strategy of being a leading provider of online performance, lead generation and affiliate campaigns, DPG has signed a heads of agreement in respect of a potential acquisition in the Australian digital performance market. The acquisition, if it goes ahead, would provide an immediate uplift in earnings and would be funded via currently available debt facilities and vendor finance. The transaction remains subject to due diligence and further negotiation of long form sale agreements and the completion of a range of conditions precedent. DPG expects to make a further announcement at the end of August.

<sup>1</sup> The pro-forma unaudited result includes the earnings for dgm as if it had been held for the full reporting periods rather than from the acquisition date of 22 October 2010. The dgm results are audited from 22 October 2010.

<sup>2</sup> Underlying EBITDA for continuing operations excludes business acquisition costs, impairment, restructuring expenses and non-cash share option expenses.

## Operating Businesses

### dgm

dgm's underlying<sup>2</sup> EBITDA was \$1.5m for FY12, 9% less than the previous corresponding pro-forma period. While market conditions remain strong, the result was primarily impacted by the transition and implementation of dgm's new Impact Radius technology platform. In January 2012 dgm signed an exclusive licence agreement with Impact Radius in Australia and New Zealand for the supply of its global, market-leading affiliate software. Impact Radius vastly improves dgm's ability to win and manage new business, particularly in the online retail segment. dgm is now positioned to be a major beneficiary of the rapid growth in online retail and e-commerce, and directors are confident that the investment in the transition to Impact Radius will provide long term upside benefits.

Following the successful transition of dgm's affiliate client and publisher base onto Impact radius - the next phase of the implementation is the launch of a 'self-serve' module in FY13Q2. This feature provides a comprehensive and scalable affiliate marketing offering to service the long tail of small to mid sized retailers.

### Empowered

Empowered delivered underlying<sup>2</sup> EBITDA of \$1.5m in FY12, 44% less than the previous corresponding period. This is a disappointing result and reflects the impact of key corporate advertisers reducing or ceasing spend in slower media and advertising conditions, as well as increased competition from other performance options.

In response to the challenges in Empowered's media business, management is executing a range of strategies to further leverage its 500,000 member database and reduce its reliance on highly cyclical corporate media spend:

- *Increased focus on online research:* revenue generated in FY12 was \$1.8m, an increase of 8% over previous corresponding period. The Empowered membership base is a panel provider to several major research companies that are shifting research expenditure from offline to online. The business is anticipated to grow throughout FY13 as management invest in the product offering and new business resources.
- *Focus on E-Commerce:* Empowered has launched a cashback shopping site which allows members to earn cash discounts when they shop online. This model has been extremely successful in the UK and US and is an emerging online shopping category in Australia.
- *Additional products:* In late June 2012, Empowered launched a video based email marketing product and a co-registration platform which has created new revenue channels and sales opportunities.

<sup>2</sup> Underlying EBITDA for continuing operations excludes business acquisition costs, impairment, restructuring expenses and non-cash share option expenses.

While these strategies will deliver growth over the medium term, Empowered's FY13 results will continue to be impacted by volatile market conditions in the media segment until these new performance products become better established.

In recognition of the poor recent performance in Empowered's traditional media segments, directors have determined to write off the value of acquired goodwill which has resulted in a one-off non-cash impairment of \$14.9 million.

### **Corporate costs**

The increase in corporate costs reflects the reallocation of expenses previously included in the discontinued mobile business, an allocation of rental expenses and an increase in professional fees.

### **Balance Sheet**

During the year the Company received the final vendor finance balance of \$1.2m relating to the sale of its mobile business in FY11. DPG paid the final deferred consideration payment of \$0.5m for the acquisition of dgm in November 2011.

**ABN 30 000 386 685**



# **ANNUAL REPORT**

**2012**

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

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**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Company Directory**

<b>DIRECTORS:</b>	Phillip Pryke <i>Non-Executive Chairman</i> Chris Meehan <i>Executive Director</i> Christin Burns <i>Non-Executive Director</i> Fionn Hyndman <i>Non-Executive Director</i> David Sweet <i>Non-Executive Director</i>
<b>SECRETARY:</b>	Campbell Nicholas
<b>REGISTERED OFFICE:</b>	200 Harris St Pyrmont NSW 2009  Telephone: (02) 8569 0000 Facsimile: (02) 8205 8476
<b>PRINCIPAL PLACE OF BUSINESS:</b>	200 Harris St Pyrmont NSW 2009  Telephone: (02) 8569 0000 Facsimile: (02) 8205 8476
<b>SHARE REGISTRY:</b>	Computershare Investor Services Pty Limited Level 5 115 Grenfell Street Adelaide SA 5000  Telephone: (08) 8236 2300 Facsimile: (08) 8236 2305
<b>AUDITORS:</b>	Ernst & Young 680 George Street Sydney NSW 2000
<b>SOLICITORS:</b>	Middletons Level 26 52 Martin Place Sydney NSW 2000
<b>BANKERS:</b>	Westpac National Australia Bank

Digital Performance Group Ltd shares are listed on the Australian Securities Exchange (ASX).

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Chairman's Letter**

Dear Fellow Shareholder,

The past financial year has been challenging with volatile advertising markets and increased competition in a digital space that continues to evolve and present new opportunities and challenges. Our core proposition continues to be operating businesses that deliver measureable online performance marketing services to Australia's leading media buyers' and advertisers through generating online sales, qualified customer leads and increased brand awareness. While media spend by corporates has been constrained, we continue to have confidence in this long-term focus.

DIG's operating businesses delivered an underlying EBITDA result for FY12 of \$3.1m before head office costs. Underlying EBITDA after head office costs was \$1.1m (reported EBITDA of \$0.7m in FY12 and \$1.3m in FY11).

While the result for FY12 has been disappointing, the business has continued to invest in the areas experiencing growth such as affiliate, research and search while restructuring and launching new products in Empowered where media revenues have declined.

dgm has delivered a flat year on year earnings result but has invested in the transfer to a new market-leading affiliate technology platform that lays the foundation for strong growth in the online retailing sector over the next twelve months.

Empowered continued to grow its research panel business but its media sales revenues were significantly lower due to difficult market conditions and increased competition. The focus is on growing our client base, increasing the number of performance products we deliver to customers, and reducing our reliance on highly cyclical corporate media spend.

Finally I would like to recognise the hard work of all of our people throughout the year and thank our customers and shareholders for your continuing support of Digital Performance Group.

Yours faithfully



**PHILLIP PRYKE**  
*Chairman*

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Chairman's Letter**

The Directors submit their report for the year ended 30 June 2012.

**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.

**Phillip Pryke, Non-Executive Chairman.** Appointed 5 January 2009.

Mr Pryke is a Director and shareholder of Co-Investor Capital Partners Pty Limited, a Sydney-based active investment manager and the Company's major shareholder. He is Deputy Chairman of Contact Energy, New Zealand's largest energy utility, and was Chairman of Contact from 1995-2004. Mr Pryke is a Director of Goodman Limited, Goodman (NZ) Limited, Tru-Test Corporation Ltd and has chaired or been a director of many companies in Australia and New Zealand. Prior to joining Co-Investor, Mr Pryke ran EDS Asia Pacific. A former investment banker, he has broad experience across a number of industries including utilities, IT, telecoms and the primary sector. He holds a Bachelor of Economics degree from the University of Sydney.

**Chris Meehan, Executive Director.** Appointed 1 September 2009.

Mr Meehan has held executive roles in a number of online businesses including Fairfax Digital and travel.com.au (TVL). As General Manager of domain.com.au, he built one of Australia's most popular and profitable online real estate web sites. Appointed COO then CEO of travel.com.au, he was part of the team that successfully turned around this business, enabling it to be sold to Wotif.com.au in January 2008. Mr Meehan has a Bachelor of Arts degree from Macquarie University.

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

Mr Sweet has a Bachelor of Business degree and has held a number of executive roles over the past 14 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 24 December 2010.

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

**Christin Burns, Non-Executive Director.** Appointed 22 February 2011. Served as Alternate Director to Phillip Pryke from 3 December 2009 to 22 February 2011.

Mr Burns is an Investment Manager at Co-Investor Capital Partners Pty Limited and has assisted the Company in executing its strategy of transitioning to an online digital performance organisation. He is currently a director of several Australian online businesses and has provided corporate, strategic and financial advice to a range of ASX listed and private companies.

**COMPANY SECRETARY**

Mr Campbell Nicholas has been a certified practicing accountant for 20 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.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Directors' Report (continued)**

**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
Phillip Pryke	Goodman Limited	October 2010 - 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 Pryke (i)	653,896,038	-
Mr C Meehan	1,111,111	11,380,714
Mr D Sweet	883,385	-
Mr F Hyndman	-	-
Mr C Burns	-	-

(i) These securities are held by Co-Investor Capital Partners Pty Ltd and Co-Investor Capital Partners (NZ) Ltd. Mr Pryke is a Director and shareholder 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:	12	2	1
Number of meetings attended:			
Phillip Pryke	12	2	1
David Sweet	12	-	-
Chris Meehan	12	-	-
Fionn Hyndman	11	-	1
Christin Burns	11	2	-

All Directors were eligible to attend all meetings.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Directors' Report (continued)**

**Committee Membership**

As at the date of this report, the Company had an Audit Committee and a Remuneration Committee. Phillip Pryke and Christin Burns are members of the Audit Committee. Phillip Pryke and Fionn Hyndman are members of the Remuneration Committee.

**PRINCIPAL ACTIVITIES**

The principal activities during the year within the consolidated entity were:

- provision of permission based online advertising services through an opt in member database (Empowered segment); and
- provision of internet affiliate marketing, paid search and search engine optimisation services (dgm segment).

**OPERATING AND FINANCIAL REVIEW**

**Operating results for the year**

The consolidated earnings from continuing operations before interest, tax depreciation, amortisation and impairment losses (EBITDA), was \$680,000 (2011: \$1,322,000). The consolidated entity net loss after income tax for the financial year ended 30 June 2012 was \$16,060,000 (2011: \$670,000 Profit) which includes an impairment loss of \$14,935,000 attributable to the Empowered segment. The Empowered revenue decreased by 18% over FY2012 as a result of the reduced spend in the media market due to depressed advertiser and consumer confidence. This revenue decrease was a factor contributing to the Empowered impairment loss.

Empowered is focussed on reducing its reliance on highly cyclical corporate media spend by continuing to grow its online research business and launching new products in video based email, co-registration, and cash back shopping.

**Financial position**

The net assets of the Group have decreased by \$16,167,000 from \$22,872,000 at 30 June 2011 to \$6,705,000 at 30 June 2012.

**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.

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Directors' Report (continued)**

**SHARE OPTIONS**

At the date of this report, the following share options were outstanding:

- 1,950,000 unlisted options to subscribe for 1,950,000 ordinary shares. The options are exercisable on or before 2 November 2012 with a nil exercise price for each ordinary share;
- 3,000,000 unlisted options to subscribe for 3,000,000 ordinary shares. The options are exercisable on or before 2 November 2012 at an exercise price of 4 cents for each ordinary share;
- 1,560,000 unlisted options to subscribe for 1,560,000 ordinary shares. The options are exercisable on or before 25 October 2013 with a nil exercise price for each ordinary share;
- 1,800,000 unlisted options to subscribe for 1,800,000 ordinary shares. The options are exercisable on or before 31 October 2013 with an exercise price of 6 cents for each ordinary share;
- 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;
- 1,200,000 unlisted options to subscribe for 1,200,000 ordinary shares. The options are exercisable on or before 31 October 2015 with a nil exercise price for each ordinary share;
- 16,157,144 unlisted options to subscribe for 16,157,144 ordinary shares. The options are exercisable on or before 31 October 2015 at an exercise price of 3 cents for each ordinary share; and
- 2,732,739 unlisted options to subscribe for 2,732,739 ordinary shares. The options are exercisable on or before 31 October 2015 at an exercise price of 2.4 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 2012. 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**

There were no events subsequent to balance date.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

In line with the Company's strategy of being a leading provider of online performance, lead generation and affiliate campaigns, DPG has signed a heads of agreement in respect of a potential acquisition in the Australian digital performance market. The acquisition, if it goes ahead, would provide an immediate uplift in earnings and would be funded via currently available debt facilities and vendor finance. The transaction remains subject to due diligence and further negotiation of long form sale agreements and the completion of a range of conditions precedent. DPG expects to make a further announcement at the end of August 2012.

Other than for matters referred to 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.

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Directors' Report (continued)**

**REMUNERATION REPORT (AUDITED)**

This report outlines the remuneration arrangements in place for Directors and executives of Digital Performance Group Ltd.

**Remuneration Policy**

The remuneration policy of Digital Performance Group Ltd has been designed to align Directors and executive 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 Digital Performance Group 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.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Directors' Report (continued)**

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 and Executive Director 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<sup>1</sup> budget. The individual targets are key performance indicators set by the Board for the Managing Director and by the Managing Director for the executives;
- 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<sup>1</sup> forecasts. Payment of 50% of annual bonuses for executives is based upon the actual underlying EBITDA<sup>1</sup> achieved for the financial year relative to the forecast and 50% based upon the individual's performance against their personal key performance indicators.

The Company's actual performance against the forecasts over the last two years for continuing operations is as follows:

	2012				2011			
	Actual	Forecast	Variance	Variance %	Actual	Forecast	Variance	Variance %
Underlying EBITDA <sup>1</sup>	680	2,200	(1,520)	(69.1%)	2,403	2,573	(170)	(6.6)

The 2011 and 2012 variances are attributable to Empowered revenue being less than forecast.

The table below shows DPG's basic EPS history for the past five years (including the current period).

Year	2006	2007	2008	2009	2010	2011	2012
EPS (cents per share)	-22.2	-19.2	-23.8	-0.8	-0.2	0.1	-1.9

1. Underlying EBITDA for continuing operations excludes impairment losses, business acquisition costs, restructuring expenses and non-cash share option expenses. Underlying EBITDA has been used because the Directors consider that this amount reflects the operating earnings result and excludes costs that aren't attributable to the normal trading activities of the company.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Directors' Report (continued)**

**Details of remuneration for year ended 30 June 2012**

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	Total	Performance related
		Salary & fees	Bonus	Non-monetary benefits	Super	Retirement benefits	Options		
		\$	\$	\$	\$	\$	\$		
<b>KMP Directors</b>									
P Pryke	<b>2012</b>	100,000	-	-	-	-	-	100,000	-
<i>Non executive Chairman</i>	<b>2011</b>	100,000	-	-	-	-	-	100,000	-
C Meehan	<b>2012</b>	250,000	125,000	-	33,756	-	111,216	519,972	48
<i>Executive Director</i>	<b>2011</b>	250,000	149,081	-	35,919	-	31,513	466,513	39
D Sweet	<b>2012</b>	50,000	-	-	-	-	-	50,000	-
<i>Non executive Director</i>	<b>2011</b>	50,000	-	-	-	-	-	50,000	-
F Hyndman	<b>2012</b>	60,000	-	-	-	-	-	60,000	-
<i>Non executive Director</i>	<b>2011</b>	30,000	-	-	-	-	-	30,000	-
C Burns <sup>1</sup>	<b>2012</b>	-	-	-	-	-	-	-	-
<i>Non executive Director</i>	<b>2011</b>	-	-	-	-	-	-	-	-
R Steinepreis <sup>2</sup>	<b>2012</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>Non executive Director</i>	<b>2011</b>	30,000	-	-	-	-	-	30,000	-
V Gillespie <sup>3</sup>	<b>2012</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>Non executive Director</i>	<b>2011</b>	25,000	-	-	-	-	-	25,000	-
<b>Sub total Directors</b>	<b>2012</b>	<b>460,000</b>	<b>125,000</b>	<b>-</b>	<b>33,756</b>	<b>-</b>	<b>111,216</b>	<b>729,972</b>	<b>32</b>
	<b>2011</b>	<b>485,000</b>	<b>149,081</b>	<b>-</b>	<b>35,919</b>	<b>-</b>	<b>31,513</b>	<b>701,513</b>	<b>26</b>

1. Appointed 22 February 2011. Christin Burns is not paid any Director fees. He is an employee of Co-Investor Capital Partners Pty Ltd.
2. Resigned 24 December 2010.
3. Resigned 24 December 2010.

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Directors' Report (continued)**

**Details of remuneration for year ended 30 June 2012 (continued)**

		Short-term benefits			Post employment		Share-based payments	Termination payments	Total	Performance Related
		Salary & Fees	Bonus	Non-Monetary Benefits	Super	Retirement Benefits	Options			
		\$	\$	\$	\$	\$	\$	\$	%	
<b>KMP Executives</b>										
C Nicholas	2012	250,000	62,500	-	28,128	-	73,804	-	414,432	34
<i>Chief Financial Officer</i>	2011	250,000	81,254	-	-	-	20,351	-	351,605	29
S McNamara	2012	255,000	63,939	-	30,034	-	12,516	-	361,489	23
<i>Group Chief Operating Officer</i>	2011	235,000	79,970	-	28,347	-	4,291	-	347,608	24
J Matthews <sup>1</sup>	2012	222,418	17,870	-	21,626	-	13,739	-	275,653	12
<i>dgm General Manager</i>	2011	16,955	4,050	-	1,883	-	2,658	-	25,546	26
P McFadden <sup>2</sup>	2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>Mobile Chief Operating Officer</i>	2011	172,636	96,575	-	-	-	18,331	125,000	412,542	28
C Ellis <sup>3</sup>	2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<i>dgm General Manager</i>	2011	169,212	106,566	-	36,015	-	-	256,560	568,353	19
<b>Sub total Executives</b>	2012	<b>727,418</b>	<b>144,309</b>	<b>-</b>	<b>79,788</b>	<b>-</b>	<b>100,059</b>	<b>-</b>	<b>1,051,574</b>	<b>23</b>
	2011	<b>843,803</b>	<b>368,415</b>	<b>-</b>	<b>66,245</b>	<b>-</b>	<b>45,631</b>	<b>381,560</b>	<b>1,705,654</b>	<b>24</b>
<b>TOTALS</b>	2012	<b>1,187,426</b>	<b>269,309</b>	<b>-</b>	<b>113,544</b>	<b>-</b>	<b>211,275</b>	<b>-</b>	<b>1,781,553</b>	<b>27</b>
	2011	<b>1,328,803</b>	<b>517,495</b>	<b>-</b>	<b>102,164</b>	<b>-</b>	<b>77,144</b>	<b>381,560</b>	<b>2,407,167</b>	<b>24</b>

1. Appointed 1 June 2011. Prior to this appointment, Mr Matthews served as the dgm Client Services Director.

2. Redundant 8 April 2011.

3. Redundant 27 May 2011.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Directors' Report (continued)**

**Options granted as part of remuneration:**

<b>2012</b>	<b>Value of options granted during the year</b> \$	<b>Value of options exercised during the year</b> \$	<b>Value of options lapsed during the year</b> \$	<b>Proportion of remuneration consisting of options for the year</b> %
C Meehan	111,216	-	-	27.2
C Nicholas	73,804	-	-	21.7
S McNamara	12,516	-	-	3.6
J Matthews	13,739	-	-	5.2
<b>Total</b>	<b>211,275</b>	<b>-</b>	<b>-</b>	<b>11.9</b>

<b>2011</b>	<b>Value of options granted during the year</b> \$	<b>Value of options exercised during the year</b> \$	<b>Value of options lapsed during the year</b> \$	<b>Proportion of remuneration consisting of options for the year</b> %
C Meehan	31,513	-	-	6.8
P McFadden	18,331	-	-	4.4
C Nicholas	20,351	-	-	5.8
S McNamara	4,291	-	-	1.2
J Matthews	2,658	-	-	9.3
<b>Total</b>	<b>77,144</b>	<b>-</b>	<b>-</b>	<b>3.2</b>

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

<b>Director / Executive</b>	<b>Granted number</b>	<b>Grant date</b>	<b>Vesting date</b>	<b>Vesting %</b>	<b>Fair value per option at grant date</b>	<b>Exercise price per option</b>	<b>First exercise date</b>	<b>Last exercise date</b>
<b>2012</b>								
C Meehan	8,357,143	30 Nov 11	31 Oct 12	0%	1.12 cents	3 cents	31 Oct 12	31 Oct 15
	728,571	30 Nov 11	31 Oct 12	0%	2.38 cents	nil	31 Oct 12	31 Oct 15
C Nicholas	5,571,429	30 Nov 11	31 Oct 12	0%	1.12 cents	3 cents	31 Oct 12	31 Oct 15
	471,429	30 Nov 11	31 Oct 12	0%	2.38 cents	nil	31 Oct 12	31 Oct 15
S McNamara	1,114,286	30 Nov 11	31 Oct 12	0%	1.12 cents	3 cents	31 Oct 12	31 Oct 15
J Matthews	1,093,096	30 Nov 11	31 Oct 12	0%	1.26 cents	2.4 cents	31 Oct 12	31 Oct 15
<b>Total</b>	<b>17,335,954</b>							

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Directors' Report (continued)**

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

Director / Executive	Granted number	Grant date	Vesting date	Vesting %	Fair value per option at grant date	Exercise price per option	First exercise date	Last exercise date
<b>2011</b>								
C Meehan	680,000	25 Oct 10	25 Oct 10	100%	2.0 cents	nil	25 Oct 10	25 Oct 13
	2,800,000	13 Apr 11	13 Apr 11	100%	0.14 cents	6 cents	13 Apr 11	31 Oct 13
	3,500,000	13 Apr 11	31 Oct 11	0%	0.31 cents	6 cents	31 Oct 11	31 Oct 14
	850,000	13 Apr 11	31 Oct 11	0%	2.0 cents	nil	31 Oct 11	31 Oct 14
C Nicholas	440,000	25 Oct 10	25 Oct 10	100%	2.0 cents	nil	25 Oct 10	25 Oct 13
	1,800,000	13 Apr 11	13 Apr 11	100%	0.14 cents	6 cents	13 Apr 11	31 Oct 13
	2,250,000	13 Apr 11	31 Oct 11	0%	0.31 cents	6 cents	31 Oct 11	31 Oct 14
	550,000	13 Apr 11	31 Oct 11	0%	2.0 cents	nil	31 Oct 11	31 Oct 14
P McFadden	440,000	25 Oct 10	25 Oct 10	100%	2.0 cents	nil	25 Oct 10	25 Oct 13
	1,800,000	13 Apr 11	13 Apr 11	100%	0.14 cents	6 cents	13 Apr 11	31 Oct 13
	2,250,000	13 Apr 11	31 Oct 11	0%	0.31 cents	6 cents	31 Oct 11	31 Oct 14
S McNamara	1,330,214	13 Apr 11	31 Oct 11	0%	0.65 cents	3 cents	31 Oct 11	31 Oct 14
J Matthews	588,590	13 Apr 11	31 Oct 11	0%	0.65 cents	3 cents	31 Oct 11	31 Oct 14
<b>Total</b>	<b>18,690,214</b>							

**Employment Contracts**

**Executive Director**

The Chief Executive Officer, Mr Chris Meehan, is employed under a rolling contract which commenced on 1 September 2009. Under the terms of the agreement:

- Mr Meehan receives fixed remuneration of \$250,000 per annum;
- Mr Meehan's target short term incentive opportunity is \$250,000 per annum and is dependent upon the Company achieving its financial target and Mr Meehan meeting his individual key performance indicators;
- Mr Meehan is eligible to participate in the Company's share option plan on terms determined by the board, subject to receiving any required or appropriate shareholder approval;
- Mr Meehan may resign from his position and terminate the contract by giving 6 months written notice;
- the Company may terminate the agreement by providing 6 months written notice and provide payment in lieu of this notice (based upon the fixed component of Mr Meehan's remuneration plus a pro-rata amount of his short term incentive component); and
- the Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Chief Executive Officer is only entitled to that portion of remuneration that is fixed, and only up to the date of termination.

**Other 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.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Directors' Report (continued)**

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 Chris Meehan, Campbell Nicholas and Shaun McNamara. The notice period for either party is 3 months for John Matthews.

**INDEMNIFICATION AND INSURANCE OF OFFICERS (NOT AUDITED)**

**Indemnification**

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.

**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:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Taxation services	52,452	119,200
	<u>52,452</u>	<u>119,200</u>

**AUDITOR'S INDEPENDENCE STATEMENT**

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

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Directors' Report** *(continued)*

**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 23<sup>rd</sup> day of August 2012.

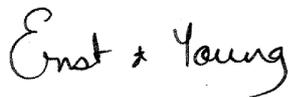
Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'Chris Meehan', written in a cursive style.

**CHRIS MEEHAN**  
Director

## Auditor's Independence Declaration to the Directors of Digital Performance Group Ltd

In relation to our audit of the financial report of Digital Performance Group Ltd for the financial year ended 30 June 2012, 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.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Meredith Scott'.

Meredith Scott  
Partner  
Sydney  
23 August 2012

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Corporate Governance Statement**  
**For the Year Ended 30 June 2012**

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 Digital Performance Group Ltd ("DPG" 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 2012.

During the financial year ended 30 June 2012, 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.dpgmedia.com.au](http://www.dpgmedia.com.au), 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.

**Corporate Governance Statement (continued)**

**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 Managing Director and the Managing Director reviews 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 2012 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:

- Phillip Pryke, non executive chairman;
- Chris Meehan, executive director / Managing Director;
- David Sweet, non executive director;
- Fionn Hyndman, non executive director; and
- Christin Burns, 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.

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Corporate Governance Statement (continued)**

**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
Phillip Pryke	Non executive Chairman	No	A Director of a substantial shareholder of the Company
Chris Meehan	Managing Director	No	Employed in an executive capacity
David Sweet	Non executive Director	No	Employed in an executive capacity within the past 3 years. Mr Sweet becomes an independent Director on 1 September 2012.
Fionn Hyndman	Non executive Director	Yes	Independent from management and free of any material business or other relationship
Christin Burns	Non executive Director	No	An employee 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 Phillip Pryke, 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 Phillip Pryke, 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**

In accordance with Revised Principle 2.3, the role of the Chairperson and Managing Director is not exercised by the same individual, with Mr Pryke acting as Chairperson and Mr Meehan as Managing Director. The Chair and Managing Director have clear lines of responsibility and accountability.

**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.

**Corporate Governance Statement (continued)**

**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 2012, 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, Managing Director, 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;

**Corporate Governance Statement (continued)**

**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 measures:

- 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;

**Corporate Governance Statement (continued)**

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

- a paid parental leave policy of 12 weeks for the primary carer and 1 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 2012, women represented 44% in the Company's total workforce (2011: 43%), 17% key in executive positions (2011: 17%) and held no directorships on the Board (2011: nil).

**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 members of the Audit Committee at the date of this report are:

- Mr Phillip Pryke, a non executive Director and the chair of the Audit Committee; and
- Mr Christin Burns, a non executive Director.

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 Pryke 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.

Further, the Audit Committee did not comply with Revised Principle 4.2 because it did not consist of at least 3 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 two members and whilst a majority of members are not independent, the members bring 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 Chief Financial Officer 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.

**Corporate Governance Statement (continued)**

**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 2012, the Audit Committee held two meetings and the names of the attendees were:

- Mr Pryke - attended 2 meetings; and
- Mr Burns – attended 2 meeting.

The qualifications of the Audit Committee members 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.dpgmedia.com.au](http://www.dpgmedia.com.au).

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.

**Corporate Governance Statement (continued)**

**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 Managing Director and Chief Financial Officer annually provide 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 Managing Director and 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.

**Corporate Governance Statement (continued)**

**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 Phillip Pryke, a non executive Director and chair of the Remuneration Committee; and
- Mr Fionn Hyndman, a non executive Director.

During the financial year ended 30 June 2012, the Remuneration Committee held 1 meeting and the names of the attendees were:

- Mr Fionn Hyndman; and
- Mr Pryke.

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 Director's 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 Pryke 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 Pryke, 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.

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**Corporate Governance Statement** *(continued)*

**Principle 8: Remunerate fairly and responsibly** *(continued)*

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.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Statement of Comprehensive Income**  
**For the Year Ended 30 June 2012**

	Note	2012 \$000's	2011 \$000's
<b>Continuing operations</b>			
Rendering of services		23,861	19,018
Cost of sales		(13,586)	(9,536)
Employee benefits expense	4(b)	(6,620)	(5,214)
Business acquisition costs		(74)	(626)
Restructuring		(121)	(371)
Other expenses	4(c)	(2,780)	(1,949)
		<hr/>	<hr/>
<b>Earnings before interest, tax, depreciation amortisation and impairment losses (EBITDA)</b>	1(w)	680	1,322
Depreciation and amortisation	4(a)	(936)	(518)
Impairment losses	4(a)	(14,935)	-
		<hr/>	<hr/>
<b>(Loss) / profit from continuing operations before interest and tax</b>		(15,191)	804
Finance income		49	300
Finance costs	5	(441)	(1,382)
		<hr/>	<hr/>
<b>Loss from continuing operations before income tax</b>		(15,583)	(278)
Income tax (expense) / benefit	6	(477)	535
		<hr/>	<hr/>
<b>(Loss) / profit from continuing operations after income tax</b>		(16,060)	257
<b>Profit from discontinued operations after income tax</b>	7	-	413
		<hr/>	<hr/>
<b>Net (loss) / profit after income tax</b>		(16,060)	670
		<hr/>	<hr/>
Total comprehensive (loss) / income for the period		(16,060)	670
		<hr/>	<hr/>
<b>Total comprehensive (loss) / income for the period attributable to owners of the parent</b>		<u>(16,060)</u>	<u>670</u>

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

		Cents	Cents
- basic earnings per share	8	(1.9)	0.1
- diluted earnings per share	8	(1.9)	0.1

Earnings per share for the profit / (loss) attributable to the ordinary equity holders of the parent:

- basic earnings per share	8	(1.9)	0.1
- diluted earnings per share	8	(1.9)	0.1

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

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Statement of Financial Position**  
**For the Year Ended 30 June 2012**

	Note	2012 \$000's	2011 \$000's
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	199	657
Trade and other receivables	10	4,512	4,620
Interest bearing loan	12	-	1,128
Other financial assets	11	248	24
Other	13	151	140
<b>Total current assets</b>		5,110	6,569
<b>Non-current assets</b>			
Other financial assets	11	-	238
Plant and equipment	14	89	244
Deferred tax assets	6	227	709
Intangible assets	15	1,720	1,727
Goodwill	15	6,733	21,668
<b>Total non-current assets</b>		8,769	24,586
<b>Total assets</b>		13,879	31,155
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	3,838	5,710
Provisions	17	840	1,024
Interest-bearing loans and borrowings	18	1,300	1,046
Deferred income		96	158
<b>Total current liabilities</b>		6,074	7,938
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	18	1,015	-
Other payables	16	-	18
Provisions	17	85	327
<b>Total non-current liabilities</b>		1,100	345
<b>Total liabilities</b>		7,174	8,283
<b>Net assets</b>		6,705	22,872
<b>EQUITY</b>			
Contributed equity	19	109,275	109,630
Reserve	20	3,976	3,728
Accumulated losses	21	(106,546)	(90,486)
<b>Total equity attributable to equity holders of the parent</b>		6,705	22,872

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.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Statement of Changes In Equity**  
**For the Year Ended 30 June 2012**

	Ordinary shares \$000's	Accumulated losses \$000's	Share Based Payment reserves \$000's	Total \$000's
<b>At 1 July 2011 as reported in the 2011 annual report</b>	109,630	(90,486)	3,728	22,872
Total comprehensive loss for the period	-	(16,060)	-	(16,060)
Transactions with owners in their capacity as owners:				
Share buy back	(252)	-	-	(252)
Share buy back costs	(21)	-	-	(21)
Deferred tax movements on share issue costs	(82)	-	-	(82)
Share-based payments	-	-	248	248
<b>At 30 June 2012</b>	<u>109,275</u>	<u>(106,546)</u>	<u>3,976</u>	<u>6,705</u>
<b>At 1 July 2010 as reported in the 2010 annual report</b>	102,985	(90,873)	3,644	15,756
Correction of error	-	(283)	-	(283)
Restated balance at 1 July 2010	102,985	(91,156)	3,644	15,473
Total comprehensive profit for the period	-	670	-	670
Transactions with owners in their capacity as owners:				
Issue of ordinary shares	7,058	-	-	7,058
Share issue costs	(413)	-	-	(413)
Share-based payments	-	-	84	84
<b>At 30 June 2011</b>	<u>109,630</u>	<u>(90,486)</u>	<u>3,728</u>	<u>22,872</u>

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

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**Cash Flow Statement**  
**For the Year Ended 30 June 2012**

	Note	2012 \$000's	2011 \$000's
<b>Cash flows from operating activities</b>			
Receipts from customers		26,331	30,980
Payments to suppliers and employees		(26,390)	(33,770)
Payments for mobile business disposal costs		(9)	(302)
Payments for business acquisition costs		(91)	(608)
Payments for restructuring		(205)	(375)
Interest received		49	300
Borrowing costs paid		(324)	(888)
Income tax paid		(81)	-
<b>Net cash (used in) /provided by operating activities</b>	9	(720)	(4,663)
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(45)	(71)
Payments for intangible assets		(806)	(719)
Deferred consideration paid for acquisition of subsidiary		(500)	-
Payments for subsidiary	7	-	(3,836)
Proceeds from sale of mobile business		-	3,732
<b>Net cash used in investing activities</b>		(1,351)	(894)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		-	7,058
Payments for share issue costs		(473)	(14)
Payments for share buyback		(252)	-
Proceeds from borrowings		1,390	3,875
Proceeds from vendor financing		1,128	2,475
Repayment of borrowings		(29)	(9,374)
Repayment of finance lease liabilities		(18)	(86)
Payment of finance fees		(133)	(11)
<b>Net cash provided by / (used in) financing activities</b>		1,613	3,923
<b>Net increase/(decrease) in cash and cash equivalents held</b>		(458)	(1,634)
Cash and cash equivalents at the beginning of the financial year		657	2,291
<b>Cash and cash equivalents at the end of the financial year</b>	9	199	657

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

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements**  
**For the Year Ended 30 June 2012**

**CORPORATE INFORMATION**

The financial report of Digital Performance Group Ltd for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 23<sup>rd</sup> August 2012. Digital Performance Group Ltd 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**

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.

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 however that as at 30 June 2012 the group had an excess of current liabilities over current assets of \$1.0 million (30 June 2011: \$1.4 million).

The Directors note the financial support that the Company has received in the past from Co-Investor since it became the majority shareholder in 2008 who currently holds 78% of the ordinary shares on issue in DPG. Co-Investor 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.

The Directors expect that the excess of current liabilities over current assets of \$1.0 million as at 30 June 2012 will reduce as the Company generates positive cash flows from continuing operations to meet all its obligations as and when they fall due.

The Directors note that the net cash flow used in operating activities for FY2012 was \$(0.7) million. This amount includes payments for once-off expenses such as restructuring and acquisition and disposal costs and surplus lease space rental. After adjusting for these items, the net cash flow provided by continuing operating activities for FY2012 was \$0.1 million. This is reconciled to the net cash flows used in operating activities as follows:

	<b>\$000's</b>
Net cash used in operating activities	(720)
Adjusted for:	
Surplus lease space rental costs	432
Restructuring expenses	205
Payments for mobile business disposal and dgm acquisition	198
	<hr/>
Adjusted net cash provided by operating activities	115
	<hr/> <hr/>

Other items included in operating cash flows but not included in EBITDA are interest received, borrowing costs and income tax paid totalling \$356,000.

The company is forecasting positive operating cash flows throughout FY13.

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

**(a) Compliance with IFRS**

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

**(b) New accounting standards and interpretations**

**(i) Changes in accounting policy and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and interpretations for the period ending 30 June 2012:

Reference	Title	Application date of standard	Application date for group
AASB 124 (Revised)	<p>The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other</p> <p>(b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</p> <p>(c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	1 July 2011
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	1 July 2011	1 July 2011
AASB 1054	<p>Australian Additional Disclosures</p> <p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <p>(a) Compliance with Australian Accounting Standards</p> <p>(b) The statutory basis or reporting framework for financial statements</p> <p>(c) Whether the entity is a for-profit or not-for-profit entity</p> <p>(d) Whether the financial statements are general purpose or special purpose</p> <p>(e) Audit fees</p> <p>(f) Imputation credits</p>	1 July 2011	1 July 2011
AASB 1048	<p>Interpretation of Standards</p> <p>AASB 1048 identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048.</p>	1 July 2011	1 July 2011

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**(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 2012, outlined in the table below:

Reference	Title	Summary	Application date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	No impact	1 July 2012
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 <i>Consolidation – Special Purpose Entities</i> .  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 other standards via AASB 2011-7.	1 January 2013	No 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 structures 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 and structured entities and subsidiaries with non-controlling interests.	1 January 2013	No 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.  Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	No impact	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	No impact	1 July 2013

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

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

**(ii) Accounting Standards and Interpretations issued but not yet effective (continued)**

Reference	Title	Summary	Application date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 119	Employee Benefits	<p>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 recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.</p> <p>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.</p> <p>Consequential amendments were also made to other standards via AASB 2011-10.</p>	1 January 2013	No impact	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	No impact	1 July 2013
AASB 9	Financial Instruments	<p>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.</p> <p>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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>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.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>	1 January 2015	No impact	1 July 2015

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

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

**(ii) Accounting Standards and Interpretations issued but not yet effective (continued)**

Reference	Title	Summary	Application date of standard	Expected Impact on Group Financial Report	Application date for group
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>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.</p>	1 January 2013	No impact	1 July 2013

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Digital Performance Group Limited and its subsidiaries as at and for the period ended 30 June each year (the Group). Interests in associates are equity accounted and are not part of the consolidated Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

Special purpose entities are those entities over which the Group has no ownership interest but in effect the substance of the relationship is such that the Group controls the entity so as to obtain the majority of benefits from its operation.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

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

Subsidiaries and special purpose entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by Digital Performance Group Ltd are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal 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 circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in 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.

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

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

- ▶ Recognises the fair value of any investment retained.
- ▶ Recognises any surplus or deficit in profit or loss.
- ▶ 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.

**(e) Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- ▶ Nature of the products and services,
- ▶ Type or class of customer for the products and services,
- ▶ Methods used to distribute the products or provide the services, and
- ▶ Nature of the regulatory environment.

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

**(e) Segment reporting (continued)**

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) Investments and other financial assets**

Investments and financial assets in the scope of AASB 139 Financial Instruments:

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

**(i) Investments and other financial assets (continued)**

Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories. When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

*Recognition and derecognition*

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

*Loans and receivables*

Loans and receivables including loan notes and loans to KMP are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

**(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.

*Derecognition*

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.

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

**(k) Leases (continued)**

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.

Digital Performance Group 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. Each unit or group of units to which the goodwill is so allocated includes (see note 15):

- Empowered cash generating unit; and
- dgm cash generating unit.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

Digital Performance Group Ltd performs its impairment testing at 30 June each year using a value in use, discounted cash flow methodology for both the Empowered and dgm cash generating units to which goodwill has been allocated. Further details on the methodology and assumptions used are outlined in note 15.

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

**(m) Goodwill and intangibles (continued)**

When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. 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.

Impairment losses recognised for goodwill are not subsequently reversed.

**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 is 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:

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**dgm customers 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

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**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**(m) Goodwill and intangibles (continued)**

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**Software**

Useful life	- Finite
Amortisation method used	- Amortised over 2.5 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

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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 are recognised as an expense when incurred. The Group does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

**(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.

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

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

***Employee leave benefits***

**(i) Wages, salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

**(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 Digital Performance Group 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.

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

**(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.

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

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

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

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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**

Digital Performance Group 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 2012, the members of the income tax consolidated group are:

- |   |                                  |
|---|----------------------------------|
| - Digital Performance Group Limited         | - Virtel Operations Pty Limited  |
| - Empowered Communications Pty Ltd          | - Virtel Group Limited           |
| - Deal Group Media Pty Ltd                  | - Smartie Deals Pty Ltd          |
| - Empowered Communications Holdings Pty Ltd | - Empowered Technologies Pty Ltd |
| - eRewards Pty Ltd                          |                                  |

The head entity, Digital Performance Group 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.

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

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

In addition to its own current and deferred tax amounts, Digital Performance Group 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.

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.

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

**(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

*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. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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.

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

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

(ii) Significant accounting estimates and assumptions

*Impairment of goodwill and intangibles with indefinite useful lives*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives including a sensitivity analysis are discussed in note 15.

*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 17.

*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.

**2. FINANCIAL RISK MANAGEMENT AND OBJECTIVES**

The Group's principal financial instruments comprise receivables, payables, bank loans, finance leases, cash and short-term deposits.

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**

**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 18.

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

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

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

	2012 \$000's	2011 \$000's
<b>Financial assets</b>		
Cash and cash equivalents	199	657
Other financial assets	248	262
	447	919
<b>Financial liabilities</b>		
Receivables financing facility	999	1,028
	999	1,028

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 2012, 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)	
	2012	2011	2012	2011
	\$000's	\$000's	\$000's	\$000's
+1% (100 basis points)	(6)	(1)	-	-
-.5% (50 basis points)	3	1	-	-

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.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. 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.

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

**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, finance leases 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 2012. 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 2012.

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

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
6 months or less (1)	4,836	6,737
6-12 months (1)	301	-
1-5 years (1)	1,015	18
	<u>6,152</u>	<u>6,755</u>

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

(1) Trade and other payables and interest bearing liabilities

**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, all customers are located in Australia.

**Types of products and services**

***Empowered***

This segment provides performance based digital marketing services which is a form of online advertising that focuses on customer acquisition and lead generation. Clients pay for targeted advertising campaigns that deliver results via a variety of digital mediums such as website banners, email, social media and SMS.

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

**3. OPERATING SEGMENTS (continued)**

**dgm**

This segment provides the following internet based services:

- search engine optimisation;
- paid search; and
- affiliate marketing.

**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% (2011: 4%) of external revenue.

Year ended 30 June 2012	dgm	Empowered	Total
Revenue	\$000's	\$000's	\$000's
Sales to external customers	18,396	5,465	23,861
Inter-segment sales	222	133	355
Total segment revenue	18,618	5,598	24,216
Inter-segment elimination			(355)
<b>Total consolidated revenue</b>			<b>23,861</b>

**Reconciliation of segment results to net loss after tax**

Segment results (EBITDA before unallocated expenses)	1,520	1,535	3,055
Unallocated expenses			(2,375)
<b>EBITDA</b>			<b>680</b>
Depreciation and amortisation	(474)	(340)	(814)
Unallocated depreciation and amortisation			(122)
Impairment loss			(14,935)
Loss before tax and net finance costs			(15,191)
Finance income			49
Finance costs			(441)
Loss before income tax			(15,583)
Income tax expense			(477)
<b>Loss for the year</b>			<b>(16,060)</b>

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

- Non-executive Directors fees (\$219,000);
- CEO and CFO remuneration (\$749,000);
- Audit, legal, ASX and other professional expenses (\$302,000);
- Share based payments (\$248,000);
- Business acquisition costs (\$74,000);
- Restructuring costs (\$121,000); and
- Other corporate overheads (\$662,000).

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

**3. OPERATING SEGMENTS (continued)**

Year ended 30 June 2011	<i>Discontinued operations Mobile</i> \$000's	Continuing operations dgm (a) \$000's	Continuing operations Empowered \$000's	Continuing operations Total \$000's
<b>Revenue</b>				
Sales to external customers	6,600	12,305	6,713	19,018
Other revenue	2,100	-	-	-
Inter-segment sales	-	20	81	101
Total segment revenue	8,700	12,325	6,794	19,119
Inter-segment elimination				(101)
<b>Total consolidated revenue</b>				<b>19,018</b>
<b>Reconciliation of segment results to net loss after tax</b>				
Segment results (EBITDA before unallocated expenses)	940	884	2,738	3,622
Unallocated expenses (b)				(2,300)
<b>EBITDA</b>				<b>1,322</b>
Depreciation and amortisation	-	(419)	(99)	(518)
Profit before tax and net finance costs				804
Finance income				300
Finance costs				(1,382)
Loss before income tax				(278)
Income tax benefit				535
Profit from discontinued operations after income tax				413
<b>Profit for the year</b>				<b>670</b>

- a) Includes dgm results from date of acquisition on 22 October 2010 i.e. 8.3 months
- b) Unallocated expenses are not considered part of the core operations of any segment and comprise the following:
- Non-executive Directors fees (\$235,000);
  - CEO and CFO remuneration (\$766,000);
  - Audit, legal, ASX and other professional expenses (\$227,000);
  - Share based payments (\$84,000);
  - Business acquisition costs (\$626,000);
  - Restructuring (\$371,000) and
  - Other corporate overheads (\$362,000).

	2012 \$000's	2011 \$000's
<b>(i) Segment revenue reconciliation to the statement of comprehensive income</b>		
Total segment revenue	24,216	19,119
Inter segment sales elimination	(355)	(101)
Total revenue	<u>23,861</u>	<u>19,018</u>

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

**3. OPERATING SEGMENTS (continued)**

	2012 \$000's	2011 \$000's
<b>(ii) Segment EBITDA reconciliation to the statement of comprehensive income</b>		
Total segment EBITDA	3,055	3,622
Unallocated expenses	(2,375)	(2,300)
	680	1,322
	680	1,322

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

**4. EXPENSES**

**(a) Depreciation, amortisation and impairment**

*Depreciation and amortisation*

Depreciation of plant and equipment	200	67
Amortisation of intangible assets:		
- Software	311	64
- Customer contracts	425	387
	936	518
	936	518

*Impairment*

Goodwill	14,935	-
	14,935	-
	14,935	-

**(b) Employee benefits expense**

Salaries and wages	5,100	4,234
Share-based payments	248	84
Superannuation	523	388
Annual leave benefits	160	47
Payroll tax	331	270
Training/recruitment/amenities	210	157
Other	48	34
	6,620	5,214
	6,620	5,214

**(c) Other expenses**

Communication costs	535	376
Directors fees	585	598
Rent and office supplies	881	678
Professional fees	294	227
Other	485	70
	2,780	1,949
	2,780	1,949

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

	2012 \$000's	2011 \$000's
<b>5. FINANCE COSTS</b>		
Interest expense	330	952
Finance fees	111	430
	441	1,382
	441	1,382
<b>6. INCOME TAX</b>		
<b>(a) The major components of income tax expenses are:</b>		
<b>Statement of comprehensive income</b>		
<i>Current income tax</i>		
- Adjustments in respect of current income tax of previous years	77	-
<i>Deferred income tax</i>		
- Relating to origination and reversal of temporary differences	400	(535)
Income tax expense / (benefit) reported in the statement of comprehensive income	477	(535)
	477	(535)
<b>(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and calculated per statutory income tax rate:</b>		
Accounting loss before income tax from continuing operations	(15,583)	(278)
Profit / (loss) before tax from discontinued operations	-	562
Total accounting (loss) / profit before tax	(15,583)	284
	(15,583)	284
Tax (expense) / benefit at the Group's statutory income tax rate of 30% (2011:30%)	4,675	(85)
Recognition / (derecognition) of prior year tax losses	(556)	556
Tax effect of non-deductible impairment loss	(4,481)	-
Tax effect of other non-deductible expenditure	(115)	(85)
Aggregate income tax (expense) / benefit	(477)	386
	(477)	386
<b>(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and calculated per statutory income tax rate</b>		
Aggregate income tax benefit / (expense) is attributable to:		
Continuing operations	(477)	535
Discontinued operations	-	(149)
	(477)	386
	(477)	386

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**6. INCOME TAX (continued)**

**(d) Recognised deferred tax assets and liabilities**

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
	Deferred Income Tax	Deferred Income Tax
Opening balance	709	659
Charged to income	(400)	386
Charged to goodwill	-	(436)
Charged to equity	(82)	54
Acquisitions / disposals	-	46
Closing balance	227	709

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Deferred income tax at 30 June relates to the following:</b>		
<i>(i) Deferred tax liabilities</i>		
Leased assets	-	30
Intangible assets	193	320
Foreign currency balances	4	5
	197	355
<i>(ii) Deferred tax assets</i>		
Carried forward tax losses	-	557
Audit fee payable	24	22
Accruals	11	14
Provisions:		
- Doubtful debts	18	6
- Annual leave	79	57
- Rent	4	-
- Long service leave	40	22
- Make good	8	29
- Member rewards	93	140
Borrowing costs	17	-
Capital raising costs	130	217
	424	1,064
Net deferred tax asset / (liability)	227	709

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**6. INCOME TAX (continued)**

**(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, Digital Performance Group Limited and its 100% owned subsidiaries have formed a tax consolidated group. 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 Digital Performance Group 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. DISCONTINUED OPERATIONS**

The comparative information in this financial report for the year to 30 June 2012 includes information relating to the discontinued mobile operations.

On 30 June 2010, the Company entered into an agreement with Gotalk Ltd to terminate supply of prepaid wholesale mobile services on 1 September 2010. On 27 July 2010, the Company entered into an agreement with Pivotel Mobile Pty Ltd to sell the post paid mobile subsidiaries. This sale completed on 8 October 2010. On 21 March 2011, the Company entered into an agreement with Pivotel Mobile to sell its prepaid retail mobile subsidiary. This sale completed on 31 March 2011.

For further information relating to the discontinued mobile operations, refer note 7 in the 2011 Annual Report.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**8. 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**

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
<i>For basic and diluted earnings per share:</i>		
Net (loss) / profit from continuing operations attributable to ordinary equity holders of the parent	(16,060)	257
Profit attributable to discontinued operations	-	413
	(16,060)	670
	(16,060)	670

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

	<b>Number</b>	<b>Number</b>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares for basic earnings per share	842,631	495,023
Dilutive effect of options	-	3,010
	842,631	498,033
	842,631	498,033

The earnings per share in the current and prior period exclude the effect of some options as they are antidilutive. 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.

**9. CASH AND CASH EQUIVALENTS**

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
Cash at bank	198	656
Cash on hand	1	1
	199	657
	199	657

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**9. CASH AND CASH EQUIVALENTS (continued)**

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

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
Profit / (loss) after income tax	(16,060)	670
<b>Non-cash flows in loss:</b>		
Depreciation and amortisation	936	518
Impairment losses	14,935	129
Share-based payments	248	84
Profit on sale of mobile business	-	(2,076)
Amortisation of borrowing costs	36	344
<b>Changes in assets and liabilities:</b>		
- Decrease/(increase) in trade and other receivables	136	3,346
- Decrease in inventories	-	77
- Decrease in other assets	(107)	-
- Decrease/(increase) in deferred tax assets	639	(350)
- Decrease in deferred tax liabilities	(157)	301
- Increase/(decrease) in trade and other payables	(543)	(7,151)
- Increase/(decrease) in provisions	(783)	(555)
	(720)	(4,663)
Net cash flows (used in) / from operating activities	(720)	(4,663)

**10. TRADE AND OTHER RECEIVABLES**

**Current**

Trade receivables	(i)	4,455	4,584
Less allowance for impairment loss (a)		(61)	(21)
Other receivables	(ii)	118	57
		4,512	4,620
		4,512	4,620

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 \$10,000 (2011: \$14,000) in continuing operations has been incurred by the Group. These amounts have been included in the other expense item.

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

**10. TRADE AND OTHER RECEIVABLES (continued)**

	2012 \$000's	2011 \$000's
Movements in the provision for impairment loss were as follows:		
Carrying amount at beginning of year	21	13
Additional provision – continuing operations	50	22
Amounts utilised during the year	(10)	(14)
	61	21
	61	21

At 30 June 2012, the ageing analysis of trade receivables is as follows:

	Total	0-30 days	31-60 days	61-90 days PDNI <sup>^</sup>	61-90 days CI <sup>*</sup>	+91 days PDNI <sup>^</sup>	+91 days CI <sup>*</sup>
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
2012	4,455	2,678	1,427	230	-	59	61
2011	4,584	3,543	645	237	-	138	21

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

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

**11. OTHER FINANCIAL ASSETS**

**Current**

Restricted cash term deposits (i)	248	24
	248	24

**Non-current**

Restricted cash term deposits (i)	-	238
	-	238

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

**12. INTEREST BEARING LOAN**

Mobile sale vendor financing	-	1,128
	-	1,128

On 27 July 2010, the Company entered into a loan and security agreement with Pivotel Mobile Pty Ltd, the purchaser of the post paid mobile business. The principal loan amount of \$3.6m was repaid in thirteen monthly instalments ending 31 October 2011 at an annual interest rate of 14%.

**13. OTHER**

Prepayments	151	140
	151	140

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

**14. PLANT AND EQUIPMENT**

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

	Office equipment	Software	Leasehold improvement	Leased plant and equipment	Total
<b>Year ended 30 June 2012</b>					
At 1 July 2011 net of accumulated depreciation and impairment	74	17	36	117	244
Additions	29	4	12	0	45
Depreciation and amortisation	(49)	(13)	(21)	(117)	(200)
At 30 June 2012, net of accumulated depreciation and impairment	54	8	27	-	89
<b>At 30 June 2012</b>					
Cost	140	24	54	-	218
Accumulated depreciation and impairment	(86)	(16)	(27)	-	(129)
Net carrying amount	54	8	27	-	89
<b>Year ended 30 June 2011</b>					
At 1 July 2010, net of accumulated depreciation and impairment	295	40	106	245	686
Additions	71	-	-	-	71
Acquisition of subsidiary	7	12	33	-	52
Depreciation and amortisation (Continuing operations)	(56)	(4)	(7)	-	(67)
Depreciation and amortisation (Discontinued operations)	(49)	(31)	(19)	(128)	(227)
Impairment (Discontinued operations)	(194)	-	(77)	-	(271)
At 30 June 2011, net of accumulated depreciation and impairment	74	17	36	117	244
<b>At 30 June 2011</b>					
Cost	157	36	50	488	731
Accumulated depreciation and impairment	(83)	(19)	(14)	(371)	(487)
Net carrying amount	74	17	36	117	244

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**15. INTANGIBLE ASSETS AND GOODWILL**

**(a) Reconciliation of the carrying amounts at the beginning and end of the period**

	Customer contracts	Software	Total Intangible	Goodwill	Total
<b>Year ended 30 June 2012</b>					
At 1 July 2011, net of accumulated amortisation and impairment	1,067	660	1,727	21,668	23,395
Additions	-	729	729	-	729
Amortisation	(425)	(311)	(736)	-	(736)
Impairment (d)	-	-	-	(14,935)	(14,936)
At 30 June 2012, net of accumulated amortisation and impairment	642	1,078	1,720	6,733	8,453
<b>At 30 June 2012</b>					
Cost	1,454	1,396	2,850	21,668	9,583
Accumulated amortisation and impairment	(812)	(318)	(1,130)	(14,935)	(1,130)
Net carrying amount	642	1,078	1,720	6,733	8,453
<b>Year ended 30 June 2011</b>					
At 1 July 2010, net of accumulated amortisation and impairment	-	90	90	14,935	15,025
Additions	-	763	763	-	763
Acquisition of subsidiary	1,454	-	1,454	6,733	8,187
Amortisation	(387)	(64)	(451)	-	(451)
Impairment (Discontinued operations)	-	(129)	(129)	-	(129)
At 30 June 2011 net of accumulated amortisation and impairment	1,067	660	1,727	21,668	23,395
<b>At 30 June 2011</b>					
Cost	1,454	742	2,196	21,668	23,864
Accumulated amortisation and impairment	(387)	(82)	(469)	-	(469)
Net carrying amount	1,067	660	1,727	21,668	23,395

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

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

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

*(i) Customer contracts*

The value of the group's customer contracts represents the fair value of contractual customer relationships at the time of the Deal Group Media Pty Ltd acquisition. 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 years.

*(iii) Goodwill*

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

**(c) Impairment tests for goodwill**

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

Goodwill acquired through business combinations has been allocated to two individual cash generating units, each of which is a reportable segment (refer note 3) for impairment testing as follows:

- Deal Group Media (dgm) cash generating unit; and
- Empowered cash generating unit.

The recoverable amount of the dgm and Empowered cash generating units 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 2013 and a forecast covering a further four years.

The pre-tax, discount rate applied to Empowered cash flow projections is 21.3% (2011: 19.5%) and to dgm cash flow projections is 18.6% (2011: 18.7%).

*(ii) Carrying amount of goodwill*

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

	<b>dgm</b>		<b>Empowered</b>		<b>Total</b>	
	<b>2012</b>	2011	<b>2012</b>	2011	<b>2012</b>	2011
	<b>\$000's</b>	\$000's	<b>\$000's</b>	\$000's	<b>\$000's</b>	\$000's
Carrying amount of goodwill	6,733	6,733	-	14,935	6,733	21,668

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

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

**(c) Impairment tests for goodwill (continued)**

*(iii) Key assumptions used in value in use calculations for the dgm and Empowered units for 30 June 2012.*

The calculation of value in use for both the dgm and Empowered units is most sensitive to the following assumptions:

**dgm** – An average gross margin growth rate of 9% p.a. has been used in the 5 year forecast (2011: 6%).

**Empowered** – A negative revenue growth rate of 6% p.a. has been used in year 1 of the 5 year forecast and an average revenue growth rate of 1.5% for the remaining 4 years. The average revenue growth rate for the 5 year period is 0% (2011: 5%).

**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 are 18.6% (dgm unit) and 21.3% (Empowered unit).

*(iv) Sensitivity to changes in assumptions*

**dgm unit**

For the dgm unit, 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 \$2.3 million (2011: \$1.5 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 5.4% from FY2014 would result in the recoverable amount of the dgm unit to fall below its carrying value.
- *Discount rate assumptions* - Management recognises that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 22.3% for the recoverable amount of the dgm unit to fall below its carrying value.

**(d) Impairment losses recognised**

As a result of the annual impairment test (refer to section (c) (i) of this note), an impairment loss of \$14,935,000 was recognised during the year against goodwill attributable to the Empowered CGU previously carried at \$14,935,000. It has been recognised in the statement of comprehensive income in the line item called: Impairment losses. This impairment is a result of the decline in the Empowered revenue which is driven by the reduced spend in the media advertising market due to depressed advertiser and consumer confidence.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**16. TRADE AND OTHER PAYABLES**

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
Trade payables and accruals (i)	3,838	5,210
Deferred consideration for acquisition of subsidiary (ii)	-	500
	3,838	5,710
	-	18
	-	18

**Non-current**

Other payables

Due to the short term nature of these trade and other payables, their carrying value is assumed to approximate their fair value.

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

(ii) Paid to Asia Digital Holdings Plc on 23 November 2011 as the final acquisition consideration payment for the purchase of Deal Group Media Pty Ltd.

**17. PROVISIONS**

**Current**

Employee benefits		312	227
Surplus lease space (i)		190	325
Member rewards (ii)		310	467
Lease make good (iii)		28	-
Other		-	5
		840	1,024
		840	1,024

**Non Current**

Employee benefits		85	39
Surplus lease space (i)		-	190
Lease make good (iii)		-	98
		85	327
		85	327

(i) Australian Accounting Standards require the recognition of the net present value of future net outlays in respect of surplus space under non-cancellable lease agreements to be expensed in the period in which the space becomes surplus. A provision for surplus lease space was recognised on 8 October 2010 for the Company's North Sydney premises lease following the sale of the post paid retail business. It is expected that all these costs will be incurred by 31 December 2012.

(ii) Members of Empowered 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 present value of 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.

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

**17. PROVISIONS (continued)**

(iii) Australian Accounting Standards require the recognition of provisions for site restoration. Under the Company's current premises leases, there is a requirement for the company to 'make good'. As such the Company has estimated the future value of the 'make good' provisions under the leases to be \$28,000. It expected that these costs will be incurred by 30 June 2013.

**Movement in provisions**

Movements in each class of provision during the financial year, other than previously relating to employee benefits, are set out below:

	<b>Surplus lease space</b>	<b>Lease Make Good</b>	<b>Member Rewards</b>	<b>Total</b>
At 1 July 2011	516	98	467	1,081
Arising during the year	-	-	737	737
Utilised	(326)	(70)	(894)	(1,290)
<b>At 30 June 2012</b>	<b>190</b>	<b>28</b>	<b>310</b>	<b>528</b>

**18. INTEREST BEARING LOANS AND BORROWINGS**

	<b>2012 \$000's</b>	<b>2011 \$000's</b>
<b>Current</b>		
Bank receivables financing facility (i)	999	1,028
Secured loan from related party (ii)	301	-
Obligations under finance lease contracts	-	18
	<u>1,300</u>	<u>1,046</u>
<b>Non-current</b>		
Secured loan from related party (ii)	1,015	-
	<u>1,015</u>	<u>-</u>

*(i) Bank receivables financing facility*

Deal Group Media Pty Ltd has a trade receivables finance facility with the National Australia Bank. This loan is secured by a fixed and floating charge over Deal Group Media Pty Ltd.

*(ii) Secured loan from related party*

A senior secured loan facility with Co-Investor Capital Partners Pty Ltd. The company drew down \$1,250,000 on 11 August 2011 and \$140,000 on 8 December 2011. The principle is repayable over the period 1 January 2013 to 31 December 2013. The loan is secured by a fixed and floating charge over the Company and the Empowered subsidiaries.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

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

**(a) Fair values**

The carrying amount of the group's current and non-current borrowings approximate their fair value. The carrying values have been calculated by discounting the expected future cash flows at a rate representative of the market cost of each type of debt.

**(b) Assets pledged as security**

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Current</b>		
<i>Fixed and floating charge:</i>		
Cash and cash equivalents	199	657
Trade and other receivables	4,512	4,620
Other	151	140
<i>Term deposits for bank guarantees:</i>		
Other financial assets	248	24
	5,110	5,441
Total current assets pledged as security	5,110	5,441
<b>Non-current</b>		
<i>Fixed and floating charge:</i>		
Plant and equipment	89	127
<i>Term deposits for bank guarantees:</i>		
Other financial assets	-	238
<i>Finance lease:</i>		
Leased equipment	-	117
	89	482
Total non-current assets pledged as security	89	482
Total assets pledged as security	5,199	5,923

**(c) Defaults and breaches**

During the current and prior years, there were no defaults or breaches on any of the loans.

**(d) Interest rate and liquidity risk**

Please see note 2.

**19. CONTRIBUTED EQUITY**

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Issued and paid-up capital</b>		
Ordinary shares each fully paid	109,275	109,630
	109,275	109,630

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**19. CONTRIBUTED EQUITY (continued)**

**(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 2012	2012 \$000's	Number of shares 2011	2011 \$000's
Fully paid ordinary shares	837,676,756	109,275	849,504,734	109,630

**Movements in shares on issue**

Beginning of the financial year	849,504,734	109,630	457,426,101	102,985
Issued in relation to rights issue	-	-	392,078,633	7,058
Share buy back	(11,827,978)	(252)	-	-
Share buy back expenses	-	(21)	-	(466)
Deferred tax movements on share issue expenses	-	(82)	-	53
End of the financial year	837,676,756	109,275	849,504,734	109,630

**(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 2012 and 2011 were as follows:

	2012 \$000's	2011 \$000's
Total borrowings*	6,152	6,755
Less: cash and cash equivalents	(199)	(657)
Net debt	5,953	6,098
Total equity	6,705	22,872
Total capital	12,658	28,970
Gearing ratio	47%	21%

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

**(c) Options**

*Unlisted options*

At year-end there were 31,909,883 (2011: 47,210,000) unlisted options over ordinary shares on issue. The details of each unlisted options are as follows:

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**19. CONTRIBUTED EQUITY (continued)**

**(c) Options (continued)**

- 1,950,000 unlisted options to subscribe for 1,950,000 ordinary shares. The options are exercisable on or before 2 November 2012 with a nil exercise price for each ordinary share;
- 3,000,000 unlisted options to subscribe for 3,000,000 ordinary shares. The options are exercisable on or before 2 November 2012 at an exercise price of 4 cents for each ordinary share;
- 1,560,000 unlisted options to subscribe for 1,560,000 ordinary shares. The options are exercisable on or before 25 October 2013 with a nil exercise price for each ordinary share;
- 1,800,000 unlisted options to subscribe for 1,800,000 ordinary shares. The options are exercisable on or before 31 October 2013 with an exercise price of 6 cents for each ordinary share;
- 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;
- 1,200,000 unlisted options to subscribe for 1,200,000 ordinary shares. The options are exercisable on or before 31 October 2015 with a nil exercise price for each ordinary share;
- 16,157,144 unlisted options to subscribe for 16,157,144 ordinary shares. The options are exercisable on or before 31 October 2015 at an exercise price of 3 cents for each ordinary share; and
- 2,732,739 unlisted options to subscribe for 2,732,739 ordinary shares. The options are exercisable on or before 31 October 2015 at an exercise price of 2.4 cents for each ordinary share.

**20. RESERVES**

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
Employee equity options reserve (i)	792	544
Options reserve (ii)	3,184	3,184
	3,976	3,728
	3,976	3,728

**Movement in reserves**

Balance at 1 July 2010 \$000's	Share based payments \$000's	Balance at 30 June 2011 \$000's	Share based payments \$000's	Balance at 30 June 2012 \$000's
3,644	84	3,728	248	3,976

**Nature and purpose of reserve**

(i) The employee equity benefits reserve is used to record the value of share based payments provided to employees as part of their remuneration. Refer to note 26 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.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**21. ACCUMULATED LOSSES**

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
Accumulated losses	106,546	90,486
	<hr/>	<hr/>
Balance at beginning of year	90,486	91,156
Net loss / (profit) attributable to members of the Company	16,060	(670)
	<hr/>	<hr/>
Balance at end of year	106,546	90,486
	<hr/>	<hr/>

**22. COMMITMENTS AND CONTINGENCIES**

**(a) Operating lease commitments**

Future operating property lease rentals:

- Within one year	598	779
- After one year but not more than five years	206	805
	<hr/>	<hr/>
	804	1,584
	<hr/>	<hr/>

**(b) Finance lease commitments**

There were no finance lease commitments as at 30 June 2012.

**(c) Contingent liabilities**

There were no contingent liabilities as at 30 June 2012.

**23. KEY MANAGEMENT PERSONNEL**

**(a) Details of Key Management Personnel**

**(i) Directors**

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Phillip Pryke (appointed 5 January 2009)	Non-Executive Chairman
David Sweet (appointed 18 June 2004)	Non-Executive Director
Chris Meehan (appointed 1 September 2009)	Executive Director
Fionn Hyndman (appointed 24 December 2010)	Non-Executive Director
Christin Burns (appointed 22 February 2011)	Non-Executive Director

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**(ii) Executives**

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Campbell Nicholas (appointed 11 July 2007)	Chief Financial Officer and Company Secretary
Shaun McNamara (appointed 1 September 2009)	Group Chief Operating Officer
John Matthews (appointed 1 June 2011)	dgm General Manager

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There are no other employees regarded as executives.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**23. KEY MANAGEMENT PERSONNEL (continued)**

	2012 \$000's	2011 \$000's
<b>(b) Compensation of Key Management Personnel</b>		
Short-term	1,457	1,846
Post employment	114	102
Share-based payment	211	77
Termination benefits	-	382
	1,782	2,407
	1,782	2,407

**(c) Options holdings of Key Management Personnel**

	Balance at beginning of period	Granted as remun- eration	Options exercised	Net change other (2)	Balance at end of period	Total	Exer- cisable (vested)	Not exer- cisable (non-vested)
<b>2012</b>								
<b>Directors</b>								
P Pryke (1)	25,000,000	-	-	(25,000,000)	-	-	-	-
D Sweet	600,000	-	-	(600,000)	-	-	-	-
F Hyndman	-	-	-	-	-	-	-	-
C Burns	-	-	-	-	-	-	-	-
<b>Executives</b>								
C Meehan	13,180,000	9,085,714	-	(10,800,000)	11,465,714	11,465,714	2,380,000	9,085,714
C Nicholas	8,590,000	6,042,858	-	(7,050,000)	7,582,858	7,582,858	1,540,000	6,042,858
S McNamara	1,930,214	1,114,286	-	(1,930,214)	1,114,286	1,114,286	-	1,114,286
J Matthews	588,590	1,093,096	-	(588,590)	1,093,096	1,093,096	-	1,093,096
	49,888,804	17,335,954	-	(45,968,804)	21,255,954	21,255,954	3,920,000	17,335,954
<b>Total</b>	49,888,804	17,335,954	-	(45,968,804)	21,255,954	21,255,954	3,920,000	17,335,954

(1) These options were held by Co-Investor Capital Partners Pty Ltd and Co-Investor Capital Partners (NZ) Ltd. Mr Pryke is a Director and shareholder of Co-Investor Capital Partners Pty Ltd. Co-Investor Capital Partners (NZ) Ltd is a subsidiary of Co-Investor Capital Partners Pty Ltd.

(2) Represents lapsed and cancelled options during the year.

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

**23. KEY MANAGEMENT PERSONNEL (continued)**

	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other(2)	Balance at end of period	Total	Exer-cisable (vested)	Not exer-cisable (non-vested)
<b>2011</b>								
<b>Directors</b>								
P Pryke (1)	25,000,000	-	-	-	25,000,000	25,000,000	25,000,000	-
D Sweet	600,000	-	-	-	600,000	600,000	600,000	-
F Hyndman	-	-	-	-	-	-	-	-
C Burns	-	-	-	-	-	-	-	-
<b>Executives</b>								
C Meehan	5,350,000	7,830,000	-	-	13,180,000	13,180,000	8,830,000	4,350,000
C Nicholas	3,800,000	5,040,000	-	(250,000)	8,590,000	8,590,000	5,790,000	2,800,000
S McNamara	600,000	1,330,214	-	-	1,930,214	1,930,214	600,000	1,330,214
J Matthews	-	588,590	-	-	588,590	588,590	-	588,590
<b>Total</b>	<b>35,350,000</b>	<b>14,788,804</b>	<b>-</b>	<b>(250,000)</b>	<b>49,888,804</b>	<b>49,888,804</b>	<b>40,820,000</b>	<b>9,068,804</b>

(1) These options were held by Co-Investor Capital Partners Pty Ltd and Co-Investor Capital Partners (NZ) Ltd. Mr Pryke is a Director and shareholder of Co-Investor Capital Partners Pty Ltd. Co-Investor Capital Partners (NZ) Ltd is a subsidiary of Co-Investor Capital Partners Pty Ltd.

(2) Represents lapsed and cancelled options during the year.

**(d) Shareholdings of Key Management Personnel**

	Balance at beginning of period	Granted as remuneration	On exercise of options	Net change other	Balance at end of period
<b>2012 Directors</b>					
P Pryke (1)	653,896,038	-	-	-	653,896,038
D Sweet	883,385	-	-	-	883,385
F Hyndman	-	-	-	-	-
C Burns	-	-	-	-	-
<b>Executives</b>					
C Meehan	1,111,111	-	-	-	1,111,111
C Nicholas	-	-	-	-	-
S McNamara	-	-	-	-	-
J Matthews	-	-	-	-	-
<b>Total</b>	<b>655,890,534</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>655,890,534</b>

(1) These shares are held by Co-Investor Capital Partners Pty Ltd and Co-Investor Capital Partners (NZ) Ltd. Mr Pryke is a Director and shareholder of Co-Investor Capital Partners Pty Ltd. Co-Investor Capital Partners (NZ) Ltd is a subsidiary of Co-Investor Capital Partners Pty Ltd.

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

**23. KEY MANAGEMENT PERSONNEL (continued)**

	Balance at beginning of period	Granted as remuneration	On exercise of options	Net change other	Balance at end of period
<b>2011 Directors</b>					
P Pryke (1)	314,685,453	-	-	339,210,585	653,896,038
D Sweet	883,385	-	-	-	883,385
F Hyndman	-	-	-	-	-
C Burns	-	-	-	-	-
<b>Executives</b>					
C Meehan	-	-	-	1,111,111	1,111,111
C Nicholas	-	-	-	-	-
S McNamara	-	-	-	-	-
J Matthews	-	-	-	-	-
<b>Total</b>	<u>315,568,838</u>	<u>-</u>	<u>-</u>	<u>340,321,696</u>	<u>655,890,534</u>

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 arms 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 Phillip Pryke:
  - Interest of \$177,384 (2011: \$815,542) on the loan (refer note 18 (ii)). At reporting date, nil interest remained payable;
  - Business acquisition and disposal consulting fees of \$47,333 (2011:\$192,392). At reporting date, nil remained payable;
  - Directors fees of \$100,000 (2011: \$100,000). At reporting date, \$25,000 remained payable;
  - Loan financing fees of \$58,000 (2011: \$56,000). At reporting date, \$58,000 remained payable; and
  - Christin Burns does not earn any fees for his role as a non-executive Director of the Company. He is an employee of Co-Investor.

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

**23. KEY MANAGEMENT PERSONNEL (continued)**

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

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Assets and liabilities</b>		
Trade and other receivables	-	-
Investment in unlisted entity	-	-
	<hr/>	<hr/>
<b>Total assets</b>	-	-
	<hr/> <hr/>	<hr/> <hr/>
Trade and other payables	83	495
	<hr/>	<hr/>
<b>Total liabilities</b>	83	495
	<hr/> <hr/>	<hr/> <hr/>
<b>Expenses</b>		
Expenses including in contributed equity	-	353
Expenses included in net loss	383	1,084
	<hr/>	<hr/>
<b>Total expenses</b>	383	1,437
	<hr/> <hr/>	<hr/> <hr/>

**24. AUDITORS' REMUNERATION**

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
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	195,900	165,245
- tax compliance services in relation to the entity and any other entity in the consolidated group	52,452	119,200
	<hr/>	<hr/>
	248,352	284,445
	<hr/> <hr/>	<hr/> <hr/>

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**25. RELATED PARTY DISCLOSURE**

The consolidated financial statements include the financial statements of Digital Performance Group Limited and the subsidiaries listed in the following table:

Company and country of incorporation		Class of share	Beneficial percentage held by consolidated entity	
			2012 %	2011 %
Empowered Communications Pty Ltd	Aust	Ordinary	100	100
Empowered Technologies Pty Ltd	Aust	Ordinary	100	100
Empowered (Holdings) Pty Ltd	Aust	Ordinary	100	100
eRewards Pty Ltd	Aust	Ordinary	100	100
Deal Group Media Pty Ltd	Aust	Ordinary	100	100
Virtel Group Pty Ltd	Aust	Ordinary	-	100
Virtel Operations Pty Ltd	Aust	Ordinary	100	100
A.C.N. 009 239 285 Pty Ltd	Aust	Ordinary	-	100
Smartie Deals Pty Ltd	Aust	Ordinary	-	100

**Ultimate Parent**

Digital Performance Group Ltd is the ultimate parent company.

**Other Related Party Transactions**

Transactions undertaken between the group, executive officers and Director-related entities are disclosed in Note 23.

**26. 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:

	2012 \$000's	2011 \$000's
Expense arising from equity-settled share based payment transactions	248	84

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during the year ended 2012.

**(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 Digital Performance Group Limited. The options, issued for nil consideration, are issued in accordance with performance guidelines established by the Directors of Digital Performance Group Limited.

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.

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

**26. 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:

	<b>30 June 2012</b>	<b>30 June 2012</b>	<b>30 June 2011</b>	<b>30 June 2011</b>
	<b>No.</b>	<b>WAEP</b>	<b>No.</b>	<b>WAEP</b>
Balance at beginning of period	36,000,882	\$0.05	14,850,000	\$0.06
- granted	20,745,740	\$0.03	21,750,882	\$0.05
- expired	(600,000)	\$0.40	(600,000)	\$0.25
- cancelled	(24,236,739)	\$0.05	-	\$0.00
Balance at end of period	<u>31,909,883</u>	<u>\$0.03</u>	<u>36,000,882</u>	<u>\$0.05</u>
Exercisable at end of period	<u>3,920,000</u>	<u>\$0.00</u>	<u>36,000,882</u>	<u>\$0.05</u>

The options issued during the year have been granted on the following terms and conditions:

<b>Tranche</b>	<b>Number</b>	<b>Grant date</b>	<b>Vesting date</b>	<b>Exercise Price</b>	<b>Fair value</b>	<b>Expiry date</b>
1	16,157,144	30 Nov 2011	31 Oct 2012	3.0 cents	1.1 cents	31 Oct 2015
2	1,200,000	30 Nov 2011	31 Oct 2012	Nil	2.4 cents	31 Oct 2015
3	3,388,596	30 Nov 2011	31 Oct 2012	2.4 cents	1.3 cents	31 Oct 2015

Where the options issued have an exercise price greater than zero, the fair value of the equity-settled options are estimated using the Binomial pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

<b>Tranche</b>	<b>1</b>	<b>3</b>
Grant date	30 Nov 2011	30 Nov 2011
Vesting date	31 Oct 2012	31 Oct 2012
Expected volatility	85.7%	85.7%
Risk-free interest rate	5.75%	5.75%
Life of option	3 years	3 years
Exercise price	3 cents	2.4 cents

Where the options issued have a NIL exercise price, the fair value is deemed to be equal to the prevailing market price of the share on the Australian Securities Exchange (ASX) on the date the options vest.

Based on these inputs the options issued during the year have been valued at \$248,000. This amount has been expensed to the income statement in "Employee benefits expense" for the year ended 30 June 2012.

Options vest once the relevant performance hurdles (Personal KPI's / Earnings targets) and service period conditions have been satisfied.

All options remain unexercised at 30 June 2012.

**Weighted average remaining contractual life**

The weighted average remaining contractual life for share options outstanding as at 30 June 2012 is 2.5 years (2011:2.3 years).

**DIGITAL PERFORMANCE GROUP Ltd**  
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**Notes to the Financial Statements (continued)**

**27. PARENT ENTITY INFORMATION**

	<b>2012</b>	<b>2011</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Information relating to Digital Performance Group Ltd</b>		
Current assets	281	1,684
Total assets	5,314	23,582
Current liabilities	(1,209)	(2,412)
Total liabilities	(2,224)	(2,676)
	3,090	20,906
Net assets	3,090	20,906
Issued capital	109,275	109,576
Accumulated losses	(110,161)	(92,398)
Reserves	3,976	3,728
	3,090	20,906
Total comprehensive loss of the parent	(17,791)	(1,243)

**28. EVENTS AFTER THE BALANCE SHEET DATE**

There were no events subsequent to balance date that would require disclosure in this annual report.

**29. BUSINESS COMBINATIONS**

On 22 October 2010, the Company acquired 100% of the shares in Deal Group Media Pty Limited (dgm). The comparative information in this report includes the results for dgm for the period from 22 October 2010 to 30 June 2011.

On 23 November 2011, the Company paid the final deferred consideration instalment of \$500,000.

For further information relating to the acquisition of dgm, refer note 30 in the 2011 Annual Report.

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**Director's Declaration**

In accordance with a resolution of the Directors of Digital Performance Group 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 2012 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 2012.

Signed in accordance with a resolution of the Directors.



**CHRIS MEEHAN**  
Director

Sydney, 23<sup>rd</sup> August 2012

## Independent auditor's report to the members of Digital Performance Group Ltd

### Report on the financial report

We have audited the accompanying financial report of Digital Performance Group Ltd, which comprises the consolidated statement of financial position as at 30 June 2012, 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 Digital Performance Group Ltd is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 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.

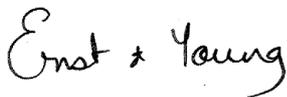
As a result of these matters, if the support from the company's major shareholder, Co Investor Capital Partners Pty Limited, is withdrawn, there is material uncertainty that may cast significant doubt as to whether the Company will be able to continue as a going concern and therefore whether it will 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 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 2012. 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 Digital Performance Group Ltd for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Meredith Scott'.

Meredith Scott  
Partner  
Sydney  
23 August 2012

**DIGITAL PERFORMANCE GROUP Ltd**  
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**ASX Additional Information**

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

**1. Shareholder Information**

**(a) Distribution of holders at 23 August 2012**

	<b>Fully paid ordinary shares</b>
Number of Holders	1,733
Distribution is :	
1 - 1,000	222
1,001 - 5,000	659
5,001 - 10,000	253
10,001 - 100,000	455
100,001 - 9,999,999,999	144
	<hr/> 1,733 <hr/>
Holding less than a marketable parcel	<hr/> 1,484 <hr/>

**(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 23 August 2012**

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

<b>Shareholder</b>	<b>Number of shares</b>
Co-Investor Capital Partners Pty Limited	653,896,038

**(d) Shareholders**

The twenty largest shareholders hold 90.12% of the total issued ordinary shares in the Company as at 23 August 2012.

**(e) Unlisted 2 November 2012 Options**

There are 1,950,000 options held by 1 holder on issue are exercisable at nil cents on or before 2 November 2012. The option holder does not have any voting rights.

**(f) Unlisted 2 November 2012 Options**

There are 3,000,000 options held by 1 holder on issue are exercisable at 4 cents on or before 2 November 2012. The option holder does not have any voting rights.

**(g) Unlisted 25 October 2013 Options**

There are 1,560,000 options held by 1 holder on issue are exercisable at nil cents on or before 25 October 2013. The option holder does not have any voting rights.

**(h) Unlisted 31 October 2014 Options**

There are 1,800,000 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.

**(i) 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.

**DIGITAL PERFORMANCE GROUP Ltd**  
**ABN 30 000 386 685**

**ASX Additional Information (continued)**

**1. Shareholder Information (continued)**

**(j) 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.

**(k) Unlisted 31 October 2014 Options**

There are 1,200,000 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.

**(l) Unlisted 31 October 2015 Options**

There are 16,157,144 options held by 1 holder on issue are exercisable at 3 cents on or before 31 October 2015. The option holder does not have any voting rights.

**(m) Unlisted 31 October 2015 Options**

There are 2,732,739 options held by 1 holder on issue are exercisable at 2.4 cents on or before 31 October 2015. The option holder does not have any voting rights.

**(n) Unlisted 2 November 2012 Options**

There are 1,950,000 options held by 1 holder on issue are exercisable at nil cents on or before 2 November 2012. The option holder does not have any voting rights.

**(o) Unlisted 25 October 2013 Options**

There are 1,560,000 options held by 1 holder on issue are exercisable at nil cents on or before 25 October 2013. The option holder does not have any voting rights.

**(p) Unlisted 31 October 2013 Options**

There are 6,400,000 options held by 1 holder on issue are exercisable at 6 cents on or before 31 October 2013. The option holder does not have any voting rights.

**(q) Unlisted 31 October 2014 Options**

There are 1,400,000 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.

**(r) Unlisted 31 October 2014 Options**

There are 8,000,000 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.

**(s) Unlisted 31 October 2014 Options**

There are 4,390,882 options held by 1 holder on issue are exercisable at 3 cents on or before 31 October 2014. The option holder does not have any voting rights.

**DIGITAL PERFORMANCE GROUP Ltd**  
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**ASX Additional Information (continued)**

**2. QUOTATION**

Listed securities in Digital Performance Group Ltd are quoted on ASX Limited (ASX code: DIG).

**Top Twenty Shareholders as at 23 August 2012**

Name	Number of Shares	% of Issued Shares
1. Co-Investor Capital Partners Pty Ltd <Co-Investor No3 PIPE Fund A/C>	574,911,983	68.63
2. Co-Investor Capital Partners Pty Ltd <Co-Investor No1 Fund A/C>	53,245,518	6.36
3. Cable Nominees Pty Ltd	20,800,000	2.48
4. Co-Investor Capital Partners Pty Ltd <Co-Investor No3 PIPE Fund A/C>	13,312,913	1.59
5. Co-Investor Capital Partners (NZ) Ltd <Co-Investor No2 Fund A/C>	12,425,624	1.48
6. HHH Group Pty Ltd	12,000,000	1.43
7. Mr Brett A Orsler	8,590,169	1.03
8. Dylide Pty Ltd	8,406,249	1.00
9. Mr. Adam Hobson	6,431,956	0.77
10. Connaught Consultants (Finance) Pty Ltd	6,000,000	0.72
11. JBWere (NZ) Nominees Ltd	5,571,428	0.67
12. Eddagate Pty Ltd	4,800,000	0.57
13. Mr Richard Mews	4,611,111	0.55
14. HSBC Custody Nominees (Aust) Ltd	4,530,695	0.48
15. Swan Key Pty Ltd	4,000,000	0.42
16. Globe Technology Pty Ltd	3,500,000	0.42
17. First Charnock Nominees Pty Ltd	3,149,205	0.38
18. Blueknight Corporation Pty Ltd	3,025,001	0.36
19. Big Art Investments	2,848,000	0.34
20. Weldon International Pty Ltd	2,736,400	0.33
	<b>754,896,252</b>	<b>90.12</b>