PhotonGroup.

Photon Group Limited
ABN 97 091 524 515

Appendix 4D
Preliminary final report
Half year ended 31 December 2011

Results for Announcement to the Market

Rule 4.2A.3

The current reporting period is 1 July 2011 to 31 December 2011.
The previous corresponding reporting period is 1 July 2010 to 31 December 2010.

Key information

In thousands of AUD

Revenues from ordinary activities	**down**	20.38%	to 230,709
Profit/(loss) after tax attributable to members	**down**	319.11%	to (159,212)
Net profit/(loss) for the period attributable to members	**down**	319.11%	to (159,212)

Dividends	Amount per security	Franked amount per security
-	-	-

At the date of this report, there are no dividend reinvestment plans in operation.

The remainder of the information requiring disclosure to comply with listing rule 4.2A.3 is contained in the attached 31 December 2011 half year financial report and the additional information set out below.

Additional Information

NTA backing	**Current period**	**Previous corresponding period**
Net tangible asset backing per ordinary share	0.00	(0.15)

Explanation of results
Please refer to the attached 31 December 2011 half year financial report and Market Presentation for commentary and further information with respect to the results.

Photon Group Limited

and its controlled entities

31 December 2011 half-year
financial report

ABN 97 091 524 515

Contents

Photon Group Limited and its controlled entities
Directors' report

The directors present their report together with the consolidated financial statement for the half year ended 31 December 2011 and the review report thereon.

Directors

The directors of the Company at any time during or since the end of the financial half year are:

Brian Bickmore – Independent Non-Executive Chairman

Brian was appointed as a Non-Executive Director of the company on 25 March 2004 and appointed Non-Executive Chairman on 1 July 2010. In 1980, Brian was a founding Executive of Austereo and served as a Director of the company for almost 25 years until 2004. Brian is the Chairman of the privately held food retailer and franchisor Pie Face and a Director of oOH! Media Group Limited. Brian was initially Austereo's Finance Director and from 1997 was the group General Manager, and was previously a Director of RG Capital Radio Limited. Brian is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Matthew Melhuish – Chief Executive Officer

Matthew was appointed a Director and Chief Executive Officer of the Company on 16 January 2012 Matthew has over 25 years' experience in the advertising and marketing industry, including at the most senior levels. Prior to being appointed CEO, Matthew had been the key executive overseeing the company's Australian Agencies business, which represents approximately half of Photon's revenue and was the founder and CEO of successful advertising agency, BMF. Matthew is a respected and leading figure within the Australian Advertising industry. He is currently Chairman of the Effies Advertising Effectiveness Awards, a National Board member of the peak industry body, The Communications Council and a former Chairman of the Advertising Federation of Australia.

Susan McIntosh – Non-Executive Director

Susan was appointed as a Non-Executive Director of the company on 2 June 2000. A chartered accountant, Susan has more than 25 years' business experience in media (radio and television production and distribution) and asset management, and is also the Managing Director of RG Capital Holdings (Australia) Pty Ltd. Susan is a member of the Audit Committee and Remuneration Committee.

Roger Amos – Independent Non-Executive Director

Roger was appointed a Director of the company with effect from 23 November 2010. Roger is a Director of Austar United Communications Limited, the Chairman of its audit and risk committee and a member of their remuneration committee. He is Chairman of Tyrian Diagnostics Limited and a member of its audit committee. He is a Director of REA Group Limited, Chairman of its audit committee and a member of its remuneration committee. All are publicly listed Australian companies. He is the Chairman of Opera Foundation Australia and a Governor of the Cerebral Palsy Alliance Research Foundation. Roger retired in 2006 after 25 years as a Partner in the Assurance and Risk Advisory Service Division of KPMG, where he focused on the information, communication and entertainment sector and held a number of global roles. Roger is a Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of company Directors. Roger is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Max Johnston – Independent Non-Executive Director

Max was appointed a Director of the company with effect from 28 April 2011. Max is a non-executive director of Probiotec Limited. For 11 years he was President and Chief Executive Officer of Johnson & Johnson, Pacific and an Executive Director of Johnson & Johnson. Max has also held several prominent industry roles, including as a past President of ACCORD Australasia Limited, a former Vice Chairman of the Australian Food and Grocery Council and a former member of the board of ASMI. Max has had extensive overseas experience during his career in leading businesses in both Western and Central-Eastern Europe and Africa. Max is a member of the Remuneration Committee.

Photon Group Limited and its controlled entities
Directors' report (continued)

Principal activities

The principal activities of the Consolidated Entity during the course of the financial year were integrated marketing services, specialising in retail marketing and merchandising, advertising, public relations, graphic design, digital printing, production of sales promotion material, communications planning, events management, direct marketing, and market research services.

During the current financial year the Consolidated Entity disposed the Field Marketing operating segment which resulted in the Consolidated Entity no longer specialising in retail marketing and merchandising. Other than the disposal, there were no significant changes in the nature of the activities of the Consolidated Entity during the half year ended on 31 December 2011.

Review and result of operations

The consolidated net revenue for the half year ended 31 December 2011 was $139,462,521 (31 December 2010: $188,058,572) including the net revenue contribution for discontinued operations. Net revenue from continuing operations for the half year ended 31 December 2011 was $88,303,609 (31 December 2010: $118,174,159). Refer to Note 5 Segment reporting for further details.

The consolidated earnings before interest, tax, depreciation, amortisation, loss on sales of subsidiaries, fair value adjustments to deferred consideration, impairment and restructure costs (Operating EBITDA) was $13,986,045 (December 2010: $32,892,363) including the operating EBITDA contribution for discontinued operations. Refer to Note 5 Segment reporting for further details.

The Field Marketing division was divested on 30 November 2011, and the operating segment has been classified as a discontinued operation. Please refer to Note 6 of the financial statements for details of contribution to the loss after taxation for the discontinued operation.

The net loss from ordinary activities after income tax attributable to owners of the parent entity was $159,211,855 (December 2010 net loss: $37,986,480).

The Consolidated Entity's net loss from ordinary activities for the half year ended 31 December 2011 included the following significant items:

- A loss on sale of disposed subsidiaries of $49,171,466 ($44,523,860 net non-cash income tax benefit);
- An impairment charge on goodwill and intangible assets of $128,164,719;
- A fair value gain to deferred consideration liabilities of $20,125,596; and
- Restructure costs of $4,787,619.

In the prior corresponding period (half year ended 31 December 2010) the net loss from ordinary activities included the following significant items:

- A loss on sale of disposed subsidiaries of $4,234,169 ($2,027,269 net of non-cash income tax benefit)
- An impairment charge relating to assets classified as held for sale of $17,195,280;
- An impairment charge on the Search Marketing CGU of $35,992,803; and
- A fair value gain to deferred consideration liabilities of $16,082,061.

Photon Group Limited and its controlled entities
Directors' report (continued)

Review and result of operations (continued)

Disposals

2011

On 2 September 2011, the Consolidated Entity entered into a sale agreement to dispose of the Retail Insight point of sale data business for a consideration of USD$11,000,000. The sale was completed with proceeds received on the same day. The Consolidated Entity recognised a loss on sale of $9,164,929 in the income statement for the half year ended 31 December 2011. The loss net of tax in the income statement was $11,460,175 after tax expense of $2,295,246 was recognised.

On 2 November 2011, the Consolidated Entity entered into a sale agreement to dispose of the Field Marketing segment businesses for a consideration of $146,500,000. This sale was completed with proceeds received from the disposal of these businesses and control passing to the acquirer on 30 November 2011. The Consolidated Entity recognised a loss on sale of $40,006,539 in the income statement for the half year ended 31 December 2011. The loss net of tax in the income statement was $33,063,687 after a non-cash benefit of $6,942,852 to income tax was recognised.

2010

On 22 December 2010, the Consolidated Entity entered into a sale agreement to dispose of the businesses Be Interactive, C4 Communications, Returnity and Messagenet for a consideration of $75,300,000 plus a deferred consideration arrangement which expired on 30 June 2011. On the same date, the Consolidated Entity's control over these businesses passed to the acquirer. The proceeds from the disposal of these businesses was received on completion at 12 January 2011. The Consolidated Entity recognised a loss on sale of $4,234,169 in the income statement for the half year ended 31 December 2010. The loss net of tax in the income statement was $2,027,269 after a benefit of $2,206,900 to income tax was recognised.

On 22 December 2010 the Consolidated Entity also resolved to dispose of the Sledge and Findology businesses for nominal consideration. The transactions are considered to be arms-length. An impairment charge of $17,195,280 has been recognised in the income statement for the half year ended 31 December 2010. The sales were completed on 13 January 2011 and 14 January 2011 respectively and at such time the Consolidated Entity recognised a further loss on sale of $2,530,342 in relation to the respective amounts held in the foreign currency translation reserve at the date of sale.

Issue of shares and share options

During the half year ended 31 December 2011, the Company released 112,590,092 shares from escrow conditions following completion of individual deferred consideration periods. These shares were originally issued to deferred consideration beneficiaries on 29 September 2010. As at the balance sheet date 25,146,895 shares were subject to ongoing escrow conditions until such time as set out in individual deferred consideration agreements ending no later than 30 September 2013. These shares rank equally with existing shareholders.

Dividend

No dividend was declared during the half year ended on 31 December 2011 or after the interim balance sheet date but the date of this report.

Review and result of operations (continued)

Subsequent Events

For events subsequent to the interim balance sheet date, see note 15.

Lead auditor’s independence declaration

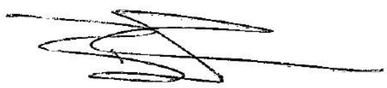
The lead auditor’s independence declaration under section 307C of the Corporations Act 2001 is set out on page 28 and forms part of the directors’ report for the half year ended 31 December 2011.

Rounding off

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of the directors.

Dated at Sydney this 15th day of February 2012.



Brian Bickmore
Director

Photon Group Limited and its controlled entities
Consolidated interim income statement

For the six months ended 31 December *In thousands of AUD*	**Note**	**2011**	**2010**
Continuing operations			
Gross revenue		**174,824**	213,814
Directly attributable cost of sales		**(86,521)**	(95,639)
Net revenue		**88,303**	118,175
Other income		**62**	125
Employee expenses		**(66,858)**	(74,658)
Occupancy costs		**(5,135)**	(7,595)
Depreciation and amortisation expense		**(3,866)**	(7,095)
Insurance expense		**(369)**	(493)
Consultancy fees		**(5,021)**	(5,306)
Equipment hire charges		**(282)**	(279)
Travel expenses		**(1,824)**	(2,079)
Communication expenses		**(1,632)**	(2,403)
Other operating expenses		**(4,679)**	(6,229)
Acquisition transaction costs		**-**	(43)
Impairment of intangible assets	8	**(128,165)**	(53,188)
Loss on sale of subsidiaries	7	**-**	(4,234)
Fair value adjustment to deferred consideration liability		**20,126**	16,082
Present value interest expenses		**(2,700)**	(5,162)
Other finance costs		**(4,401)**	(9,814)
Total finance costs		**(7,101)**	(14,976)
Loss before income tax		**(116,441)**	(44,196)
Income tax expense	11	**(1,988)**	(2,487)
Loss for the period from continuing operations		**(118,429)**	(46,683)
Discontinued operation			
Profit/(Loss) from discontinued operation (net of income tax)	6	**(40,472)**	8,616
Loss for the year		**(158,901)**	(38,067)
Profit/(Loss) attributable to:			
Equity holders of the parent		**(159,212)**	(37,986)
Non-controlling interest		**311**	(81)
		(158,901)	(38,067)
Earnings per share			
Basic earnings per share (AUD cents)		**(11.40)**	(4.14)
Diluted earnings per share (AUD cents)		**(11.40)**	(4.14)
Earnings per share – continuing operations			
Basic earnings per share (AUD cents)		**(8.40)**	(5.08)
Diluted earnings per share (AUD cents)		**(8.40)**	(5.08)

The condensed notes on pages 12 to 24 are an integral part of these consolidated interim financial statements.

Photon Group Limited and its controlled entities
Consolidated interim statement of comprehensive income

For the six months ended 31 December *In thousands of AUD*	**Note**	**2011**	**2010**
Net loss for the period		**(158,901)**	(38,067)
Other comprehensive income			
Cash flow hedge gain/(loss)		**866**	1,395
Foreign currency translation differences for foreign operations		**181**	(16,350)
Income tax on items of other comprehensive income		**(260)**	(419)
Other comprehensive income for the period net of tax		**787**	(15,374)
Total comprehensive income for the period		**(158,114)**	(53,441)
Total comprehensive income for the period attributable to:			
Equity holders of the parent		**(158,447)**	(53,271)
Non-controlling interest		**333**	(170)
		(158,114)	(53,441)

The condensed notes on pages 12 to 24 are an integral part of these consolidated interim financial statements.

Photon Group Limited and its controlled entities

Consolidated interim statement of changes in equity

In thousands of AUD	Share capital	Retained earnings	Option reserve	Cash flow hedge reserve	Foreign currency translation reserve	Total	Non controlling interest	Total equity
At 1 July 2010	**369,268**	**(91,847)**	**11,809**	**(2,065)**	**(21,617)**	**265,548**	**645**	**266,193**
Loss for the period	-	(37,986)	-	-	-	**(37,986)**	(81)	**(38,067)**
Other comprehensive income for the period net of tax	-	-	-	976	(16,261)	**(15,285)**	(89)	**(15,374)**
Total comprehensive income for the period	**-**	**(37,986)**	**-**	**976**	**(16,261)**	**(53,271)**	**(170)**	**(53,441)**
Transactions with owners recorded directly in equity:								
Shares issued	102,502	-	-	-	-	**102,502**	-	**102,502**
Shares issued as part of business combinations	8,704	-	-	-	-	**8,704**	-	**8,704**
Share issue costs	(9,712)	-	-	-	-	**(9,712)**	-	**(9,712)**
Tax effect of share issue costs	2,914	-	-	-	-	**2,914**	-	**2,914**
Share options expense	-	-	(2,005)	-	-	**(2,005)**	-	**(2,005)**
At 31 December 2010	**473,676**	**(129,833)**	**9,804**	**(1,089)**	**(37,878)**	**314,680**	**475**	**315,155**
At 1 July 2011	**477,284**	**(151,558)**	**11,039**	**(606)**	**(38,236)**	**297,923**	**509**	**298,432**
Profit/(Loss) for the period	-	(159,212)	-	-	-	**(159,212)**	311	**(158,901)**
Other comprehensive income for the period net of tax	-	-	-	606	159	**765**	22	**787**
Total comprehensive income for the period	**-**	**(159,212)**	**-**	**606**	**159**	**(158,447)**	**333**	**(158,114)**
Transactions with owners recorded directly in equity:								
Shares issued	19	-	-	-	-	**19**	-	**19**
Shares issued as part of deferred consideration	11,214	-	-	-	-	**11,214**	-	**11,214**
Share issue costs	(104)	-	-	-	-	**(104)**	-	**(104)**
Tax effect of share issue costs	31	-	-	-	-	**31**		**31**
Dividends paid to equity holders	-	-	-	-	-	**-**	(102)	**(102)**
Share options expense	-	-	1,060	-	-	**1,060**	-	**1,060**
At 31 December 2011	**488,444**	**(310,770)**	**12,099**	**-**	**(38,077)**	**151,696**	**740**	**152,436**

The condensed notes on pages 12 to 24 are an integral part of these consolidated interim financial statements.

Photon Group Limited and its controlled entities

Consolidated interim statement of financial position

	Note	31-Dec-11	30-Jun-11
In thousands of AUD			
Assets			
Cash and cash equivalents		**31,560**	18,564
Trade and other receivables		**48,218**	72,144
Other assets		**10,502**	10,051
Income tax receivable		**3,318**	7,014
Total current assets		**93,598**	107,773
Receivables		**452**	376
Other financial assets		**-**	50
Deferred tax assets		**6,175**	1,950
Plant and equipment		**8,226**	12,199
Other assets		**760**	1,116
Intangible assets		**152,513**	456,738
Total non-current assets		**168,126**	472,429
Total assets		**261,724**	580,202
Liabilities			
Trade and other payables		**48,045**	57,972
Deferred consideration payable		**17,103**	40,021
Interest-bearing loans and borrowings		**1,154**	2,042
Employee benefits		**5,138**	7,361
Income tax payable		**730**	2,505
Provisions		**4,504**	2,864
Total current liabilities		**76,674**	112,765
Trade and other payables		**32**	33
Deferred consideration payable		**29,651**	49,933
Interest-bearing loans and borrowings		**422**	115,919
Employee benefits		**1,470**	1,269
Provisions		**1,039**	1,851
Total non-current liabilities		**32,614**	169,005
Total liabilities		**109,288**	281,770
Net assets		**152,436**	298,432
Equity			
Issued capital		**488,444**	477,284
Reserves		**(25,978)**	(27,803)
Accumulated losses		**(310,770)**	(151,558)
Total equity attributable to equity holders of the parent		**151,696**	297,923
Non-controlling interest		**740**	509
Total equity		**152,436**	298,432

The condensed notes on pages 12 to 24 are an integral part of these consolidated interim financial statements.

Photon Group Limited and its controlled entities
Consolidated interim statement of cash flows

For the six months ended 31 December

In thousands of AUD	**2011**	**2010**
Cash flows from operating activities		
Cash receipts from customers	**306,115**	344,484
Cash paid to suppliers and employees	**(295,758)**	(321,769)
Cash generated from operations	**10,357**	22,715
Interest received	**281**	331
Income taxes (paid)/refund received	**616**	(4,567)
Interest paid	**(4,020)**	(10,168)
Net cash from operating activities	**7,234**	8,311
Cash flows from investing activities		
Proceeds from disposal of non-current assets	**56**	318
Payments of deferred consideration	**(16,610)**	(30,222)
Disposal of controlled entities, net of cash	**150,142**	(1,920)
Acquisition of plant and equipment	**(2,328)**	(2,669)
Development expenditure	**(667)**	(1,125)
Net cash used in investing activities	**130,593**	(35,618)
Cash flows from financing activities		
Proceeds from the issue of share capital	**-**	102,454
Transaction costs for the issue of share capital	**(104)**	(9,712)
Proceeds from borrowings	**15,145**	5,398
Repayment of borrowings	**(138,678)**	(71,330)
Finance lease payments	**(1,073)**	(1,147)
Dividends paid to non-controlling interest in controlled entities	**(102)**	-
Net cash from financing activities	**(124,812)**	25,663
Net increase/(decrease) in cash and cash equivalents	**13,015**	(1,644)
Effect of exchange rate fluctuation on cash held	**(19)**	(479)
Cash classified as asset held for sale	**-**	(148)
Cash and cash equivalents at beginning of the period	**18,564**	22,762
Cash and cash equivalents at end of period	**31,560**	20,491

For the purposes of the statement of cash flows, cash and cash equivalent includes cash on hand and at bank, short term deposits at call and outstanding bank overdrafts.

Photon Group Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

1. Reporting entity

Photon Group Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company for the six months ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the "Consolidated Entity") and the Consolidated Entity's interest in associates.

The consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2011 is available at www.photongroup.com

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the Consolidated Entity as at and for the year ended 30 June 2011.

The consolidated interim financial report was approved by the Board of Directors on 15th February 2012.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Consolidated Entity in this consolidated interim financial report are the same as those applied by the Consolidated Entity in its consolidated annual financial report as at and for the year ended 30 June 2011.

Discontinued operations

A discontinued operation is a component of the Consolidated Entity's business that represents a separate major line of business or geographical area of operation that has been disposed or held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

4. Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates will, by definition, not always equal the related actual results.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report as at and for the year ended 30 June 2011.

5. Operating segments

In the current financial period, the Consolidated Entity had three business divisions which are the entity's operating segments based on regularly reviewed internal reporting and management by the Chief Executive Officer and the management team (the chief operating decision makers (CODM)). The divisions are the basis for assessing performance and determining allocation of resources.

The operating segments are defined by management, based on the manner in which the services are provided and the geographies which each segment operates in, and report to the Chief Executive Officer and the management team on a monthly basis. Each operating segment is a reportable segment, and these are the sources of the Consolidated Entity's major risks and returns.

The Consolidated Entity considers it operates in three segments:

- International Agencies – International specialised marketing services weighted towards public relations, communications strategy and research.
- Australian Agencies – Focused on providing a broad spectrum of marketing services to Australian clients including above the line advertising, direct marketing, promotional campaigns, consumer research, public relations and stakeholder communications.
- Field Marketing – Outsourced merchandising and point of sale marketing. During the current financial period this entire segment was sold in November 2011.

During the prior financial reporting period of the year ended 30 June 2011, the Consolidated Entity significantly restructured the Search Marketing segment. Consequently there is no longer a stand-alone Search Marketing segment.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise of:

- Corporate overhead - costs associated with the centralised management and governance of Photon Group Limited, such as interest bearing loans, costs of borrowings and related expenses, and corporate head office assets and expenses.
- Amounts relating to divested and closed businesses which are no longer connected to a segment (digital businesses sold to Salmat in December 2010; Findology sold in December 2010; Sledge sold in January 2011 and Yield Media which was closed in March 2011).

The measure of reporting to the chief operating decision maker is on an operating EBITDA basis (defined below), which excludes significant and non-operating items which are separately presented because of their nature, size and expected infrequent occurrence and do not reflect the underlying trading of the operations.

In relation to segment reporting the following definitions apply to operating segments:

Operating EBITDA – earnings before interest, taxes, depreciation, amortisation, loss on sale of subsidiaries, fair value adjustments to deferred consideration, impairment charges and restructure costs.

The current and 31 December 2010 comparative amounts have been restated to reflect the current business segment presentation.

Photon Group Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

5. Segment reporting (continued)

Operating segments

For the six months ended 31 December

In thousands of AUD

2011	International Agencies	Australian Agencies	Field Marketing (Discontinued)	Total Segment	Unallocated[1]	Elimination	Consolidated
Gross revenue	92,787	90,860	55,885	239,532	8	(8,831)	230,709
Directly attributable cost of sales	(45,112)	(50,191)	(4,726)	(100,029)	(49)	8,831	(91,247)
Net revenue[2]	47,675	40,669	51,159	139,503	(41)	-	139,462
Other income	4	58	-	62	-	-	62
Operating expenses	(39,490)	(36,580)	(44,525)	(120,595)	(4,942)	-	(125,537)
Operating EBITDA	8,189	4,147	6,634	18,970	(4,983)	-	13,987
Restructure costs	(524)	(610)	-	(1,134)	(3,654)	-	(4,788)
Depreciation and amortisation expense							(4,706)
Impairment of intangibles	(56,002)	(72,163)					(128,165)
Loss on sale of subsidiaries			(49,171)				(49,171)
Fair value adjustment							20,126
Net finance expenses							(7,122)
Income Tax Expense							938
Profit for the period							(158,901)
Goodwill	88,557	58,537	-	147,094	-	-	147,094
Other intangibles	1,102	4,317	-	5,419	-	-	5,419
Assets excluding intangibles	60,882	26,421	-	87,303	212,325	(190,417)	109,211
Total assets	150,541	89,275	-	239,816	212,325	(190,417)	261,724
Total liabilities	34,050	24,054	-	58,104	241,601	(190,417)	109,288

[1] Unallocated includes Operating EBITDA loss of ($119,237) for closed businesses and a loss of ($4,863,760) for corporate overheads.

[2] Net revenue from continuing operations of $88,303,609 represents consolidated net revenue of $139,462,521less net revenue from discontinued operations (Field Marketing segment) of $51,158,912.

Photon Group Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

5. Segment reporting (continued)

Operating segments

For the six months ended 31 December

In thousands of AUD

2010	International Agencies	Australian Agencies	Field Marketing (Discontinued)	Total Segment	Unallocated[1]	Elimination	Consolidated
Gross revenue	73,844	111,967	75,959	261,770	30,610	(2,607)	289,773
Directly attributable cost of sales	(24,105)	(61,218)	(6,074)	(91,397)	(12,923)	2,607	(101,713)
Net revenue[2]	49,739	50,749	69,885	170,373	17,687	-	188,060
Other income	68	36	74	178	21	-	199
Operating expenses	(42,835)	(40,424)	(56,282)	(139,541)	(15,826)	-	(155,367)
Operating EBITDA	6,972	10,361	13,677	31,010	1,882	-	32,892
Depreciation and amortisation expense							(8,511)
Impairment of intangibles					(35,993)		(35,993)
Impairment intangible assets on assets held for sale					(17,195)		(17,195)
Loss on sale of subsidiaries					(4,234)		(4,234)
Fair value adjustment							16,082
Net finance expenses							(14,999)
Income Tax Expense							(6,109)
Profit for the period							(38,067)
Goodwill	142,444	130,699	173,639	446,782	-	-	446,782
Other intangibles	1,392	4,981	3,583	9,956	-	-	9,956
Assets excluding intangibles	52,956	35,504	39,210	127,670	174,347	(178,553)	123,464
Total assets	196,792	171,184	216,432	584,408	174,347	(178,553)	580,202
Total liabilities	32,753	24,324	15,962	73,039	387,284	(178,553)	281,770

[1] Unallocated includes Operating EBITDA of $4,171,305 for divested and closed businesses and an operating EBITDA loss of ($2,289,738) for corporate overheads.

[2] Net revenue from continuing operations of $118,174,159 represents consolidated net revenue of $188,058,572 less net revenue from discontinued operations (Field Marketing segment) of $69,884,413.

Photon Group Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

6. Discontinued operation

During the half year ended 31 December 2011, the Consolidated Entity entered into two sale transactions to dispose of the Field Marketing division. The segment was not a discontinued operation or classified as held for sale as at 30 June 2011 and the comparative consolidated interim income statement has been re-presented to show the discontinued operation separately from continuing operations.

On 2 September 2011, the Consolidated entity entered into a sale agreement to dispose of the Retail Insight point of sale data business for a consideration of USD$11,000,000. The sale was completed with proceeds received on the same day. The Consolidated Entity recognised a loss on sale of $9,164,929 in the income statement for the half year ended 31 December 2011. The loss net of tax in the income statement was $11,460,175 after tax expense of $2,295,246 was recognised.

On 2 November 2011, the Consolidated Entity entered into a sale agreement to dispose of Field Marketing segment businesses for a consideration of $146,500,000. This sale was completed with proceeds received from the disposal of these businesses and control passing to the acquirer on 30 November 2011. The Consolidated Entity recognised a loss on sale of $40,006,539 in the income statement for the half year ended 31 December 2011. The loss net of tax in the income statement was $33,063,687 after a benefit of $6,942,852 to income tax was recognised.

In thousands of AUD	**Note**	**2011**	**2010**
Results of discontinued operation			
Revenue		55,885	75,959
Expenses		(50,112)	(63,721)
Results from operating activities		5,773	12,238
Income tax		(1,722)	(3,622)
Results from operating activities, net of tax		4,051	8,616
Loss on sale of discontinued operation		(49,171)	-
Income tax benefit on sale of discontinued operation		4,648	-
Profit/(loss) for the year		**(40,472)**	**8,616**
Earnings per share – basic (AUD cents)		**(2.90)**	**0.94**
Earnings per share – diluted (AUD cents)		**(2.90)**	**0.94**

The loss from discontinued operation of $40,471,720 (2010: profit of $8,615,784) is attributable entirely to the owners of the Company.

In thousands of AUD	**Note**	**2011**	**2010**
Cash flows from (used in) discontinued operation			
Net cash from operating activities		(1,603)	13,018
Net cash from investing activities		148,658	(877)
Net cash used in financing activities		(6,985)	(10,163)
Net cash flows for the year		**140,070**	**1,978**

6. Discontinued operation (continued)

In thousands of AUD	Note	2011
Effect of disposal on the financial position of the Group		
Assets		
Cash and cash equivalents		3,135
Trade and other receivables		22,443
Other assets		5,574
Plant and equipment		3,244
Intangible assets		178,185
Deferred tax assets		990
Total assets of discontinued operation		**213,571**
Liabilities		
Trade and other payables		14,527
Interest bearing loans and borrowings		62
Provisions		2,199
Deferred tax liabilities		556
Income tax payable		2,636
Total liabilities of discontinued operation		**19,980**
Net assets attributable to discontinued operation		**193,591**
Loss on disposal		
Consideration received or receivable		148,243
Less net assets disposed of		(193,591)
Less foreign currency translation reserve recognised in income statement		(3,823)
Loss on disposal before income tax		**(49,171)**
Income tax benefit		4,648
Loss on disposal after income tax		**(44,523)**
Net cash inflow on disposal		
Total consideration		153,277
Less cash and cash equivalents balance disposed of		(3,135)
Reflected in the consolidated statement of cash flows		**150,142**

7. Disposal of subsidiaries

2011

In the current financial year, there were no disposals of subsidiaries other than the discontinued operation disclosed in Note 6.

2010

On 22 December 2010, the Consolidated Entity entered into a sale agreement to dispose of the businesses Be Interactive, C4 Communications, Returnity and Messagenet for a consideration of $75,300,000 plus a deferred consideration arrangement which expired on 30 June 2011. On the same date, the Consolidated Entity's control over these businesses passed to the acquirer. The proceeds from the disposal of these businesses was received on completion at 12 January 2011. The Consolidated Entity recognised a loss on sale of $4,234,169 in the income statement for the half year ended 31 December 2010. The loss net of tax in the income statement was $2,027,269 after a benefit of $2,206,900 to income tax was recognised.

On 22 December 2010 the Consolidated Entity also resolved to dispose of the Sledge and Findology businesses for nominal consideration. The transactions are considered to be arms-length. An impairment charge of $17,195,280 has been recognised in the income statement for the half year ended 31 December 2010. The sales were completed on 13 January 2011 and 14 January 2011 respectively and at such time the Consolidated Entity recognised a further loss on sale of $2,530,342 in relation to the respective amounts held in the foreign currency translation reserve at the date of sale.

For further details on disposals of subsidiaries in the half year ended 31 December 2010, please refer to the 30 June 2011 Annual Financial Report.

8. Impairment

For the six months ended 31 December 2011

Impairment charges

In thousands of AUD	**2011**	**2010**
Impairment of intangibles	128,165	35,993
Impairment relating to assets classified as held for sale	-	17,195
	128,165	**53,188**

An impairment charge on intangible assets of $128,164,719 (31 December 2010: $35,992,803) was recognised in the income statement following a review of the carrying value of the intangible assets. An increase to the discount rate used following the change in the capital structure coupled with a weaker than expected performance during the half year drove this result.

Impairment of intangible assets in the half year ended 31 December 2011:

The discount rate has been adjusted to reflect the current view on the appropriate debt equity ratio and risks inherent in assessing future cash flows.

Australian Agency CGU group impaired:
During the half year ended 31 December 2011, the Australian Agency CGU, which provides a range of integrated marketing and advertising services in Australia, experienced a decline in earnings due to under-performance across a number of small agencies leading to their restructure, the impact of certain client contract losses and reductions in client spending in the CGU. The Consolidated Entity reviewed the future cash flows of the Australian Agency CGU and adjusted for the estimated cash flow impact of the current performance levels. As the carrying value of the Australian Agency CGU is higher than its recoverable amount based on its value in use, the Consolidated Entity has recognised an impairment charge against the goodwill of the Australian Agency CGU in the income statement of $72,162,758.

International Agency CGU group impaired:
During the half year ended 31 December 2011, the International Agency CGU, which excludes search marketing businesses reported in the International Agency segment, experienced a decline in earnings due to losses in non-core offices which are subsequently being closed in the CGU and a reduction in client spending. The Consolidated Entity reviewed the future cash flows of the International Agency CGU and adjusted for the estimated cash flow impact of the current performance levels. As the carrying value of the International Agency CGU is higher than its recoverable amount based on its value in use, the Consolidated Entity has recognised an impairment charge against the goodwill of the International Agency CGU in the income statement of $56,001,962.

The estimate of the value in use for the Australian Agency CGU and International Agency CGU group impairment testing was determined using:

- A post tax discount rate of 11.23% (2011: 9.64%)
- Growth rate of 3% for four years from the best estimate of the CGU group future cash flows (2011:3%); and
- Long term growth rate of 3% into perpetuity (2011: 3%).

8. Impairment (continued)

Impairment of intangible assets in the half year ended 31 December 2010:

Search Marketing CGU group impaired:

During the half year ended 31 December 2010 the Search Marketing group, which is a segment specialising in search marketing, experienced a further decline in trading due to continued weakness in the online global advertising marketing spend, changes in the market dynamics which restricted revenue generation and exposure to the weaker US dollar. Also during the half year, the Board of Directors resolved to sell the Findology business, which was therefore excluded from the Search Marketing CGU and classified as an asset held for sale.

The Consolidated Entity reviewed the likely future capital requirements, the return on investment in the Search Marketing CGU and the volatility of cash flows due to the changes in market dynamics, and significantly discounted the expected cash flows from the CGU. The Consolidated Entity therefore resolved to recognise an impairment charge on all goodwill and intangible assets in the Search Marketing CGU in the amount of $35,992,803 in the income statement.

Impairment tests for cash generating unit groups containing goodwill

Goodwill is tested on a division or unit basis, reflecting the synergies obtained by the division or business units. The aggregation of assets in CGU groups continues to be determined reflecting the lowest level of management of the group's assets and synergies of the business groupings using both a service offering and geographical approach. The CGU groups are consistent with the operating segments of the Consolidated Entity.

The recoverable amount of a CGU group is assessed using calculation methodologies based on a value-in-use calculation. The recoverable amount methodologies and assumptions for all of the CGU groups have remained materially consistent with those applied as at 30 June 2011, as disclosed in the 30 June 2011 annual financial report.

Key assumptions used in the value-in-use approach to test for impairment relate to the discount rate and the medium-term and long-term growth rates applied to the projected cash flows.

Projected cash flows:

The projected first year cash flows are derived from forecasted current financial year results adjusted in some cases for expectations of future trading performance to reflect the best estimate of the CGU group's cash flows at the time of this report. Projected cash flows can differ from future actual results of cash flows and operations.

Discount rate:

The discount rate is based on the Consolidated Entity's pre-tax weighted average cost of capital (WACC) adjusted if necessary to reflect the specific characteristics of each CGU group and to obtain a post-tax discount rate. The discount rate has been adjusted to reflect the current view on the appropriate debt equity ratio and risks inherent in assessing future cash flows.

Growth rates:

A growth rate of 3% (30 June 2011: 3%) has been applied to the cash flows of the first financial year to determine cash flows for the next four years. The five years of cash flows as discounted to present value. The growth rate is based on analysis of medium term historical trading performance and organic growth expectations.

8. Impairment (continued)

Long-term growth rates into perpetuity:
Long-term growth rates of 3% (30 June 2011: 3%) are used into perpetuity, based on expected long-range growth rates for the industry.

Impairment testing assumptions for CGU groups

	31 December 2011			30 June 2011		
	Post-tax discount rate	Pre-tax discount rate	Forecast growth rate	Post-tax discount rate	Pre-tax discount rate	Forecast growth rate
International Agencies	11.23%	14.71%	3%	9.64%	12.73%	3%
Australian Agencies	11.23%	14.71%	3%	9.64%	12.73%	3%
Field Marketing	-	-	-	9.64%	12.73%	3%

As the Field Marketing CGU was sold in November 2011 (see Note 6 for discontinued operation), there were no intangible asset balances at 31 December 2011 and therefore no impairment testing required.

Sensitivity range assumptions for impairment testing assumptions

The following sensitivity ranges are attributable to each CGU group for impairment testing for which the impairment loss was calculated on the assumptions detailed below:

	31 December 2011 sensitivity range		30 June 2011 sensitivity range	
	Post-tax discount rate%	Growth rate%	Post-tax discount rate%	Growth rate%
International Agencies	8.98-13.48%	0-7.5%	8.29-10.99%	0-10%
Australian Agencies	8.98-13.48%	0-7.5%	8.29-10.99%	0-10%

Both the International Agency CGU and the Australian Agency CGU have been impaired to their recoverable amounts and therefore any downward changes to the sensitivities above or cash flows would result in further impairment charges.

The Consolidated Entity's carrying amount of goodwill for each of the CGU groups identified:

In thousands of AUD	31 December 2011	30 June 2011
International Agencies	88,557	142,444
Australian Agencies	58,537	130,699
Field Marketing (discontinued)	-	173,639
	147,094	**446,782**

9. Earnings per share

In thousands of AUD	**2011**	**2010**
Net (loss) for the year	(158,901)	(38,067)
Non-controlling interest (profit)/loss	(311)	81
Net (loss)/profit for the year attributable to shareholders	**(159,212)**	**(37,986)**
In thousands of shares		
Weighted average number of ordinary shares – basic (i)	1,396,861	916,613
Shares issuable under equity based compensation plans	15,126	-
Weighted average number of ordinary shares – diluted (ii)	**1,411,987**	**916,613**
Earnings per share – basic (AUD cents)	**(11.40)**	**(4.14)**
Earnings per share – diluted (AUD cents)	**(11.40)**	**(4.14)**

(i) The weighted number of shares outstanding includes an adjustment for the equity raising completed in September 2010.

(ii) The weighted number of share outstanding includes the incremental shares that would be issued upon the assumed exercise of stock options if the effect is dilutive. As the company has a loss from continuing operations in the half year ended 31 December 2011 and 31 December 2010, no potentially dilutive shares were included in the denominator computing diluted earnings per share since the impact on earnings per share would be anti-dilutive.

10. Loans and borrowings

Details regarding issuance and repayments of borrowings in the current period are provided in the cash flow statement of this condensed interim financial report. During the interim period the Company used funds raised from its sale of the Field Marketing division to pay down the entire debt balance under existing financing arrangements and cancelled these arrangements with the exception of a $16,000,000 debt facility with a term to 31 March 2013 available for general corporate purposes. The facility was undrawn as at 31 December 2011.

Photon Group Limited and its controlled entities
Condensed notes to the consolidated interim financial statements

11. Income tax expense

In thousands of AUD	2011	2010
Current tax expense		
Current year	4,079	3,327
Adjustments for prior year	(134)	(82)
	3,945	3,245
Deferred tax expense		
Origination and reversal of temporary differences	(4,883)	2,864
Tax (benefit)/expense	**(938)**	**6,109**
Tax expense is made up of:		
Tax expense from continuing operations[1]	1,988	2,487
Tax expense from discontinued operations (excluding loss on sale)	1,722	3,622
Tax benefit on loss on sale of discontinued operation	(4,648)	-
	(938)	**6,109**

[1] For the half year ended 31 December 2011, tax expense from continuing operations includes $3,456,857 of income tax expense relating to fair value adjustments to deferred consideration.

Reconciliation between tax expense and pre-tax accounting loss		
Loss before income tax	(159,839)	(31,958)
Income tax using the Company's domestic tax rate of 30% (2010:30%)	(47,952)	(9,588)
Increase in income tax due to:		
Non-deductible items	1,126	910
Impairment charge	38,449	15,956
Effect of higher/(lower) tax rate on overseas income	(178)	(659)
Current year losses for which no deferred tax asset was recognised	854	136
Capital loss on sale of subsidiaries not brought/(brought) to account	9,780	(937)
Other add-back items	713	1,563
Decrease in income tax due to:		
Under/(over) provision for tax in previous years	(134)	(82)
Effect of non-taxable fair value adjustment to deferred consideration	(2,474)	-
Unwinding of deferred tax liabilities established in business combinations	(1,122)	(1,190)
Income tax expense on a pre-tax net loss	**(938)**	**6,109**

11. Income tax expense (continued)

On 25 November 2011, the Federal Government announced proposals to amend existing tax consolidation legislation. The announcement proposes both retrospective and prospective changes to the tax consolidation legislation. The proposed changes in the legislation are yet to pass through the Parliamentary processes before being substantively enacted as legislation.

The Consolidated Entity recognised its right to additional tax deductions following the enactment of tax consolidation amendments in May 2010 related to rights to future income. Should the November 2011 proposals be enacted as legislation, some of these future tax deductions and deductions claimed to date may no longer be recoverable or available to the Consolidated Entity.

If enacted in accordance with the Government announcement, the Consolidated Entity will have a reduction in income tax receivable of $1,192,248 and a corresponding increase in income tax expense. The eventual financial statement impacts are dependent on the final legislation as enacted by Parliament.

Until this legislation is substantively enacted, no financial consequence of these proposed amendments will be recognised in the financial statements.

12. Provisions

Restructuring provision

As at 31 December 2011, the Consolidated Entity recognised a restructuring provision of $3,654,010 associated with its review of corporate overhead. This is expected to be utilised in future periods.

13. Contingencies

Contingent liabilities

Indemnities

Indemnities have been provided to directors and certain executive officers of the Company in respect of third parties arising from their positions, except where the liability arises out of conduct involving lack of good faith. No monetary limit applied to these agreements and there are no known obligations outstanding at 31 December 2011.

14. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the consolidated annual financial report as at and for the year ended 30 June 2011.

15. Subsequent events

There has not arisen, in the interval between the end of the interim period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial period.

Photon Group Limited and its controlled entities
Directors Declaration

In the opinion of the directors of Photon Group Limited ("the Company"):

1. the financial statements and notes of the Consolidated Entity are in accordance with the Corporations Act 2001 including:
   (a) giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the Consolidated Entity; and

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

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 15th day of February 2012.

Signed in accordance with a resolution of the directors:

Brian Bickmore
Director

Independent auditor's review report to the members of Photon Group Limited

We have reviewed the accompanying half-year financial report of Photon Group Limited (the Company), which comprises the consolidated interim statement of financial position as at 31 December 2011, consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 15, comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year period.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Photon Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

KPMG

Independent auditor's review report to the members of Photon Group Limited (continued)

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011and of its performance for the half-year ended on that date; and

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

KPMG

KPMG

Kevin Leighton

Partner

Sydney

15 February 2012

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Photon Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2011 there have been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) No contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Kevin Leighton
Partner

Sydney

15 February 2012