

Date: 24 November 2008
 On behalf of: Digital Marketing Group plc (“DMG”, “the Company” or “the Group”)
 Embargoed: 0700hrs

Digital Marketing Group plc Interim Results 2008/9

Digital Marketing Group plc (AIM: DIGI), the digital direct marketing specialists, today announced its interim results for the six months ended 30 September 2008.

Performance Highlights

- Gross profits up 27% to £18.72m (2007: £14.77m). Organic gross profit growth 12%
- EBITDA before charges for share options up 26% to £3.85m (2007: £3.06m). Organic EBITDA before charges for share options growth 10%
- PBT before charges for share options and amortisation up 35% to £3.37m (2007: £2.49m). Organic PBT before charges for share options and amortisation growth 17%
- Net debt reduced by 58% to £1.82m from £4.33m
- All earnout liabilities relating to prior year acquisitions have been settled
- £9.27m of undrawn borrowing facilities taking into account credit cash balances as at 30 September 2008 (2007: £6.74m)
- Adjusted basic EPS (profit before tax, amortisation and charges for share options less current tax charge) up 17% to 3.75p (2007: 3.20p)

Commenting on the results, Stephen Davidson, Chairman of Digital Marketing Group plc, said: “In the worst economic conditions for decades this is a truly excellent set of results. The combination of a single minded focus on digital direct marketing and our strong and experienced management team continues to deliver for our shareholders. The financial health of the company is also very strong with net debt of £1.82m (2007: £4.33m). The Group has settled all its earnout liabilities and gearing decreased to 4% at 30 September 2008 (2007: 11%). As at 30 September the Group had £9.27m of undrawn borrowing facilities taking into account credit cash balances (2007: £6.74m). With good revenue visibility we are approaching the second half of the year in a spirit of cautious optimism.”

Ben Langdon, Chief Executive, added: “Digital Marketing Group is now the third largest digital marketing agency in the UK. This alone is a significant achievement. Our strong financial performance is an endorsement of our strategic decision to focus on digital and data and evidence of the continuing shift in spend away from traditional media. We will continue to benefit from this trend through recession as clients recognise the value in measurable media that delivers ROI. Finally, our success at leveraging our strong client base is evidence of the effective integration that has taken place over the last two years at DMG. We are well placed financially to benefit from any consolidation that may take place in this industry.”

Enquiries:

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| ▪ Digital Marketing Group plc | ▪ www.digitalmarketinggroup.co.uk |
| ▪ Ben Langdon, Chief Executive | ▪ via Redleaf Communications |
| ▪ Redleaf Communications | ▪ DMG@Redleafpr.com |
| ▪ Emma Kane/Paul Dulieu/Kathryn Hurford | ▪ Tel: 0207 566 6700 |
| ▪ Cenkos Securities | |
| ▪ Ivonne Cantu/Julian Morse | ▪ Tel: 0207 397 8900 |

Notes to Editors:

- Digital Marketing Group (AIM: DIGI) listed on AIM in October 2006, employs over 650 people and has a market capitalisation of circa £50m.
- Digital Marketing Group is a digital communications group that uses the principles of direct marketing to inform everything that it does. Its philosophy is that “Good digital marketing is good direct marketing”.
- Digital Marketing Group is the 3rd biggest digital marketing agency in the UK (NMA Magazine Sep 2008)
- 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.
- 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;
- "buy and build" - through the acquisition of a number of well run and profitable businesses with complementary skills in digital direct marketing; and
- the creation of new revenue streams from within the existing talents and resources of the group.

Digital Marketing Group operates three business segments:

1. Online Marketing and Media

- The online marketing and media segment is the company's largest segment and employs over 200 staff in offices across the UK.
- The segment offers clients an integrated package of online marketing and media services including PPC, SEO, Web design and build, E-commerce, Online PR, Social Media, Online Brand Consultancy, CRM, E-CRM, Viral Marketing, Online advertising, Online media planning and buying, and Mobile marketing. These services are integrated with the other services in the group through Digital Brain.

2. Data Services

- Data services and consulting are provided by Jaywing, employing over 100 consultants in online and offline data and information services, delivered and integrated with other services in the group via Digital Brain.

3. Direct Marketing

- The direct marketing segment develops and executes direct marketing campaigns through voice channels as well as offline and online media. These campaigns are based on highly targeted customer information and dynamic data management and are integrated through the use of Digital Brain. The direct marketing segment employs over 300 people.

Publication quality photographs are available via Redleaf Communications.

INTERIM RESULTS

The Group reported revenues of £26.48m which is up 20% year on year (2007: £22.14m).

Gross profit, which represents revenue less direct costs of sales, is an important measure in our industry and I am also pleased to report a gross profit of £18.72m which is up 27% year on year (2007: £14.77m). Like for like gross profit growth is 12%.

EBITDA before charges for share options of £3.85m is up 26% year on year (2007: £3.06m) and on a like for like basis growth is 10%.

Profit before tax, amortisation and charges for share options of £3.37m is up 35% year on year (2007: £2.49m). On a like for like basis, excluding the impact of acquisitions in 2007, profit before tax, amortisation and charges for share options growth is 17%. Reported profit before tax of £1.00m is up 19% year on year (2007: £0.84m).

The adjusted EPS (profit before tax, amortisation and charges for share options less current tax charge) is up 17% to 3.75p (2007: 3.20p).

ACQUISITIONS AND FINANCING

The Group's financial position remains strong with net debt of £1.82m (2007: £4.33m). The net debt figure reflects £2.65m spent on earn out payments during the last six months in relation to the previous acquisitions of Cheeze Limited and Graphico Limited. As at 30 September 2008, the Group had settled all its earn out liabilities.

Gearing (net debt as % of total equity) decreased to 4% at 30 September 2008 (2007: 11%). As at 30 September the Group had £9.27m of undrawn borrowing facilities taking into account credit cash balances (2007: £6.74m).

In October 2008 the Group secured £4m of additional banking facilities through a £2m increase in the existing revolving credit facility and an additional £2m term loan repayable over three years.

In October 2008 the Group completed the acquisitions of Cybercom Group UK Limited, Gasbox Limited and Prodant Limited. Total upfront cash payments relating to these acquisitions were £7.2m, with further deferred consideration of up to £12.6m, payable in cash or shares, subject to the acquisitions achieving certain performance criteria for the periods to 31 March 2009 and 31 March 2010.

Following the refinancing and acquisitions in October, the net debt position was £9.4m and the Group's financial position remains strong with a committed headroom of over £5m.

NEW BUSINESS

In the six months to September 2008, the Group has won new business from Investors In People, Gatecrasher, Regus Group, Mothercare, Thomas Cook Financial Services, St Andrews Healthcare, and Danone.

The Group continues to benefit from cross referrals between Group companies which have generated over 13% of the six months' gross profit compared to 7% for the previous twelve months.

In September 2008 the Group was ranked the 3rd largest digital marketing agency in the UK by NMA Magazine.

FINANCIAL REVIEW

The following information shows an analysis of the results for the six months to September 2008 and reported results for the six months to September 2007. This information is based on the unaudited management accounts of the individual entities prepared under UK GAAP.

At the end of June 2007 Graphico and Hyperlaunch joined the Group and our prior year reported results therefore represent post acquisition figures and comprise three months for both these businesses and six months for the other five.

For illustrative purposes only, additional pro forma information has been provided to include the full six months trading for all the Group's businesses for the six month period to September 2007. These pro forma figures have been adjusted for items which, in the judgement of the directors, are considered to be non-recurring, for example, excess management remuneration.

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

	6mths Sep 08	6mths Sep 07	HY/HY Growth	6mths Sep 07 Pro forma	HY/HY Pro forma Growth
	£million	£million	%	£million	%
Revenue	26.48	22.14	20%	24.30	9%
Direct costs	(7.76)	(7.37)	5%	(7.60)	2%
Gross profit	18.72	14.77	27%	16.70	12%
Operating expenses, excluding central costs, interest, depreciation, amortisation and charges for share options	(14.12)	(11.33)	25%	(12.83)	10%
EBITDA before central costs and charges for share options	4.60	3.44	34%	3.87	19%
Central costs	(0.75)	(0.38)	97%	(0.38)	97%
EBITDA before charges for share options	3.85	3.06	26%	3.49	10%
Depreciation	(0.31)	(0.25)	24%	(0.28)	11%
EBITA before charges for share options	3.54	2.81	26%	3.21	10%
Net interest expense	(0.17)	(0.32)	(47%)	(0.32)	(47%)
Profit before tax, amortisation and charges for share options	3.37	2.49	35%	2.89	17%

As noted above, the pro forma September 2007 column is shown for illustrative purposes only. These figures have been adjusted for items which, in the judgement of the directors, are considered to be non-recurring, for example, excess management remuneration.

Segmental financial performance 2008/09

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)

	6 mths Sep 2008		6 mths Sep 2007		HY/HY Growth	
	Gross Profit	EBITDA*	Gross Profit	EBITDA*	Gross Profit	EBITDA*
	£million	£million	£million	£million	%	%
Online Marketing & Media	6.88	1.86	4.02	1.14	71%	63%
Direct Marketing	5.35	0.97	5.52	1.19	(3%)	(18%)
Data Services & Consultancy	6.49	1.77	5.23	1.11	24%	59%
	18.72	4.60	14.77	3.44	27%	34%
Central costs	-	(0.75)	-	(0.38)	-	97%
Total	18.72	3.85	14.77	3.06	27%	26%

* EBITDA before charges for share options

On a pro forma basis, the equivalent growth by segment would have been:

	6 mths Sep 2008		6 mths Pro forma Sep 2007		HY/HY Pro forma Growth	
	Gross Profit	EBITDA*	Gross Profit	EBITDA*	Gross Profit	EBITDA*
	£million	£million	£million	£million	%	%
Online Marketing & Media	6.88	1.86	5.95	1.56	16%	19%
Direct Marketing	5.35	0.97	5.52	1.19	(3%)	(18%)
Data Services & Consultancy	6.49	1.77	5.23	1.11	24%	59%
	18.72	4.60	16.70	3.86	12%	19%
Central costs	-	(0.75)	-	(0.38)	-	97%
Total	18.72	3.85	16.70	3.48	12%	10%

* EBITDA before charges for share options

The online marketing and media segment includes Graphico and Hyperlaunch which joined the Group in June 2007. On the pro forma basis, as explained above, the online marketing and media segment gross profit grew year on year by 16% and EBITDA (before charges for share options) grew by 19%.

The direct marketing segment has performed poorly due entirely to the underperformance of HSM. However, actions taken by management have resulted in a number of new client wins which will generate additional annualised gross profits of over £0.5m in 2009/10.

By comparison Dig for Fire continues to perform extremely well within the direct marketing segment and delivered 15% growth in gross profits and 19% growth in EBITDA (before charges for share options).

As shown above the data services and consulting segment continues to perform well. This is in part a function of investment in the first half of 2007/08 which adversely affected profit in a successful effort to increase sales. As a consequence the EBITDA year on year growth is significantly higher in the first six months of the year than it is anticipated to be on a full year basis.

OUTLOOK

The outlook for online advertising remains positive despite the current economic environment. Many of our clients have increased their spend through digital channels whilst reducing their overall media and marketing spends. Digital media channels deliver better ROI relative to traditional media and this is becoming increasingly attractive for clients in an economic downturn. Indeed it appears that digital channels appear to be thriving as a direct result of recession:

- The credit crunch has in part fuelled an increase in the popularity of certain websites as a growing number of people search online for information.
- A study by comScore (November 10 2008) revealed that eight million people in the UK accessed financial news and research sites in September, an increase of 10% relative to August.
- A recent poll by online search engine Twenga found that nearly 50% of all Britons are planning to use the internet in order to economise on their Christmas spending.

The market context for digital media still remains encouraging:

- Online advertising spend in H1 2008 reached £1,682.5m
- Spending on internet advertising grew by 21% on a like for like basis when compared to H1 2007
- Online's share of total advertising spend has grown to 18.7% from 14.7% in H1 2007

Source: IAB/PwC Online Ad Spend Study H1 2008

- Future industry forecasts also remain very positive. Latest findings (October 29 2008) from market research firm 'Research and Marketing' predict that internet advertising spend is set to rise by more than 30% in the next year

In the current environment, we remain cautious in our approach to managing our business. Three of our companies have been affected by Kaupthing Singer & Friedlander going into administration both through the loss of expected gross profit in 2008 and pre administration bad debts. However, we forecast conservatively and we remain very confident in our business and the digital media market place. We are now the UK's third largest digital agency (NMA Magazine) and this enables us to pitch for and win significant new accounts.

The outlook for the second half of the year and the full year forecast remain in line with market expectations reflecting both our strong position in the sector and the integrity and conservative approach of our budgeting process.

Ben Langdon
Chief Executive
24 November 2008

INDEPENDENT REVIEW REPORT TO DIGITAL MARKETING GROUP PLC

Introduction

We have been engaged by the company to review the interim financial information in the interim report for the six months ended 30 September 2008 which comprises the consolidated interim income statement, consolidated interim balance sheet, consolidated interim cash flow statement and consolidated interim statement of changes in equity and the related notes 1 to 9. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial information.

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

Directors' responsibilities

The interim report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts. The annual financial statements of the group are prepared in accordance with the basis of preparation set out in Note 1.

Our responsibility

Our responsibility is to express to the company a conclusion on the interim financial information in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
SHEFFIELD
24 November 2008

Consolidated Interim Income Statement

	<i>Not e</i>	Unaudite d Six months ended 30 Sept 2008 £'000	Unaudited Six months ended 30 Sept 2007 £'000	Audited Year ended 31 March 2008 £'000
Continuing operations				
Revenue	2	26,475	22,138	50,971
Direct costs		(7,755)	(7,370)	(17,892)
Gross profit		18,720	14,768	33,079
Other operating income		137	16	212
Amortisation		(758)	(648)	(1,407)
Operating expenses		(16,927)	(12,982)	(29,204)
Operating profit		1,172	1,154	2,680
Finance income		145	64	252
Finance costs		(319)	(380)	(783)
Net financing costs		(174)	(316)	(531)
Profit before tax		998	838	2,149
Taxation	3	(667)	(301)	(1,013)
Profit for the period attributable to shareholders		331	537	1,136
Earnings per share				
From continuing operations				
- basic		0.50p	0.95p	1.79p
- diluted		0.40p	0.78p	1.44p

Consolidated Interim Balance Sheet

	<i>Note</i>	Unaudited 30 Sept 2008 £'000	Unaudited 30 Sept 2007 £'000	Audited 31 March 2008 £'000
Non-current assets				
Property, plant and equipment		2,096	2,128	2,215
Goodwill		39,249	38,712	39,449
Other intangible assets		12,639	14,083	13,324
		53,984	54,923	54,988
Current assets				
Inventories		842	562	790
Trade and other receivables		8,422	8,539	9,582
Cash and cash equivalents		11,499	5,765	12,004
		20,763	14,866	22,376
Total assets		74,747	69,789	77,364
Current liabilities				
Bank overdraft	5	8,976	4,603	6,901
Other interest-bearing loans and borrowings	5	1,886	1,130	1,122
Financial derivatives	6	155	-	195
Trade and other payables		9,696	13,377	17,168
Tax payable		1,927	1,021	1,242
Provisions		168	-	133
		22,808	20,131	26,761
Non-current liabilities				
Other interest-bearing loans and borrowings	5	2,458	4,362	3,797
Provisions		64	450	225
Deferred tax liabilities		3,668	3,938	3,882
		6,190	8,750	7,904
Total liabilities		28,998	28,881	34,665
Net assets		45,749	40,908	42,699
Equity attributable to shareholders				
Share capital		33,814	32,206	32,655
Share premium account		6,621	5,306	5,954
Hedging reserve		(155)	-	(195)
Shares to be issued		-	1,562	536
Retained earnings		5,469	1,834	3,749
Total equity		45,749	40,908	42,699

Consolidated Interim Cash Flow Statement

	<i>Not e</i>	Unaudite d Six months ended 30 Sept 2008 £'000	Unaudited Six months ended 30 Sept 2007 £'000	Audited Year ended 31 March 2008 £'000
Cash flow from operating activities				
Profit for the period		331	537	1,136
Adjustments for:				
Depreciation, amortisation and impairment		1,067	902	1,994
Financial income		(145)	(64)	(252)
Financial expenses		319	380	783
Share-based payment expense		1,389	1,006	2,357
Taxation		667	301	1,013
Operating cash flow before changes in working capital and provisions		3,628	3,062	7,031
Decrease/(increase) in trade and other receivables		1,160	(629)	(1,672)
Increase in inventories		(52)	(106)	(334)
(Decrease)/increase in trade and other payables		(2,543)	121	4,021
Cash generated from the operation		2,193	2,448	9,046
Interest received		145	64	252
Interest paid		(319)	(380)	(717)
Tax paid		(196)	(438)	(1,194)
Net cash flow from operating activities		1,823	1,694	7,387
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		-	-	10
Acquisitions of subsidiaries, net of cash acquired		(3,565)	(6,378)	(8,021)
Acquisition of property, plant and equipment		(263)	(333)	(747)
Net cash outflow from investing activities		(3,828)	(6,711)	(8,758)
Cash flows from financing activities				
Proceeds from the issue of new share capital		-	9,463	9,463
Repayment of borrowings		(575)	(6,189)	(5,894)
Net cash (outflow)/inflow from financing activities		(575)	3,274	3,569
Net (decrease)/increase in cash and cash equivalents		(2,580)	(1,743)	2,198
Cash and cash equivalents at beginning of period		5,103	2,905	2,905
Cash and cash equivalents at end of period		2,523	1,162	5,103
Cash and cash equivalents comprise:				
Cash at bank and in hand		11,499	5,765	12,004
Bank overdrafts	5	(8,976)	(4,603)	(6,901)
Cash and cash equivalents at end of period		2,523	1,162	5,103

Consolidated Interim Statement of Changes in Equity

	Share capital £'000	Share premiu m account £'000	Hedgin g reserve £'000	Shares to be issued £'000	Retaine d earnings £'000	Total £'000
At 1 April 2007	25,063	2,986	-	500	291	28,840
Allotment of 50p Ordinary shares	7,143	2,320	-	-	-	9,463
Retained earnings	-	-	-	-	537	537
Credit in respect of share-based payments	-	-	-	-	1,006	1,006
Shares to be issued	-	-	-	1,062	-	1,062
At 30 September 2007	32,206	5,306	-	1,562	1,834	40,908
Allotment of 50p Ordinary shares	449	648	-	-	-	1,097
Retained earnings	-	-	-	-	599	599
Cash flow hedges	-	-	(195)	-	-	(195)
Credit in respect of share-based payments	-	-	-	-	1,316	1,316
Shares to be issued	-	-	-	(1,026)	-	(1,026)
At 31 March 2008	32,655	5,954	(195)	536	3,749	42,699
Allotment of 50p Ordinary shares	1,159	667	-	(536)	-	1,290
Retained earnings	-	-	-	-	331	331
Cash flow hedges	-	-	40	-	-	40
Credit in respect of share-based payments	-	-	-	-	1,389	1,389
At 30 September 2008	33,814	6,621	(155)	-	5,469	45,749

1 Basis of Preparation

The interim financial statements have been prepared in accordance with applicable accounting standards (IFRS) and under the historical cost convention. The interim financial statements do not constitute statutory financial statements in accordance with section 240 of the Companies Act 1985. The full year figures in this report are derived from the statutory accounts on which the auditors gave an unmodified report. The group's statutory financial statements prepared under International Financial Reporting standards (IFRS) have been filed with the Registrar of Companies.

The principal accounting policies of the group remained unchanged from those set out in the group's 2008 annual report and financial statements.

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

The interim financial statements were approved by the board of directors on 24 November 2008.

2 Segmental reporting

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

The 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 Holdings Limited, trading as Jaywing)

Continuing operations

Six Months ended 30 September 2008

	Online marketing & media £'000	Direct marketing services £'000	Data services & consultancy £'000	Unallocated £'000	Group Total £'000
Revenue	12,901	6,733	7,806	(965)	26,475
Direct costs	(6,022)	(1,380)	(1,318)	965	(7,755)
Gross profit	6,879	5,353	6,488	-	18,720
Other operating income	137	-	-	-	137
Operating expenses excluding depreciation, amortisation and charges for share options	(5,151)	(4,384)	(4,720)	(753)	(15,008)
Operating profit before depreciation, amortisation and charges for share options	1,865	969	1,768	(753)	3,849
Depreciation	(135)	(116)	(57)	(1)	(309)
Operating profit before amortisation and charges for share options	1,730	853	1,711	(754)	3,540
Amortisation	(322)	(167)	(269)	-	(758)
Charges for share options (see note 9)	(154)	(133)	(465)	(858)	(1,610)
Operating profit	1,254	553	977	(1,612)	1,172
Finance income					145
Finance costs					(319)
Profit before tax					998
Taxation					(667)
Profit for period from continuing operations					331

2 Segmental reporting (continued)

Continuing operations

Six Months ended 30 September 2007

	Online marketing & media £'000	Direct marketing services £'000	Data services & consultanc y £'000	Unallocated £'000	Group Total £'000
Revenue	8,799	7,286	6,978	(925)	22,138
Direct costs	<u>(4,783)</u>	<u>(1,764)</u>	<u>(1,748)</u>	<u>925</u>	<u>(7,370)</u>
Gross profit	4,016	5,522	5,230	-	14,768
Other operating income	-	-	16	-	16
Operating expenses excluding depreciation, amortisation and charges for share options	<u>(2,875)</u>	<u>(4,334)</u>	<u>(4,132)</u>	<u>(380)</u>	<u>(11,721)</u>
Operating profit before depreciation, amortisation and charges for share options	1,141	1,188	1,114	(380)	3,063
Depreciation	<u>(83)</u>	<u>(97)</u>	<u>(73)</u>	<u>(1)</u>	<u>(254)</u>
Operating profit before amortisation and charges for share options	1,058	1,091	1,041	(381)	2,809
Amortisation	(217)	(162)	(269)	-	(648)
Charges for share options	<u>(103)</u>	<u>(132)</u>	<u>(209)</u>	<u>(563)</u>	<u>(1,007)</u>
Operating profit	<u>738</u>	<u>797</u>	<u>563</u>	<u>(944)</u>	1,154
Finance income					64
Finance costs					<u>(380)</u>
Profit before tax					838
Taxation					<u>(301)</u>
Profit for period from continuing operations					<u>537</u>

3 Taxation

	Period ended 30 Sept 2008 £'000	Period ended 30 Sept 2007 £'000	Year ended 31 March 2008 £'000
Recognised in the consolidated income statement:			
Current period tax	881	691	1,670
Deferred tax credit			
Origination and reversal of temporary timing differences	(214)	(390)	(657)
Total tax charge	667	301	1,013
Reconciliation of current period tax charge:			
Profit before tax	998	838	2,149
Taxation using the UK Corporation Tax rate of 28% (2007 30%)	279	251	645
Effects of:			
Non-deductible expenses	212	138	434
Share based payment charges	390	302	580
Timing differences	-	-	54
Prior year adjustment	-	-	(43)
Total current period tax charge	881	691	1,670

4 Earnings per share

	Period ended 30 Sept 2008 pence per share	Period ended 30 Sept 2007 pence per share	Year ended 31 March 2008 pence per share
From continuing operations			
Basic	0.50p	0.95p	1.79p
Diluted	0.40p	0.78p	1.44p

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

	Period ended 30 Sept 2008 £'000	Period ended 30 Sept 2007 £'000	Year ended 31 March 2008 £'000
Profit for the period attributable to shareholders	331	537	1,136
	Number '000	Number '000	Number '000
Weighted average number of ordinary shares in issue:			
Basic	66,250	56,271	63,653
Adjustment for share options, warrants and contingent shares	15,807	12,764	15,222
Diluted	82,057	69,035	78,875

Adjusted earnings per share

	Period ended 30 Sept 2008 pence per share	Period ended 30 Sept 2007 pence per share	Year ended 31 March 2008 pence per share
From continuing operations			
Basic adjusted earnings per share	3.75p	3.20p	7.30p
Diluted adjusted earnings per share	3.03p	2.61p	5.89p

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 period. The numbers used in calculating the basic and diluted adjusted earnings per share are reconciled below:

	Period ended 30 Sept 2008 £'000	Period ended 30 Sept 2007 £'000	Year ended 31 March 2008 £'000
Profit before tax	998	838	2,149
Amortisation	758	648	1,407
Charges for share options	1,610	1,006	2,758
Adjusted profit attributable to shareholders from continuing operations	3,366	2,492	6,314
Current period tax charge	(881)	(691)	(1,670)
	2,485	1,801	4,644

5 Bank overdraft, loans and borrowings

	30 Sept 2008 £'000	30 Sept 2007 £'000	31 March 2008 £'000
Summary			
Bank overdraft	8,976	4,603	6,901
Borrowings, undiscounted cash flows	4,828	6,727	5,834
	<u>13,804</u>	<u>11,330</u>	<u>12,735</u>
Borrowings are repayable as follows:			
Within 1 year			
Bank overdraft	8,976	4,603	6,901
Borrowings	2,131	1,560	1,453
Total due within 1 year	11,107	6,163	8,354
less future interest	(245)	(430)	(331)
Total due within 1 year	<u>10,862</u>	<u>5,733</u>	<u>8,023</u>
In more than 1 year but not more than 2 years	1,252	1,448	1,373
In more than 2 years but not more than 3 years	1,166	1,358	1,299
In more than 3 years but not more than 4 years	279	1,271	952
In more than 4 years but not more than 5 years	-	383	112
Over 5 years	-	707	645
Total due in more than 1 year	2,697	5,167	4,381
less future interest	(239)	(805)	(584)
Total due in more than 1 year	<u>2,458</u>	<u>4,362</u>	<u>3,797</u>
Average interest rates at the balance sheet date were:	%	%	%
Overdraft	7.25	7.75	7.50
Term loan	7.70	8.60	7.30
Mortgage	7.00	7.00	7.00

The borrowing facilities available to the Group at 30 September 2008 was £11.14 million (2007 £11.07m) and, taking into account cash balances within the Group companies, there were £9.27 million (2007 £6.74m) of available borrowing facilities.

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

6 Financial derivatives

	30 Sept 2008 £'000	30 Sept 2007 £'000	31 March 2008 £'000
Interest rate cap	155	-	195

In 2007 the Group purchased an interest rate cap of 6.19% for the period 2007 to 2012 for £4,000,000 of its borrowings. This cap is designated a hedge of the interest expense relating to the Group loans. The contract was marked to market at 30 September 2008 and there was a net liability of £155,000.

7 Contingent liabilities

Acquisitions made by the Group involved earn out agreements whereby the consideration payable included a deferred element of cash or shares or both which was contingent on the future financial performance of the acquired entity. As at 30 September 2008 all earn out liabilities have been settled.

The maximum liability payable:

	30 Sept 2008 £'000	30 Sept 2007 £'000	31 March 2008 £'000
In one year or less	-	-	1,600

8 Subsequent events

On 2 October 2008 the Group secured additional banking facilities of £4,000,000 through an increase in the existing revolving credit facility and an additional £2,000,000 term loan repayable over three years.

On 2 October 2008 the Group acquired all of the ordinary shares in Cybercom Group UK Limited for £6,000,000 cash. Deferred consideration of up to £3,000,000 is payable in cash and shares subject to Cybercom achieving certain performance criteria for the periods to 31 March 2009 and 31 March 2010. The provisional fair value of the net assets acquired is £1,042,300 and based upon the directors' best estimates the goodwill is expected to be £8,409,900.

On 2 October 2008 the Group acquired all of the ordinary shares in Gasbox Limited for £1,000,000 cash. Deferred consideration of up to £9,000,000 is payable in cash, options and shares subject to Gasbox achieving certain performance criteria for the periods to 31 March 2009 and 31 March 2010. The provisional fair value of the net assets acquired is £478,800 and based upon the directors' best estimates the goodwill is expected to be £853,500.

On 7 October 2008 the Group's subsidiary Alphanumeric Limited acquired all of the ordinary shares in Prodant Limited for £165,000 cash. Deferred consideration of up to £585,000 is payable in cash subject to Prodant achieving certain performance criteria for the periods to 31 March 2009 and 31 March 2010. The provisional fair value of the net assets acquired is £54,000 and based upon the directors' best estimates the goodwill is expected to be £407,300.

9 Accounting estimates and judgements

Impairment of goodwill

The carrying amount of goodwill is £39,249,000 (2007 £38,712,000). The directors are confident that the carrying amount of goodwill is fairly stated, and have carried out an impairment review within the last 12 months.

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 and various assumptions. 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 £1,389,000 has been made in the year (2007: £1,006,000).

The Group transferred the liability to settle the Employer's NI from the share option holder to the Group. As a result the Group has charged £221,000 in the period (2007: £nil) as an additional Share Based Payment charge. The future Employer's NI liability has been estimated and discounted over the 3 year period using a discount rate of 10%.

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.