DIGITAL PERFORMANCE GROUP LTD
ABN 30 000 386 685

Appendix 4D
for the half-year ended 31 December 2011

Current Period: 31 December 2011

Previous Corresponding Period (PCP): 31 December 2010

1. Results for announcement to the market

	31-Dec-11 $000	31-Dec-10 $000	Change $000	Change %
Revenue from ordinary activities	11,702	7,701	4,001	52%
Earnings before interest, tax, depreciation, amortisation (EBITDA)	**451**	**484**	**(33)**	**(7%)**
Net loss from continuing operations after tax attributable to members	(248)	(443)	195	44%
Profit from discontinued operations after tax	-	1,069	(1,069)	(100%)
Net (loss) / profit for the period attributable to members	(248)	626	(874)	(140%)

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	(0.1) cents	(1.5) 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 2011 and the annual financial report for the year ended 30 June 2011. 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 2011.

ASX Release

29 February 2012

DIG Announces Half Year Results

Update on Current Operations

Digital Performance Group Ltd (ASX: DIG) today announced EBITDA of $451,000 for the six months ending 31 December 2011. While this result is disappointing it was anticipated some months ago and the Company provided updated full year guidance to the market on 15 December 2011, indicating that the issues causing the underperformance in the first half have now been addressed.

Two key factors largely contributed to the half year result:

- a problem with the Empowered technology platform from August 2011 to mid-October 2011 which reduced the number of campaigns able to be delivered by the business over that period (since resolved); and
- deferred or reduced advertising spend from a number of key telecommunications, media and finance advertisers up to November 2011 in the Empowered and dgm business units (some recovery has since been experienced).

The Directors of DPG expect a materially stronger second half driven by:

- improved advertising revenues in Empowered following the resolution of technology issues and the return of key sales staff from extended leave. The business has delivered stronger results since November 2011;
- advertising spend in dgm's finance affiliate category has returned to expectations since December 2011 as advertisers who had deferred campaigns returned to the market; and
- continued growth in Empowered's online research offering. Revenues in the first half increased 13% over the previous corresponding period. The business has committed to investing in growing this channel to broaden Empowered's revenue base beyond advertising.

The Company therefore maintains the guidance announced on 15 December 2011 as outlined below:

Operating Business	Low	High
Empowered	$2.5m	$2.8m
Deal Group Media	$1.5m	$1.7m
Underlying[1] EBITDA before corporate costs	**$4.0m**	**$4.5m**

Group EBITDA after corporate costs is expected to be $2.1m to $2.6m.

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

Key Growth Strategies

In addition to forecast improvements in existing operations, management have made significant progress throughout the first half in executing on new growth strategies that will deliver improved profitability in the second half, and into FY2013.

DPG's goal is to be positioned as the dominant provider of lead generation campaigns in the Australian market. In late 2011, DPG began selling lead generation campaigns that combined dgm's extensive publisher network and Empowered's owned and represented member databases. The combined network provides a material uplift in available inventory to deliver lead generation campaigns to media buyers and direct corporate clients.

Both business units also have specific key strategies aimed at building revenue around core capabilities and through extending their offerings into related products.

dgm

dgm's primary focus is on growing the core affiliate product within the online retail category. The retail market in Australia is now undergoing a rapid structural shift towards online shopping. The continuing strength in the Australian dollar has resulted in consumers shopping overseas to source cheaper goods. Australian retailers are responding by expanding their online presences and increasing marketing budgets for targeting consumers and generating sales. dgm has invested in business development resources to grow its retail customer base and is now working with some of Australia's prominent tier-1 retail brands such as Westfield, Dick Smith, Bigpond Shopping, Next, Rebel Sports and Quiksilver.

dgm is also creating a self-serve affiliate marketing product for the large number of smaller retailers in Australia that cannot be account-managed in a cost effective way. The business has begun migrating to a market leading affiliate technology platform which will provide enhanced functionality such as the self-serve channel. This technology provides a significant point of difference in the Australian market that will enable dgm to target a broader base of clients. The business also expects further cost efficiencies through improved automation of processes across the entire affiliate product.

Finally, dgm is increasing the cross-selling activities of its online marketing products that go beyond simply generating traffic. The business assists clients with improving results and sales with search engine optimisation and conversion management. Both products involve dgm's consulting teams ensuring client websites are designed and structured in a way that maximises the intended interaction with potential customers. This is particularly relevant for new online retail clients as they seek to maximise the value of their e-commerce platforms.

Empowered Communications

Empowered's strategic focus has been on building the size of its ~500,000 member database and monetising that audience in as many ways as possible.

Empowered's members are acquired through a network of five loyalty sites that offer relevant incentives for users to receive advertising and research surveys. Following a recent major technology update, Empowered plans on launching two new sites in the next six months to grow the size of the database beyond recent membership levels. This increase in inventory levels will allow Empowered to meet demand from its media buyer and research clients.

To further monetise its member database in line with dgm's focus on the growing online retail channel, Empowered launched a cash-back shopping site late in 2011. Members can now earn loyalty rewards for shopping with prominent Australian retailers. The product remains in the early stages of launch, but the business model has been extremely successful in overseas markets and management are focussing on broadening the range of available retailers and products available to members.

Finally, Empowered is launching several initiatives to enhance member engagement such as video capability for advertising campaigns and Facebook integration that will allow members to view emails within their Facebook page.

Summary Financials

$'000's	Reported		Variance	Reported	Pro-Forma[1]	Variance
	1H 2012	1H 2011	%	1H 2012	1H 2011	%
Empowered	1,076	1,472	(26.9)	1,076	1,472	(26.9)
Deal Group Media	585	500	17.0	585	823	(28.9)
EBITDA before corporate costs	**1,661**	**1,972**	**(15.8)**	**1,661**	**2,295**	**(27.6)**
Corporate costs	(1,015)	(891)	(13.9)	(1,015)	(891)	(13.9)
Underlying[2] EBITDA	**646**	**1,081**	**(40.2)**	**646**	**1,404**	**(54.0)**
Other Items						
Restructuring costs	(65)	-				
Acquisition costs	(4)	(566)				
Share option costs	(126)	(31)				
Reported EBITDA	**451**	**484**				

[1] The 2011 pro-forma unaudited result includes the earnings for dgm as if it had been held for the full reporting period rather than from the acquisition date of 22 October 2010. The dgm results are audited from 22 October 2010.

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

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DIGITAL PERFORMANCE GROUP

Half-Year Financial Report for the period ended 31 December 2011

Contents

DIGITAL PERFORMANCE GROUP LTD
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Directors' Report for the half-year ended 31 December 2011

The Directors submit their report for the half-year ended 31 December 2011.

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
Fionn Hyndman	Non Executive Director
David Sweet	Non Executive Director
Christin Burns	Non Executive Director

PRINCIPAL ACTIVITIES

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

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

There have been no significant changes in the nature of these activities during the period.

REVIEW AND RESULTS OF OPERATIONS

Operating results for the period
The consolidated entity net loss after tax for the financial period ended 31 December 2011 was $(248,000) (2010: net profit of $626,000).

The earnings before interest, tax, depreciation, amortisation (EBITDA) was $451,000 (2010: $484,000). Included in EBITDA are restructuring costs of $65,000 (2010: nil), non-cash share option expenses of $126,000 (2010: $31,000) and business acquisition costs of $4,000 (2010: $566,000). The underlying EBITDA excluding these items is $646,000 (2010: $1,081,000). The underlying EBITDA has been reported because the Directors consider that this amount reflects the operating earnings result and excludes costs that aren't attributable to the normal trading activities of the Company.

The Directors note that the net cash flow used in operating activities for the financial period was $(976,000) (2010: $(2,947,000)). The net cash flow used in operating activities is reconciled to the underlying EBITDA of $646,000 referred to above in the following table as operating EBITDA is often considered as a proxy for operating cash flows.

	$000
Net cash used in operating activities	**(976)**
Adjusted for:	
Amounts due in late FY11 but paid in early FY12	701
Amounts included in operating cash flow but not in operating EBITDA (i)	729
Other net working capital timing differences	192
Underlying EBITDA	**646**

(i) This includes surplus lease space rental payments of $209,000, restructuring cost payments of $150,000 and interest payments of $167,000.

Directors' Report (continued)
for the half-year ended 31 December 2011

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the group during the financial period.

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, 29 February 2012

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

In relation to our review of the financial report of Digital Performance Group Ltd for the half-year ended 31 December 2011, 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
29 February 2012

DIGITAL PERFORMANCE GROUP LTD
ABN 30 000 386 685

Statement of Comprehensive Income
for the half-year ended 31 December 2011

	Notes	Consolidated 2011 $000	2010 $000
Income			
Rendering of services		11,702	7,701
Expenses			
Cost of sales		(6,346)	(3,702)
Employee benefits expenses	3(a)	(3,691)	(1,758)
Business acquisition costs		(4)	(566)
Restructuring costs		(65)	-
Other expenses	3(b)	(1,145)	(1,191)
Earnings before interest, tax, depreciation amortisation (EBITDA)		**451**	**484**
Depreciation and amortisation expense	3(c)	(463)	(55)
Profit / (loss) from continuing operations before interest and income tax (EBIT)		**(12)**	**429**
Finance income		43	144
Finance costs	3(d)	(226)	(701)
Loss from continuing operations before income tax		**(195)**	**(128)**
Income tax expense		(53)	(315)
Loss from continuing operations after income tax		**(248)**	**(443)**
Profit from discontinued operations after income tax		-	1,069
Net profit / (loss) after income tax		**(248)**	**626**
Other comprehensive income for the period, net of tax		-	-
Total comprehensive profit / (loss) for the period		**(248)**	**626**
Total comprehensive profit / (loss) for the period attributable to owners of the parent		**(248)**	**626**

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

	2011	2010
- basic earnings per share	(0.03)	(0.10)
- diluted earnings per share	(0.03)	(0.10)

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

	2011	2010
- basic earnings per share	(0.03)	0.10
- diluted earnings per share	(0.03)	0.10

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

DIGITAL PERFORMANCE GROUP LTD
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Statement of Financial Position
for the half-year ended 31 December 2011

	Notes	Consolidated 31 December 2011 $000	Consolidated 30 June 2011 $000
ASSETS			
Current Assets			
Cash and cash equivalents		179	657
Trade and other receivables		4,866	4,620
Interest bearing loans		-	1,128
Other financial assets		241	24
Other		131	140
Total Current Assets		**5,417**	**6,569**
Non Current Assets			
Other financial assets		-	238
Plant and equipment		118	244
Deferred tax assets		698	709
Intangible assets		1,789	1,727
Goodwill	7	21,668	21,668
Total Non-Current Assets		**24,273**	**24,586**
Total Assets		**29,690**	**31,155**
LIABILITIES			
Current Liabilities			
Trade and other payables	8	3,827	5,710
Provisions		1,108	1,024
Interest-bearing loans and borrowings	9	1,988	1,046
Deferred income		108	158
Total Current Liabilities		**7,031**	**7,938**
Non Current Liabilities			
Trade and other payables	8	7	18
Provisions		110	327
Total Non-Current Liabilities		**117**	**345**
Total Liabilities		**7,148**	**8,283**
Net Assets		**22,542**	**22,872**
EQUITY			
Contributed equity	5	109,422	109,630
Other reserves		3,854	3,728
Accumulated losses		(90,734)	(90,486)
Total Equity attributable to equity holders of the parent		**22,542**	**22,872**

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

Statement of Changes in Equity
for the half-year ended 31 December 2011

	Ordinary Shares $000	Accumulated Losses $000	Share Based Payment Reserves $000	Total $000
CONSOLIDATED				
At 1 July 2011	**109,630**	**(90,486)**	**3,728**	**22,872**
Net loss for the half-year	-	(248)	-	(248)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	(248)	-	(248)
Transactions with owners in their capacity as owners:				
Share buy back	(153)	-	-	(153)
Share issue costs	(17)	-	-	(17)
Deferred tax movements on share issue costs	(38)	-	-	(38)
Share based payments	-	-	126	126
At 31 December 2011	109,422	(90,734)	3,854	22,542
As at 1 July 2010 as reported in the 2010 annual report	**102,985**	**(90,873)**	**3,644**	**15,756**
Correction of error	-	(283)	-	(283)
Restated balance at 1 July 2010	102,985	(91,156)	3,644	15,473
Net profit for the half-year	-	626	-	626
Other comprehensive income	-	-	-	-
Total comprehensive profit for the period	-	626	-	626
Transaction 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

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

DIGITAL PERFORMANCE GROUP LTD
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Statement of Cash Flows
for the half-year ended 31 December 2011

	Consolidated 2011 $000	Consolidated 2010 $000
Cash flows from operating activities		
Receipts from customers	12,608	17,440
Payments to suppliers and employees	(13,289)	(19,529)
Payments for mobile business disposal costs	-	(183)
Payments for subsidiary acquisition costs	(21)	(500)
Payments for restructuring	(150)	-
Interest received	43	145
Interest paid	(167)	(320)
Net cash flows used in operating activities	**(976)**	**(2,947)**
Cash flows from investing activities		
Proceeds from disposal of mobile business	1,128	3,530
Deferred consideration paid for acquisition of subsidiary	(500)	(3,836)
Payments for property, plant and equipment	(37)	(5)
Payment for intangible assets	(350)	(278)
Net cash flows from / (used in) in investing activities	**241**	**(589)**
Cash flows from financial activities		
Proceeds from related party borrowings	1,390	3,875
Proceeds from financial sale of mobile business	-	825
Repayment of borrowings:		
- Repayment of bank financing facility	(401)	(395)
- Repayment of convertible notes	-	(1,050)
- Repayment of related party loans	-	(625)
- Repayment of other loans	-	(228)
Repayment of finance lease liabilities	(18)	(50)
Capital raising costs	(469)	-
Share buy back payments	(147)	-
Payment of finance fees	(98)	-
Net cash flows from financial activities	**257**	**2,352**
Net decrease in cash and cash equivalents held	(478)	(1,184)
Cash and cash equivalents at beginning of period	657	2,291
Cash and cash equivalents at end of period	**179**	**1,107**

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 2011

1. CORPORATE INFORMATION

The financial report of Digital Performance Group Ltd (the Company) for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 29 February 2012. Digital Performance Group Ltd is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange (ASX).

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 2011 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 2011 and considered together with any public announcements made by the Company during the half-year ended 31 December 2011 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 2011 the group had an excess of current liabilities over current assets of $1.6 million (30 June 2011: $1.4 million). This excess is primarily due to the $1.4 million loan payable to Co-Investor Capital Partners Pty Ltd (Co-Investor), the Company's majority shareholder.

The Directors note the financial support received in the past from Co-Investor since it became the majority shareholder in 2008. Co-Investor currently holds 77% of the shares on issue and also provides a loan facility which the Company has regularly used to fund short term working capital requirements. Whilst the facility is repayable by 31 December 2012, Co-Investor has in the past demonstrated a willingness to re-negotiate the term of the facility. If required, the Directors expect to continue to receive this financial support in order to meet all its obligations as and when they fall due.

The Directors note that the net cash flow used in operating activities was $(1.0) million. As per the reconciliation in the Directors' report, this amount includes prior periods payments and other items such as restructuring costs. The Directors expect that the excess of current liabilities will reduce as the Company generates positive cash flows to meet all its obligations as and when they fall due.

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 2011 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

	2011 $000	2010 $000
a) Employee benefits expense		
Salaries and wages	2,927	1,399
Share based payments	126	31
Superannuation	271	142
Leave	72	(4)
Payroll tax	169	106
Training, recruitment and amenities	103	65
Other	23	19
	3,691	1,758
b) Other expenses		
Communication expenses	255	148
Director fees	293	368
Rent and office supplies	378	229
Professional fees	151	113
Other	68	333
	1,145	1,191
c) Depreciation and amortisation expense		
Depreciation:		
Plant and equipment	162	26
Amortisation of intangible assets:		
Customer base	212	-
Software	89	29
Total depreciation and amortisation	463	55
d) Finance costs		
Interest expense	167	393
Finance fees	59	308
	226	701

4. INCOME TAX

<u>Carried forward income tax losses</u>

In its November 2011 “Mini Budget”, the Federal Government proposed changes to the income tax legislation regarding the treatment of a tax consolidated groups’ rights to future income and the treatment of residual revenue assets. The Government has proposed that this amended legislation be implemented retrospectively. Should this legislation be passed, the Company believes certain prior year tax deductions from FY2008 to FY2011 amounting to $2.8 million may be disallowed. The carried forward income tax losses (revenue) as at 31 December 2011 are expected to reduce from $3.7 million to $1.6 million.

The Company has assumed that the proposed legislation will be passed and adjusted its carried forward tax losses accordingly in its FY2011 tax return. This resulted in $0.1 million in income tax being paid in respect of FY11. No further income tax is payable for prior years as a result of this proposed change in legislation.

4. INCOME TAX (continued)

Deferred tax asset
As at 30 June 2011, the Company did not book a deferred tax asset in relation to all of its carried forward tax losses. It only recognised a deferred tax asset of $0.6 million in relation to $1.9 million of carried forward tax losses out of $3.7 million in total revenue losses.

The expected carried forward tax losses of $1.6 million as at 31 December 2011 are forecast to be utilised within the next 18 months. The deferred tax asset recognised at 31 December 2011 in relation to these remaining losses amounts to $0.5 million.

5. CONTRIBUTED EQUITY

Issued and paid-up capital

	Consolidated 31 December 2011		Consolidated 30 June 2011	
	Number	**$000**	**Number**	**$000**
Fully paid ordinary shares	842,210,760	109,422	849,504,734	109,630
Movements in shares on issue				
Beginning of the financial period	849,504,734	109,630	457,426,101	102,985
Issued in relation to rights issue	-	-	392,078,633	7,058
Share buyback	(7,293,974)	(153)	-	-
Share issue expenses	-	(17)	-	(413)
Deferred tax movements on share issue costs	-	(38)	-	-
End of financial period	842,210,760	109,422	849,504,734	109,630

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.

Types of services

Deal Group Media (dgm)
This segment provides internet based services including 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.

6. OPERATING SEGMENTS (continued)

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;
- income tax expense; and
- other unallocated expenses (Refer (a) below).

31 December 2011	dgm $000	Empowered $000	Total $000
Revenue			
Sales to external customers	8,675	3,027	11,702
Inter-segment sales	71	133	204
Total segment revenue	8,746	3,160	11,906
Inter-segment elimination			(204)
Total consolidated revenue			**11,702**
Reconciliation of segment results to net loss after tax			
Segment results (EBITDA before unallocated expenses)	585	1,076	1,661
Unallocated expenses (a)			(1,210)
EBITDA			**451**
Depreciation and amortisation	(236)	(105)	(341)
Unallocated depreciation expense			(122)
Loss before tax and finance costs			(12)
Finance income			43
Finance costs			(226)
Loss before income tax			(195)
Income tax expense			(53)
Net loss for the period			**(248)**

(a) Unallocated expenses comprise the following:

- Directors fees ($109,000);
- CEO and CFO remuneration ($412,000);
- Audit, legal and other professional fees ($185,000);
- Business acquisition costs ($4,000);
- Employee share option expense ($126,000); and
- Other corporate overheads ($374,000).

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

6. OPERATING SEGMENTS (continued)

31 December 2010	**dgm (b)**	**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**
Reconciliation of segment results to net loss after tax			
Segment results (EBITDA before unallocated expenses)	500	1,472	1,972
Unallocated expenses (c)			(1,488)
EBITDA			**484**
Depreciation and amortisation	(7)	(48)	(55)
Profit 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 loss for the period			**626**

(b) dgm was acquired on 22 October 2010. This segment result is for 2 months and 9 Days.

(c) Unallocated expenses comprise the following:
- Directors fees ($138,000);
- CEO and CFO remuneration ($477,000);
- Audit, legal and other professional fees ($174,000);
- Business acquisition costs ($566,000);
- Employee share option expense ($31,000); and
- Other corporate overheads ($102,000).

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

7. GOODWILL

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

The recent profit downgrade announced on 15 December 2011 is considered an indicator of possible impairment. As such, an impairment test of the carrying value of goodwill was undertaken.

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

This goodwill was acquired through business combinations and has been allocated to two cash generating units (CGU's), each of which is a reportable segment as follows:

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

The recoverable amount of the dgm and Empowered cash generating units has been determined with a value in use calculation using cash flow projections based on financial budgets approved by senior management, covering the period to 30 June 2012 and a forecast covering a further four years.

The pre-tax discount rate applied to dgm cash flow projections is 18.4% (30 June 2011: 18.7%) and to Empowered cash flow projections is 19.1% (30 June 2011: 19.5%).

(ii) Carrying amount of goodwill

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

	dgm		**Empowered**		**Total**	
	31 Dec 2011 $000's	30 Jun 2011 $000's	**31 Dec 2011 $000's**	30 Jun 2011 $000's	**31 Dec 2011 $000's**	30 Jun 2011 $000's
Carrying amount of goodwill	**6,733**	6,733	**14,935**	14,935	**21,668**	21,668

(iii) Key assumptions used in value in use calculations for the dgm and Empowered CGU's

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

dgm – an average growth rate of 6% p.a. has been used in the 4 year forecast (30 June 2011: 6%)

Empowered – an average growth rate of 8% p.a. has been used in the 4 year forecast (30 June 2011: 5%)

Discount rates – discount rates reflect management's estimate of the time value of money and the risks specific to each business unit that are not already reflected in the cash flows. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In determining appropriate discount rates for each unit, regard has been given to the weighted average cost of capital of the group. The pre-tax discount rates used are 18.4% (dgm unit) and 19.1% (dgm unit).

7. GOODWILL (continued)

(iv) Sensitivity to changes in assumptions

dgm unit
For the dgm unit, there are reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. The actual recoverable amount of the dgm unit exceeds its carrying value by $0.5 million (30 June 2011: $1.5 million):

- *Growth rate assumptions* – Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast average annual growth rate less than 4.3% from FY2013 would result in the recoverable amount of the dgm unit to fall below its carrying value.
- *Discount rate assumptions* – Management recognises that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 19.2% for the recoverable amount of the dgm unit to fall below its carrying value.

Empowered unit
For the Empowered unit, there are reasonably possible changes in key assumptions that could cause the carrying value of the unit to exceed its recoverable amount. The actual recoverable amount of the Empowered unit exceeds its carrying value by $0.3 million (30 June 2011: $1.8 million):

- *Growth rate assumptions* – Management recognises that new entrants or technological advances could negatively impact the growth rate assumptions. A forecast average annual growth rate less than 6.9% from FY2013 would result in the recoverable amount of the Empowered unit to fall below its carrying value.
- *Discount rate assumptions* – Management recognises that the actual time value of money may vary to what they have estimated. Management notes that the pre-tax discount rate would have to increase to 19.3% for the recoverable amount of the Empowered unit to fall below its carrying value.

8. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2011 $000	**30 Jun 2011 $000**
Current		
Trade payable and accruals (a)	3,827	5,210
Deferred considerations for acquisition of subsidiary (b)	-	500
	3,827	5,710
Non-current		
Other payables	7	18
	7	18

a) Trade payables are non-interest bearing and are generally payable on 30 day terms.
b) The deferred consideration for the acquisition of dgm was settled on 23 November 2011.

9. INTEREST – BEARING LOANS AND BORROWINGS

	December 2011 $000	June 2011 $000
Current		
Secured loan from related party (a)	1,360	-
Bank receivables financing facility (b)	628	1,028
Obligations under finance lease contracts	-	18
	1,988	1,046

a) Secured loan from related parties
On 11 August 2011, the Company initially drew down $1,250,000 under a senior secured loan facility from Co-Investor Capital Partners Pty Ltd. A further $140,000 was drawn down on 8 December 2011. 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 2011 was $1,390,000. Transaction costs of $50,611 have been capitalised against the loan and will be amortised over the term of the loan.

A variation to the loan agreement was executed extending the loan repayment date to 31 December 2012. The Company will repay the principle in six equal instalments between July and December 2012.

b) Bank financing facility
Deal Group Media Pty Ltd had a trade receivable debt facility with the Commonwealth Bank of Australia. In February 2012, this facility was moved to the National Australia Bank.

10. COMMITMENTS AND CONTINGENCIES

	December 2011 $000	June 2011 $000
a) Operating lease commitments		
Future operating lease rentals:		
Not later than one year	792	779
Later than one year	406	805
	1,198	1,584
b) Finance lease commitments		
Future finance lease payments:		
Not later than one year	-	19
Later than one year	-	-
Total minimum lease payments	-	19
Less amounts representing finance charges	-	(1)
	-	18

c) Capital Commitments

There were no capital commitments at 31 December 2011.

d) Contingent assets and liabilities

There were no contingent assets or liabilities as at 31 December 2011.

11. SHARE BASED PAYMENTS

On 30 November 2011, 43,752,940 unlisted options were granted under the employee share option plan. These options vest at different times and are dependent on the achievement of various performance criteria. The options cannot be transferred and will not be quoted on the ASX. There are no voting rights attached to the options unless converted into ordinary shares.

Number of options	Exercise price	Grant date	Vesting date	Vesting Period	Expiry date
16,157,144	3 cents	30-Nov-11	31-Oct-12	FY 2012	31-Oct-15
8,542,857	4.1 cents	30-Nov-11	31-Oct-13	FY 2013	31-Oct-16
9,610,714	4.1 cents	30-Nov-11	31-Oct-14	FY 2014	31-Oct-17
1,200,000	Nil	30-Nov-11	31-Oct-12	FY 2012	31-Oct-15
960,000	Nil	30-Nov-11	31-Oct-13	FY 2013	31-Oct-16
1,080,000	Nil	30-Nov-11	31-Oct-14	FY 2014	31-Oct-17
3,388,596	2.4 cents	30-Nov-11	31-Oct-12	FY 2012	31-Oct-15
2,813,629	2.4 cents	30-Nov-11	31-Oct-13	FY 2013	31-Oct-16

The options linked with FY12 performance criteria were valued at $252,643. Of this amount, $126,322 has been expensed in the period ending 31 December 2011. This amount has been included as an expense in the statement of comprehensive income.

12. DISCONTINUED OPERATIONS

The comparative information in this half year financial report for the six month period to 31 December 2010 does include some information relating to the discontinued mobile operations.

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

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

13. BUSINESS COMBINATION

On 22 October 2010, the Company acquired 100% of the shares in Deal Group Media Pty Limited (dgm). The comparative information in this half year financial report for the six month period to 31 December 2010 includes the results for dgm for the period from 22 October 2010 to 31 December 2010.

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

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

14. EVENTS SUBSEQUENT TO BALANCE DATE

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

DIGITAL PERFORMANCE GROUP LTD
ABN 30 000 386 685

Director's Declaration

In accordance with a resolution of the Directors of Digital Performance Group Ltd, 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 2011 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, 29 February 2012

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

Report on the Half-Year Financial Report

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

Directors' Responsibility for the half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 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 Ltd and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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 Ltd 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 2011 and of its performance for the half-year ended on that date; and

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

Emphasis of matter

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

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

Ernst & Young

Ernst & Young

Meredith Scott

Meredith Scott
Partner
Sydney
29 February 2012