D2 Marketing Ltd

(Formerly Commquest Limited)
ABN 95 123 287 025

Appendix 4D

for the Half-Year Ended 31 December 2009

Results for announcement to the market

Current Reporting Period – Half year Ended 31 December 2009
Previous Reporting Period – Half year Ended 31 December 2008

The Appendix 4D for the half year ended 31 December 2009 should be read in conjunction with the annual report of the year ended 30 June 2009.

Continuing and Discontinued Operations				**2009**	**2008**
Revenues from ordinary activities	down	20.5%	to	$29,929,571	$37,628,789
Loss after tax attributable to members	down	94.2%	to	($2,693,112)	($46,389,584)
Net loss for the period attributable to members	down	94.2%	to	($2,693,112)	($46,389,584)

Continuing Operations				**2009**	**2008**
Revenues from ordinary activities	up	1.6%	to	$27,571,319	$26,840,324
Loss after tax attributable to members	down	87.6%	to	($2,805,228)	($22,664,027)
Net loss for the period attributable to members	down	87.6%	to	($2,805,228)	($22,664,027)

Dividends (distribution)	**Amount per Security**	**Franked Amount per Security**
Final dividend	n/a	n/a
Previous corresponding period	n/a	n/a

Net tangible asset per security	**Current period**	**Previous corresponding period**
Cents per security	(7.5)	(1.4)

Commentary on the results for the period
Refer to the Director's Report – Review of Operations, for explanation of figures above.

Details of entities over which control has been gained or lost during the period
Refer to note 5 in the Condensed Interim Financial Report for the half-year ended 31 December 2009 for details of business combinations.

D2 Marketing Limited

ACN 123 287 025

(formerly Commquest Limited)

Condensed Interim Financial Report

for the half-year ended 31 December 2009

Corporate Information

ACN 123 287 025

Directors
Mr Roger K Sharp (Executive Chairman)
Mr Jordan K Muir (Executive Director and Chief Operating Officer)
Mr Thomas J R O'Brien (Non-Executive Director)
Mr Paul X Tobin (Non-Executive Director)
Mr William H A Scott (Executive Director and Chief Executive Officer – resigned 30 September 2009)
Mr Christin Burns (Non-Executive Director – appointed 2 December 2009 as an alternate director for Mr Roger Sharp)

Company Secretary
Mr Jonathon Meredith-Smith
Ms Sophie Karzis (resigned 17 July 2009)

Registered Office
Level 8
15 William Street
Melbourne Victoria 3000

Principal Place of Business
Level 8
15 William Street
Melbourne Victoria 3000

Share Register
Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067
D2 Marketing Limited Shares are listed on the Australian Stock Exchange (ASX)

Solicitors
Minter Ellison
525 Collins Street
Melbourne Victoria 3000

Bankers
NAB
Level 2, 230 Collins Street
Melbourne Victoria 3000

Auditors
Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

Internet Address
www.d2marketing.com.au

Contents

Directors' Report

The directors present their report together with the condensed consolidated financial report for the half-year ended 31 December 2009.

Directors
The names of the company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated:

Mr Roger K Sharp (Executive Chairman)
Mr Jordan K Muir (Executive Director and Chief Operating Officer)
Mr Thomas J R O'Brien (Non-Executive Director)
Mr Paul X Tobin (Non-Executive Director)
Mr William H A Scott (Executive Director and Chief Executive Officer – resigned 30 September 2009)
Mr Christin Burns (Non-Executive Director – appointed an alternate director for Mr Roger Sharp on 2 December 2009

Principal Activities
The principal activities of the entity during the half-year were ***Direct Sales and Marketing*** and ***Digital and Mobile Marketing***,

Half-Year Overview

	December 2009	December 2008	Change
Revenue	27,571,319	26,840,324	+2.7%
EBITDA (before non-recurring items)	261,620	284,812	-8.1%
Non-recurring items	(1,192,865)	-	
Reported EBITDA	(931,245)	284,812	
Depreciation, amortisation and impairments	(1,002,774)	(22,123,404)	
EBIT	(1,934,019)	(21,838,592)	
Finance Costs	(1,100,354)	(1,443,480)	
Non-recurring Finance Costs	(624,722)	-	
Income Tax Benefit	853,867	618,045	
Net Profit/(Loss) After Tax from Continuing Operations	(2,805,228)	(22,664,027)	
Net Result from Discontinued Operations	112,116	(23,725,557)	
Net Profit/(Loss) from Operations	(2,693,112)	(46,389,584)	

Review and results of operations

The Group commenced a significant capital and operational restructuring process during the period to 31 December 2009, and this process will continue throughout the remainder of the fiscal year. A number of important initiatives have been implemented and/or are currently underway, including:

- changes in senior management at the parent company level, Next Digital and Austral Media;
- a significant reduction in the Company's debt levels;
- sale or closing of underperforming and non-core businesses;
- agreement with shareholders on a programme for recapitalisation;
- rebranding of the Company;
- improved internal processes;
- the development of *insermo.com* from a merger of three existing businesses/technologies;
- a material reduction in Head Office and divisional costs; and
- an agreement to settle a legal dispute with LCW Private Equity Pty Ltd.

In the half year ended 31 December 2009 the Group's revenue from comparable continuing operations increased to $27,571,319 (2008: $26,840,324), primarily as a result of the strong performance of the Group's Direct Sales and Marketing segment.

$1,817,587 in non-recurring expenses were incurred during the period as a result of the restructuring initiatives undertaken. These expenses included $592,865 in professional and other services fees, $624,722 in loan establishment fees, and $600,000 in settlement of the LCW Private Equity Pty Ltd dispute.

Excluding the impact of these non-recurring items, the company reported earnings before interest, tax, depreciation and amortisation (EBITDA) of $261,620 (2008: $284,812).

The consolidated net loss after income tax from continuing operations for the half-year was $2,805,228 (2008: $22,664,027).

Directors note that the half year result reflects a longer-than-anticipated lag effect between the completion of restructuring initiatives and the delivery of improved financial results. However, Directors remain confident in the outlook for the Group, and it is expected that improved results should be delivered in the second half of this fiscal year.

Directors' Report (continued)

As a result of the lag in improved financial results, the settlement obligations of the LCW Private Equity dispute, and the additional debt drawn down in December 2009, the Directors have concluded that the previously announced rights issue of $6.25 million will not be sufficient to repay all obligations and provide appropriate working capital. The Company is in discussions in respect of its capital needs with its advisors and with its major shareholder and financier, Co-Investor, and expects resolution by the end of the financial year.

Significant Changes in State of Affairs

Subsequent to period end, on the 9 February 2010, D2 Marketing Limited issued 333,333,333 and 34,953,525 shares to Co-Investor through the conversion of 2.5 million convertible notes and $262,284 of interest which had accrued on all convertible notes during the period from 11 November 2009 to 9 February 2010 respectively.

Subsequent to period end, on the 3 February 2010, the Company completed the sale of the business assets of its 100% owned subsidiary SMS Central Pty Ltd which formed part of the Digital and Mobile Marketing operating segment.

Signed this 25th day of February 2010 in accordance with a resolution of the board of directors made pursuant to s298(2) of the *Corporations Act 2001*.

....
Roger Sharp – Director

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Melbourne VIC 3000 Australia
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www.ey.com/au

Auditor's Independence Declaration to the Directors of D2 Marketing Limited

In relation to our review of the financial report of D2 Marketing Limited for the half year ended 31 December 2009, 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

Don Brumley
Partner
Melbourne
Ernst & Young

25 February 2010

Consolidated statement of comprehensive income

HALF-YEAR ENDED 31 December 2009

	Notes	6 months to 31 December 2009 $	6 months to 31 December 2008 $
Continuing operations:			
Rendering of services		27,266,414	26,006,980
Other revenue		304,905	833,344
Revenue		**27,571,319**	**26,840,324**
Expenses from continuing operations:			
Depreciation and amortisation		(1,002,774)	(1,282,914)
IT and telecommunications		(2,004,625)	(2,033,999)
Operating lease rental		(84,415)	(216,468)
Advertising		(767,560)	(975,871)
Consulting fees		(917,550)	(799,989)
Motor vehicle expenses		(519,600)	(453,863)
Occupancy		(1,522,225)	(1,177,316)
Employee benefits expenses		(13,167,109)	(11,375,503)
Contractor expenses		(5,985,246)	(6,576,778)
Finance costs		(1,725,076)	(1,443,480)
Travel and accommodation		(394,306)	(573,031)
Impairment of intangible assets	3	-	(20,439,490)
Impairment of investment in associate		-	(401,000)
Other expenses		(3,139,928)	(2,372,694)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**(3,659,095)**	**(23,282,072)**
INCOME TAX BENEFIT		**853,867**	**618,045**
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		**(2,805,228)**	**(22,664,027)**
Discontinued Operations:			
Profit/(Loss) from discontinued operations after income tax	5	112,116	(23,725,557)
LOSS ATTRIBUTABLE TO MEMBERS OF D2 MARKETING LIMITED FOR THE PERIOD		**(2,693,112)**	**(46,389,584)**
Other comprehensive income			
Exchange differences arising on translation of foreign operations		(1,438)	19,457
Income Tax relating to components of other comprehensive income		-	-
Other comprehensive income for the period (net of tax)		**(1,438)**	**19,457**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF D2 MARKETING LIMITED		**(2,694,550)**	**(46,370,127)**
		Cents	**Cents**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share		(2.19)	(23.45)
Diluted loss per share		(2.19)	(23.45)
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share		(2.10)	(48.00)
Diluted loss per share		(2.10)	(48.00)

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

AT 31 December 2009

	Notes	31 December 2009 $	30 June 2009 $
CURRENT ASSETS			
Cash and cash equivalents		1,035,171	3,349,932
Other current assets		3,258,038	5,424,814
Trade and other receivables		4,766,998	4,690,198
Inventories		108,074	46,590
		9,168,281	13,511,534
Assets of disposal group classified as held for sale	5	68,365	-
TOTAL CURRENT ASSETS		9,236,646	13,511,534
NON-CURRENT ASSETS			
Trade and other receivables		176,725	190,910
Investments in associates		1,000	1,000
Deferred tax assets		1,888,082	1,029,947
Plant and equipment		1,328,448	1,758,548
Goodwill and other intangible assets	3	3,629,948	4,183,738
TOTAL NON-CURRENT ASSETS		7,024,203	7,164,143
TOTAL ASSETS		16,260,849	20,675,677
CURRENT LIABILITIES			
Trade and other payables		7,221,304	9,667,538
Interest-bearing liabilities	4	13,642,044	12,639,275
Deferred settlement obligations		102,999	1,434,319
Provisions		1,615,217	1,221,846
Income tax payable		446,562	446,562
		23,028,126	25,409,540
Liabilities directly associated with the assets classified as held for sale	5	6,194	-
TOTAL CURRENT LIABILITIES		23,034,320	25,409,540
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	4	78,087	11,861
Provisions		278,791	253,191
TOTAL NON-CURRENT LIABILITIES		356,878	265,052
TOTAL LIABILITIES		23,391,198	25,674,592
NET ASSETS		**(7,130,349)**	**(4,998,915)**
EQUITY			
Contributed equity		45,515,773	44,989,880
Reserves		302,507	266,722
Accumulated losses		(52,948,629)	(50,255,517)
TOTAL EQUITY		**(7,130,349)**	**(4,998,915)**

The Statement of Financial Position is to be read in conjunction with the accompanying notes.

Consolidated interim statement of cash flows

HALF-YEAR ENDED 31 December 2009	Notes	6 months to 31 December 2009 $	6 months to 31 December 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		31,611,240	29,695,050
Payments to suppliers and employees (inclusive of GST)		(32,837,220)	(29,142,940)
Income tax paid		-	(609,477)
Interest received		-	116,379
Interest paid		(72,265)	(1,443,480)
Net cash flow used in operating activities – continuing operations		(1,298,245)	(1,384,468)
Net cash flow used in operating activities – discontinued operations	5	(165,458)	1,388,026
Net Cash flows from/(used in) operating activities		(1,463,703)	3,558
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(66,550)	(115,174)
Purchase of intangibles		(30,685)	(899,143)
Acquisition of investment		-	(133,333)
Acquisition of business		(231,320)	(1,920,000)
Acquisition of subsidiaries		(1,100,000)	(2,465,650)
Net cash flow used in investing activities – continuing operations		(1,428,555)	(5,533,300)
Net cash flow used in investing activities – discontinued operations	5	(3,615)	(484,724)
Net Cash flows from/(used in) investing activities		(1,432,170)	(6,018,024)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		650,000	1,000,000
Repayment of borrowings		(68,888)	(2,486,622)
Proceeds from issue of shares		-	3,378,352
Net cash flow from financing activities – continuing operations		581,112	1,891,730
Net cash flow from financing activities – discontinued operations	5	-	8,745
Net Cash flows from financing activities		581,112	1,900,475
Net decrease in cash and cash equivalents		(2,314,761)	(4,113,991)
Cash and cash equivalents at beginning of period		3,349,932	6,542,406
Cash and cash equivalents at the end of the period		1,035,171	2,428,415

The statement of cash flows is to be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity

HALF-YEAR ENDED 31 December 2009

	Consolidated			
	Contributed Equity $	Reserves $	Accumulated losses $	Total $
As at 1 July 2009	**44,989,880**	**266,722**	**(50,255,517)**	**(4,998,915)**
Loss for the half-year	-	-	(2,693,112)	(2,693,112)
Issue of shares	160,577	-	-	160,577
Equity component of issued Convertible Notes	365,316	-	-	365,316
Foreign currency translation reserve	-	(1,438)	-	(1,438)
Share-based payments	-	37,223	-	37,223
As at 31 December 2009	**45,515,773**	**302,507**	**(52,948,629)**	**(7,130,349)**
As at 1 July 2008	**39,309,359**	**110,458**	**2,382,141**	**41,801,958**
Prior period business combination adjustment(*)	-	-	(485,497)	(485,497)
Restated opening balance	**39,309,359**	**110,458**	**1,896,644**	**41,316,461**
Loss for the half-year	-	-	(46,389,584)	(46,389,584)
Proceeds from issue of shares	5,680,521	-	-	5,680,521
Foreign currency translation reserve	-	19,457	-	19,457
Share-based payments	-	74,448	-	74,448
As at 31 December 2008	**44,989,880**	**204,363**	**(44,492,940)**	**701,303**

(*) Prior period adjustment to retained earnings is in relation to finalisation of application of the purchase method of accounting for business combinations transacted during the year ended 30 June 2009. The adjustment is the net of an amortisation charge of $659,681 applied against identifiable intangible assets acquired and the tax effect of $174,184 applied against the deferred tax balance.

Condensed notes to the consolidated interim financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of half-year financial report

This general purpose condensed financial report of D2 Marketing Limited (the "Company") for the half-year reporting period ended 31 December 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting,* as issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001.*

The interim 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 interim financial report be read in conjunction with the annual report of the year ended 30 June 2009 and considered together with any public announcements made by D2 Marketing Limited (formerly Commquest Limited) during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report and corresponding interim reporting period, and this condensed financial report has been prepared on the historical cost basis

Changes in accounting policy

From 1 July 2009, the Group has adopted the following standards and interpretations, mandatory for annual periods beginning on or after 1 July 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group. However the adoption of AASB 8 has caused the Group to revise its segment reporting. See note two for details of the reportable segments and applicable accounting policies.

- AASB 3 Revised *Business Combinations*
- AASB 8 *Operating segments*
- AASB 101Revised *Presentation of Financial Statements*

The following amending standards have also been adopted from 1 July 2009:

- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*
- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-6 *Amendment to Australian Accounting Standards arising from the Annual Improvements Project*

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below.

AASB 8 *Operating segments*
AASB 8 replaced AASB 114 *Segment Reporting* upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 has resulted in more reportable operating segments to be identified than previously identified under AASB 114. AASB 8 disclosures are shown in note 2, including the related revised comparative information.

AASB 101 *Presentation of Financial Statements*
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Group has elected to present one statement.

(b) Going Concern

The interim financial report has been prepared on the basis that the Consolidated Entity will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The directors have reviewed the performance, financial position, business plan and strategies, budgets and cashflows of the Group as it progresses through its restructuring phase. It was noted that the Group incurred a loss before tax from continuing operations of ($3,659,095) for the half year ended 31 December 2009, net cash outflows from operating activities from continuing operations of $1,298,245, and a consolidated current asset deficiency of $13,797,674.

Condensed notes to the consolidated interim financial statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going Concern (continued)

The directors believe that at the date of signing the financial report there are reasonable grounds to believe that, having considered the matters set out below, the Consolidated Entity will have sufficient funds to meet its obligations as and when they fall due. In arriving at this position the Directors have had regard to the following:

- the ongoing support of the Company's major financier, Co-Investor Capital Partners Pty Ltd ("Co-Investor"), to the extent that Co-Investor has:
  - converted $2.5 million of the $8.0 million convertible notes issued to it on 11 November 2009 to reduce the company's debt burden;
  - increased the short term debt facilities available to the company by $1.0 million from $5.0 million to $6.0 million to fund its working capital requirements and to enable settlement of the LCW Private Equity dispute while the recapitalisation has been pending;
  - reduced the interest cost on the company's senior debt facilities from 15% to 10%;
  - provided for the accrual of interest and satisfaction of such interest by conversion to ordinary shares; and
  - waived breaches of debt covenants as at 31 December 2009.

Directors further note:

- the Company's stated intention to proceed with a recapitalisation to repay debt and provide additional working capital;
- in the half year Co-Investor became a 76.2% shareholder in the Consolidated Entity through a placement of shares and conversion of convertible notes, thereby aligning its interests; and
- the company's revised guidance, provided to the market on 9 February 2010, indicating an expected improvement in its financial performance during the second half.

The financial report does not include 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 Consolidated Entity and Company not continue as a going concern.

(c) Goodwill and intangibles

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. The Group performs its impairment testing at approximately the same time each year or when any indicators of impairment exist using a value in use, discounted cash flow methodology. However, for acquisitions made during the current reporting period, the carrying value is considered a reasonable approximation of fair value less costs to sell in the absence of evidence to the contrary such as specific events or market conditions that occur between the date of the acquisition in the current reporting period and the reporting date.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Identifiable intangible assets
Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the depreciation and amortisation expense category.

Condensed notes to the consolidated interim financial statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Goodwill and intangibles (continued)

Intangible assets with finite useful lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Intangible assets with indefinite useful lives, which are therefore not amortised, are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Finite-lived intangibles that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

A summary of the policies applied to the Group's intangible assets is as follows:

Software
Useful lives
Finite – 3 years. The expected useful life is reassessed at each financial year-end.
Amortisation method used
Amortised over the expected useful life on a straight-line basis.
Internally generated or acquired
Internally generated and acquired
Impairment testing
Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Brand names
Useful lives
Finite – 15 years The expected useful life is reassessed at each financial year-end.
Amortisation method used
No amortisation.
Internally generated or acquired
Acquired
Impairment testing
Annually and more frequently when an indication of impairment exists.

Customer contracts and relationships
Useful lives
Finite – up to 10 years. The expected useful life is reassessed at each financial year-end.
Amortisation method used
Amortised over the expected useful life on a straight-line basis.
Internally generated or acquired
Acquired.
Impairment testing
Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Condensed notes to the consolidated interim financial statements

2. OPERATING SEGMENTS

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

The operating segments are identified by management are 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 these operating businesses is reported to the executive management team on at least a monthly basis.

Types of products and services

SMART Pty Ltd
SMART Pty Ltd is a specialist direct sales and marketing company with core service offerings in customer acquisition and contact centre solutions.

Green Made Easy Pty Ltd
Green Made Easy Pty Ltd is an environmental services company specialising in reducing carbon emissions through the installation of energy efficient products.

Austral Media Group Pty Ltd
Austral Media Group Pty Ltd is a custom publishing business specialising in publications for the emergency services and charity sectors of the market.

Web Development Group Pty Ltd
Web Development Group Pty Ltd is the parent entity of the Next Digital Group and is a full service digital agency with a focus on digital solutions, digital media and marketing.

Digital and Mobile Marketing
This segment specialises in mobile marketing, premium and standard SMS\MMS solutions and provision of premium interactive voice response (IVR) platforms allowing clients IVR and information services direct to consumers without having to manage their own telephony platform.

Discontinued segments

Discontinued segments consisted of a number of businesses within the Group being, BoilerRoom Group, Think Creative, PyroMedia, Channel Financial Communications and Shac. These segments specialised in advertising, events, media planning, analysis, financial communications and public relations.

Accounting Policies and inter-segment transactions
The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the accounts and in prior period.

It is the Group's policy that if items of revenue and expenses are not allocated to operating segments then any associated assets and liabilities are also not allocated to segments. This is to avoid asymmetrical allocations with in segments which management believe would be inconsistent.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Non-recurring expenses incurred as a result of the restructuring initiatives undertaken. These expenses have been included in the unallocated expenses line in the following table and totalled $1,817,587 for the half-year ended 31 December 2009 (2008:$nil). These expenses included $592,865 in professional and other services fees, $624,722 in loan establishment fees, and $600,000 in settlement of the LCW Private Equity Pty Ltd dispute.

The following tables present revenue and profit information for reportable segments for the half-years ended 31 December 2009 and 31 December 2008.

Condensed notes to the consolidated interim financial statements

2. OPERATING SEGMENTS (CONTINUED)

	Continuing Operations						Discontinued Operations				
	SMART Pty Ltd	Green Made Easy Pty Ltd	Austral Media Group Pty Ltd	Web Development Group Pty Ltd	Digital and Mobile Marketing	Total	SMS Central Australia	Impulse Business Solutions	Boiler Room Group	Other	Total Operations
	$	$	$	$	$	$	$	$	$	$	$
Half-year ended 31 December 2009											
Revenue											
Sales to external customers	12,114,625	3,609,483	1,816,921	7,862,909	1,822,894	27,226,832	2,357,923	-	-	-	29,584,755
Other revenue	318,137	2,404	1,011	(29,319)	9,884	302,117	329	-	-	-	302,446
Inter-segment sales	802,199	-	-	98,760	-	900,959	-	-	-	-	900,959
Total segment revenue	13,234,961	3,611,887	1,817,932	7,932,350	1,832,778	28,429,908	2,358,252	-	-	-	30,788,160
Inter-segment elimination						(900,959)	-	-	-	-	(900,959)
Unallocated revenue						42,370	-	-	-	-	42,370
Total revenue per the statement of comprehensive income						27,571,319	2,358,252				29,929,571
Result											
Segment results	484,580	203,037	553,637	(1,054,894)	292,255	478,615	82,845	-	-	-	561,460
Unallocated (expenses)/revenue						(2,412,634)	-	-	-	-	(2,412,634)
Profit / (loss) before tax and finance costs						(1,934,019)	82,845	-	-	-	(1,851,174)
Finance costs						(1,725,076)	(2,145)	-	-	-	(1,727,221)
Profit / (loss) before income tax per the statement of comprehensive income						(3,659,095)	80,700	-	-	-	(3,578,395)
Income tax (expense)/benefit						853,867	31,416	-	-	-	885,283
Net profit / (loss) after tax per the statement of comprehensive income						(2,805,228)	112,116	-	-	-	(2,693,112)

Condensed notes to the consolidated interim financial statements

2. OPERATING SEGMENTS (CONTINUED)

	Continuing Operations						Discontinued Operations				Total Operations
	SMART Pty Ltd	Green Made Easy Pty Ltd	Austral Media Group Pty Ltd	Web Development Group Pty Ltd	Digital and Mobile Marketing	Total	SMS Central Australia	Impulse Business Solutions	Boiler Room Group	Other	
	$	$	$	$	$	$	$	$	$	$	$
Half-year ended 31 December 2008											
Revenue											
Sales to external customers	12,290,205	-	1,067,824	10,791,802	1,844,895	25,994,726	3,494,057	44,660	2,004,743	5,153,302	36,691,488
Other revenue	656,215	-	19,402	54,091	328	730,036	1,462	683	5,116	84,442	821,739
Inter-segment sales	108,366	-			-	108,366	205,759	1,937,258	75,520	323,323	2,650,226
Total segment revenue	13,054,786	-	1,087,226	10,845,893	1,845,223	26,833,128	3,701,278	1,982,601	2,085,379	5,561,067	40,163,453
Inter-segment elimination						(108,366)	(205,759)	(1,937,258)	(75,520)	(323,323)	(2,650,226)
Unallocated revenue						115,562	-	-	-	-	115,562
Total revenue per the statement of comprehensive income						26,840,324	3,495,519	45,343	2,009,859	5,237,744	37,628,789
Result											
Segment results	1,003,983	-	(2,987,762)	(14,945,597)	(1,522,060)	(18,451,436)	(281,431)	(3,116,303)	(13,068,475)	(7,923,473)	(42,841,118)
Unallocated (expenses)/revenue						(3,387,156)	-	-	-	-	(3,387,156)
Profit / (loss) before tax and finance costs						(21,838,592)	(281,431)	(3,116,303)	(13,068,475)	(7, 923,473)	(46,228,274)
Finance costs						(1,443,480)	(1,886)	(386)	(6,545)	(18,759)	(1,471,056)
Profit / (loss) before income tax per the statement of comprehensive income						(23,282,072)	(283,317)	(3,116,689)	(13,075,020)	(7,942,232)	(47,699,330)
Income tax (expense)/benefit						618,045	(195,953)	(166,120)	644,110	409,664	1,309,746
Net profit / (loss) after tax per the statement of comprehensive income						(22,664,027)	(479,270)	(3,282,809)	(12,430,910)	(7,532,568)	(46,389,584)

Condensed notes to the consolidated interim financial statements

(ii) Segment Assets and Liabilities

	Continuing Operations						Discontinued Operations				Total Operations
	SMART Pty Ltd	Green Made Easy Pty Ltd	Austral Media Group Pty Ltd	Web Development Group Pty Ltd	Digital and Mobile Marketing	Total	SMS Central Australia	Impulse Business Solutions	Boiler Room Group	Other	
	$	$	$	$	$	$	$	$	$	$	$
Half-year ended 31 December 2009											
Assets											
Segment Assets	3,020,447	1,056,884	727,383	7,672,771	1,471,895	13,949,380	68,365	-	-	-	14,017,745
Unallocated assets						2,243,104	-	-	-	-	2,243,104
Total assets per the statement of financial position						16,192,483	68,365	-	-	-	16,260,849
Liabilities											
Segment Liabilities	1,923,999	600,867	282,245	2,015,402	1,102,810	5,925,323	6,194	-	-	-	5,931,517
Unallocated liabilities						17,459,681	-				17,459,681
Total liabilities per the statement of financial position						23,385,004	6,194				23,391,198
Year ended 30 June 2009											
Assets											
Segment Assets	4,367,910	781,665	437,057	9,337,590	1,894,919	16,954,320	-	-	-	-	16,954,320
Unallocated assets						3,856,537	-	-	-	-	3,856,537
Total assets per the statement of financial position						20,675,678	-	-	-	-	20,675,678
Liabilities											
Segment Liabilities	3,232,871	412,467	527,083	3,039,841	1,619,941	8,832,203	-	-	-	-	8,832,203
Unallocated liabilities						16,842,388	-				16,842,388
Total liabilities per the statement of financial position						25,674,591	-	-	-	-	25,674,591

Condensed notes to the consolidated interim financial statements

3. INTANGIBLE ASSETS AND GOODWILL

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

	Consolidated				
	Software $	Brand Names $	Customer contracts and relationships $	Goodwill $	Total $
Half-Year ended 31 December 2009					
At 1 July 2009 net of accumulated depreciation and impairment	1,253,275	2,010,827	821,638	97,998	4,183,738
Additions	30,685	-	-	-	30,685
Amortisation	(344,352)	(83,133)	(156,990)	-	(584,475)
At 31 December 2009 net of accumulated amortisation and impairment	939,608	1,927,694	664,648	97,998	3,629,948
At 31 December 2009					
Cost (gross carrying amount)	2,627,698	6,442,900	4,261,300	53,237,358	66,569,256
Accumulated amortisation and impairment	(1,688,090)	(4,515,206)	(3,596,652)	(53,139,360)	(62,939,308)
Net carrying amount	939,608	1,927,694	664,648	97,998	3,629,948

In the corresponding 6 month period ended 31 December 2008, the group recognised impairment charges against intangible assets for the period totalling $20,439,490 and $24,910,133 relating to continuing operations and discontinued operations respectfully, the total impairment charge was $45,349,623.

	Consolidated				
	Software $	Brand Names $	Customer contracts and relationships $	Goodwill $	Total $
Year ended 30 June 2009					
At 1 July 2008 net of accumulated depreciation and impairment	2,119,005	6,240,187	3,655,414	49,362,893	61,377,499
Additions – internal development	1,287,666	-	-	-	1,287,666
Acquisition of subsidiaries	200,000	-	-	3,874,465	4,074,465
Disposals	-	(1,749,859)	(59,467)	(5,806,007)	(7,615,333)
Impairment	(1,749,049)	(2,156,402)	(1,906,856)	(47,333,353)	(53,145,660)
Amortisation	(604,347)	(323,099)	(867,453)	-	(1,794,899)
At 30 June 2009 net of accumulated amortisation and impairment	1,253,275	2,010,827	821,638	97,998	4,183,738
At 30 June 2009					
Cost (gross carrying amount)	2,597,013	6,442,900	4,261,300	53,237,358	66,538,571
Accumulated amortisation and impairment	(1,343,738)	(4,432,073)	(3,439,662)	(53,139,360)	(62,354,833)
Net carrying amount	1,253,275	2,010,827	821,638	97,998	4,183,738

Goodwill, brand names and customer contracts and relationships were purchased as part of business combinations. Software was mixture of internally generated and purchased as part of a business combination.

The Directors acknowledge that the comparative is for a full 12 months and believe that it is more informative to report the movements in this period.

Condensed notes to the consolidated interim financial statements

3. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

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

(i) Software
Software is carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 to 5 years. The amortisation has been recognised in the statement of comprehensive income in the line item depreciation and amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

(ii) Brand names
Brand names have been acquired through business combinations and are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 15 years. The amortisation has been recognised in the statement of comprehensive income in the line item depreciation and amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

(iii) Customer contracts and relationships
Customer contracts and relationship costs are carried at cost less accumulated amortisation and accumulated impairment losses. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 3 to 11.6 years. The amortisation has been recognised in the statement of comprehensive income in the line item depreciation and amortisation. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying value.

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

(c) Impairment tests for goodwill and intangibles with indefinite useful lives

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

Goodwill acquired through business combinations has been allocated to its own individual cash generating unit, being the entity acquired to which the goodwill is attributable to.

Individual cash-generating units	Opening Goodwill $	Impairment Charge $	Closing Goodwill $	Discount rate %
Infodial Australia Pty Ltd	97,998	-	97,998	21.40

(ii) Key assumptions used in value in use calculations for the business units for 31 December 2009

The Group determines whether goodwill acquired through business combinations is impaired at least annually in June or earlier where an indicator of impairment arises. This requires an estimation of the recoverable amount of cash generating unit to which goodwill is allocated. The recoverable amount of the cash generating unit to which goodwill relates has been determined by calculating value in use, being the present value of future cashflows expected to be derived, excluding expansionary activities, finance costs and income tax.

Condensed notes to the consolidated interim financial statements

3. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

(ii) Key assumptions used in value in use calculations for the business units for 31 December 2009 (continued)

Key assumptions of the valuation used include

- Management opinion on future cashflows on a entity/subsidiary basis covering a five year period and an terminal value
- Flat growth over the five year period
- Probability adjustments to individual cashflows reflecting various types of risks

The discount rate applied to cash flow projections were between 21.40% and 24.30% based on indicative rates of return on listed companies in a similar business and the specific risk based on industry segment.

For the half year ended 31 December 2009 the Company's Director have decided that the recorded amounts of the acquired goodwill and identifiable intangible assets are not impaired.

4. INTEREST BEARING LIABILITIES

	2009 $	2009 $
Current		
Hire purchase liability	94,947	228,920
Co-Investor Capital Partners Pty Ltd (a)	5,912,413	12,410,355
Convertible Note (b)	7,634,684	-
	13,642,044	12,639,275
Non-current		
Hire purchase liability	78,087	11,861

(a) At the beginning of the period the balance owed to Co-Investor comprised of a $13,000,000 loan, interest payable of $35,077 and a reduction to the fair value of the loan of $624,722 in relation to the loan establishment fee of $650,000. The loan establishment fee was fully amortised during the half year ended 31 December 2009. On 11 November 2009, as a result of D2 Marketing restructuring its borrowing facility with Co-Investor, the company issued convertible notes with a face value of $8,000,000 and issued 21,410,318 ordinary shares at $0.0075 per share in part settlement of this loan to form a facility debt of up to $5,000,000.

On 24 December 2009 D2 Marketing's borrowing facility was renegotiated with Co-Investor and increased from $5,000,000 to $6,000,000. On the 24 December 2009 the company drew down an additional $650,000. The interest rate up to the 24 December 2009 was 15% p.a, having reduced to 10% thereafter. Interest compounds monthly and is due and payable 31 December 2010. Included in the above disclosed balance is accrued interest of $387,913 which itself is interest bearing. Payments of all interest are not due until the earlier of the rights issue or 31 December 2010.

(b) On 11 November 2009, D2 Marketing issued Co-Investor convertible notes with a face value totalling $8,000,000 with each note having a face value of $1 and bearing interest at 13% per annum. Any unpaid interest on the convertible notes attract 13% per annum interest charge which compound monthly. D2 Marketing had the right to require Co-Investor to convert up to $2.5 million of convertible notes into ordinary shares at a time to be agreed, but not later than 30 June 2010, in which case all interest payments on those notes will also be converted into ordinary shares at the time of conversion. The convertible notes and any accrued and unpaid interest on the convertible notes may be converted at any time during the period after the record date for the non-renounceable rights issues (to be conducted by D2 Marketing in quarter 4 of the financial year ended 30 June 2010) and 11 November 2011 at an issue price of $0.0075 per share. Shares issued on conversion of the Convertible Notes will have the same rights as those existing for ordinary fully paid shares.

In line with International and Australian accounting standards, the convertible note, being a financial instrument, was split into a debt and equity component calculated by discounting the expected future cash flows at the estimated prevailing market interest rate of 15%. The result was that a debt component and equity component of $7,634,684 and $365,316 respectively be recognised.

Subsequent to period end, on the 9 February 2010, D2 Marketing issued 333,333,333 and 34,953,525 shares to Co-Investor through the conversion of 2.5 million convertible notes and $262,284 of interest which had accrued on all convertible notes during the period from 11 November 2009 to 9 February 2010 respectively.

At 31 December 2009 Co-Investor agreed to waive the financial covenants in its convertible note deed facilities in respect of the period to 31 December 2009.

Condensed notes to the consolidated interim financial statements

5. DISCONTINUED OPERATIONS

In line with D2 Marketing's announcement to the market on 17 December 2009 outlining the sale of the business of its 100% owned subsidiary SMS Central Pty Ltd, as at reporting date it has classified the business as held for sale assets. Completion of the sale occurred on 3 February 2010, SMS Central Pty Ltd formed part of the Digital and Mobile Marketing operating segment and accordingly the results of this segment are presented as discontinued operations.

During the second half of year ended 30 June 2009 as a result of D2 Marketing's restructuring initiative adopted, the following businesses were closed down due to underperformance:

- MobiData Holdings Ltd
- Think Creative Management Pty Ltd
- Pyromedia Pty Ltd
- The Advertising Centre Pty Ltd

The following businesses were sold during the financial year ended 30 June 2009:

Impulse Business Solutions Pty Ltd

On the 15 April 2009, D2 Marketing sold the business conducted by Impulse Business Solutions Pty Ltd to dominet digital Corporation Pty Ltd for consideration totalling $2,350,000. The consideration comprised of cash. The business of Impulse Business Solutions Pty Ltd formed part of D2 Marketing's Digital and Mobile marketing business segment.

Boiler Room Group Pty Ltd and its controlled entities

On the 10 June 2009, D2 Marketing sold the businesses of Boiler Room Group Pty Ltd and its controlled entities Boiler Room Direct Pty Ltd, Bland Consulting Pty Ltd and Point9 Pty Ltd to existing management for consideration totalling $400,660. The consideration comprised of $150,000 cash, $232,500 forgiveness of deferred consideration owed by D2 Marketing to management and payout of certain liabilities totalling $18,160. The businesses disposed of formed part of D2 Marketing's Direct Marketing and Advertising and Communications business segments respectively.

SHAC Pty Ltd

On the 29 June 2009 D2 Marketing sold its controlling shares in its Advertising and Communications subsidiary SHAC Pty Ltd to existing management for consideration totalling $1.

SMART PR Corporation Pty Ltd

On the 22 May 2009 D2 Marketing sold specified business assets of SMART PR Corporation Pty Ltd to existing management for consideration totalling $10. The business of SMART PR Corporation Pty Ltd formed part of D2 Marketing's Advertising and Communications business segment and has now ceased to operate.

Channel Financial Communication Pty Ltd

On the 10 June 2009 D2 Marketing sold specified business assets of Channel Financial Communication Pty Ltd to existing management for consideration totalling $10,000. The business of Channel Financial Communication Pty Ltd formed part of D2 Marketing's Advertising and Communications business segment and has now ceased to operate.

Condensed notes to the consolidated interim financial statements

5. DISCONTINUED OPERATIONS (CONTINUED)

(b) Financial performance

31 December 2009

	Total $	SMS Central Pty Ltd $	Impulse Business Solutions Pty Ltd $	Boiler Room Group Pty Ltd $	Other Entities $
Rendering of services (i)	2,357,923	2,357,923	-	-	-
Other revenue	329	329			
Total revenue	2,358,252	2,358,252	-	-	-
			-	-	-
Depreciation and amortisation	(16,274)	(16,274)	-	-	-
Operating expenses	(2,259,133)	(2,259,133)	-	-	-
Finance costs	(2,145)	(2,145)	-	-	-
Impairment of non-current assets	-	-	-	-	-
Profit before income tax and gain on disposal of discontinued operations	80,700	80,700	-	-	-
Income tax benefit	(31,416)	(31,416)	-	-	-
Gain after income tax	**112,116**	**112,116**	**-**	**-**	**-**
Gain/(Loss) on sale after income tax	**-**	**-**	**-**	**-**	**-**
Gain from discontinued operations	**112,116**	**112,116**	**-**	**-**	**-**

31 December 2008

	Total $	SMS Central Pty Ltd $	Impulse Business Solutions Pty Ltd $	Boiler Room Group Pty Ltd $	Other Entities $
Rendering of services	10,696,762	3,494,057	44,660	2,004,743	5,153,302
Other revenue	91,703	1,462	683	5,116	84,442
Total revenue	10,788,465	3,495,519	45,343	2,009,859	5,237,744
Depreciation and amortisation	(548,108)	(12,750)	(56,282)	(124,605)	(354,471)
Operating expenses	(9,719,905)	(1,096,205)	(1,095,307)	(2,045,429)	(5,482,964)
Finance costs	(27,576)	(1,886)	(386)	(6,545)	(18,759)
Impairment of non-current assets	(24,910,134)	(2,667,995)	(2,010,057)	(12,908,301)	(7,323,781)
Loss before income tax	(24,417,258)	(283,317)	(3,116,689)	(13,075,021)	(7,942,231)
Income tax expense/(benefit)	(691,701)	195,953	166,120	(644,110)	(409,664)
Loss after income tax	**(23,725,557)**	**(479,270)**	**(3,282,809)**	**(12,430,911)**	**(7,532,567)**
Loss from discontinued operations	**(23,725,557)**	**(479,270)**	**(3,282,809)**	**(12,430,911)**	**(7,532,567)**

Cash flow information of discontinued and discontinuing operations

31 December 2009

	Total $	SMS Central Pty Ltd $	Impulse Business Solutions Pty Ltd $	Boiler Room Group Pty Ltd $	Other Entities $
Operating activities	(165,458)	(165,458)	-	-	-
Investing activities	(3,615)	(3,615)	-	-	-
Financing activities	-	-	-	-	-

31 December 2008

	Total $	SMS Central Pty Ltd $	Impulse Business Solutions Pty Ltd $	Boiler Room Group Pty Ltd $	Other Entities $
Operating activities	1,388,026	2,201,579	(1,817,708)	1,113,038	(108,883)
Investing activities	(484,724)	(172,971)	(8,422)	(50,928)	(252,403)
Financing activities	8,745	-	-	3,069	5,676

Condensed notes to the consolidated interim financial statements

5. DISCONTINUED OPERATIONS (continued)

(c) Assets and liabilities – held for sale operations

The major classes of assets and liabilities of SMS Central Pty Ltd at 31 December 2009 consisted of Plant and equipment and Employee entitlements of $68,365 and $6,194 respectively.

(d) Cash flow information – held for sale operations

The net cash flows of SMS Central Pty Ltd are as follows:

	2009 $	2008 $
Operating Activities	(165,458)	2,201,579
Investing activities	(3,615)	(172,971)
Financing activities	-	-
Net Cash inflow/(outflow)	(169,073)	2,028,608

6. SUBSEQUENT EVENTS

Subsequent to period end, on the 9 February 2010, the Company issued 333,333,333 and 34,953,525 shares to Co-Investor through the conversion of 2.5 million convertible notes and $262,284 of interest which had accrued on all convertible notes during the period from 11 November 2009 to 9 February 2010 respectively.

On the 3 February 2010, the Company completed the sale of the business assets of its 100% owned subsidiary SMS Central Pty Ltd which formed part of the Digital and Mobile Marketing operating segment.

Directors' Declaration

In accordance with a resolution of the directors of D2 Marketing Limited, I state that:

(1) 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 2009 and of the performance for the half-year ended on that date of the consolidated entity;

(ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(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.

On behalf of the Board

Roger Sharp
Director

Melbourne, 25 February 2010

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To the members of D2 Marketing Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of D2 Marketing Limited, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, other selected explanatory notes 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 and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 half-year 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 D2 Marketing 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. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's review report was signed.

Ernst & Young

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 D2 Marketing 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 2009 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*.

Inherent Uncertainty Regarding Going Concern

Without qualifying our conclusion, we draw attention to Note 1 (b) in the financial report which indicates that, during the half-year ended 31 December 2009, the consolidated entity incurred net losses before tax of $3,659,095 and generated net cash outflows from operating activities for continuing operations of $1,298,245. As a result of these matters, along with other matters set forth in Note 1 (b), there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business 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 consolidated entity not continue as a going concern.

Ernst & Young

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Don Brumley
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25 February 2010