DIGITAL PERFORMANCE GROUP LIMITED
(Formerly ComTel Corporation Limited)
ABN 30 000 386 685

Appendix 4D
for the half-year ended 31 December 2010

Current Period: 31 December 2010

Previous Corresponding Period (PCP): 31 December 2009

1. Results for announcement to the market

	31-Dec-10 $000	31-Dec-09* $000	Change $000	Change %
Revenue from ordinary activities	7,701	3,693	4,008	109%
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)	**484**	**496**	**(12)**	**(2%)**
Net loss from continuing operations after tax attributable to members	(443)	(1,226)	783	64%
Profit / (loss) from discontinued operations after tax	1,069	(112)	1,180	1054%
Net profit / (loss) for the period attributable to members	626	(1,338)	1,964	147%

2. Dividends

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

3. Net Tangible Assets per Security

	Current period	Previous corresponding period*
Net Tangible Assets per Ordinary Share	(1.5) cents	(1.6) cents

4. Compliance Statement

The Appendix 4D is to be read in conjunction with the attached half yearly report for the period ended 31 December 2010 and the annual financial report for the year ended 30 June 2010. It is also recommended that the Appendix 4D be considered together with any public announcements by the Company during and after the half-year ended 31 December 2010.

5. Acquisitions

During the half-year ended 31 December 2010, the Company acquired Deal Group Media Pty Ltd. Refer to note 9 in the attached half yearly report.

* Restated. Refer note 12 in the attached half yearly report.

ASX Release

DPG Announces First Half Year Results

Highlights

- Mobile assets divested for $8.12m
- Deal Group Media acquired for $4.76m and performing to expectations
- Underlying Pro-Forma EBITDA of $1.48m for the six months
- Year end EBITDA run rate expected in the range of $3.75 - $4.00m
- Acquired Vowcha 'daily deal' website
- Rights issue to be undertaken to strengthen balance sheet

Result to 31 December 2010

Digital Performance Group Limited (ASX: DIG) today announced underlying *Pro-Forma EBITDA* for continuing operations of **$1.48 million** for the six months ended 31 December 2010.

DIG completed the acquisition of Deal Group Media Pty Ltd (dgm) on 22 October 2010 and the pro-forma result shows the earnings for the half year as if DGM had been held for the full reporting period. Directors are conscious that the material transactions that have occurred during the period (divestment of the company's mobile phone assets and subsequent acquisition of dgm) complicate the reported result and have elected to include the pro-forma result as it provides the most meaningful indication of the performance of the continuing operations of DIG.

The *Reported EBITDA* for continuing operations of $0.48 million is determined on the following basis:

- includes earnings from dgm only from the time of acquisition in October 2010 (i.e. 2.3 months);
- excludes earnings from business operations that were divested during the period; and
- includes non-recurring business acquisition costs related to the purchase of dgm.

$'000	1H10		1H09		1H10 vs. 1H09	
Continuing Operations	**Pro-Forma**	**Reported**	**Pro-Forma**	**Reported**	**Pro-Forma**	**%**
Empowered	1,472	1,472	1,651	1,651	(179)	(10.8)
Deal Group Media	928	500	858	-	70	8.2
Corporate costs	(922)	(922)	(1,155)	(1,155)	233	(20.2)
Underlying EBITDA	**1,478**	**1,050**	**1,354**	**496**	**124**	**9.2**
Acquisition costs		(566)		-		
Reported EBITDA		**484**		**496**		

Empowered

Empowered EBITDA of $1.47 million (2009: $1.65) was affected by notably lower advertising spend on email marketing in Q1 by some clients due to a softening in the market and the uncertainty surrounding the federal election. Revenue levels improved in the latter part of Q2 which resulted in an overall 2.3% reduction in revenues across the half (as compared to PCP).

While the decline in revenues was disappointing, Empowered performed strongly relative to the broader Email Direct Marketing (EDM) market which declined 9.3%[(1)] over the same period. Empowered was able to leverage its strong relationships with its media buyer clients throughout the period to increase its market share.

Since balance date clients have continued to increase spend to expected levels as advertisers have maintained their budgeted spend on email marketing. Empowered is well positioned to capitalise on a continued recovery in advertising spend.

Deal Group Media (dgm)

The purchase of dgm was completed on 22 October 2010 and the integration of the business within the Digital Performance Group has progressed well. dgm has traded in line with expectations, delivering EBITDA of $500k in just over two months.

The focus in the second half of the financial year will be on selling its market leading multi-channel offering into a growing online retail sector and exploring revenue synergies with Empowered as both businesses continue to deliver high quality performance based marketing solutions for their media buyer, corporate and advertising agency clients.

(1) Interactive Advertising Bureau (IAB) on-line advertising expenditure report (December 2010)

Mobile (discontinued operations)

The Company completed the sale of its post paid and wholesale mobile businesses for a total gross value of $8.12 million (before working capital and other sale agreement adjustments) and is currently negotiating with a number of parties over the divestment of its remaining prepaid retail business.

Acquisition of Vowcha

DPG today entered into an agreement to acquire the daily deal website Vowcha.com.au. The Company will purchase the business and assets of Vowcha Pty Ltd for a purchase price ranging from $95,000 to $150,000 depending upon the earnings generated in the 12 months post completion. The agreement is subject to a number of conditions precedent.

Vowcha was launched in December 2010 with circa 10,000 email and Facebook members. DPG has purchased the business to leverage Empowered's member database into the highly profitable and rapidly growing online daily deals segment. Vowcha's group-buying technology will provide Australian SME businesses with a channel to market their services to Empowered's segmented database of 500,000 members. The group buying concept was pioneered by Groupon in the US and several successful Australian businesses such as Scoopon, Jumponit, Cudo and Spreets have since entered the market.

Telsyte Digital Research Program (14.02.2011) forecast the daily deal category to achieve turnover of $242 million in the next twelve months growing to $500 million in 3 years.

Outlook

The Company expects to achieve a year-end annualised EBITDA run rate of $3.75 - $4.00 million (based on the final quarter of the 2011 financial year). The forecast pro-forma FY2011 EBITDA for continuing operations (before business acquisition and restructuring costs) is in the range of $3.00 to $3.25 million. This pro-forma forecast shows the earnings for the year as if DGM had been held for the full reporting period.

Capital Raising

DIG increased its debt facilities during the period to complete the acquisition of DGM. Directors now consider it prudent to strengthen the balance sheet position of the Company and position it for future growth opportunities. The Company therefore intends to undertake a pro-rata rights issue to repay its $7.00 million debt facility. Rights issue documentation will be issued in the coming weeks.

About Digital Performance Group Ltd: (DPG)

Formerly ComTel Corporation, Digital Performance Group is an ASX listed holding company for performance-based digital marketing businesses. DPG sells targeted and measureable online advertising campaigns that generate online sales, qualified customer leads and increased brand awareness. Results are delivered through a variety of channels such as website banners, email, affiliate and search. Digital Performance Group's customers are some of Australia's leading media buyers, advertising agencies and corporates.

Empowered Communications

Empowered has 500,000 Members sourced via a network of six loyalty websites (each site rewards members in exchange for receiving research or emailed offers). Detailed demographic data is collected from each of its members to enable advertisers to conduct highly targeted, performance-based campaigns.

dgm Australia

dgm offers marketing solutions across single or multiple channels – including search engine marketing, affiliate marketing and display marketing, with a clear focus on performance and return on investment.

For further information
Chris Meehan, Managing Director
0407 149 544

ABN 30 000 386 685

DIGITAL PERFORMANCE GROUP

(Formerly ComTel Corporation Limited)

Half-Year Financial Report for the period ended 31 December 2010

DIGITAL PERFORMANCE GROUP LIMITED
ABN 30 000 386 685

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DIGITAL PERFORMANCE GROUP LIMITED
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Directors' report
for the half-year ended 31 December 2010

The Directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

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

Phillip Pryke	Non Executive Chairman	
Chris Meehan	Managing Director and Chief Executive Officer	
Fionn Hyndman	Non Executive Director	Appointed 24 December 2010
Roger Steinepreis	Non Executive Director	Resigned 24 December 2010
Victoria Gillespie	Non Executive Director	Resigned 24 December 2010
David Sweet	Non Executive Director	
Christin Burns	Non Executive Director	Appointed 22 February 2011

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the half-year were:

- the provision of internet search engine optimisation, paid search and affiliate marketing services. (DGM segment);
- the provision of permission based online advertising services and research through an opt in member base (Empowered segment); and
- mobile telecommunications services (discontinued operations).

Other than the sale of the post paid and wholesale mobile businesses and the acquisition of Deal Group Media Pty Ltd (DGM), there have been no other significant changes in the nature of these activities during the period.

REVIEW AND RESULTS OF OPERATIONS

Operating results for the period

The underlying earnings from continuing operations before interest, tax, depreciation, amortisation, impairment and business acquisition costs for the six months to 31 December 2010 was $1,050,000 (2009: $496,000). The earnings from continuing operations before interest, tax, depreciation, amortisation and depreciation (EBITDA) for the six months to 31 December 2010 was $484,000 (2009: $496,000). The net profit after income tax for the six months to 31 December 2010 was $626,000 (2009: net loss of $1,338,000).

The underlying net cash flows from operating activities, which includes the discontinued mobile operations, for the six months to 31 December 2010 was $1,008,000 (2009: $428,000).The net cash flows from operating activities for the six months to 31 December 2010 was negative $2,947,000 (2009: $428,000). This cash flow result is because of three non recurring factors related to the sale of the mobile business and the acquisition of DGM as follows:

- Following the sale of the Company's post-paid and wholesale mobile assets (refer note 4 (a)), $1,770,000 was paid to the supplier of mobile services to settle the trading account as part of the disposal of the wholesale prepaid business. The Company had 90 days creditor payment terms with its mobile supplier but had 30 days customer trading terms which resulted in this additional working capital payment;
- As per note 9, DGM had a net asset deficiency upon acquisition of $2,992,000 largely because trade and other payables exceeded trade receivables by $1,921,000. This excess was adjusted for in the final purchase price of $4,800,000. $1,502,000 was subsequently paid to suppliers to settle pre-acquisition liabilities; and
- Mobile disposal costs and DGM acquisition costs totalling $683,000.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than described elsewhere in this report there were no significant changes in the state of affairs of the group during the financial year.

AUDITOR'S INDEPENDENCE STATEMENT

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

ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of the directors.

CHRIS MEEHAN
Director

Sydney, 28 February 2011

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

In relation to our review of the financial report of Digital Performance Group Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Meredith Scott

Meredith Scott
Partner
Sydney
28 February 2011

Statement of comprehensive income
for the half-year ended 31 December 2010

		Consolidated	
	Notes	2010 $000	2009 $000
Income			
Rendering of services		7,701	3,693
Expenses			
Cost of sales		(3,702)	(839)
Employee benefits expense	3(a)	(1,758)	(1,176)
Business acquisition costs		(566)	-
Other expenses	3(b)	(1,191)	(1,182)
Earnings before interest, tax, depreciation, amortisation and impairment (EBITDA)		**484**	**496**
Depreciation and amortisation expense	3(c)	(55)	(1,369)
Profit / (loss) from continuing operations before interest and income tax (EBIT)		**429**	**(873)**
Net finance costs	3(d)	(557)	(513)
Loss from continuing operations before income tax		**(128)**	**(1,386)**
Income tax (expense) / benefit		(315)	160
Loss from continuing operations after income tax		**(443)**	**(1,226)**
Profit / (loss) from discontinued operations after income tax	4	**1,069**	**(112)**
Net profit / (loss) after income tax		**626**	**(1,338)**
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit / (loss) for the period		**626**	**(1,338)**
Total comprehensive profit / (loss) for the period attributable to owners of the parent		**626**	**(1,338)**

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

	2010	2009
- basic earnings per share	(0.1)	(0.3)
- diluted earnings per share	(0.1)	(0.3)

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

	2010	2009
- basic earnings per share	0.1	(0.3)
- diluted earnings per share	0.1	(0.3)

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

DIGITAL PERFORMANCE GROUP LIMITED
ABN 30 000 386 685

Statement of financial position
as at 31 December 2010

		Consolidated	
		31 December 2010	30 June 2010
ASSETS	**Notes**	**$000**	**$000**
Current Assets			
Cash and cash equivalents		1,107	2,126
Trade and other receivables		4,992	1,388
Interest-bearing loan		2,778	-
Other financial assets		24	24
Other		116	71
		9,017	3,609
Assets of disposal group classified as held for sale	4	231	9,774
Total Current Assets		**9,248**	**13,383**
Non-Current Assets			
Other financial assets		210	206
Plant and equipment		293	686
Deferred tax assets		361	659
Intangible assets		301	90
Goodwill		22,601	14,935
Total Non-Current Assets		**23,766**	**16,576**
Total Assets		**33,014**	**29,959**
LIABILITIES			
Current Liabilities			
Trade and other payables	7	6,447	2,213
Provisions		968	524
Interest-bearing loans and borrowings	8	7,756	3,407
Deferred income		109	54
		15,280	6,198
Liabilities directly associated with the assets classified as held for sale	4	1,100	6,906
Total Current Liabilities		**16,380**	**13,104**
Non-Current Liabilities			
Interest-bearing loans and borrowings	8	-	1,153
Trade and other payables	7	-	124
Provisions		533	105
Total Non-Current Liabilities		533	1,382
Total Liabilities		**16,913**	**14,486**
Net Assets		**16,101**	**15,473**
Equity			
Contributed equity	5	102,955	102,985
Other reserves		3,676	3,644
Accumulated losses		(90,530)	(91,156)
Total Equity attributable to equity holders of the parent		**16,101**	**15,473**

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

DIGITAL PERFORMANCE GROUP LIMITED
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Statement of changes in equity
for the half-year ended 31 December 2010

	Ordinary shares $000	Accumulated losses $000	Other reserves $000	Total $000
CONSOLIDATED				
At 1 July 2010 as reported in the 2010 annual report	**102,985**	**(90,873)**	**3,644**	**15,756**
Correction of error (note 12)	-	(283)	-	(283)
Restated balance at 1 July 2010	102,985	(91,156)	3,644	15,473
Net profit for the half-year	-	626	-	626
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	626	-	626
Transactions with owners in their capacity as owners:				
Deferred tax movements on share issue costs	(30)	-	-	(30)
Share-based payments	-	-	32	32
At 31 December 2010	**102,955**	**(90,530)**	**3,676**	**16,101**
At 1 July 2009 as reported in the 2009 half year report	**103,059**	**(89,848)**	**3,524**	**16,735**
Correction of error (note 12)	-	(211)	-	(211)
Restated balance at 1 July 2009	103,059	(90,059)	3,524	16,524
Net loss for the half-year	-	(1,338)	-	(1,338)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the Period	-	(1,338)	-	(1,338)
Transactions with owners in their capacity as owners :				
Deferred tax movements on share issue costs	(45)	-	-	(45)
Share-based payments	-	-	120	120
At 31 December 2009	**103,014**	**(91,397)**	**3,644**	**15,261**

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

DIGITAL PERFORMANCE GROUP LIMITED
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Statement of cash flows
for the half-year ended 31 December 2010

	Consolidated 2010 $000	2009 $000
Cash flows from operating activities		
Receipts from customers	17,440	14,608
Payments to suppliers and employees	(19,529)	(13,338)
Payments for mobile business disposal costs	(183)	-
Payments for subsidiary acquisition costs	(500)	-
Payments for restructuring	-	(295)
Interest received	145	9
Interest paid	(320)	(556)
Net cash flows from / (used in) operating activities	**(2,947)**	**428**
Cash flows from investing activities		
Proceeds from disposal of mobile business	3,530	-
Purchase of subsidiary	(3,836)	-
Payments for property, plant and equipment	(5)	(69)
Payment for intangible assets	(278)	(115)
Net cash flows used in investing activities	**(589)**	**(184)**
Cash flows from financing activities		
Proceeds from borrowings	3,875	-
Proceeds from financing sale of mobile businesses	825	
Repayment of borrowings:		
- Repayment of bank financing facility	(395)	-
- Repayment of convertible notes	(1,050)	-
- Repayment of related party loans	(625)	-
- Repayment of other loans	(228)	-
Deferred consideration paid for acquisition of subsidiary	-	(1,300)
Repayment of finance lease liabilities	(50)	(68)
Payment of finance fees	-	(2)
Net cash flows from / (used in) financing activities	**2,352**	**(1,370)**
Net decrease in cash and cash equivalents held	(1,184)	(1,126)
Cash and cash equivalents at beginning of period	2,291	2,331
Cash and cash equivalents at end of period	**1,107**	**1,205**

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

Notes to the financial statements for the half-year ended 31 December 2010

1. CORPORATE INFORMATION

The financial report of Digital Performance Group Limited (the Company) for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 28 February 2011. Digital Performance Group Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange (ASX).

During the year the company changed its name from ComTel Corporation Limited to Digital Performance Group Limited.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose financial report for the half-year ended 31 December 2010 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by the Company during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The half-year financial report has been prepared on a historical cost basis and is presented in Australian dollars. For the purposes of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The Directors believe that the Company and the consolidated entity will be able to continue as going concerns and, as a consequence, the half-year financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Directors are aware however that as at 31 December 2010 the group had an excess of current liabilities over current assets for its continuing operations of $6.3 million (30 June 2010: $2.6 million). This excess is primarily due to the $7.0 million loan payable to Co-Investor Capital Partners Pty Ltd (Co-Investor), the Company's majority shareholder.

In order to fund the acquisition of Deal Group Media Pty Limited (DGM) and fund DGM's working capital deficiency, the Company drew down $3.9 million under its existing Co-Investor debt facility during the half year period. The total principal loan to Co-Investor as at 31 December 2010 was $7.0 million (refer note 8). On 28 February 2011, the Company and Co-Investor entered into a deed to amend the loan agreement to change the repayment date from 28 February 2011 to 31 May 2011.

On 28 February 2011, the Company announced that it will be undertaking a rights issue. The rights issue will be underwritten by Co-Investor, subject to completion of the necessary documentation, for the take up of its pro-rata 69% of the raising and it is anticipated that it will be completed by mid May 2011. The net proceeds from this capital raising will be used to repay the Co-Investor loan.

In the event that the net proceeds raised from the rights issue are insufficient to repay the entire $7.0 million debt facility, the Company and Co-Investor have agreed to negotiate an appropriate period to repay any balance of the loan. It is anticipated that these repayments will be funded from the positive cash flow from continuing operations that the Company is generating.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Since becoming the majority shareholder in 2008, Co-Investor has demonstrated a history of supporting the Company and a willingness to re-negotiate the term of the debt facility if required. The Directors consider the possibility of Co-Investor and the Company not agreeing to an appropriate extension to the term of the loan in the circumstances described above to be very remote.

If the rights issue referred to above does not eventuate and if Co-Investor do not agree to an extension to the loan terms beyond 31 May 2011, then the Company and the consolidated entity may not be able to continue as going concerns, and therefore there is uncertainty as to whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

(b) Significant accounting policies

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

New accounting standards effective from 1 July 2010 did not have any effect on the financial position or performance of the company.

The consolidated entity has not elected to early adopt any new standards or amendments that are issued but not yet effective.

3. REVENUE AND EXPENSES

		2010 $000	2009 $000
(a)	**Employee benefits expense**		
	Salaries and wages	1,399	862
	Share based payments	31	120
	Superannuation	142	95
	Leave	(4)	(35)
	Payroll tax	106	102
	Training and recruitment	65	17
	Other	19	15
		1,758	1,176
(b)	**Other expenses**		
	Communication expenses	148	60
	Director fees	368	309
	Rent & office supplies	229	175
	Professional fees	113	175
	Other	333	463
		1,191	1,182
(c)	**Depreciation and amortisation**		
	Depreciation:		
	Plant and equipment	26	184
	Amortisation of intangible assets:		
	Media member base	-	102
	Software	29	1,083
	Total depreciation and amortisation	55	1,369
(d)	**Net Finance costs**		
	Interest income	(144)	(9)
	Interest expense	393	396
	Finance fees	308	126
		557	513

4. DISCONTINUED OPERATIONS

(a) Details of operations held for sale

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 23 December 2010, the Company terminated its prepaid retail sale agreement with Mediamesh Holdings Pty Limited as Mediamesh failed to complete the transaction. The Company has put the sale of this business back on the market.

Following working capital and other sale agreement adjustments on settlement, the net sale proceeds of the prepaid wholesale and post paid disposals was $7.0m. As at 31 December 2010, the Company had received $4.2m in initial settlement amounts, with the interest bearing balance of $2.8m receivable in monthly instalments through to November 2011. This $4.2m in settlements received excludes a $0.2m non refundable deposit received from Mediamesh and excludes a $0.5m post paid sale agreement settlement adjustment relating to earnings received between the effective date of the Pivotel agreement and completion.

(b) Financial performance of operations held for sale

The results of the discontinued operations for the period of the half-year until disposal are presented below:

	2010	2010	2010	2009
	$000	$000	$000	$000
	Total	Sold	Held for sale (b)	Held for sale
Revenue (a)	5,990	4,527	1,463	10,274
Profit on sale of mobile businesses (book profit)	2,454	2,454	-	-
Expenses	(6,350)	(4,964)	(1,386)	(8,884)
EBITDA	2,094	2,017	77	1,390
Depreciation and amortisation	(992)	(957)	(35)	(1,516)
Finance costs	(33)	(33)	-	(11)
Profit / (loss) before tax from discontinued operations	1,069	1,027	42	(137)
Tax benefit	-	-	-	25
Profit / (loss) for the year from discontinued operations	1,069	1,027	42	(112)

(a) The 2009 revenue was for a 6 month period whereas the 2010 includes revenue to 1 September 2010 for wholesale prepaid and 8 October 2010 for post paid.

(b) Prepaid retail.

4. DISCONTINUED OPERATIONS (continued)

(c) Assets and liabilities – held for sale operations

The major classes of assets and liabilities of the discontinued mobile business are as follows:

	Dec 2010 $000	June 2010 $000
Assets		
Cash	-	165
Trade and other receivables	103	3,766
Inventory	13	126
Intangibles	115	5,717
Assets classified as held for sale	231	9,774
Liabilities		
Trade and other payables	(1,100)	(6,906)
Liabilities directly associated with assets classified as held for sale	(1,100)	(6,906)
Net assets / (liabilities) attributable to discontinued operations	(869)	2,868

(d) Cash flow information – mobile segment (held for sale operations)

	2010 $000	2009 $000
The net cash flows of the mobile segment are as follows:		
Operating activities	(135)	(429)
Investing activities	(34)	(123)
Net cash flow	(169)	(552)

(e) Assets and liabilities and cash flow information of disposed mobile entities and assets

Details of the disposal of Reward Mobile Pty Ltd, CS Mobile Pty Ltd, Just Mobile Telecoms Pty Ltd, Virtel Mobility Services (Aust) Pty Ltd and termination of prepaid wholesale agreement are as follows:

Cash and cash equivalents	37
Trade receivables	940
Other current assets	39
Office equipment	272
Intangible assets – Customer base	3,714
Goodwill	1,087
Total assets	6,089
Trade and other payables	1,461
Deferred income	189
Total liabilities	1,650
Net assets attributable to discontinued operations	4,439

The net cash flows of disposed operations (Reward Mobile Pty Ltd, CS Mobile Pty Ltd, Just Mobile Telecoms Pty Ltd and Virtel Mobility Services (Aust) Pty Ltd and termination of prepaid wholesale agreement) are as follows:

Operating activities	27
Investing activities	3,308
Financing activities	775
Net cash flows	4,110

4. DISCONTINUED OPERATIONS (continued)

	2010 $000
Consideration received or receivable:	
Cash	3,567
Present value of deferred sale proceeds	3,602
Total disposal consideration	7,169
Less disposal costs	(276)
Less net assets of disposed entities	(4,439)
Gain on disposal before income tax	2,454
Income tax expense	-
Gain on disposal after income tax	2,454
Net cash inflow on disposal:	
Cash and cash equivalents consideration	3,567
Less cash and cash equivalents balance disposed of	(37)
Reflected in the consolidated statement of cash flows	3,530

5. CONTRIBUTED EQUITY

Issued and paid-up capital

	Consolidated 31 December 2010		Consolidated 30 June 2010	
	Number	$000	Number	$000
Fully paid ordinary shares	457,426,101	102,955	457,426,101	102,985

Movements in shares on issue

	Number	$000	Number	$000
Beginning of the financial period	457,426,101	102,985	457,426,101	103,059
Deferred tax movements on share issue costs	-	(30)		(74)
End of financial period	457,426,101	102,955	457,426,101	102,985

6. 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 businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Discrete financial information about each of these operating businesses is reported to the Board of Directors and executive management team on a monthly basis.

6. OPERATING SEGMENTS (continued)

Types of services

Deal Group Media (DGM)
This segment provides the following internet based services:
- search engine optimisation;
- paid search; and
- affiliate marketing.

Empowered
This segment provides permission based online advertising and research services through an opt-in member database.

Accounting policies and inter-segment transactions

The accounting policies used by the consolidated entity in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period. The following items are not allocated to operating segments as they are not considered part of the core operations of any segment:
- finance costs; and
- income tax expense.

31 December 2010	**DGM (a)**	**Empowered**	**Total**
	\$000	**\$000**	**\$000**
Revenue			
Sales to external customers	4,109	3,592	7,701
Inter-segment sales	-	18	18
Total segment revenue	4,109	3,610	7,719
Inter-segment elimination			(18)
Total consolidated revenue			**7,701**
EBITDA before unallocated expenses / segment results	500	1,472	1,972
Unallocated expenses (a)			(1,488)
EBITDA			**484**
Reconciliation of segment results to net loss after tax			
EBITDA before unallocated expenses / segment results	500	1,472	1,972
Depreciation and amortisation	(7)	(48)	(55)
EBIT before unallocated expenses	493	1,424	1,917
Unallocated expenses (b)			(1,488)
Loss before tax and finance costs			429
Finance costs			(557)
Loss before income tax			(128)
Income tax expense			(315)
Profit from discontinued operations after tax			1,069
Net profit for the period			**626**

a) DGM was acquired on 22 October 2010. This segment result is for 2 months and 9 days.

6. OPERATING SEGMENTS (continued)

b) Unallocated expenses comprise the following:
- Directors fees;
- CEO and CFO remuneration;
- Audit, legal and other professional fees;
- Business acquisition costs; and
- Other corporate overheads.

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

31 December 2009	***Mobile (Discontinued operations)***	**Empowered**	**Total (Continuing operations)**
	$000	**$000**	**$000**
Revenue			
Sales to external customers	*10,273*	3,693	3,693
Inter-segment sales	-	14	14
Total segment revenue	*10,273*	3,707	3,707
Inter-segment elimination			(14)
Total consolidated revenue			**3,693**
EBITDA before unallocated expenses / segment results	*1,390*	1,651	1,651
Unallocated expenses (a)			(1,155)
EBITDA from continuing operations			**496**
Reconciliation of segment results to net loss after tax			
EBITDA before unallocated expenses / segment results	*1,390*	1,651	1,651
Depreciation and amortisation			(1,369)
EBIT before unallocated expenses			282
Unallocated expenses (a)			(1,155)
Loss before tax and finance costs			(873)
Finance costs			(513)
Loss before income tax			(1,386)
Income tax benefit			160
Loss from discontinued operations after tax			(112)
Net loss for the period			**(1,338)**

(a) Unallocated expenses comprise the following:
- Directors fees;
- CEO and CFO remuneration;
- Audit, legal and other professional fees;
- Business acquisition costs; and
- Other corporate overheads.

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

7. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2010 $000	**30 June 2010 $000**
Current		
Trade payables and accruals (a)	6,032	2,213
Deferred consideration for acquisition of subsidiary	415	-
	6,447	2,213
Non-current		
Operating lease incentive accrual	-	110
Other payables	-	14
	-	124

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

8. INTEREST-BEARING LOANS AND BORROWINGS

	31 Dec 2010 $000	30 June 2010 $000
Current		
Secured loan from related party (a)	6,945	2,271
Bank financing facility (b)	757	-
Convertible notes (c)	-	1,050
Obligations under finance lease contracts (d)	54	86
	7,756	3,407
Non-current		
Secured loans from related party (a)	-	1,135
Obligations under finance lease contracts (d)	-	18
	-	1,153

(a) Secured loan from related parties

On 3 November 2008, the Company initially drew down $5.0 million under a senior secured loan facility from Co-Investor Capital Partners Pty Ltd. The loan is secured by a fixed and floating charge over the Company and the Empowered subsidiaries. The interest rate is 15% per annum and the face value as at 31 December 2010 was $7,000,000. Transaction costs of $715,633 have been capitalised against the loan and will be amortised over its term.

The Company repaid $1.875 million in principle between January 2010 and September 2010. In October 2010 it drew down $3.875 million under the facility to fund part of the acquisition of Deal Group Media Pty Ltd. At that time the loan was varied to have a 28 February 2011 maturity date. Subsequent to 31 December 2010, a variation to the loan agreement was executed extending the loan repayment date to 30 June 2011.

(b) Bank financing facility

Deal Group Media Pty Ltd has a trade receivable debt facility with the Commonwealth Bank of Australia.

(c) Convertible notes

The $1,050,000 convertible notes balance was repaid on 9 July 2010.

(d) Lease Liability

The lease liability consists of a finance lease for software licences. The weighted average effective interest rate on the leases is 9.4%.

9. BUSINESS COMBINATIONS

Deal Group Media Pty Ltd
On 22 October 2010 the Company acquired 100% of the shares in Deal Group Media Pty Limited (DGM), an unlisted private company based in Australia, specialising in online advertising. This acquisition is in line with the group's strategy of building or acquiring profitable businesses operating in the digital performance space.

The total fair value cost of the combination was $4,673,006 and comprised cash and a deferred consideration component of $500,000, payable on 22 November 2011.

The fair value of the identifiable assets and liabilities of Deal Group Media Pty Ltd as at the date of acquisition was:

	Fair Value $000
Cash and cash equivalents	422
Trade receivables*	3,774
Other current assets	95
Plant and equipment	52
Deferred tax asset*	46
Total assets	4,389
Trade and other payables*	5,695
Deferred income*	380
Interest loans and borrowings*	1,152
Provisions*	154
Total liabilities	7,381
Fair value of identifiable net liabilities	(2,992)
Goodwill arising on acquisition*	7,665
Cost of acquisition	4,673
Cost of the acquisition comprises:	
Cash paid	4,258
Fair value of deferred component (note 7)	415
	4,673
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	422
Cash paid	(4,258)
Net consolidated cash outflow	(3,836)

* These items have been provisionally accounted for as the acquisition accounting was not completed at the reporting date.

The fair value of trade receivables represents the gross contractual amounts receivable.

From the date of acquisition (22 October 2010), Deal Group Media has contributed $4,109,000 in revenue, $500,000 in EBITDA and $476,000 in net profit after tax to the consolidated group.

Had the acquisition of DGM occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have resulted in revenue of $14,858,000, EBITDA of $912,000, and a profit after tax of $966,000. Transaction costs associated with the acquisition amounted to $566,000.

A key factor contributing towards the goodwill of $7,665,332 relates to the synergies expected to be achieved as a result of combining Deal Group Media with the rest of the Group. Goodwill can also be attributed to the workforce of the acquired business.

10. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

Future operating lease rentals:	December 2010 $000	June 2010 $000
Not later than one year	784	352
Later than one year	1,228	555
	2,012	907

(b) Finance lease commitments

Future finance lease payments:

Not later than one year	56	91
Later than one year	-	19
Total minimum lease payments	56	110
Less amounts representing finance charges	(2)	(6)
Present value of minimum lease payments	54	104

(c) Capital Commitments

There were no capital commitments at 31 December 2010.

(d) Contingent assets and liabilities

There were no contingent assets or liabilities as at 31 December 2010.

11. SHARE BASED PAYMENTS

On 25 October 2010, 1,560,000 unlisted options were issued under the employee share option plan with an exercise price of nil. These options vest immediately and are exercisable on or before 25 October 2013. 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.

The options have been valued at $31,200, based upon the prevailing share price on the date of issue of 2 cents. This amount has been included as an expense in the statement of comprehensive income.

12. RESTATEMENT OF PRIOR PERIOD

Correction of error in remitting payroll tax on certain types of remuneration during the period 1 July 2005 to 30 June 2010.

During the year management discovered that payroll tax had not been remitted to the state authorities on certain types of remuneration. The error has been corrected by restating each of the affected financial statement line items for the prior period.

The effect of this correction on relevant line items and earnings per share as at 31 December 2009 is disclosed in the table below.

Line item affected

Statement of comprehensive income	Pre restatement 31 Dec 2009 $000	Post restatement 31 Dec 2009 $000	Increase / (decrease) $000
Employee benefits expense	1,140	1,176	36
EBITDA	532	496	(36)
Net loss for the year	(1,302)	(1,338)	(36)

Statement of financial position	Pre restatement 30 June 2010 $000	Post restatement 30 June 2010 $000	Increase / (decrease) $000
Trade and other payables	1,930	2,213	283
Accumulated losses	(90,873)	(91,156)	(283)
Earnings per share	(0.3)	(0.3)	-

Basic and diluted earnings per share for the prior year have also been restated.

13. EVENTS SUBSEQUENT TO BALANCE DATE

On 22 February 2011, Christin Burns was appointed as a non-executive Director of the Company.

On 28 February 2011, the Company and Co-Investor Capital Partners entered into a deed to amend a loan agreement between the parties to change the repayment date of the loan from 28 February 2011 to 30 June 2011.

On 28 February 2011, the Company entered into an asset sale agreement to purchase the business and the assets of Vowcha Pty Limited for a minimum consideration of $95,000 and a maximum consideration of $150,000. The purchase price is dependant upon the future earnings of the business and is payable in quarterly instalments in arrears over the 12 months from completion. Vowcha Pty Limited operates a daily deal web site: www.vowcha.com.au. The sale is subject to a number of conditions precedent.

Directors' Declaration

In accordance with a resolution of the Directors of Digital Performance Group Limited, I state that:

In the opinion of the Directors:

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

(i) Giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and

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

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

For and on behalf of the board

CHRIS MEEHAN
Director

Sydney, 28 February 2011

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Independent auditor's review report to members of Digital Performance Group Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Digital Performance Group Limited, which comprises the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Digital Performance Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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 Digital Performance Group Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and

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

Significant Uncertainty Regarding Continuation as a Going Concern

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

As a result of these matters, there is material uncertainty that may cast significant doubt as to whether the Company will be able to continue as a going concern and therefore whether it will be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Ernst & Young

Ernst & Young

Meredith Scott

Meredith Scott
Partner
Sydney
28 February 2011