

Date: 10 December 2007  
On behalf of: Digital Marketing Group plc (“the Company”)  
Embargoed until: 0700hrs

## **Digital Marketing Group plc**

### **Interim Results for the six months ended 30 September 2007**

**Digital Marketing Group plc (AIM: DIGI), the digital direct marketing specialists, today announced its interim results for the six months ended 30 September 2007.**

#### **Financial Highlights**

- Revenues: £22.14m
- Gross Profit: £14.77m
- EBITDA: £3.06m (before charges for share options of £1.01m)
- Profit before tax: £2.49m (before charges for share options and amortisation)
- Basic EBITDA per share: 5.44p (before charges for share options)

#### **Operational Highlights**

- Completion of the acquisitions of Graphico New Media and Hyperlaunch New Media in June 2007 following the £10m equity raise in May 2007
- Awarded ‘Digital Direct Marketing Services Supplier of the Year’

#### **Pro forma Highlights**

- Gross Profit up 20% to £16.70m (2006: £13.96m)
- EBITDA up 39% to £3.86m (2006: £2.78m) before central costs and charges for share options of £1.01m
- EBITDA after central costs before charges for share options up 47% to £3.48m (2006: £2.36m)
- Profit before tax (before charges for share options and amortisation up 52% to £2.89m (2006: £1.90m)

#### **Commenting on these results, Stephen Davidson, Chairman of Digital Marketing Group plc, said:**

*“It is a pleasure to report an excellent set of interim results which re-confirm the competitiveness of Digital Marketing Group’s strategy. Importantly, these results fulfil our financial goals for the period and we remain highly confident of delivering the levels of profitability for the full year which meet market expectations. We also remain confident that we will sustain high levels of growth into the future.”*

#### **Ben Langdon, Chief Executive, added:**

*“Our single minded focus on digital direct marketing has helped us to attract new blue-chip clients and to generate incremental business from our existing client base. We continue to benefit from growth in expenditure through digital channels and are already recognised as leaders in this specialist sector. We have achieved a lot in a short space of time, and we will continue to achieve a lot in the future.”*

#### **Enquiries:**

**Digital Marketing Group plc**  
Ben Langdon, Chief Executive Officer  
Sarah Guest, Chief Financial Officer

**[www.digitalmarketinggroup.co.uk](http://www.digitalmarketinggroup.co.uk)**  
01491 615 306  
01491 615 306

**Cenkos Securities**

Adrian Hargrave

0207 397 8900

**Redleaf Communications**

Emma Kane/ Sanna Lehtinen/Tom Newman

0207 822 0200

## **CHAIRMAN'S STATEMENT**

It is a pleasure to report an excellent set of interim results which re-confirm the competitiveness of Digital Marketing Group's strategy.

These results represent the performance of the business in the six months to 30 September 2007, a period during which the Company was awarded 'Direct Digital Marketing Services Supplier of the Year'. The results include a full six months for HSM Limited (incorporating both HSM Telemarketing and Inbox Digital), Scope Creative Marketing (trading as Dig for Fire), Cheeze Limited (Cheeze) and Alphanumeric Group (trading as Jaywing). The results include only three months for Graphico New Media (Graphico) and Hyperlaunch New Media (Hyperlaunch) as these companies were acquired at the end of June 2007.

The recent acquisitions of Graphico and Hyperlaunch add important digital skills to our group. Graphico has strong credentials in web design & build and mobile marketing. Hyperlaunch has significant online PR and 'buzz marketing' expertise gained through their specialisation in the music and entertainment industry. These two businesses are being successfully integrated into our group and are exceeding expectations in terms of their financial performance.

### **Financials**

We posted revenue of £22.14m, and gross profit (revenue less direct cost of sales) of £14.77m. EBITDA was £3.06m before charges for share options of £1.01m. Profit before tax was £2.49m before charges for share options of £1.01m and amortisation of £0.65m. Basic EBITDA per share (before charges for share options) was 5.44p.

When looked at on a pro forma basis (an explanation of which is given in the chief executive's review) for the six months ended 30 September 2007, the results for Digital Marketing Group plc would have been:

- Gross Profit up 20% to £16.70m (2006: £13.96m)
- EBITDA up 39% to £3.86m before central costs and before charges for share options (2006: £2.78m)
- EBITDA of £3.48m after central costs up 47% (2006: £2.36m).
- Profit before tax (before charges for share options and amortisation) up 52% to £2.89m (2006: £1.90m)

We are in a strong position financially. In May 2007, we completed a £10m equity raise. Our net debt at £4.33m is 45% below our net debt at year end and gearing (gross debt as % of total equity) decreased to 25% at 30 September 2007 from 47% at the year end. At present the Group has £6.74m of undrawn borrowing facilities.

### **People**

On 4<sup>th</sup> September, we were delighted to welcome Sarah Guest as the Group's new Finance Director and Company Secretary succeeding Robert Millington. The Board is grateful for the valued contribution Bob made through the AIM flotation process and the first phase of the Group's development and wish him every success with his future endeavours.

## **Current trading & Outlook**

Current trading is strong and our companies have secured significant new business wins and organic growth. Expenditure on digital marketing remains buoyant and these results fulfil our financial goals for the period. We remain highly confident of delivering the levels of profitability for the full year which meet market expectations. We also remain confident that we will sustain high levels of growth into the future.

**Stephen Davidson**

Chairman

10 December 2007

## **CHIEF EXECUTIVE'S REVIEW**

Digital Marketing Group was formed in October 2006. Our business is in very good shape and performing strongly. We have a clear and competitive proposition with an integrated platform that generates incremental success over and above the good levels of organic growth delivered by our businesses.

### **Our Product and Philosophy**

Digital Marketing Group believes that the boundaries between digital and direct marketing are now blurred.

Good digital marketing is good direct marketing.

We are a digital communications group that uses the principles of direct marketing to inform everything that we do.

### **What makes us different?**

We are not a marketing services group. We don't make investments in traditional marketing services businesses.

We specialise in digital communications through the online marketing and online media skills of four of our businesses: - Inbox Digital, Graphico, Hyperlaunch and Cheeze. We call this our 'online marketing and media' segment.

We underpin our digital communications expertise with some of the best direct marketing and data professionals in the UK. HSM and Dig for Fire are our direct marketing businesses. Jaywing is our data business.

### **Integration**

At the heart of our company is 'Digital Brain', a process which enables the real time integration of digital, direct marketing and data. This helps us create unique contact strategies for each individual consumer based on their historical data and real-time interactions regardless of channel.

We call this 'real-time marketing using real-time channels'.

Processes such as Digital Brain bring the integrated proposition of Digital Marketing Group to life as clients can easily realise the benefits to be derived from the real-time coordination of digital, direct marketing and data.

Digital Brain also allows us to market the Group aggressively and we have recently appointed a Group Marketing Director to focus on maximising opportunities from marketing to clients who do not currently work with any of the companies in our group.

Our recent success in winning the prestigious 'Digital Direct Marketing Services Supplier of the Year' award not only confirms the quality of our product but it will inevitably benefit the Group's marketing efforts.

## Financial Review

The Group was formed in October 2006 with the acquisitions of HSM and Dig for Fire. In January 2007 we acquired Cheeze and Jaywing and, in June 2007, we acquired Graphico and Hyperlaunch.

In June 2007 we posted our maiden set of results.

We have now delivered our interim results for the six months to 30 September 2007. The results represent a full six months for HSM, Dig for Fire, Cheeze and Jaywing and three months' post acquisition results for Graphico and Hyperlaunch. On this basis the Group achieved:

- £14.77m Gross Profit (revenue less direct cost of sales)
- £3.06m EBITDA before charges for share options
- £2.49m Profit before tax (before charges for share options of £1.01m and amortisation of £0.65m)
- 5.44p basic EBITDA per share (before charges for share options)
- 0.95p basic earnings per share

### Pro forma Basis

As the group was only formed after 30 September 2006 there is no published comparative financial information available. Therefore throughout the remainder of this report certain information is provided on a pro forma basis for illustrative purposes only. This basis attempts to illustrate the group as it would have been if it had existed previously. The information is based on the unaudited management accounts of the individual entities prepared under UK GAAP, time apportioned where appropriate. The information has been adjusted for items which, in the judgement of the directors, are non recurring, for example excess management remuneration, and excludes charges in respect of share options. The information is not necessarily fully consistent in all respects with the respective statutory accounts and its reliability is accordingly limited thereby.

When looked at on a pro forma basis the Group's results for the six months ending 30 September 2007 would have been:

- Gross Profit up 20% to £16.70m (2006: £13.96m)
- EBITDA up 39% to £3.86m before central costs of £0.38m and before charges for share options of £1.01m (2006: £2.78m)
- EBITDA after central costs but before charges for share options up 47% to £3.48m (2006: £2.36m)
- Profit before tax (before charges for share options and amortisation) up 52% to £2.89m (2006: £1.90m)

The following table shows an analysis of the results for the six months together with comparative pro forma information for illustrative purposes on the basis set out in the segmental performance section.

	<b>6mths Sep 07 £m</b>	<b>6mths Sep 07 Pro forma £m</b>	<b>6mths Sep 06 Pro forma £m</b>	<b>Yr/Yr Growth</b>
Revenue	22.14	24.30	20.94	16%
Direct Costs	7.37	7.60	6.98	9%
<b>Gross Profit</b>	<b>14.77</b>	<b>16.70</b>	<b>13.96</b>	<b>20%</b>
Operating expenses, excluding central costs, charges for share options, depreciation, and amortisation.	11.33	12.83	11.18	15%
<b>EBITDA before central costs and charges for share options</b>	<b>3.44</b>	<b>3.87</b>	<b>2.78</b>	<b>39%</b>
Central costs	0.38	0.38	0.42	(9)%
<b>EBITDA before charges for share options</b>	<b>3.06</b>	<b>3.49</b>	<b>2.36</b>	<b>48%</b>
Depreciation	0.25	0.28	0.24	16%
<b>EBITA before charges for share options</b>	<b>2.81</b>	<b>3.21</b>	<b>2.12</b>	<b>51%</b>
Net interest expense	0.32	0.32	0.22	45%
<b>Profit before tax before charges for share options and amortisation</b>	<b>2.49</b>	<b>2.89</b>	<b>1.90</b>	<b>52%</b>

Net debt at 30 September 2007 stood at £4.33m, a 45% reduction compared to the year end net debt of £7.91m. Net cash flow from operating activities in six months was £1.69m with cash and cash equivalents increasing to £5.77m as at 30 September 2007.

These interim results for the Group are consistent with expectations for the period and we are also highly confident that we will deliver against market expectations for the full year.

## **Acquisitions of Graphico and Hyperlaunch**

### **GRAPHICO**

#### **History**

Graphico was founded in 1990 and had its origins in digital production work for the music industry.

Using its understanding of digital technology Graphico evolved into web design and build work for clients. It then broadened its service offer even further and now offers clients a wide range of strategic and creative services all focused in the digital space.

Graphico is now best described as a full service creative digital marketing agency.

The company employs over 70 people in its offices in Newbury, Berkshire.

Over the past 5 years the company has enjoyed rapid growth and achieved industry recognition for the quality of its product. This year they were voted the UKs sixth most respected digital agency in New Media Age (NMA) magazine's 'Top 100 Interactive Agencies 2007' report.

Graphico has an enviable reputation for achieving international award nominations for the work that it produces for its clients. In 2007 to date alone the Company has won six accolades.

## Product

Graphico's core product remains large scale web design and build work for its clients.

Graphico's range of products and services is of course much broader than this and encompasses the creation of digital advertising campaigns, strategic planning and consultancy in the area of digital strategy and the creation of digital businesses for clients like slicethepie.com.

In addition Graphico have developed a particular expertise in mobile marketing through its 'Momentum' product which enables clients to create and run SMS campaigns as well as manage and develop WAP campaigns through one interface.

It has a range of international and blue-chip clients including Pepsi, The London Eye, Walkers, Universal, Bacardi-Martini, BBC, Chivas Regal and First Great Western.

## Financial Performance

The following table shows the financial contribution of Graphico to the Group's results, representing 3 months post acquisition trading, together with an indicative summary of what the contribution would have been on a pro forma basis to September 2007 and previous year.

	<b>GRAPHICO</b>			<b>Yr/Yr Growth</b>
	<b>3mths Sept 07 Post Acquisition £m</b>	<b>6mths Sep 07 Pro forma £m</b>	<b>6mths Sep 06 Pro forma £m</b>	
Revenue	1.42	3.12	2.09	49%
Direct Costs	0.20	0.41	0.24	71%
<b>Gross Profit</b>	<b>1.22</b>	<b>2.71</b>	<b>1.85</b>	<b>46%</b>
Operating expenses, excluding charges for share options, depreciation and amortisation.	1.00	2.21	1.68	32%
<b>EBITDA</b>	<b>0.22</b>	<b>0.50</b>	<b>0.17</b>	<b>194%</b>
Depreciation	0.02	0.04	0.03	33%
<b>Operating profit before charges for share options and amortisation</b>	<b>0.20</b>	<b>0.46</b>	<b>0.14</b>	<b>229%</b>
<b>Note</b>	<b>1</b>	<b>2</b>	<b>2</b>	

1. The post acquisition column shows the financial contribution of Graphico to the Group's results to 30 September 2007 before amortisation of intangible assets which, in this period amounted to £0.08m.
2. The pro forma Sep 07 and Sep 06 columns are shown for illustrative purposes only. The information is based on the unaudited management accounts of Graphico and has been adjusted for items which, in the judgement of the directors, are considered to be non recurring, for example, excess management remuneration and excludes charges in respect of group share options.

## **HYPERLAUNCH**

### **History**

Hyperlaunch, began trading in August 2001. The Company's first client was Columbia Tristar Home Entertainment, a division of Sony.

Since its launch Hyperlaunch has focused on entertainment orientated clients developing an industry specialism and has won a number of awards particularly for its work in the music industry.

The Company has serviced most of the top three companies in each of the film, music, games and publishing sectors resulting in a very high quality client portfolio.

Recently Hyperlaunch has successfully developed re-usable software libraries and content management tools, which, when coupled with contracted hosting services, enables a prompt response to client needs.

### **Product**

The aim of the Company is to generate online product awareness and create a 'buzz'. Clients are presented with a marketing and creative implementation strategy to ensure that products receive extensive online PR coverage and a return on investment, above and beyond that which could be achieved through traditional media.

Hyperlaunch has extensive entertainment product release experience and has an enviable reputation, particularly within the music industry where it currently handles around 35% of music chart product releases at any given time.

Opportunities have arisen to build close relationships with clients in these sectors and the company is therefore often viewed as a trusted partner. Consequently client retention has been excellent.

Hyperlaunch's reputation as an entertainment specialist has led to brand related projects for companies including Sony, Philips and Samsung. Often this is because of experience with 'cutting edge' digital campaigns or because of capabilities to reach the youth demographic.

With its reputation and the fact that digital marketing is being viewed as an integral part of the marketing mix, Hyperlaunch is well positioned in the market place to exploit future opportunities and achieve its ambitions for growth.

Its client base includes blue-chip brands such as Universal Music, Atlantic Records, Samsung and Warner Bros.

### **Financial performance**

The following table shows the financial contribution of Hyperlaunch to the Group's results, representing 3 months post acquisition trading, together with an indicative summary of what the contribution would have been on a pro forma basis to September 2007 and previous year.

	<b>HYPERLAUNCH</b>			
	<b>3mths Sept 07 Post Acquisition £m</b>	<b>6mths Sep 07 Pro forma £m</b>	<b>6mths Sep 06 Pro forma £m</b>	<b>Yr/Yr Growth</b>
Revenue	0.44	0.90	0.77	17%
Direct Costs	0.01	0.03	0.05	(60)%
<b>Gross Profit</b>	<b>0.43</b>	<b>0.87</b>	<b>0.72</b>	<b>21%</b>
Operating expenses, excluding charges for share options, depreciation and amortisation.	0.35	0.65	0.59	10%
<b>EBITDA</b>	<b>0.08</b>	<b>0.22</b>	<b>0.13</b>	<b>69%</b>
Depreciation	0.01	0.01	0.00	0%
<b>Operating profit before charges for share options and amortisation</b>	<b>0.07</b>	<b>0.21</b>	<b>0.13</b>	<b>62%</b>
<b>Note</b>	<b>1</b>	<b>2</b>	<b>2</b>	

1. The post acquisition column shows the financial contribution of Hyperlaunch to the Group's results to 30 September 2007 before amortisation of intangible assets which, in this period amounted to £0.03m.
2. The pro forma Sep 07 and Sep 06 columns are shown for illustrative purposes only. The information is based on the unaudited management accounts of Hyperlaunch and has been adjusted for items which, in the judgement of the directors, are considered to be non recurring, for example, excess management remuneration and excludes charges in respect of group share options.

## Segmental performance

In order to aid shareholders in reviewing our business, we intend to use the following three segments on an ongoing basis:

1. 'Online marketing and media' (Inbox Digital, Graphico, Hyperlaunch, Cheeze)
2. 'Direct Marketing' (HSM, Dig for Fire)
3. 'Data Services & Consultancy' (Jaywing)

	6mths Sep 07		6mths Sep 07 Pro forma		6mths Sep 06 Pro forma		% Growth	
	Gross Profit £m	EBITDA* £m	Gross Profit £m	EBITDA* £m	Gross Profit £m	EBITDA* £m	Gross Profit yr/yr%	EBITDA yr/yr%
<b>Online Marketing &amp; Media</b>	4.02	1.14	5.95	1.56	4.66	0.95	28%	65%
<b>Direct Marketing</b>	5.52	1.19	5.52	1.19	4.50	0.95	23%	25%
<b>Data Services &amp; Consultancy</b>	5.23	1.11	5.23	1.11	4.80	0.88	9%	27%
	<b>14.77</b>	<b>3.44</b>	<b>16.70</b>	<b>3.86</b>	<b>13.96</b>	<b>2.78</b>	<b>20%</b>	<b>39%</b>
<b>Central costs</b>	-	(0.38)	-	(0.38)	-	(0.42)	-	9%
	<b>14.77</b>	<b>3.06</b>	<b>16.70</b>	<b>3.48</b>	<b>13.96</b>	<b>2.36</b>	<b>20%</b>	<b>47%</b>

\* EBITDA before charges for share options

The pro forma Sep 07 and Sep 06 columns are shown for illustrative purposes only. The information in the Sep 07 column represents the information included in the interim financial information for the group adjusted to include the full six months activity of Graphico and Hyperlaunch extracted from unaudited management accounts. The information in the Sep 06 column is based on the unaudited management accounts of:

- HSM
- Dig For Fire
- Cheeze
- Jaywing
- Graphico
- Hyperlaunch

Both columns have been adjusted for items which, in the judgement of the directors, are considered to be non-recurring, for example, excess management remuneration, and exclude charges in respect of group share options.

### Online marketing and media

In the six months to 30 September 2007 this segment achieved on a pro forma basis Gross Profits of £5.95m and EBITDA (before charges for share options) of £1.56m.

This represents growth in Gross Profits of 28% year on year, and growth in EBITDA of 65% year on year.

### ONLINE MARKETING AND MEDIA

	6mths Sep 07	6mths Sep 07 Pro forma	6mths Sep 06 Pro forma	% Growth
	£m	£m	£m	
Revenue	8.80	10.97	9.25	19%
Direct Costs	4.78	5.02	4.59	9%
<b>Gross Profit</b>	<b>4.02</b>	<b>5.95</b>	<b>4.66</b>	<b>28%</b>
Operating expenses, excluding charges for share options, depreciation and amortisation.	2.88	4.39	3.71	18%
<b>EBITDA before charges for share options</b>	<b>1.14</b>	<b>1.56</b>	<b>0.95</b>	<b>65%</b>
Depreciation	0.08	0.11	0.07	57%
<b>Operating profit before charges for share options and amortisation</b>	<b>1.06</b>	<b>1.45</b>	<b>0.88</b>	<b>65%</b>

#### Direct marketing

In the six months to 30 September 2007 this segment achieved on a pro forma basis Gross Profits of £5.52m and EBITDA (before charges for share options) of £1.19m

This represents growth in Gross Profits of 23% year on year, and growth in EBITDA of 25% year on year.

### DIRECT MARKETING

	6mths Sep 07	6mths Sep 06 Pro forma	% Growth
	£m	£m	
Revenue	7.28	5.39	35%
Direct Costs	1.76	0.89	98%
<b>Gross Profit</b>	<b>5.52</b>	<b>4.50</b>	<b>23%</b>
Operating expenses, excluding charges for share options, depreciation and amortisation.	4.33	3.55	22%
<b>EBITDA before charges for share options</b>	<b>1.19</b>	<b>0.95</b>	<b>25%</b>
Depreciation	0.10	0.09	11%
<b>Operating profit before charges for share options and amortisation</b>	<b>1.09</b>	<b>0.86</b>	<b>27%</b>

#### Data services and consultancy

In the six months to September this segment achieved on a pro forma basis Gross Profits of £5.23m and EBITDA (before charges for share options) of £1.11m.

This represents growth in Gross Profits of 9% year on year, and growth in EBITDA of 27% year on year.

## DATA SERVICES AND CONSULTANCY

	6mths Sep 07	6mths Sep 06	
	Pro forma	Pro forma	Growth
	£m	£m	
Revenue	6.98	6.31	11%
Direct Costs	1.75	1.51	16%
<b>Gross Profit</b>	<b>5.23</b>	<b>4.80</b>	<b>9%</b>
Operating expenses, excluding charges for share options, depreciation and amortisation.	4.12	3.92	5%
<b>EBITDA before charges for share options</b>	<b>1.11</b>	<b>0.88</b>	<b>27%</b>
Depreciation	0.07	0.07	0%
<b>Operating profit before charges for share options and amortisation</b>	<b>1.04</b>	<b>0.81</b>	<b>29%</b>

### Summary & Outlook

Our strategy remains focused on integrating product and process in order to achieve continuing new business success. We also have identified some areas where the group could achieve some rationalisation of its cost base.

We have already achieved significant success in generating new business from existing clients using the integrated proposition of the group. We are also on track to meet market expectations in terms of the level of gross profits achieved through cross-referrals from existing Group clients.

Our single minded focus on digital direct marketing has helped us to attract new blue-chip clients to the Group, and to generate incremental business from our existing client base. We continue to benefit from growth in expenditure through digital channels and are already recognised as leaders in this specialist sector. We have achieved a lot in a short space of time, and we will continue to achieve a lot in the future.

In summary, we are pleased that we are comprehensively delivering against our objectives. We have:

- Acquired six market leading businesses in digital direct marketing
- Met the financial promises and commitments we have made
- Built an integrated platform to deliver digital direct marketing to our clients
- Gained industry wide recognition for the quality of our product and services
- Secured new accounts and generated incremental revenue for the Group
- Given ourselves sufficient financial flexibility to exploit suitable acquisition opportunities that may arise in the digital market space

As I stated in our maiden set of accounts, 'much achieved, much opportunity'.

**Ben Langdon**

Chief Executive

10 December 2007

## Consolidated Income Statement

	<i>Note</i>	Unaudited Six months ended 30 September 2007 Total £000	Unaudited Six months ended 30 September 2006 Total £000	Audited Year ended 31 March 2007 Total £000
<b>Continuing operations</b>				
Revenue	2	22,138	-	13,057
Direct costs		(7,370)	-	(4,668)
<b>Gross profit</b>		<b>14,768</b>	-	8,389
Other operating income		16	-	16
Amortisation		(648)	-	(321)
Operating expenses		(12,982)	-	(6,904)
<b>Operating profit</b>	2	<b>1,154</b>	-	1,180
Financial income		64	-	99
Financial expenses		(380)	-	(205)
<b>Net financing costs</b>		<b>(316)</b>	-	(106)
<b>Profit before tax</b>		<b>838</b>	-	1,074
Taxation	3	(301)	-	(537)
<b>Profit for year from continuing operations</b>		<b>537</b>	-	537
<b>Discontinued operations</b>				
Profit/(loss) for period on discontinued operations		-	(640)	(640)
<b>Profit/(loss) for the year attributable to shareholders</b>		<b>537</b>	(640)	(103)

**Earnings per share**

4

From continuing and discontinued operations

- basic	<b>0.95p</b>	(9.95)p	(0.55)p
- diluted	<b>0.78p</b>	(9.95)p	(0.51)p

---

From continuing operations

- basic	<b>0.95p</b>	-	2.87p
- diluted	<b>0.78p</b>	-	2.62p

---

## Consolidated Balance Sheet

	Note	Unaudited 30 September 2007 £000	Unaudited 30 September 2006 £000	Audited 31 March 2007 £000
<b>Non-current assets</b>				
Property, plant and equipment		2,128	3	714
Goodwill		38,712	-	30,734
Other intangible assets		14,083	-	10,215
		<b>54,923</b>	3	41,663
<b>Current assets</b>				
Inventories		562	-	165
Trade and other receivables		8,539	11	6,102
Cash and cash equivalents		5,765	2,867	5,569
		<b>14,866</b>	2,878	11,836
<b>Total assets</b>		<b>69,789</b>	2,881	53,499
<b>Current liabilities</b>				
Bank overdraft	6	4,603	-	2,664
Other interest-bearing loans and borrowings	6	1,130	-	1,474
Trade and other payables		10,277	181	6,980
Contingent consideration		3,100	-	-
Tax payable		1,021	-	611
		<b>20,131</b>	181	11,729
<b>Non-current liabilities</b>				
Other interest-bearing loans and borrowings	6	4,362	-	9,339
Provisions		450	-	518
Deferred tax liabilities		3,938	-	3,073
		<b>8,750</b>	-	12,930

<b>Total liabilities</b>	<b>28,881</b>	181	24,659
			<hr/>
<b>Net assets</b>	<b>40,908</b>	2,700	28,840
			<hr/>
<b>Equity attributable to shareholders</b>			
Share capital	<b>32,206</b>	3,217	25,063
Share premium account	<b>5,306</b>	-	2,986
Shares to be issued	<b>1,562</b>	-	500
Retained earnings	<b>1,834</b>	(517)	291
			<hr/>
<b>Total equity</b>	<b>40,908</b>	2,700	28,840
			<hr/> <hr/>

## Consolidated Cash Flow Statement

	Unaudited Six months ended 30 September 2007 £000	Unaudited Six months ended 30 September 2006 £000	Audited Year ended 31 March 2007 £000
<b>Cash flows from operating activities</b>			
Profit/(Loss) for the period	537	(640)	(103)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	902	3	487
Financial income	(64)	-	(99)
Financial expense	380	222	205
Share-based payment expense	1,006	-	271
Taxation	301	-	537
<b>Operating profit/(loss) before changes in working capital and provisions</b>	<b>3,062</b>	<b>(415)</b>	<b>1,298</b>
(Increase)/decrease in trade and other receivables	(629)	1	1
Increase in inventories	(106)	-	(11)
Increase/(decrease) in trade and other payables	121	(9)	(349)
<b>Cash generated from the operations</b>	<b>2,448</b>	<b>(423)</b>	<b>939</b>
Interest paid	(380)	-	(205)
Interest received	64	65	99
Tax paid	(438)	-	(288)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,694</b>	<b>(358)</b>	<b>545</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment	-	-	1,306
Acquisitions of subsidiaries, net of cash acquired	(6,378)	-	(20,662)
Acquisition of property, plant and equipment	(333)	-	(143)
<b>Net cash outflow from investing activities</b>	<b>(6,711)</b>	<b>-</b>	<b>(19,499)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new loan	-	-	10,813
Proceeds from the issue of share capital	9,463	(50)	7,532
Repayment of borrowings	(6,189)	-	-
Payments to redeem share capital	-	-	(50)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>3,274</b>	<b>(50)</b>	<b>18,295</b>
Net decrease in cash and cash equivalents	(1,743)	(408)	(659)
Cash and cash equivalents at beginning of period	2,905	3,564	3,564
Effect of exchange rate fluctuations on cash held	-	(289)	-
<b>Cash and cash equivalents at end of period</b>	<b>1,162</b>	<b>2,867</b>	<b>2,905</b>
Cash and cash equivalents comprise:			
Cash at bank and in hand	5,765	2,867	5,569
Bank overdrafts	(4,603)	-	(2,664)
<b>Cash and cash equivalents at end of period</b>	<b>1,162</b>	<b>2,867</b>	<b>2,905</b>

## Consolidated Statement of Changes in Equity

	Share capital £000	Share premium account £000	Shares to be issued £000	Retained earnings £000	Total £000
At 31 March 2006	3,267	-	-	123	3,390
Redemption of Convertible A shares	(50)	-	-	-	(50)
Retained earnings	-	-	-	(640)	(640)
At 30 September 2006	3,217	-	-	(517)	2,700
Allotment of 50p Ordinary shares	21,846	2,986	-	-	24,832
Retained earnings	-	-	-	537	537
Credit in respect of share based payments	-	-	-	271	271
Shares to be issued	-	-	500	-	500
At 31 March 2007	25,063	2,986	500	291	28,840
Allotment of 50p Ordinary shares	7,143	2,320	-	-	9,463
Retained earnings	-	-	-	537	537
Credit in respect of share based payments	-	-	-	1,006	1,006
Shares to be issued	-	-	1,062	-	1,062
<b>At 30 September 2007</b>	<b>32,206</b>	<b>5,306</b>	<b>1,562</b>	<b>1,834</b>	<b>40,908</b>

### 1 Basis of Preparation

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The interim financial statements do not constitute statutory financial statements in accordance with section 435 of the Companies Act 2006. The full year figures in this report are derived from the statutory accounts on which the auditors gave an unmodified report. The group's statutory financial statements prepared under International Financial Reporting Standards (IFRS) have been filed with the Registrar of Companies.

The principal accounting policies of the group have remained unchanged from those set out in the group's 2007 annual report and financial statements.

The interim financial statements have been reviewed by the company's auditor. A copy of the auditor's review report is attached to this interim report.

The interim financials statements were approved by the board of directors on 10 December 2007.

## 2 Segmental reporting

The Group's primary reporting segments are the following business segments:

### Continuing operations

	Six Months Ended 30 September 2007				Group total £000
	Online Marketing and Media £000	Direct Marketing Services £000	Data Services and Consultancy £000	Unallocated £000	
Revenue	8,799	7,286	6,978	(925)	<b>22,138</b>
Direct costs	(4,783)	(1,764)	(1,748)	925	<b>(7,370)</b>
Gross profit	4,016	5,522	5,230	-	<b>14,768</b>
Other operating income	-	-	16	-	<b>16</b>
Operating expenses excluding depreciation and amortisation	(2,978)	(4,466)	(4,341)	(943)	<b>(12,728)</b>
EBITDA	1,038	1,056	905	(943)	<b>2,056</b>
Depreciation	(83)	(97)	(73)	(1)	<b>(254)</b>
Operating profit before amortisation charge	955	959	832	(944)	<b>1,802</b>
Amortisation charge	(217)	(162)	(269)	-	<b>(648)</b>
Operating profit	<u>738</u>	<u>797</u>	<u>563</u>	<u>(944)</u>	<b>1,154</b>
Finance income					<b>64</b>
Finance costs					<b>(380)</b>
Profit before tax					<b>838</b>
Taxation					<b>(301)</b>
Profit for year from continuing operations					<b>537</b>

The primary reporting segments have changed to reflect the key reporting line of the group and following the online marketing acquisitions of Graphico New Media and Hyperlaunch New Media.

There were no results in the comparative period relating to continuing operations.

### Geographical segments

All turnover is derived from and all assets and liabilities are located in, the United Kingdom.

### 3 Taxation

#### Recognised in the income statement

	<b>Period ended 30 September 2007 £'000</b>	Period ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Current tax expense			
Current year	<b>691</b>	-	707
Deferred tax credit			
Origination and reversal of temporary differences	<b>(390)</b>	-	(170)
Total tax in income statement	<b>301</b>	-	537

#### Reconciliation of total tax charge

	<b>Period ended 30 September 2007 £'000</b>	Period ended 30 September 2006 £'000	Year ended 31 March 2007 £'000
Profit before tax	<b>838</b>	-	1,074
Tax using the UK corporation tax rate of 30%	<b>251</b>	-	322
Non-deductible expenses	<b>50</b>	-	222
Deductions allowable for tax	-	-	(19)
Unused tax losses carried forward	-	-	76
Utilisation of tax losses	-	-	(40)
Other	-	-	(24)
Total tax in income statement	<b>301</b>	-	537

### 4 Earnings per share

From continuing and discontinued operations:

	<b>Period ended 30 September 2007 pence per share</b>	Period ended 30 September 2006 pence per share	Year ended 31 March 2007 pence per share
Basic	<b>0.95p</b>	(9.95)p	(0.55)p
Diluted	<b>0.78p</b>	(9.95)p	(0.51)p

Earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The numbers used in calculating basic and diluted earnings per share are reconciled below:

	<b>Period ended 30 September 2007 £000</b>	Period ended 30 September 2006 £000	Year ended 31 March 2007 £000
Profit/(loss) for year attributable to shareholders	<b>537</b>	(640)	(103)
Weighted average number of shares in issue:	<b>Number 000's</b>	Number 000's	Number 000's
Basic	<b>56,271</b>	6,433	18,686
Adjustment for share options, warrants and contingent shares	<b>12,764</b>	-	1,788
Diluted	<b>69,035</b>	6,433	20,474

EBITDA per share before charges for share options, from continuing operations:

	<b>Period ended 30 September 2007 pence per share</b>	Period ended 30 September 2006 pence per share	Year ended 31 March 2007 pence per share
Basic	<b>5.44p</b>	-p	10.37p
Diluted	<b>4.44p</b>	-p	9.47p

EBITDA per share before charges for share options has been calculated by dividing the EBITDA before charges for share options by the weighted average number of ordinary shares in issue during the year. The numbers used in calculating basic and diluted EBITDA per share before charges for share options are reconciled below:

	<b>Period ended 30 September 2007 £000</b>	Period ended 30 September 2006 £000	Year ended 31 March 2007 £000
Profit for year attributable to shareholders	<b>537</b>	-	537
Taxation	<b>301</b>	-	537
Interest	<b>316</b>	-	106
Amortisation	<b>648</b>	-	321
Depreciation	<b>254</b>	-	166
Charges for share options	<b>1,006</b>	-	271
EBITDA before charges for share options	<b>3,062</b>	-	1,938

## 5 Acquisitions of subsidiaries

During the period the Group made two acquisitions of subsidiary undertakings. The net assets acquired, consideration paid, and goodwill arising upon acquisition of these subsidiary undertakings are detailed in the following note. A summary of these amounts is shown below:

Summary of the two acquisitions

	Acquirees' book values £000	Fair value adjustments £000	Notes	Acquisition amounts £000
<b>Acquirees' net assets at the acquisition date:</b>				
Other intangible assets	-	4,516	1	4,516
Property, plant and equipment	1,355	-		1,355
Inventories	291	-		291
Trade and other receivables	1,808	-		1,808
Cash and cash equivalents	196	-		196
Bank overdraft	(376)	-		(376)
Trade and other payables	(885)	-		(885)
Other long term loans	(868)	-		(868)
Tax payable	(157)	-		(157)
Deferred tax	(11)	(1,265)	2	(1,276)
Net identifiable assets and liabilities	<u>1,353</u>	<u>3,251</u>		<u>4,604</u>
Goodwill on acquisition				7,819
				<u><u>12,423</u></u>
<b>Satisfied by:</b>				
Cash consideration paid (Including legal and professional fees of £502,000)				6,038
Contingent consideration payable in cash				4,548
Contingent consideration payable in shares				1,257
Issue of 466,238 ordinary shares at £1.244 per share				580
				<u><u>12,423</u></u>
<b>Summary of net cash outflows from acquisitions</b>				
Cash paid				6,038
Cash acquired				(196)
Bank overdraft acquired				376
Net cash outflow				<u><u>6,218</u></u>

### Fair value adjustments comprise:

- 1 Valuation of customer relationships.
- 2 Deferred tax effect of valuation of customer relationships.

All fair values are provisional and will be reviewed within the 12 months from the date of acquisition.

## Graphico New Media Limited

On 29 June 2007 the Group acquired all of the ordinary shares in Graphico New Media Limited for £9,108,000, satisfied in cash and shares. In the period since acquisition, the subsidiary contributed net profit of £126,000 to the consolidated net profit for the six months ended 30 September 2007.

The net assets and liabilities of Graphico New Media Limited acquired were as follows:

	Acquiree's book values £000	Fair value adjustments £000	Acquisition amounts £000
<b>Acquiree's net assets at the acquisition date:</b>			
Other intangible assets	-	3,357	3,357
Property, plant and equipment	1,314	-	1,314
Inventories	290	-	290
Trade and other receivables	1,378	-	1,378
Cash and cash equivalents	1	-	1
Bank overdraft	(376)	-	(376)
Trade and other payables	(780)	-	(780)
Other long term loans	(868)	-	(868)
Tax payable	(84)	-	(84)
Deferred tax	(8)	(940)	(948)
Net identifiable assets and liabilities	<u>867</u>	<u>2,417</u>	3,284
Goodwill on acquisition			5,824
			<u><u>9,108</u></u>
<b>Satisfied by:</b>			
Cash consideration paid (Including legal and professional fees of £270,000)			4,508
Contingent consideration payable in cash			3,825
Contingent consideration payable in shares			775
			<u><u>9,108</u></u>
Cash paid			4,508
Cash acquired			(1)
Bank overdraft acquired			376
Net cash outflow			<u><u>4,883</u></u>

## Hyperlaunch New Media Limited

On 29 June 2007 the Group acquired all of the ordinary shares in Hyperlaunch New Media Limited for £3,315,000, satisfied in cash and shares. In the period since acquisition, the subsidiary contributed net profit of £54,000 to the consolidated net profit for the six months ended 30 September 2007.

The net assets and liabilities of Hyperlaunch New Media Limited acquired were as follows:

	Acquiree's book values £000	Fair value adjustments £000	Acquisition amounts £000
<b>Acquiree's net assets at the acquisition date:</b>			
Other intangible assets	-	1,159	1,159
Property, plant and equipment	41	-	41
Inventories	1	-	1
Trade and other receivables	430	-	430
Cash and cash equivalents	195	-	195
Trade and other payables	(105)	-	(105)
Tax payable	(73)	-	(73)
Deferred tax	(3)	(325)	(328)
Net identifiable assets and liabilities	<u>486</u>	<u>834</u>	1,320
Goodwill on acquisition			1,995
			<u>3,315</u>
<b>Satisfied by:</b>			
Cash consideration paid (Including legal and professional fees of £232,000)			1,530
Contingent consideration payable in cash			723
Contingent consideration payable in shares			482
Issue of 466,238 ordinary shares at £1.244 per share			580
			<u>3,315</u>
Cash paid			1,530
Cash acquired			(195)
Net cash outflow			<u>1,335</u>

## 6 Borrowings

	<b>30 September 2007 £000</b>	30 September 2006 £000	31 March 2007 £000
Overdraft	<b>4,603</b>	-	2,664
Bank borrowings	<b>5,492</b>	-	10,813
	<b>10,095</b>	-	13,477

Borrowings are repayable as follows:

Within 1 year	<b>5,733</b>	-	4,138
In more than 1 year but not more than 2 years	<b>1,116</b>	-	4,917
In more than 2 years but not more than 3 years	<b>1,123</b>	-	1,474
In more than 3 years but not more than 4 years	<b>1,134</b>	-	1,474
In more than 4 years but not more than 5 years	<b>328</b>	-	1,474
More than 5 years	<b>661</b>	-	-
Due in more than 1 year	<b>4,362</b>	-	9,339

Average interest rates at the balance sheet date were:

	<b>30 September 2007 %</b>	30 September 2006 %	31 March 2007 %
Overdraft	<b>7.75</b>	-	7.5
Term loan	<b>8.6</b>	-	8
Revolver loan	-	-	7.9

The borrowing facilities available to the Group amounted to £11.07m and at the balance sheet date, taking account of credit cash balances across the Group, there were £6.74m of undrawn borrowing facilities.

A Composite Accounting System allows debit balances on overdraft to off set across the Group with credit balance. No hedging facility was in place at the period end.

## 7 Contingencies

The Group has a liability to pay deferred consideration if certain performance targets are met. The maximum liability is £6,805,000 and the directors have provided £6,305,000, leaving £500,000 as an unprovided liability.

## 8 Accounting estimates and judgements

### *Impairment of goodwill*

The carrying amount of goodwill is £38,712,000. The directors are confident that the carrying amount of goodwill is fairly stated but have not carried out an impairment review of this amount during the period.

### *Other intangible assets*

The valuation of customer lists is based on key assumptions which the directors have assessed, and are satisfied that the carrying value of these assets is fairly stated.

### *Deferred consideration*

The directors have provided an estimate of the amount payable in respect of deferred contingent consideration. See note 7.

### *Recognition of revenue as principal or agent*

The Directors consider that they act as a principal in transactions where the Group assumes the credit risk. Where this is via an agency arrangement and the Group assumes the credit risk for all billings it therefore recognises gross billings as revenue.

## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

### **Introduction**

We have been instructed by the company to review the interim financial information for the six months ended 30 September 2007 which comprises the consolidated interim income statement, consolidated interim balance sheet, consolidated interim statement of changes in equity and the consolidated interim cash flow statement and the related notes 1 to 8. We have read the other information contained in the interim report which comprises the chairman's statement and chief executive's review and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusion we have formed.

### **Directors' responsibilities**

The interim report, including the financial information therein, is the responsibility of, and has been approved by the directors. The AIM Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable to such accounts.

### **Review work performed**

We conducted our review in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of control and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards of Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2007.

**GRANT THORNTON UK LLP**  
**REGISTERED AUDITOR**  
**CHARTERED ACCOUNTANTS**  
**SHEFFIELD**  
**10 December 2007**