



## **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the contents of this document or about what action you should take, you should immediately seek your own financial advice from your stockbroker, solicitor, accountant or other professional adviser.

If you have sold or otherwise transferred all of your shares in Digital Marketing Group plc (the 'Company'), please send this document, together with the enclosed form of proxy, annual report and other accompanying documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected so they can pass these documents to the person who now holds the shares. If you have sold or otherwise transferred some of your shares in Digital Marketing Group plc, you should immediately consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

## **Digital Marketing Group plc**

(Registered in England and Wales with Registered No. 5935923)

### **Notice of Annual General Meeting Share Capital Reorganisation**

Your attention is drawn to the letter from the Chairman of the Company set out on pages 3 to 5 of this document recommending that you vote in favour of the Resolutions to be proposed at the Annual General Meeting, notice of which is set out at the end of this document. Cenkos Securities Plc, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for the Company in connection with the proposals described in this document. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person. No representation or warranty, express or implied, is made by Cenkos Securities Plc as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Cenkos Securities Plc will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Cenkos Securities Plc, or for advising any other person in connection with the proposals described in this document.

**Notice of an Annual General Meeting of Digital Marketing Group plc to be held at Hypnos Lounge, Adams Park Conference Centre, Wycombe Wanderers Football Club, Hillbottom Road, High Wycombe, Buckinghamshire HP12 4HJ at 11.00am on 4 September 2009 is set out at the end of this document. To be valid, the accompanying form of proxy for use at the Annual General Meeting should be completed and signed in accordance with the instructions printed thereon and returned by post or by hand to the Company's registrars, Capita Registrars, Proxy Dept, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but, in any event, so as to arrive no later than 11.00am on 2 September 2009, being 48 hours before the time appointed for the holding of the meeting. Completion and posting of the form of proxy will not prevent a Shareholder from attending and voting in person at the AGM.**

**The whole of the text of this document should be read.**



Letter from the Chairman of Digital Marketing Group plc.

# Digital Marketing Group plc

(Registered in England and Wales with registered number 5935923)

## Directors :

Stephen Davidson (Chairman)  
Ben Langdon (Chief Executive Officer)  
Keith Sadler (Group Finance Director)  
Barry Jenner (Non-executive Director)  
Andrew Wilson (Non-executive Director)  
Ian Robinson (Non-executive Director)

## Registered office:

Couching House  
Couching Street  
Watlington  
Oxfordshire  
OX49 5PX

3rd July 2009

To Shareholders of Digital Marketing Group plc

Dear Shareholders,

## Introduction

This year's Annual General Meeting is to be held at the Hypnos Lounge, Adams Park Conference Centre, Wycombe Wanderers Football Club, Hillbottom Road, High Wycombe, Buckinghamshire HP12 4HJ on 4 September 2009 at 11.00am and the notice of AGM is set out on pages 6 to 8 of this document. In addition to the routine business of the meeting, it is proposed to seek Shareholders' approval at the Annual General Meeting in respect of various other matters relating to the Company's share capital structure and its constitution. The purpose of this letter is to provide you with information on all of the proposals, to explain why your Board considers them to be in the best interests of the Company and the Shareholders as a whole, and to recommend that you vote in favour of the Resolutions to be proposed at the Annual General Meeting.

Details of all the Resolutions to be proposed at the Annual General Meeting are set out below. Resolutions 1 to 6 and 9 will be proposed as ordinary resolutions and Resolutions 7, 8, 10 and 11 will be proposed as special resolutions.

## Resolutions 1 and 2: Approval of Annual Report and Accounts and Directors' Remuneration Report

The 2009 Annual Report and Accounts are enclosed with this document. Copies will be available at the Annual General Meeting. The Remuneration Report, which is included in the Accounts, sets out the Company's policy towards directors' remuneration and other relevant information.

## Resolutions 3, 4 and 5: Election and re-election of Directors

The Company's Articles of Association require Directors to retire and submit themselves for election at the first Annual General Meeting following their appointment. Accordingly, as Keith Sadler was appointed since the date of the last Annual General Meeting of the Company, he offers himself for election. In addition, Stephen Davidson and Ben Langdon are standing for re-election as Directors of the Company. Brief biographies of the Directors standing for election are given on page 13 of the Annual Report.

## Resolutions 6: Re-appointment and remuneration of auditors

The Company is required to appoint auditors at each general meeting at which accounts are laid, to hold office until the conclusion of the next such meeting. The Company's Audit Committee has recommended the re-appointment of Grant Thornton LLP. Resolution 6 also gives authority to the Board to determine the remuneration of the auditors. The Audit Committee will approve the audit fees for recommendation to the Board.

## Resolution 7: Share Capital Reorganisation and Enlargement

The nominal value of each Existing Ordinary Share, being 50 pence, exceeds its current market price. The Act prohibits the issue of shares at a price below their nominal value and, accordingly, the Company is taking this opportunity to reorganise its share capital so that it has sufficient flexibility to raise money through the issue of shares in the future should it wish to do so.

It is therefore proposed to: (i) sub-divide and convert each of the issued and each of the unissued Existing Ordinary Shares of 50 pence into one New Ordinary Share of 5 pence and one Deferred Share of 45 pence, (ii) increase the authorised share capital of the Company by £5,000,000 by the creation of 100,000,000 further New Ordinary Shares of 5 pence each ranking equally with the other

New Ordinary Shares, and (iii) cancelling the 49,999 unissued Redeemable Preference Shares of £1.00. After implementation of the Share Capital Reorganisation, the New Ordinary Shares will effectively have the same rights (including voting and dividend rights and rights on a return of capital) as the Existing Ordinary Shares have at present. Certificates for the Existing Ordinary Shares will remain valid for the same number of New Ordinary Shares. Application will be made for the New Ordinary Shares to be admitted to trading on AIM and it is anticipated that Admission will occur on 5 September 2009.

The holders of the Deferred Shares will not have any right to receive notice of any general meeting of the Company nor any right to attend, speak or vote at any such meeting. The Deferred Shares will not entitle their holders to receive any dividend or other distribution and shall on a return of assets in a winding up of the Company entitle the holders only to the repayment of the amounts paid up on such shares after the amount paid to holders of the New Ordinary Shares exceeds £1,000,000 per New Ordinary Share. The Deferred Shares will also be incapable of transfer and no share certificates will be issued in respect of them. In due course, the Company will consider applying to the High Court to sanction cancellation of the Deferred Shares.

The Share Capital Reorganisation and the creation of the Deferred Shares require that the Company amends its Articles of Association. The amendments to the Articles of Association will provide for the rights attaching to the Deferred Shares, the details of which are described above and are set out in full in the notice of AGM at the end of this document.

## **Resolution 8: Amendments to the Articles of Association of the Company**

The Companies Act 2006 (the '2006 Act'), which represents a major reform of company law within the UK, received Royal Assent in November 2006 and is being brought into force in stages between January 2007 and October 2009. It is proposed that in addition to any changes required to cover the share reorganisation and enlargement if the above resolution 7 is passed, the Articles should be amended in any event to reflect the changes in law. The principal proposed amendments to the Articles are explained below. Changes of a minor, conforming or purely technical nature have not been specifically dealt with in these notes.

### **(i) Directors' conflicts of interest**

The 2006 Act sets out Directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a Director must avoid a situation where he has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation. The 2006 Act allows Directors of public companies to authorise conflicts and potential conflicts where appropriate, but only where the articles of association contain an express provision to this effect. The new Articles will give the Directors authority to approve any such conflicts of interest. There are safeguards that will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision and, secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. It is also proposed that the Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

### **(ii) Resolutions**

The Articles currently contain a provision that no amendment may be made to either a special or extraordinary resolution. It is proposed that this provision be amended as the concept of extraordinary resolutions has not been retained under the 2006 Act.

### **(iii) General Meetings**

The current provisions in the Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform with the 2006 Act. In particular, a general meeting to consider a special resolution can now be convened on 14 days' notice, as opposed to the regime under the 1985 Act of 21 days' notice (although an Annual General Meeting will still require 21 days notice). In addition, the chairman of a general meeting no longer has a casting vote.

### **(iv) Proxies**

Under the 2006 Act, the powers of proxies have been widened to enable a proxy to exercise any or all rights of the member on whose behalf he is present, including the ability to vote on a show of hands and to speak at meetings. It is proposed that the Articles be amended to reflect the wider rights of a proxy and in addition to explain that under the 2006 Act a member is entitled to appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different class of share held by the member.

### **(v) Directors' indemnities**

The 2006 Act has widened the scope of the powers of a company to indemnify its Directors and to fund expenditure incurred in connection with certain actions against Directors. It is proposed that the Articles be amended to take advantage of these new provisions.

## **Resolutions 9 and 10: Authority to allot shares and disapply pre-emption rights**

Under section 80 of the Act, the Directors of the Company may only allot relevant securities if authorised to do so. As a result of the Share Capital Reorganisation, it is proposed to replace the existing authority (the 'Existing Authority') granted at the Company's last Annual General Meeting to give the Company sufficient headroom going forward. The extent of the proposed revised authority has been calculated on the same basis but taking account of the nominal value of a New Ordinary Share. This authority, if approved, will terminate at the next Annual General Meeting unless and to the extent that such authority is revoked, varied, renewed or extended prior to such date. Resolution 9 is conditional on the passing of Resolution 7 (approval of the Share Capital Reorganisation) and Resolution 8 (the amendments to the Company's Articles of Association). In addition, it is proposed to disapply the statutory pre-emption rights contained in section 89(1) of the Act so that the Directors of the Company have the power to allot equity securities pursuant to a 'rights issue' and otherwise up to an aggregate nominal amount of £1,122,975 (representing approximately 33 percent of the Company's issued ordinary share capital following completion of the Share Capital Reorganisation). Resolution 10 is conditional on the passing of Resolution 9 (Directors' authority to allot relevant securities).

## **Resolution 11: Authority for the purchase of own shares**

Resolution 11 which will be proposed as a special resolution, will authorise the Company to make market purchases of up to approximately 10% of the Company's issued ordinary share capital at prices not less than the nominal value of an ordinary share and not exceeding 105% of the average of the middle market quotations for the five business days before each purchase (exclusive of expenses). The authority will expire on the earlier of 15 months from the date of passing of the resolution or the conclusion of the Annual General Meeting held to approve the Report and Accounts for the year ending 31 March 2009. Buying back the Company's ordinary shares is one of the options for effective management of the Company's capital which they keep under review. It is envisaged that purchases would only be made after considering the effect upon earnings per share and the benefits for Shareholders generally.

The Company may hold in treasury any of its own shares that it purchases pursuant to the authority conferred by this Resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base.

## **Annual General Meeting**

As explained above, the Resolutions are subject to the approval of Shareholders in general meeting. Set out at the end of this document is a notice convening an Annual General Meeting of the Company to be held at 11.00am on 4 September 2009 at the Hypnos Lounge, Adams Park Conference Centre, Wycombe Wanderers Football Club, Hillbottom Road, High Wycombe, Buckinghamshire HP12 4HJ.

## **Action to be taken**

A form of proxy for use at the AGM is enclosed. Whether or not you intend to be present at the AGM (or any adjournment thereof) you are requested to complete, sign and return the form of proxy in accordance with the instructions printed on it so as to be received by the Company's registrars, Capita Registrars, Proxy Dept, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event not later than 11.00am on 2 September 2009. The completion and return of the form of proxy will not preclude you from attending and voting at the meeting, should you so wish.

## **Recommendation**

**The Board is of the opinion that the Resolutions are in the best interests of Shareholders as a whole and, accordingly, recommends you vote in favour of the Resolutions. The Directors who are interested in issued Existing Ordinary Shares intend to vote in favour of the Resolutions (save that they will not vote in respect of Resolutions in which they are interested parties (their own election or re-election and the Director's Remuneration Report)) in respect of their own aggregate beneficial holdings of 1,845,293 Existing Ordinary Shares, representing approximately 2.74 percent of the existing issued Existing Ordinary Shares.**

**Yours faithfully,  
Stephen Davidson  
Chairman**

## DIGITAL MARKETING GROUP PLC

(the 'Company')

(Incorporated and registered in England and Wales under number 5935923)

### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2009 Annual General Meeting will be held on Friday 4 September 2009 at the Hypnos Lounge, Adams Park Conference Centre, Wycombe Wanderers Football Club, Hillbottom Road, High Wycombe, Buckinghamshire HP12 4HJ at 11.00am for the following purposes:

#### Ordinary business:

1. To receive and adopt the financial statements for the year ended 31 March 2009 together with the reports of the Directors and Auditors thereon.
2. To approve the Directors' remuneration report for the financial year ended 31 March 2009.
3. To appoint Keith Sadler who being appointed by the Board of Directors seeks appointment as a Director of the Company.
4. To re-appoint Stephen Davidson who retires as a Director of the Company.
5. To re-appoint Ben Langdon who retires as a Director of the Company.
6. To appoint Grant Thornton LLP as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company at a remuneration to be determined by the Directors.

#### Special business

To consider, and if thought fit, to pass the following resolutions of which resolution 9 will be proposed as ordinary resolution and resolutions 7, 8, 10 and 11 will be proposed as special resolutions.

#### 7. THAT:

- (a) each of the existing issued and unissued ordinary shares of 50p in the capital of the Company be sub-divided and converted into one ordinary share of 5p (having the same rights and being subject to the same restrictions as previously attached to the ordinary shares of 50p in the capital of the Company) and one deferred share of 45p (having the rights and being subject to the restrictions contained in the new Articles of Association to be adopted by the special resolution below and set out in paragraph (c) below);
- (b) the authorised share capital of the Company be increased from £50,049,999 to £55,000,000 by the creation of 100,000,000 Ordinary Shares of 5p each having attached respectively thereto the rights set out in the Articles of Association of the Company as proposed to be adopted pursuant to the special resolution below and the cancellation of 49,999 unissued Redeemable Preference Shares of £1.00 each; and
- (c) the Articles of Association of the Company be amended to reflect the converted and enlarged share capital as follows
  - (i) by deleting the existing Article 3 and replacing it with the following:

#### **3 Authorised share capital**

The authorised share capital of the Company at the date of adoption of these articles is £55,000,000 divided into 200,000,000 ordinary shares of 5p each (**Ordinary Shares**) and 100,000,000 deferred shares of 45p each (**Deferred Shares**);

(ii) replacement of Article 5 in the current Articles of Association with the new Article 5 below:

#### **5 Rights attaching to the Deferred Shares**

##### **5.1 Income**

Holders of Deferred Shares are not entitled to receive any dividend or other distribution.

##### **5.2 Capital**

On a return of capital on a winding up, each holder of a Deferred Share is entitled to receive a sum equal to the nominal capital paid up or credited as paid up thereon but only after the sum of £1,000,000 per Ordinary Share has been distributed among the holders of the Ordinary Shares and the holders of the Deferred Shares shall not be entitled to any further participation in the assets or profits of the Company.

##### **5.3 Voting and General Meetings**

The holders of the Deferred Shares have no right to receive notice of any general meeting of the Company nor any right to attend, speak or vote at any such general meeting.

##### **5.4 Reduction of Capital**

Neither the passing by the Company of any special resolution for the cancellation of the Deferred Shares for no consideration by means of a reduction of capital requiring the confirmation of the court, nor the obtaining by the Company nor the making by the court of any order confirming any such reduction of capital, nor the becoming effective

of any such order shall constitute a variation, modification or abrogation of the rights attaching to the Deferred Shares. Accordingly, the Deferred Shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with the Act without sanction on the part of the holders of the Deferred Shares.

#### **5.5 Certificates**

No share certificates will be issued in respect of the Deferred Shares.

#### **5.6 Transfer**

The Deferred Shares shall not be capable of transfer.

8. THAT the Articles of Association produced to the meeting marked 'A' and initialled by the Chairman for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.
9. THAT subject to the passing of Resolution 7 the Directors be and they are generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £1,122,975 provided that this authority is for a period expiring at the Company's next Annual General Meeting but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.
10. THAT subject to the passing of Resolution 9 the Directors be and they are empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities.
- (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of regulatory body or stock exchanges;
  - (b) in connection with an issue of securities to an employee of the Company or of the Company's group under any employee bonus scheme;
  - (c) in connection with a sale of any treasury shares held by the Company;
  - (d) otherwise than pursuant to sub-paragraph (a), (b) or (c) above up to an aggregate nominal value of £168,446;
- and shall expire on the conclusion of the next Annual General Meeting of the Company after passing of this resolution save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.
11. THAT subject to the passing of Resolution 7 the Company be and is generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on AIM of ordinary shares of 5p each in the capital of the Company provided that:
- (a) the maximum aggregate number of ordinary shares authorised to be purchased is 6,737,852 representing approximately 10% of the company's issued ordinary share capital;
  - (b) the minimum price which may be paid for such ordinary shares is 5p per share;
  - (c) the maximum price which may be paid for an ordinary share shall not be more than 5 percent above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;
  - (d) unless previously renewed, varied or revoked, the authority conferred shall expire at the conclusion of the Company's next Annual General Meeting or 18 months from the date of passing this resolution, if earlier; and
  - (e) the Company may make a contract or contracts to purchase ordinary shares under the authority conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

3rd July 2009

By Order of the Board

**Keith Sadler**

Company Secretary

**Registered Office:**

Couching House, Couching Street, Watlington, Oxfordshire OX49 5PX

**Notes:**

1. Any member entitled to attend and vote at the meeting convened by the above is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
2. To be valid, the enclosed Form of Proxy for the Annual General Meeting together with the power of attorney or other authority, if any, under which it is signed or a notarially certified or copy thereof must be deposited by 11.00am on 2 September 2009 at the offices of the Company's registrars, Capita Registrars, Proxy Dept, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
3. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11.00am on 2 September 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the company's registrars no later than 11.00am on 2 September 2009.
4. Completion of the Form of Proxy will not prevent you from attending and voting in person.
5. Subject to complying with the provisions of the Act and the Articles of Association of the Company, any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.
6. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulation 2001, specifies that only those shareholders registered in the register of members of the Company as at 11.00am on 2 September 2009 or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 11.00am on 2 September 2009 or, in the event that the meeting is adjourned, in the register of members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
7. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.

**A form of proxy is enclosed.**

Digital Marketing Group plc  
Couching House  
Couching Street  
Watlington  
Oxfordshire OX49 5PX

[www.digitalmarketinggroup.co.uk](http://www.digitalmarketinggroup.co.uk)

Registered in England no. 5935923