Date: 2 July 2008
On behalf of: Digital Marketing Group plc ("DMG", "the Company" or "the Group")
Embargoed: 0700hrs

Digital Marketing Group plc
Preliminary Results 2008

Digital Marketing Group plc (AIM: DIGI), the digital direct marketing specialists, today announced its preliminary results for the year ended 31 March 2008.

Performance Highlights

- Revenues up 290% to £50.97m (2007: £13.06m)
- Gross profit up 294% to £33.08m (2007: £8.39m)
- EBITDA before charges for share options up 227% to £7.43m (2007: £2.27m)
- Profit before tax up 100% to £2.15m (2007: £1.07m)
- Profit before tax before charges for share options and amortisation up 278% to £6.31m (2007: £1.67m)
- Adjusted basic EPS (profit before tax, amortisation and charges for share options less current tax charge) up 42% to 7.30p
- Basic EPS 1.79p
- Group cross referrals generated £2.4m gross profit (7% of total Group gross profit)
- Net cashflow generated from operations £7.39m
- Year end net cash £0.18m

When looked at on a pro forma annualised and normalised basis for the 12 months ended 31 March 2008:

- Revenues up 21% to £53.14m (2007: £43.86m)
- Gross profit up 19% to £35.01m (2007: £29.44m)
- EBITDA before central costs and charges for share options up 38% to £8.98m (2007: £6.53m)
- EBITDA after central costs before charges for share options up 38% to £7.85m (2007: £5.68m)
- Profit before tax before charges for share options and amortisation up 42% to £6.69m (2007: £4.71m)
- Operating margins (before amortisation and charges for share options) have improved from 17.1% to 20.7%

Commenting on the results, Stephen Davidson, Chairman of Digital Marketing Group plc, said: *"It is a pleasure to report an excellent set of results for 2007/8. In the course of the last year the Company was awarded 'Digital Direct Marketing Services Supplier of the Year' and has exceeded market expectations both in terms of our financial performance and our ability to generate incremental gross profits through new business and the integration of our products and services. We are confident that our business will continue to benefit both from the trend towards online marketing and media, and through our ability to help clients deliver measurable and accountable marketing campaigns."*

Ben Langdon, Chief Executive, added: *"2007/8 was a very successful year for the business. We have exceeded market expectations and delivered against all the financial promises and commitments made to our shareholders. Operating profit to cash conversion is over 100% and with no net debt we are in a very strong financial position. We approach the future confident in both the quality of our product and the quality of our profits."*

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Notes to Editors:

- Digital Marketing Group (AIM: DIGI) listed on AIM in October 2006, employs over 500 people and has a market capitalisation of over £50m.

- Digital Marketing Group is a digital communications group that uses the principles of direct marketing to inform everything that it does.

- Digital Marketing Group is not a marketing services group. It is a specialist in digital communications and underpins its expertise with some of the best direct and data marketing people in the UK.

- Digital Marketing Group is the 4th biggest digital marketing business in the UK (Campaign Magazine 2007).

- The Group believes that the boundaries between digital and direct marketing are now blurred and that "Good digital marketing is good direct marketing".

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

Digital Marketing Group's development strategy consists of three key elements:

- organic growth - driven by the inherent growth within the acquired businesses and the application of a group business development programme
- the creation of new products and services from within the existing talents and resources of the group
- 'buy and build' - through the selective acquisition of a number of well run and profitable businesses with complementary skills in digital direct marketing

Each of Digital Marketing Group's seven businesses operates within one of its three segments:

1. Online Marketing and Media

- ***Graphico*** – a full service creative digital agency nominated for "Agency of the Year" in 2008 by Revolution magazine with skills in mobile marketing. Graphico has a team of 75 people and is a member of the Direct Marketing Association and Mobile Data Association. Further information is available at: www.graphico.co.uk

- ***Inbox*** – plans, creates and manages end-to-end digital marketing campaigns. Further information is available at: www.inbox.co.uk

- ***Hyperlaunch*** – an award winning digital creative marketing agency, specialising in the media and entertainment sector. Further information is available at: www.hyperlaunch.com

- ***Cheeze*** – one of Europe's leading digital response agencies and a top 10 search marketing specialist. Further information is available at: www.cheeze.com

2. Data Services and Consultancy

- ***Jaywing*** – a leading UK data services specialist providing both online and offline data and information services and consultancy. Further information is available at: www.jaywing.com

3. Direct Marketing

- ***HSM*** – combines outbound telemarketing, with digital and data marketing. Further information is available at: www.hsm.co.uk

- ***Dig for Fire*** – the largest direct marketing agency operating exclusively outside London. Further information is available at: www.digforfire.co.uk

Publication quality photographs are available via Redleaf Communications.

CHAIRMAN'S STATEMENT

It is a pleasure to report an excellent set of results for 2007/8. We posted revenues of £50.97m which is up 290% year on year (2007: £13.06m).

Gross profit, which represents revenue less direct costs of sales, is an important measure in our industry and I am therefore also pleased to report a gross profit of £33.08m which is up 294% year on year (2007: £8.39m).

EBITDA before charges for share options of £7.43m is up 227% year on year (2007: £2.27m). Profit before tax of £2.15m is up 100% year on year (2007: £1.07m) and profit before tax before amortisation and charges for share options of £6.31m is up 278% year on year (2007: £1.67m). These results include 9 months post acquisition figures to 31 March 2008 for Graphico New Media Limited (Graphico) and Hyperlaunch New Media Limited (Hyperlaunch).

Disappointingly, despite these excellent results, our share price is significantly lower than it was this time last year principally due to difficult trading condition across the world's financial markets. I can assure you that this is as frustrating for our employees and managers who own nearly 50% of the company's shares as it is for all other shareholders in Digital Marketing Group.

Digital Marketing Group was formed in 2006 and is focused on the provision of direct digital marketing services to our clients. In the course of the last year the Company was awarded 'Digital Direct Marketing Services Supplier of the Year' and has exceeded market expectations both in terms of our financial performance and our ability to generate incremental gross profits through new business and the integration of our products and services.

The acquisitions of Graphico and Hyperlaunch at the end of June 2007 added important digital skills to our group. Graphico has strong credentials in web design and build, and mobile marketing. Hyperlaunch has significant online PR and 'buzz marketing' expertise. Both businesses have been successfully integrated into our group and have exceeded expectations in terms of their financial performance.

We are in a strong position financially. In May 2007 we completed a £10m equity raise. Our net cash is £0.18m compared to net debt of £7.91m as at 31 March 2007. Operating profit to cash conversion is over 100%. At the year end the Group had £11.27m of undrawn borrowing facilities taking into account credit cash balances.

Leading commentators have expressed concern about the outlook for the UK economy and the impact on media spend. Despite that, we are confident that our business will continue to benefit both from the trend towards online marketing and media, and through our ability to help clients deliver measurable and accountable marketing campaigns. Indeed the new financial year has started well with a number of important new client wins. Our financial strength enables us to selectively attract further complementary companies to the Digital Marketing Group on terms which are attractive to shareholders.

I would like to thank fellow Board members for their support, and our employees and managers under the exceptional leadership of Ben Langdon for these excellent results and their commitment to our Group vision. Ben was recently voted the 'No 1 player' in the UK amongst a competitive field of digital direct marketing experts. The award was voted for by Marketing Direct magazine which said "He is a true power player with a single-minded focus for his operation: to become the pre-eminent digital direct marketing group in the UK."

Finally, I would like to give a special thanks to the clients of Digital Marketing Group for their continued loyalty and support.

Stephen Davidson
Chairman
1 July 2008

STRATEGIC REVIEW

Introduction

In 2006 we set out to create an innovative, highly focused group of businesses providing personalised communications for clients across all digital and direct channels.

We call this 'digital direct marketing'.

The 3 core components of digital direct marketing are:

- Digital Marketing (the specialist creative and media skills of online marketing agencies)
- Direct Strategy (the application of direct marketing strategies to online marketing)
- Data Intelligence (the intelligence to be able to analyse and use consumer data derived from online and offline marketing)

To deliver against these 3 core components we now organise ourselves and report on the group in 3 segments.

Description of business - the 3 segments

(i) Online marketing and media

This segment includes all those businesses within the Group that specialise in online marketing and media, namely:

Inbox Digital (Inbox) joined Digital Marketing Group in October 2006.

Inbox plans, creates and manages end-to-end digital marketing campaigns for many leading brands. Its services include:

- Online advertising
- Email marketing
- Viral advertising
- Websites design and build programmes
- Campaign reporting

Cheeze joined Digital Marketing Group in January 2007.

Cheeze is one of Europe's leading digital response agencies and a top 10 search marketing specialist in the UK. They plan, buy and manage online campaigns in the UK, Europe and North America, by taking the principles of direct marketing and applying them to digital channels.

During 2007/8 Digital Marketing Group acquired two market-leading digital agencies, Graphico New Media (trading as 'Graphico') and Hyperlaunch New Media (trading as 'Hyperlaunch').

Graphico was founded in 1990 and has 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 75 people in its offices in Newbury, Berkshire.

Over the past 5 years the company has enjoyed rapid growth and now boasts an enviable client list that includes Pepsi, Bacardi-Martini, London Eye & Madame Tussauds, First Great Western Trains and Carlsberg.

Graphico has a reputation for achieving international award nominations for the work that it produces for its clients. In 2007 and 2008 the Company has won nine accolades for projects from Pepsi, First Great Western Trains, Historic Royal Palaces, and new business start-up Slicethepie.

Last year they were voted the UK's sixth most respected digital agency in NMA magazine's 'Top 100 Interactive Agencies 2007' report, and were nominated for 'agency of the year' at the 2008 Revolution awards.

Graphico's core product remains large scale web design and build work for its clients, however Graphico's range of products and services is much broader than this and can be split into four categories:

- Digital strategy
  Graphico help their clients develop an online strategy that integrates with their offline activity to deliver strong return on investment. The Graphico strategic planning process includes identifying the client's business issues, the brand objectives, and then adding insight to define the best solution.

- Design and build
  Graphico design and build large scale successful websites, e-commerce sites, and create online communities using in house expertise.

- Digital marketing
  Graphico produce digital advertising campaigns, campaign microsites, personalised emails, word of mouth and partner programs. All are designed to deliver substantial traffic and revenue for their clients.

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

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.

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.

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

Each of the businesses within the online marketing and media segment has a core specialism which complements those of its sister companies. This enables us to offer clients the full spectrum of online marketing and media services:

- Web design and build
- E-commerce
- Social media
- Planning and buying of online media
- Search Engine Optimisation and Pay Per Click

- Online advertising
- E-CRM
- Viral marketing
- Mobile marketing
- Online PR
- Buzz marketing
- User generated content consultancy
- Building of online brands

On 9 November 2007, Campaign magazine published its annual round up of the UK's top digital agencies and Digital Marketing Group achieved 4th place.

(ii) Direct marketing

The Group's direct marketing expertise is provided by two companies:

Scope Creative Marketing Limited (trading as 'Dig for Fire') - the UK's largest direct marketing agency operating exclusively outside of London.

Dig For Fire was established in Sheffield in 1979. Dig For Fire offers clients end-to-end integrated direct marketing services accommodating both 'online' and 'offline' direct marketing, including web design and build, viral advertising, banner advertising, direct mail, direct response press communications and 'online' and 'offline' press relations.

Dig For Fire's strategic planning service enables clients to understand the direct marketing 'customer journey', to identify key consumer insights and to begin the process of customer segmentation critical to successful direct marketing campaigns. The company also offers clients 'Dig Research', a stand-alone research service in order to provide objective advice in the area of direct marketing strategy.

Dig For Fire acts for a number of blue chip clients, across a broad range of industry sectors.

HSM is a telemarketing based business specialising in outbound business-to-business lead generation and database management.

One of HSM's strengths is the level of integration that has been achieved with Inbox (see above) enabling direct marketing through a number of digital channels. Underlying this is a proprietary technology platform that integrates key real-time marketing channels encompassing email, internet and telephone.

(iii) Data services and consultancy

The Group's data services and consultancy are provided by Alphanumeric Group (trading as 'Jaywing').

Jaywing was founded in 1999 and quickly became the UK's largest independent data services specialist; providing both 'online' and 'offline' data and information services primarily in marketing, credit and fraud, typically across industry sectors including Financial Services, Utilities, Telecoms and Retail.

Services include segmentation, 'online' and 'offline' marketing and campaign planning, targeting models, contact strategy design, database hosting and management, 'online' and 'offline' campaign management, and list management and sourcing. 'Signals' is a service that provides direct marketers with access to key customer events, from a new baby or moving house to spotting shopping online.

Additionally, Jaywing helps its clients in capacity planning, credit assessment and management, bad debt forecasting and provisioning. 'Foil' is a specialist fraud prevention service. 'Smartdecisions' provides independent online access to credit bureaux and other data sources for robust real time credit application decisions through a single online link.

Jaywing's clients are mostly large blue chip organisations.

Integration

In order to ensure that we sell the integrated services of all 3 segments to our clients we have created a common marketing platform and shared processes:

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

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.

We have also recently appointed a Group Marketing Director to focus on maximising new business opportunities for the group. The focus of our new business programme is on attracting new clients to the group as well as generating incremental gross profits amongst existing clients through a disciplined approach to cross referrals. The following are examples of clients who now work with several of the companies in our group:

Case Studies

The Brief - Bacardi

Get BACARDI Superior Rum closer to its consumers.

Digital Marketing Group roles

Graphico - has worked with BACARDI Superior Rum since April 2006 and was responsible for the creative theme and customer relationship programme strategy development and deployment.

Dig for Fire - consulted on the strategic approach, market research, data mining and segmentation.

Deliverables

- Creative theme – 'La Gran Familia de Bacardi'.
- Customer relationship programme – including database development and segmentation. Data is collected from consumers who register to become part of 'La Gran Familia de Bacardi'. 'La Gran Familia de Bacardi' community members receive more marketing and benefits from Bacardi, deepening their relationship.
- Website development – includes static and regularly updated areas with more information, competitions, promotions and premium prize winning opportunities for registered users.

Results

"We gave Graphico an exciting marketing challenge – how to make a brand with almost 150 years' heritage deliver against today's fickle 18-29 year old audience. Graphico went back to the heart of the BACARDI Superior Rum's brand proposition and reviewed and refined it to ensure it had tangible digital values and therefore resonance with BACARDI Superior Rum's digitally savvy target audience – whilst leaving, what will be, a brand legacy for the future." Richard McLeod BACARDI Superior Rum's brand manager.

The Brief – The AA

Evaluate online media as a direct sales channel to broaden the reach of AA Business Services (AABS) small business fleet breakdown cover, Fleetwide and the enhanced product, Fleet Advantage. Sales generation to establish an ROI (Return on Investment) model.

Digital Marketing Group roles

HSM – telemarketing
Inbox – digital communications
Cheeze – online advertising management

Deliverables

- An online plan was created that used Fleetwide and FleetAdvantage banners and buttons on a rotational basis on a highly targeted website – Bytestart – the online portal for small businesses.
- This was supported by text based ads as well as advertorials in the Bytestart newsletter circulated to its 250,000 registered base.
- Exact match "paid for" search marketing terms were used on Google and Yahoo in order to drive traffic through to dedicated product landing pages. Customers could:
  - buy online now – link through to www.theaa.com
  - call now – response handled by HSM
  - callback – email generated dynamically and deployed to HSM to call
  - register – to receive e-newsletters from AABS

<u>Results:</u>

The client said, "We have sold more products online during this short test than we did in the whole of 2006"

- number of vehicles registered for cover increased by 120% during the test

- ROI was 3:1 (profit)

As a result of this test activity, AABS has rolled out the programme and increased media spend by a factor of 10 over the original test budget.

The Brief – Merrill Corporation

Merrill wanted to expand adoption of its DataSite product, a market leading Virtual Data Room (VDR) - an online service that supports Merger and Acquisition activity by allowing deal associated due diligence to be performed online in a uniquely secure environment.

Whilst DataSite was the VDR of choice for $1 Billion plus deals, there was room for expansion into $500 Million plus deals, particularly in Europe.

<u>Digital Marketing Group roles</u>

HSM – lead generation model, data integration, prospect database build, telephone based data cleanse and qualification, lead scoring model, Tracker – web based lead management
Jaywing – list broking
Cheeze – paid search, online display advertising and email sponsorship
Inbox – website landing pages, email campaigns using 'Accelerator' a one to one email marketing tool
Hyperlaunch – designed and built a Flash-based e-book "Financial Due diligence in the 21st century"

<u>Deliverables</u>

- Strategy workshops
- Implementation of HSM's lead generation model – Identify, Nurture, Contact, Convert
  - **Identify**
    - Using, qualifying and cleansing data, prospects were 'scored'
    - Scores were allocated through the generation of data captured at all touch points of the prospect journey.
  - **Nurture**
    - The acquisition programme was initially based on Google paid search linking into a landing page, containing clear and strong calls to action covering:
      - Call now
      - Request a Demo
      - Register for the monthly newsletter
      - Download exclusive content
    - Online display advertising and email sponsorship.
    - Creation of dynamic content for the landing pages.
    - Tactical emails using a combination of cold lists and the internal prospect list, enhanced and qualified by HSM. A key tactical offer was an exclusive Flash-based e-book "Financial Due diligence in the 21st century".
  - **Contact**
    - Passing leads that provided a high initial score directly to the Sales director for follow-up. These leads were managed by HSM's proprietary web based lead management solution –

Tracker. As this system is fully integrated with HSM's telemarketing system, any lead can be re-allocated by the Sales Director for further telemarketing follow-up – providing seamless lead management between HSM and Merrill.
    - Lower scoring leads were followed up by HSM's telemarketing team.
- **Convert**
    - A combination of telephone call backs and Accelerator emails.
    - The email programme was a monthly newsletter containing a range of relevant content – ranging from thought leadership articles and opinion pieces, webinar invitations to surveys and up and coming events.

<u>Results</u>

- The prospect database has increased 10 fold since the programme commenced in March 2008.
- Lead conversion has increased steadily month on month and continues to rise.
- For this market, telephone follow-up on the back of an email interaction provides the most effective lead source in terms of volume, whilst falling within acceptable 'cost per' metrics.
- Whilst relatively low in volume, paid search provided the most cost effective lead generation in terms of ROI.
- Outbound follow up activity following email deployment or event attendance accounts for over two thirds of all leads.

<u>The Brief – Glow-Worm</u>

To grow consumer awareness of Glow-worm boilers.

<u>Digital Marketing Group roles</u>

Dig For Fire – website strategy and build, press advertising, PR, E-CRM, research
Cheeze – search marketing, digital display advertising

<u>Deliverables</u>

- Development of a consumer facing website.
- Development of an 'online boiler calculator' allowing the consumer to find the best Glow-worm boiler for their needs and find their nearest recommended installer.
- Market research.
- Press advertising in national supplements and general interest magazines.
- Digital display campaign targeting DIY enthusiasts, environmentally aware individuals and people at various life stages (moving house, new baby etc).
- Search marketing across Google, Yahoo and MSN.
- Bidding strategies for over 2,000 keywords.
- Detailed data analysis.
- Predictive campaign modelling based on occupational targeting and demographic profiles.
- PR that included the Glow-worm blog, and online and offline media relations.
- The 'Warm Glow' shopping centre tour.
- E-CRM.

<u>Results</u>

- Brand awareness decline was arrested and grew by 2% points by early 2008.
- Over 100,000 completions of the industry's first boiler calculator at www.glow-wormheating.co.uk, against an initial target of 7,200.
- As a result, a 12 month digital marketing programme was rolled out and is consistently meeting campaign objectives.
- Targeted emails sent as a result of the research got a 66% open rate with 30% click through rate.
- Monthly email sent to opt in database got higher than average open rates with 3 x usual click through rate.
- 19,393 opt in email addresses have been collected (this has continued to rise at a rate of 2,000 per month).
- 236,092 unique visitors and 2,003,876 page views on the website, with visitors spending an average of 3.25 minutes per user. Translated this means that over 12,788 hours has been spent by visitors to the site.
- Installers are already feeding back their thanks for the increased business.

- Over 8.5 million impacts by press advertising.
- PR results included 1,384,000 adult radio listeners, 3,750 unique visitors to blog and 65,000 opportunities to see the brand during the 'Warm Glow' Tour.

The Brief – Kaupthing

Kaupthing Bank wanted to launch its global online retail savings bank, Kaupthing Edge, in a particularly tight timescale.

The project included a front-end website with online application and application processing and management including anti-money laundering and Know Your Customer checks and links to the Bank's own core banking systems.

It had to sit within the Kaupthing Bank's brand, be highly secure, provide a robust, resilient and scalable dedicated hosting platform and deliver on accessibility standards.

Digital Marketing Group roles

Jaywing – data and systems development and management, Smartdecisions implementation, welcome communications.

Graphico – website linked to Smartdecisions.

Deliverables

Online Applications
- via a dynamic yet highly accessible website with a user friendly online application process.

Anti-money laundering and Know Your Customer checks
- via Jaywing's Smartdecisions

Links to the Bank's core banking systems
- to update the bank and open accounts
- via bespoke data and systems management

Customer communications
- welcome upon account opening

Results

The internet bank soft launch took place on 4 January 2008, followed by the full public launch on 2 February 2008.

John Echavarria, Director of Information Technology at Kaupthing commented "I was delighted by the team's ability to deliver our first UK online retail banking product in such a tight timescale, which is a testament to their 'can do' attitude. Jaywing and Graphico presented a professional tight-knit team which integrated well with our consumer call handling specialist, Gasbox. We have enjoyed working with them. Consequently we look forward to our continuing relationship."

Industry recognition

In October 2007 Digital Marketing Group won 'Digital Direct Marketing Services Supplier of the Year' at the Connect Awards, beating stiff competition from WPP's OgilvyOne Worldwide.

The judging panel, comprising both industry and client representatives from organisations including BSkyB, Financial Times, Royal Bank of Scotland, Orange and Unilever, was impressed by how the group companies work together to blend digital and direct disciplines. Digital Marketing Group was also praised for innovations such as Digital Brain. The winning entry detailed the group's work with Hitachi Capital, the AA, Panasonic, Powergen and LloydsTSB.

During 2007/8 Cheeze were ranked 10th in NMA magazine's search agency league table.

Also, during the year, Graphico were named in the top 50 fastest growing digital media companies in the UK. Each year investment bank GP Bullhound and its partners publish a list of the 50 fastest growing and most innovative digital media companies. The top 50 companies in this year's list have collectively grown their revenue base from £185m to a staggering £587m in a two-year period.

2007/8 Financial performance

Digital Marketing Group was formed in October 2006 and now comprises seven businesses organised into three segments.

At the end of June 2007 Graphico and Hyperlaunch joined the Group and our results therefore represent post acquisition figures to March 2008 and comprise 9 months for both these businesses and 12 months for the other four.

On this basis the Group achieved:

- Revenues £50.97m up 290% year on year (2007: £13.06m)
- Gross profit £33.08m up 294% year on year (2007: £8.39m)
- EBITDA before charges for share options £7.43m up 227% (2007: £2.27m)
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- Adjusted basic EPS (profit before tax before amortisation and charges for share options less current tax charge) up 42% to 7.30p
- Basic EPS 1.79p
- Group cross referrals generated £2.4m gross profit (7% of total Group gross profit)
- Net cashflow generated from operations £7.39m
- Year end net cash £0.18m

The growth in the Group has been led through acquisition and this means that the comparison of 2007 numbers with 2008 is not straightforward. In the remainder of this document numbers are provided on an annualised and normalised basis. That is to say that these numbers illustrate the Group as if the acquired businesses had been part of the Group from 1 April 2007 and have eliminated one off items and charges for share options.

When looked at on a pro forma annualised and normalised basis the Group's results for the 12 months ended 31 March 2008, as shown on the table below, would have been:

- Revenues up 21% to £53.14m (2007: £43.86m)
- Gross profit up 19% to £35.01m (2007: £29.44m)
- EBITDA before central costs and charges for share options up 38% to £8.98m (2007: £6.53m)
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- Operating margins (before amortisation and charges for share options) have improved from 17.1% to 20.7%

The table below shows the performance of the Group with illustrative comparatives for the previous year.

	2008	2007	2008 Pro forma	2007 Pro forma	Pro forma Yr/Yr Growth
	£million	**£million**	**£million**	**£million**	**%**
Revenue	50.97	13.06	53.14	43.86	21%
Direct costs	(17.89)	(4.67)	(18.13)	(14.42)	26%
Gross profit	**33.08**	**8.39**	**35.01**	**29.44**	**19%**
Operating expenses, excluding central costs, interest, depreciation, amortisation and charges for share options	(24.52)	(5.80)	(26.03)	(22.91)	14%
EBITDA before central costs and charges for share options	**8.56**	**2.59**	**8.98**	**6.53**	**38%**
Central costs	(1.13)	(0.33)	(1.13)	(0.85)	33%
EBITDA before charges for share options	**7.43**	**2.26**	**7.85**	**5.68**	**38%**
Depreciation	(0.59)	(0.16)	(0.61)	(0.66)	(7)%
EBITA before charges for share options	**6.84**	**2.10**	**7.24**	**5.02**	**44%**
Net interest expense	(0.53)	(0.10)	(0.55)	(0.31)	77%
Profit before tax, amortisation and charges for share options	**6.31**	**2.00**	**6.69**	**4.71**	**42%**

The pro forma March 2008 and March 2007 columns are shown for illustrative purposes only. The information is based on the statutory accounts of each group business and time apportioned where appropriate. The figures 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, which, on an annual basis would be £2.73m.

Liquidity review

In May 2007 the Group undertook an equity placing of 14,285,715 shares raising £10m gross. This allowed the Group to pay down £2.5m of its borrowings and secure the acquisitions of Graphico and Hyperlaunch with net cash outflow of £7.82m.

Full details of the financial structure of the two acquisitions are given in Note 6 to the Financial Statements and of the Group's borrowings in Note 7. At the year end the Group had available £11.27m undrawn borrowing facilities taking into account credit cash balances.

The consolidated cash flow statement shows the Group to be cash generative with net cash inflow from operating activities of £7.39m and net increase in cash of £2.20m in the year.

As at March 2008, the Group had net cash of £0.18m compared to a net debt of £7.91m at March 2007. Operating profit to cash conversion is over 100%.

Segmental financial performance 2007/8

As outlined above in order to aid shareholders in reviewing our business we now use the following three segments:

1. Online Marketing and Media (Cheeze, Inbox Digital, Graphico, Hyperlaunch)
2. Direct Marketing (Dig For Fire, HSM)
3. Data Services and Consultancy (Jaywing)

	2008		2008 Pro forma		2007 Pro forma		Yr/Yr Growth	
	Gross Profit	EBITDA*	Gross Profit	EBITDA*	Gross Profit	EBITDA*	Gross Profit	EBITDA*
	£million	£million	£million	£million	£million	£million	%	%
Online Marketing & Media	10.03	2.73	11.96	3.15	9.75	1.72	23%	83%
Direct Marketing	11.04	2.37	11.04	2.37	9.50	2.32	16%	2%
Data Services & Consultancy	12.01	3.46	12.01	3.46	10.19	2.49	18%	39%
	33.08	**8.56**	**35.01**	**8.98**	**29.44**	**6.53**	**19%**	**38%**
Central costs	0.00	(1.13)	0.00	(1.13)	0.00	(0.85)	-	33%
Total	**33.08**	**7.43**	**35.01**	**7.85**	**29.44**	**5.68**	**19%**	**38%**

* EBITDA before charges for share options

The pro forma March 2008 and March 2007 columns are shown for illustrative purposes only. The information in the March 2008 column represents the information included in the financial information for the group adjusted to include the full twelve months activity of Graphico and Hyperlaunch extracted from audited statutory and unaudited management accounts. The information in the March 2007 column is based on the audited statutory and 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.

2007/8 Financial Performance

1. online marketing and media

In the year ended 31 March 2008 this segment achieved on a pro forma basis gross profits of £11.96m and EBITDA before charges for share options of £3.15m.

This represents growth in gross profits of 23% year on year and growth in EBITDA of 83% year on year.

ONLINE MARKETING AND MEDIA

2008

2008
Pro forma
2007
Pro forma
Pro forma Yr/Yr Growth

£million
£million
£million
%

Gross profit

10.03
11.96
9.75
23%

EBITDA before charges for share options

2.73
3.15
1.72
83%

See explanation of pro forma numbers at the start of the financial performance section.

Within the online marketing and media segment Graphico and Hyperlaunch both joined the company during the 2007/8 financial year. The financial performance of both companies is shown later on.

2. direct marketing

In the year ended March 2008 this segment achieved on a pro forma basis gross profits of £11.04m and EBITDA before charges for share options of £2.37m.

This represents growth in gross profits of 16% year on year and growth in EBITDA of 2% year on year.

	DIRECT MARKETING			
	2008	**2008 Pro forma**	**2007 Pro forma**	**Pro forma Yr/Yr Growth**
	£million	**£million**	**£million**	**%**
Gross profit	11.04	11.04	9.50	16%
EBITDA before charges for share options	2.37	2.37	2.32	2%

See explanation of pro forma numbers at the start of the financial performance section.

The underperformance of the direct marketing segment relative to the other segments in the Group is entirely due to a disappointing performance at HSM.

The HSM business suffered the loss of three clients, two of which were in the financial services sector, plus significantly reduced levels of profitability from HSM's major client. Despite this, HSM delivered 17% growth in gross profit year on year. In addition HSM's costs increased in the year due to investment in larger premises.

By comparison Dig for Fire delivered 16% growth in gross profits and 21% growth in EBITDA before charges for share options.

Details of the financial performance of both businesses within the direct marketing segment are shown below:

	DIG FOR FIRE			HSM			TOTAL DIRECT MARKETING		
	2008 Pro forma	**2007 Pro forma**	**Pro forma Yr/Yr Growth**	**2008 Pro forma**	**2007 Pro forma**	**Pro forma Yr/Yr Growth**	**2008 Pro forma**	**2007 Pro forma**	**Pro forma Yr/Yr Growth**
	£million	**£million**	**%**	**£million**	**£million**	**%**	**£million**	**£million**	**%**

Gross profit	6.31	5.47	16%	4.73	4.03	17%	11.04	9.50	16%
EBITDA before charges for share options	1.88	1.55	21%	0.49	0.77	(37)%	2.37	2.32	2%

3. data services and consultancy

In the year ended 31 March 2008 this segment achieved on a pro forma basis gross profits of £12.01m and EBITDA before charges for share options of £3.46m.

This represents growth in gross profits of 18% year on year and growth in EBITDA of 39% year on year.

	DATA SERVICES AND CONSULTANCY			
	2008	**2008 Pro forma**	**2007 Pro forma**	**Pro forma Yr/Yr Growth**
	£million	**£million**	**£million**	**%**
Gross profit	12.01	12.01	10.19	18%
EBITDA before charges for share options	3.46	3.46	2.49	39%

See explanation of pro forma numbers at the start of the financial performance section.

Financial performance of acquisitions during the year

The following table shows the financial contribution of Graphico to the Group's results, representing 9 months post acquisition trading, together with an indicative summary of what the contribution would have been on a pro forma basis to March 2008 and previous year.

	GRAPHICO			
	2008	**2008 Pro forma**	**2007 Pro forma**	**Pro forma Yr/Yr Growth**
	£million	**£million**	**£million**	**%**
Revenue	4.48	6.19	4.66	33%
Direct costs	(0.51)	(0.73)	(0.69)	5%
Gross profit	**3.97**	**5.46**	**3.97**	**38%**
Operating expenses, excluding interest, depreciation, amortisation and charges for share options	(3.11)	(4.32)	(3.82)	13%
EBITDA before charges for share options	**0.86**	**1.14**	**0.15**	**664%**
Depreciation	(0.09)	(0.11)	(0.07)	60%
Operating profit before interest, amortisation and charges for share options	**0.77**	**1.03**	**0.08**	**1185%**
Note	1	2	2	

1. The post acquisition column shows the financial contribution of Graphico to the Group's results for the year ended 31

March 2008 before amortisation of intangible assets which in this period amounted to £0.23m.

2. The pro forma March 2008 and March 2007 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.

The following table shows the financial contribution of Hyperlaunch to the Group's results, representing 9 months post acquisition trading, together with an indicative summary of what the contribution would have been on a pro forma basis to March 2008 and previous year.

	HYPERLAUNCH			
	2008	2008 Pro forma	2007 Pro forma	Pro forma Yr/Yr Growth
	£million	£million	£million	%
Revenue	1.52	1.98	1.61	23%
Direct costs	(0.08)	(0.10)	(0.10)	2%
Gross profit	**1.44**	**1.88**	**1.51**	**24%**
Operating expenses, excluding interest, depreciation, amortisation and charges for share options	(1.12)	(1.43)	(1.17)	22%
EBITDA before charges for share options	**0.32**	**0.45**	**0.34**	**31%**
Depreciation	(0.03)	(0.03)	(0.02)	45%
Operating profit before interest, amortisation and charges for share options	**0.29**	**0.42**	**0.32**	**30%**
Note	1	2	2	

1. The post acquisition column shows the financial contribution of Hyperlaunch to the Group's results for the year ended 31 March 2008 before amortisation of intangible assets which in this period amounted to £0.10m.
2. The pro forma March 2008 and March 2007 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.

2007/8 key performance indicators

At the beginning of the financial year we set ourselves some clearly defined objectives:

- Each business was expected to contribute to our stated ambition of achieving 25% Compound Annual Growth Rate ('CAGR') in Earnings Per Share ('EPS') between March 2007 and March 2010.
- Each business was expected to achieve sufficient top line revenue growth to enable us to deliver our EPS performance without having to overly rely on cutting costs.
- In addition to the strong organic growth being forecast by our businesses we hoped to deliver incremental revenues to the Group through coordinated new business pitches.
- We aimed to measure the performance of our Group through 'softer' measures such as client satisfaction and employee loyalty.
- We intended to implement some rationalisation of the cost base as part of our integration plan focused on areas that did not impact on the Group's delivery of product and service to its clients.

In terms of delivering against these key performance indicators I am therefore extremely pleased to report the following:

- Adjusted basic EPS (profit before tax before amortisation and charges for share options less current tax charge) is 7.30p as at 31 March 2008 (2007: 5.13p) showing 42% growth year on year.
- Our gross profits increased across the group by 19% year on year on a pro forma basis.
- We generated gross profits of £2.4m through the existing client cross referrals programme. This represented approximately 7% of our total annual gross profits and delivered higher margin returns to the group relative to new business generated from new clients.
- We conducted a confidential online employee survey in February 2008 through an independent third party, 'employe surveys' part of the edgecumbe group. 87% of the Group's employee base participated. The results of the survey were generally extremely encouraging and were shared with the managers of each group business.
- We conducted an online survey amongst the key clients of each business to ascertain client satisfaction. The results of the survey were shared with the managers of each business and necessary actions taken.
- We made good strides in terms of cost rationalisation achieving over £100,000 of annualised savings through financial back office reorganisation, centralisation of insurance policies, and office closures.

Outlook and objectives for 2008/9

Despite worsening economic conditions, the market context for the decision to create this business was, and remains, encouraging:

- In 2007 the online advertising market was worth £2.8bn, up 38% on a like-for-like basis on the previous year. (Source: Internet Advertising Bureau Fact Sheet: Online adspend -2007).
- Online's share of the advertising market has grown to 15.3% in 2007 up from 11.4% for 2006. (Source: Internet Advertising Bureau Fact Sheet: Online adspend -2007).
- According to a PricewaterhouseCoopers report recently released, internet advertising in the UK will grow to £4.5bn and account for nearly 30% of all UK advertising by 2011.
- According to Enders Analysis in a report released on 17 June 2008 rising internet consumption and surging consumer e-commerce continue to drive strong growth in online advertising, particularly paid search, in spite of the deteriorating economic outlook. Their forecast for 2008 is that online advertising expenditure will grow 26.4% in nominal terms to £3.56 billion, overtaking TV ad spend, which they expect to fall 2.5% to £3.39 billion.

Most importantly, digital interactivity gives marketing clients much greater and more identifiable returns on their investment:

- Measurement: using technology, brands can now better measure the effectiveness of marketing campaigns by tracking 'online' behaviour and transactions often in real-time.
- Data capture: brands can develop direct and cost-effective communications with customers and gain a greater degree of consumer data than through traditional advertising channels, many of which contain no data capture opportunities.
- Flexibility of medium: 'online' campaigns can be adapted at very short notice (in some cases in real-time) as a result of information gleaned from previous marketing, which can increase the levels of personalisation and enhance ROI in the short-term at low cost.

We believe that digital direct marketing's ability to provide clients with accountable and measurable results will continue to fuel the growth in the sector at the expense of traditional channels (television, press, posters, radio) particularly in a worsening economic environment.

Our key performance indicators for 2008/9 are as follows:

- Each businesses is expected to achieve sufficient growth in gross profits to enable us to deliver our EPS performance targets without having to overly rely on cutting costs.
- The Group is expected to continue to deliver strong levels of incremental gross profits through cross referrals and coordinated new business pitches.
- We will continue to measure the performance of our business through 'softer' measures such as client satisfaction and employee loyalty.
- We will continue to rationalise the cost base as part of our integration plan but will remain focused on areas that do not impact on the Group's delivery of product and service to its clients.
- The Group will continue to seek Industry recognition for the quality of its product as a means of attracting new clients to the business.
- The Group will look for new and incremental 'routes to market' either through the creation of new products and services or through the acquisition of additional skills.

Long term strategic vision

The long term strategic vision for Digital Marketing Group remains extremely exciting.

We have exceeded market expectations.

We have successfully begun the intensive task of delivering organic and cross-referred growth to the acquired businesses.

We have achieved industry recognition which has aided the promotion of our Group to new and existing clients.

We have begun to develop the business into parallel areas of digital marketing utilising existing skills.

The development plan for the business therefore has 2 separate elements to it:

- We will continue to execute the existing and successful strategy of the group, namely to grow the business organically through new business wins, cross referrals and integration
- We will look to acquire businesses but only if they deliver against one of 3 criteria:

1. Enabling entry into new market sectors within digital marketing, direct strategy or data services
2. Enabling us to develop new ‘routes to market’ (e.g. through the acquisition of digital consultancy services)
3. Increasing the success and profitability of our existing products/services

Summary

2007/8 was a very successful year for the business.

Our financial performance was extremely strong.

We have exceeded market expectations and delivered against all the financial promises and commitments made to our shareholders.

We have integrated our Group into 3 segments, and delivered incremental gross profits to the Group through cross referrals, a coordinated new business programme and a shared common marketing platform.

We have been recognised by our peers for the quality of our product and are now ranked as the UK’s 4th largest digital marketing agency.

We have broadened our shareholder base to include blue chip institutions and with minimal debt are in a strong financial position.

We approach the future confident in both the quality of our product and the quality of our profits.

Ben Langdon
Chief Executive
1 July 2008

Consolidated Income Statement

	Note	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Continuing operations			
Revenue	*2*	**50,971**	13,057
Direct costs		**(17,892)**	(4,668)
Gross profit		**33,079**	8,389
Other operating income		**212**	16
Amortisation		**(1,407)**	(321)
Operating expenses		**(29,204)**	(6,904)
Operating profit		**2,680**	1,180
Finance income		**252**	99
Finance costs		**(783)**	(205)
Net financing costs		**(531)**	(106)
Profit before tax		**2,149**	1,074
Taxation	*3*	**(1,013)**	(537)
Profit for year from continuing operations		**1,136**	537
Discontinued operations			
Loss for the year on discontinued operations		**-**	(640)
Profit/(Loss) for the year attributable to shareholders		**1,136**	(103)

	Note	Year ended 31 March 2008	Year ended 31 March 2007
Earnings per share	*4*		
From continuing and discontinued operations			
- basic		**1.79p**	(0.55)p
- diluted		**1.44p**	(0.51)p
From continuing operations			
- basic		**1.79p**	2.87p
- diluted		**1.44p**	2.62p

The accompanying notes form part of these consolidated financial statements.

Consolidated Balance Sheet

	Note	**31 March 2008**	31 March 2007
		£'000	£'000
Non-current assets			
Property, plant and equipment		**2,215**	714
Goodwill		**39,449**	30,734
Other intangible assets		**13,324**	10,215
		54,988	41,663
Current assets			
Inventories		**790**	165
Trade and other receivables		**9,582**	6,102
Cash and cash equivalents		**12,004**	5,569
		22,376	11,836
Total assets		**77,364**	53,499
Current liabilities			
Bank overdraft	*7*	**6,901**	2,664
Other interest-bearing loans and borrowings	*7*	**1,122**	1,474
Financial derivatives		**195**	-
Trade and other payables		**17,168**	6,980
Tax payable		**1,242**	611
Provisions		**133**	-
		26,761	11,729
Non-current liabilities			
Other interest-bearing loans and borrowings	*7*	**3,797**	9,339
Provisions		**225**	518
Deferred tax liabilities		**3,882**	3,073
		7,904	12,930
Total liabilities		**34,665**	24,659
Net assets		**42,699**	28,840
Equity attributable to shareholders			
Share capital		**32,655**	25,063
Share premium account		**5,954**	2,986
Hedging reserve		**(195)**	-
Shares to be issued		**536**	500
Retained earnings		**3,749**	291
Total equity		**42,699**	28,840

These financial statements were approved by the board of directors on 1 July 2008 and were signed on its behalf by:

Sarah Guest
Director

The accompanying notes form part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Note	**Year ended 31 March 2008 £'000**	Year ended 31 March 2007 £'000
Cash flow from operating activities			
Profit/(loss) for the year		**1,136**	(103)
Adjustments for:			
Depreciation, amortisation and impairment		**1,994**	487
Financial income		**(252)**	(99)
Financial expenses		**783**	205
Share-based payment expense		**2,357**	271
Taxation		**1,013**	537
Operating cash flow before changes in working capital and provisions		**7,031**	1,298
(Increase)/decrease in trade and other receivables		**(1,672)**	1
(Increase) in inventories		**(334)**	(11)
Increase/(decrease) in trade and other payables		**4,021**	(349)
Cash generated from operations		**9,046**	939
Interest received		**252**	99
Interest paid		**(717)**	(205)
Tax paid		**(1,194)**	(288)
Net cash flow from operating activities		**7,387**	545
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**10**	1,306
Acquisitions of subsidiaries, net of cash acquired	*6*	**(8,021)**	(20,662)
Acquisition of property, plant and equipment		**(747)**	(143)
Net cash outflow from investing activities		**(8,758)**	(19,499)
Cash flows from financing activities			
Proceeds from new loan		**-**	10,813
Proceeds from the issue of new share capital		**9,463**	7,532
Repayment of borrowings		**(5,894)**	-
Payments to redeem share capital		**-**	(50)
Net cash inflow from financing activities		**3,569**	18,295
Net increase in cash and cash equivalents		**2,198**	(659)
Cash and cash equivalents at beginning of year		**2,905**	3,564
Cash and cash equivalents at end of year		**5,103**	2,905
Cash and cash equivalents comprise:			
Cash at bank and in hand		**12,004**	5,569
Bank overdrafts	*7*	**(6,901)**	(2,664)
Cash and cash equivalents at end of year		**5,103**	2,905

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Hedging reserve £'000	Shares to be issued £'000	Retained earnings £'000	Total £'000
At 1 April 2006	3,267	-	-	-	123	3,390
Allotment of 50p Ordinary shares	21,846	2,986	-	-	-	24,832
Redemption of Convertible A shares	(50)	-	-	-	-	(50)
Retained earnings	-	-	-	-	(103)	(103)
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	7,592	2,968	-	-	-	10,560
Retained earnings	-	-	-	-	1,136	1,136
Cash flow hedges	-	-	(195)	-	-	(195)
Credit in respect of share-based payments	-	-	-	-	2,322	2,322
Shares to be issued	-	-	-	36	-	36
At 31 March 2008	**32,655**	**5,954**	**(195)**	**536**	**3,749**	**42,699**

The accompanying notes form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 Accounting policies

Digital Marketing Group plc is a Company incorporated in the UK.

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The consolidated financial statements have been prepared under the historical cost convention.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. During the year the company has adopted IFRS 7 "Financial Instruments Disclosures".

Judgements made by the directors in the application of these accounting policies that have a significant effect on the consolidated financial statements together with estimates with a significant risk of material adjustment in the next year are discussed in note 9.

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions between Group companies are eliminated on consolidation.

On 24 October 2006 Digital Marketing Group plc merged with Seashell II Limited, and on that date the shareholders of Seashell II Limited exchanged their shares for equivalent shares in Digital Marketing Group plc. As Digital Marketing Group plc was newly incorporated at the time of the transaction under the terms of IFRS 3 'Business Combinations' this transaction was accounted for as a reverse acquisition, on the basis that the shareholders of Seashell II Limited gained a controlling interest in the Group. The financial statements therefore represent a continuation of the financial statements of Seashell II Limited. Following the merger, the activities of Seashell II Limited were discontinued by the Group, and have been presented as a discontinued activity in the previous period.

Revenue

Revenue for all business segments other than media planning and buying comprises income earned in respect of amounts billed, and is stated exclusive of VAT, sales tax and trade discounts. Revenue is recognised on long term contracts if their final outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses.

Media planning and buying

Revenue comprises gross billings to customers relating to media placements and fees for advertising services. Revenue may consist of various arrangements involving commissions, fees, incentive-based revenue or a combination of the three, as agreed upon with each client.

Revenue is recognised when the service is performed, in accordance with the terms of the contractual arrangement. Incentive-based revenue typically comprises both quantitative and qualitative elements; on the element related to quantitative targets, revenue is recognised when the quantitative targets have been achieved; on elements related to qualitative targets, revenue is recognised when the incentive is receivable.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Assets are considered to have £nil residual value. The estimated useful lives are as follows:

- Freehold buildings — 40 years
- Leasehold improvements — over period of lease
- Motor vehicles — 4 years
- Office equipment — 3 - 5 years

It has been assumed that all assets will be used until the end of their economic life.

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal or contractual rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Customer relationships — 8 to 12 years

Impairment

For goodwill that has an indefinite useful life, the recoverable amount is estimated annually. For other assets the recoverable amount is only estimated when there is an indication that an impairment may have occurred. The recoverable amount is the fair value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Inventories

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity on a FIFO basis. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Share-based payment transactions

The fair value at the date of grant of share based remuneration is calculated using a trinomial pricing model and charged to the Income Statement on a straight line basis over the vesting period of the award. The charge to the Income Statement takes account of the estimated number of shares that will vest. All share based remuneration is equity settled.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Expenses

Operating lease payments

Operating leases are leases in which substantially not all the risks and rewards of ownership related to the asset are transferred to the Group.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense.

Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable are recognised in the consolidated income statement as they accrue using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future;

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Trade and other receivables

Trade and other receivables are initially recorded at fair value and thereafter are measured at amortised cost using the effective interest rate method. A provision for impairment is made where there is objective evidence (including customers with financial difficulties or in default on payments) that amounts will not be recovered in accordance with the original terms of the agreement. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flow discounted using the original effective interest rate. The carrying value of the receivable is reduced through the use of an allowance account and any impairment loss is recognised in the income statement.

Financial derivatives

The Group uses derivative financial instruments to hedge its exposure to risks arising from operational, financing and investment activities. Derivative financial instruments are recognised at fair value. The only hedge at 31 March 2008 was an interest rate swap in respect of certain bank borrowings. In accordance with treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement. To the extent that the hedge is effective the gain or loss on re-measurement to fair value is reflected in equity within the hedging reserve. At the time the hedged item affects the profit or loss, any gain previously recognised in equity is released to the income statement. However, if a non-financial asset or liability is recognised as a result of the hedge transaction, the gains and losses previously recognised in equity are included in the initial measurement of the hedged item. If the hedging becomes ineffective, any related gain or loss recognised in equity is immediately transferred to the income statement. Any ineffectiveness in the hedge relationship is charged immediately to the income statement.

Financial liabilities

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Trade and other payables

Trade payables are carried at amounts expected to be paid to counterparties.

Segmental reporting

The Group's primary reporting format is business segments and its secondary format is geographical segments.

The primary reporting segments have changed since the previous year to reflect the key reporting lines of the Group and following the online marketing acquisitions of Graphico New Media Limited and Hyperlaunch New Media Limited. The previous year's segmental reporting has been restated in these financial statements.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Future changes in accounting policies – standards issued but not yet effective

A revised IAS 1 "Presentation of Financial Statements" was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2008. The revision is aimed at improving users' ability to analyse and compare the information given in the financial statements, and will mean a significant change to the format of the primary statements.

A revised IAS 23 "Borrowing Costs" was issued in March 2007 and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Group expects that this interpretation will have no effect on the financial position or performance of the Group.

Amendment to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation" becomes effective 1 January 2009. This will not impact the Group's financial statements.

A revision to IAS 27 "Consolidated and Separate Financial Statements" was issued in 2008 and becomes effective 1 July 2009. It deals with partial disposal of subsidiaries and will not impact the Group's financial statements.

An amendment to IFRS 2 "Share-Based Payment" becomes effective for accounting periods beginning on or after 1 July 2009. It aims to bring definition to the term 'vesting conditions' and 'cancellations', and is not expected to impact the Group's financial statements.

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements - Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate" become effective 1 January 2009. This will not impact the Group's financial statements.

The January 2008 revision to IFRS 3 "Business Combination" will come into effect from 1 July 2009. Costs of issuing debt or equity instruments are accounted for under IAS 39. All other costs associated with an acquisition must be expensed including reimbursements to the acquirer for the bearing some of the acquisition costs. Examples of costs to be expensed include finder's fees; advisory, legal, accounting, valuations, and other professional or consulting fees; and general administrative costs, including the costs of maintaining an internal acquisitions department.

IFRS 8 "Operating Segments" becomes effective 1 January 2009. This IFRS requires entities to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages. This may result in additional disclosure for the Group but not materially impact the results of the Group.

IFRIC Interpretation 12 was issued in February 2007 and deals with Service Concession arrangement. The Group expects this interpretation will have no effect on the financial position or performance of the Group.

IFRIC Interpretation 13 was issued in June 2007 and deals with Customer Loyalty. The interpretation will have no effect on the financial performance of the Group.

IFRIC Interpretation 14 was issued in July 2007 and becomes effective 1 January 2008 and deals with defined benefit assets and related minimum funding requirements. This will have no effect on the financial position of the Group.

2 Segmental reporting

The Group's primary reporting format is business segments and its secondary format is geographical segments.

The primary reporting segments have changed since the previous year to reflect the key reporting lines of the Group and following the online marketing acquisitions of Graphico New Media Limited and Hyperlaunch New Media Limited. In the previous year the segments were based on the four companies acquired in the period.

The new reporting segments are as follows:

1. 'Online Marketing and Media' (Graphico New Media Limited, Hyperlaunch New Media Limited, Inbox Digital (part of HSM Limited), Cheeze Limited)

2. ‘Direct Marketing’ (HSM Telemarketing (part of HSM Limited), Scope Creative Marketing Limited (trading as Dig For Fire))

3. ‘Data Services and Consultancy’ (Alphanumeric Limited, trading as Jaywing)

The previous year’s segmental reporting has been restated in these financial statements.

Continuing operations			**Year ended 31 March 2008**		
	Online marketing & media £'000	Direct marketing £'000	Data services £'000	Unallocated £'000	Group Total £'000
Revenue	**22,236**	**14,758**	**15,855**	**(1,878)**	**50,971**
Direct costs	**(12,209)**	**(3,713)**	**(3,848)**	**1,878**	**(17,892)**
Gross profit	**10,027**	**11,045**	**12,007**	**-**	**33,079**
Other operating income	**212**	**-**	**-**	**-**	**212**
Operating expenses excluding depreciation, amortisation and charges for share options	**(7,512)**	**(8,676)**	**(8,543)**	**(1,129)**	**(25,860)**
Operating profit before depreciation, amortisation and charges for share options	**2,727**	**2,369**	**3,464**	**(1,129)**	**7,431**
Depreciation	**(229)**	**(209)**	**(146)**	**(2)**	**(586)**
Operating profit before amortisation and charges for share options	**2,498**	**2,160**	**3,318**	**(1,131)**	**6,845**
Amortisation	**(534)**	**(334)**	**(539)**	**-**	**(1,407)**
Charges for share options	**(94)**	**(412)**	**(671)**	**(1,581)**	**(2,758)**
Operating profit	**1,870**	**1,414**	**2,108**	**(2,712)**	**2,680**
Exceptional expenses					**-**
Operating profit total					**2,680**
Finance income					**252**
Finance costs					**(783)**
Profit before tax					**2,149**
Taxation					**(1,013)**
Profit for year from continuing operations					**1,136**

Continuing operations

	Year ended 31 March 2007				
	Online marketing & media £'000	Direct marketing £'000	Data services £'000	Unallocated £'000	Group Total £'000
Revenue	4,482	6,036	2,539	-	13,057
Direct costs	(2,771)	(1,022)	(875)	-	(4,668)
Gross profit	1,711	5,014	1,664	-	8,389
Other operating income	16	-	-	-	16
Operating expenses excluding depreciation, amortisation and charges for share options	(1,064)	(3,721)	(1,013)	(333)	(6,131)
Operating profit before depreciation, amortisation and charges for share options	663	1,293	651	(333)	2,274
Depreciation	(67)	(79)	(20)	-	(166)
Operating profit before amortisation and charges for share options	596	1,214	631	(333)	2,108
Amortisation	(64)	(166)	(91)	-	(321)
Charges for share options	(3)	(68)	(5)	(195)	(271)
Operating profit	529	980	535	(528)	1,516
Exceptional expenses					(336)
Operating profit total					1,180
Finance income					99
Finance costs					(205)
Profit before tax					1,074
Taxation					(537)
Profit for year from continuing operations					537

Discontinued operations

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Administrative expenses	**-**	(418)
Finance income	**-**	65
Finance costs	**-**	(287)
Loss for the period on discontinued operations	**-**	(640)

Continuing operations **31 March 2008**

	Online marketing & media £'000	Direct marketing £'000	Data services £'000	Unallocated £'000	Group Total £'000
Assets	**10,548**	**2,388**	**8,269**	**56,159**	**77,364**
Liabilities	**(11,006)**	**(5,652)**	**(6,272)**	**(11,735)**	**(34,665)**
Capital employed	**(458)**	**(3,264)**	**1,997**	**44,424**	**42,699**

Continuing operations 31 March 2007

	Online marketing & media £'000	Direct marketing £'000	Data services £'000	Unallocated £'000	Group Total £'000
Assets	16,209	16,712	17,235	3,343	53,499
Liabilities	(3,004)	(2,465)	(2,247)	(16,943)	(24,659)
Capital employed	13,205	14,247	14,988	(13,600)	28,840

Unallocated assets and liabilities predominantly consist of intangible assets, cash, external borrowings and deferred tax liabilities on intangible assets which have not been allocated to the business segments.

Capital additions; Property, plant and equipment	Online marketing & media £'000	Direct marketing £'000	Data services £'000	Unallocated £'000	Group Total £'000
Year ended 31 March 2008	**282**	**376**	**87**	**2**	**747**
Year ended 31 March 2007	41	91	11	-	143

Geographical segments

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

3 Taxation

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Recognised in the consolidated income statement:		
Current year tax	**1,670**	707
Origination and reversal of temporary timing differences	**(657)**	(170)
Total tax charge	**1,013**	537
Reconciliation of total tax charge:		
Profit before tax	**2,149**	1,074
Taxation using the UK Corporation Tax rate of 30% (2007 30%)	**645**	322
Effects of:		
Non-deductible expenses	**434**	330
Share based payment charges	**580**	-
Timing differences	**54**	22
Unused tax losses carried forward	**-**	76
Utilisation of tax losses	**-**	(40)
Other	**-**	(3)
Prior year adjustment	**(43)**	-
Total tax charge	**1,670**	707

4 Earnings per share

From continuing and discontinued operations	**Year ended 31 March 2008 pence per share**	Year ended 31 March 2007 pence per share
Basic	**1.79p**	(0.55)p
Diluted	**1.44p**	(0.51)p

Earnings per share have been calculated by dividing the profit attributable to shareholders by the weighted average of ordinary shares in issue during the year. The calculations of basic and diluted earnings per share are:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Profit for the year from continuing operations	**1,136**	537
Loss for the year on discontinued operations	**-**	(640)
Profit/(loss) for the year attributable to shareholders	**1,136**	(103)

Weighted average number of ordinary shares in issue:	**Number '000**	Number '000
Basic	**63,653**	18,686
Adjustment for share options, warrants and contingent shares	**15,222**	1,788
Diluted	**78,875**	20,474

	pence per share	pence per share
Continuing operations:		
Basic	**1.79p**	2.87p
Diluted	**1.44p**	2.62p
Discontinued operations:		
Basic	**-**	(3.43)p
Diluted	**-**	(3.13)p

Adjusted earnings per share

From continuing operations	**Year ended 31 March 2008 pence per share**	Year ended 31 March 2007 pence per share
Basic adjusted earnings per share	**7.30p**	5.13p
Diluted adjusted earnings per share	**5.89p**	4.68p

Adjusted earnings per share have been calculated by dividing the profit attributable to shareholders before amortisation and charges for share options by the weighted average of ordinary shares in issue during the year. The numbers used in calculating the basic and diluted adjusted earnings per share are reconciled below:

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Profit before tax	**2,149**	1,074
Amortisation	**1,407**	321
Charges for share options	**2,758**	271
Adjusted profit before tax before amortisation and charges for share options	**6,314**	1,666
Current year tax charge	**(1,670)**	(707)
Adjusted profit attributable to shareholders before amortisation and charges for share options	**4,644**	959

5 Exceptional items

	Year ended 31 March 2008 £'000	Year ended 31 March 2007 £'000
Costs incurred in listing the Company's shares on the Alternative Investment Market	-	336

6 Acquisition of subsidiaries

During the year the company made two acquisitions of subsidiary companies. The net assets acquired, consideration paid, and goodwill arising on acquisition of these subsidiary undertakings are detailed in the following notes. Descriptions of the acquired businesses are laid out in the Strategic Review.

A summary of these amounts is shown below.

Summary of the two acquisitions:

	Acquirees' book value £'000	Fair value adjustments £'000	*Notes*	Acquisition amounts £'000
Acquirees' net assets at the acquisition date:				
Other intangible assets	-	4,516	*1*	4,516
Property, plant & equipment	1,351	-		1,351
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)	(1,454)	*2*	(1,465)
Net identifiable assets and liabilities	1,349	3,062		4,411
Goodwill on acquisition				8,024
				12,435
Cash consideration paid (including legal and professional fees of £517,000)				6,773
Contingent consideration payable in cash				3,209
Contingent consideration payable in shares				1,391
Issue of 853,770 ordinary shares				1,062
				12,435
Summary of net cash outflow from acquisitions:				
Cash paid				6,773
Cash acquired				(196)
Bank overdraft and loans acquired				1,244
Net cash outflow for Graphico New Media Limited and Hyperlaunch New Media Limited				7,821
Further acquisition costs for Cheeze Limited				200
Net cash outflow from acquisitions in the year				8,021

Notes:
1 Valuation of customer relationships.
2 Deferred tax effect of valuation of customer relationships and differences between cost and fair value of property, plant and equipment.

The fair value of the shares issued as consideration is the market value at the date of acquisition.
All fair values are provisional and will be reviewed within 12 months from the date of acquisition. There have been no adjustments to provisional fair values used in the prior year.

Goodwill consists of the value of the combined entity over the fair value of the assets acquired.

The results for the Group had the acquisitions during the year been at the beginning of the year can be analysed as follows:

	Online marketing & media	Direct marketing services	Data services & consultancy	Unallocated and Adjustments	Group Total
	£'000	£'000	£'000	£'000	£'000
Revenue	24,399	14,758	15,855	(1,878)	**53,134**
Direct costs	(12,444)	(3,713)	(3,848)	1,878	**(18,127)**
Gross profit	11,955	11,045	12,007	-	**35,007**
Other operating income	212	-	-	-	**212**
Operating expenses excluding depreciation, amortisation and charges for share options	(9,022)	(8,676)	(8,543)	(1,129)	**(27,370)**
Operating profit before depreciation, amortisation and charges for share options	3,145	2,369	3,464	(1,129)	**7,849**
Depreciation	(257)	(209)	(146)	(2)	**(614)**
Operating profit before amortisation and charges for share options	2,888	2,160	3,318	(1,131)	**7,235**
Amortisation	(534)	(334)	(539)	-	**(1,407)**
Charges for share options	(94)	(412)	(671)	(1,581)	**(2,758)**
Operating profit	2,260	1,414	2,108	(2,712)	**3,070**
Finance income	111	31	4	109	**255**
Finance costs	(73)	(7)	-	(724)	**(804)**
Profit before tax	2,298	1,438	2,112	(3,327)	**2,521**

Notes
This information is based on the management accounts for Graphico New Media Limited and Hyperlaunch New Media Limited.

Graphico New Media Limited

On 29 June 2007 the Group acquired all of the ordinary shares in Graphico New Media Limited for £9,107,000, satisfied in cash and shares. In the period since acquisition, the subsidiary contributed £498,000 to the consolidated profit attributable to shareholders for the year ended 31 March 2008.

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

	Acquirees' book value £'000	Fair value adjustments £'000	Acquisition amounts £'000
Acquirees' net assets at the acquisition date:			
Other intangible assets	-	3,357	3,357
Property, plant & equipment	1,310	-	1,310
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)	(1,130)	(1,138)
Net identifiable assets and liabilities	863	2,227	3,090
Goodwill on acquisition			6,017
			9,107

Cash consideration paid (including legal and professional fees of £273,000)	4,507
Contingent consideration payable in cash	3,209
Contingent consideration payable in shares	1,391
	9,107
Summary of net cash outflow from acquisitions:	
Cash paid	4,507
Cash acquired	(1)
Bank overdraft and loans acquired	1,244
Net cash outflow	5,750

Hyperlaunch New Media Limited

On 29 June 2007 the Group acquired all of the ordinary shares in Hyperlaunch New Media Limited for £3,328,000, satisfied in cash and shares. In the period since acquisition, the subsidiary contributed £186,000 to the consolidated profit attributable to shareholders for the year ended 31 March 2008.

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

	Acquirees' book value £'000	Fair value adjustments £'000	Acquisition amounts £'000
Acquirees' net assets at the acquisition date:			
Other intangible assets	-	1,159	1,159
Property, plant & 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)	(324)	(327)
Net identifiable assets and liabilities	486	835	1,321
Goodwill on acquisition			2,007
			3,328

Cash consideration paid (including legal and professional fees of £256,000)	2,266
Issue of 853,770 ordinary shares valued at £1.244 per share	1,062
	3,328
Summary of net cash outflow from acquisitions:	
Cash paid	2,266
Cash acquired	(195)
Net cash outflow	2,071

7 Bank overdraft, loans and borrowings

	31 March 2008	31 March 2007
	£'000	£'000
Summary		
Bank overdraft	**6,901**	2,664
Borrowings	**4,919**	10,813
	11,820	13,477
Borrowings are repayable as follows:		
Within 1 year		
Bank overdraft	**6,901**	2,664
Borrowings	**1,122**	1,474
Total due within 1 year	**8,023**	4,138
In more than 1 year but not more than 2 years	**1,124**	4,917
In more than 2 years but not more than 3 years	**1,134**	1,474
In more than 3 years but not more than 4 years	**871**	1,474
In more than 4 years but not more than 5 years	**65**	1,474
Over 5 years	**603**	-
Total due in more than 1 year	**3,797**	9,339
Average interest rates at the balance sheet date were:	**%**	%
Overdraft	**7.5**	7.5
Term loan	**7.3**	8.0
Mortgage	**7.0**	-
Revolver loan	**-**	7.9

The borrowing facilities available to the Group at 31 March 2008 was £11.34 million (2007: £13.85m) and, taking into account cash balances within the Group companies, there were £11.27 million (2007: £6.20m) of available borrowing facilities.

A Composite Accounting System is set up with the Group's bankers, which allows debit balances on overdrafts to be offset across the Group with credit balances.

In 2007 the Group purchased an interest rate swap of 6.19% for the period 2007 to 2012 for £4,000,000 of its borrowings.

All financial liabilities are classified as financial liabilities measured at amortised cost.

8 Contingent liabilities

Acquisitions by the Group may involve an earn out agreement whereby the consideration payable includes a deferred element of cash or shares or both which is contingent on the future financial performance of the acquired entity. The maximum liability is £1,600,000 (2007: £1,000,000) and the directors have provided £1,600,000 (2007: £500,000), leaving £nil (2007: £500,000) as an unprovided liability.

The maximum liability is payable as follows:

	31 March 2008	31 March 2007
	£'000	£'000
In one year or less	**1,600**	-
In more than one year but less than five years	**-**	1,000
	1,600	1,000

The amounts provided have not been discounted.

9 Accounting estimates and judgements

Impairment of goodwill

The carrying amount of goodwill is £39,449,000 (2007: £30,734,000). The directors are confident that the carrying amount of goodwill is fairly stated, and have carried out an impairment review.

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.

Share-based payment

The share based payment charge consists of two charges.

A charge for the fair value at the date of grant of the share base remuneration calculated using a trinomial pricing model. In considering an appropriate charge, the directors commissioned an independent valuation from American Appraisal UK Limited and have fully adopted their findings and accordingly a charge of £2,357,000 has been made in the year (2007: £271,000).

During the year the Group has transferred the liability to settle the Employer's NI from the share option holder to the Group. As a result the Group has charged £402,000 in the year as an additional Share Based Payment charge. The future Employer's NI liability has been discounted over the three year period using a discount rate of 10%.

Fair values on acquisition

The Directors have assessed the fair value of assets and liabilities on the acquisition of the subsidiary companies.

Deferred consideration

The Directors have provided an estimate of the amount payable in respect of deferred contingent consideration. See note 8.

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.

10 Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory information as defined in section 240 of the Companies Act 1985.

The summarised balance sheet at 31 March 2008 and the summarised income statement, summarised cash flow statement and associated notes for the year then ended have been extracted from the Group's 2008 statutory financial statements upon which the auditor's opinion is unmodified and does not include any statement under section 237 of the Companies Act 1985.

Those financial statements have not yet been delivered to the registrar of companies.