

Date: 6 July 2009  
On behalf of: Digital Marketing Group plc (“DMG”, “the Company” or “the Group”)  
Embargoed: 0700hrs

## Digital Marketing Group plc Preliminary Results 2009

Digital Marketing Group plc (AIM: DIGI), the UK’s largest digital marketing specialists, today announced its preliminary results for the year ended 31 March 2009.

### Performance Highlights

- Revenues £56.65m +11% yr/yr (2008: £50.97m)
- Gross Profit £41.55m +26% yr/yr (2008: £33.08m)
- EBITDA £9.29m (before charges for share options) +25% (2008: £7.43m)
- Profit before tax before charges for share options and amortisation £8.01m +27% yr/yr (2008: £6.31m)
- Profit before tax £3.11m +45% yr/yr (2008: £2.15m)
- Adjusted basic EPS (profit after tax, before amortisation and charges for share options) 8.76p +20% growth year on year (2008: 7.30p)
- Basic EPS 2.15p (2008: 1.79p)
- Group cross referrals generated £3.9m GP (9% of total GP)
- Net cashflow generated from operations £5.7m
- Year end net debt £5.9m

### Operational Highlights

- Completion of acquisition of Cybercom Group UK Ltd, Gasbox Ltd and Prodant Ltd in October 2008
- Recognised as the UKs biggest digital marketing agency by Campaign Magazine in January 2009

**Commenting on the results, Stephen Davidson, Chairman of Digital Marketing Group plc, said:** “In an extremely difficult economic environment I am proud to be able to report an excellent set of results. This is a truly exceptional achievement in the worst market for decades and is testimony to our strategy, the skills of our people, and to the leadership of our business.

**Ben Langdon, Chief Executive, added:** “We believe that our integration of digital marketing and data analysis skills makes our business unique, and at the heart of the move by marketers to seek greater access to the information generated by consumers through online channels. The long term strategic vision for Digital Marketing Group remains extremely exciting as marketing spend continues to shift towards online media channels and we remain confident about the future, despite the challenge the current economic climate poses.”

### Enquiries:

**Digital Marketing Group plc**  
Ben Langdon, Chief Executive

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

**Redleaf Communications**  
Paul Dulieu/Kathryn Hurford

DMG@redleafpr.com  
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 600 people.
- Digital Marketing Group is the UK's biggest digital marketing agency (Campaign Magazine Jan 2009).
- 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 growth within the individual businesses and the application of a group business development programme;
- "buy and build" - through the selective 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.

Publication quality photographs are available via Redleaf Communications.

## CHAIRMAN'S STATEMENT

In an extremely difficult economic environment I am proud to be able to report an excellent set of results for 2008/9.

We posted revenues of £56.65m up 11% yr/yr (2008: £50.97m) and gross profit which represents revenue less direct cost of sales of £41.55m which is up 26 % yr/yr (2008: £33.08m).

EBITDA before charges for share options of £9.29m is +25% yr/yr (2008: £7.43m) and profit before tax before amortisation and charges for share options of £8.01m is up 27% year on year (2008: £6.31m).

This is a truly exceptional achievement in the worst market for decades and is testimony to our strategy, the skills of our people, and to the leadership of our business. Importantly we maintained our reputation for always meeting market expectations. Despite this, our share price declined more significantly than our business grew! I am acutely aware of the frustration felt by shareholders. That feeling is shared throughout your company.

These results represent post acquisition figures to 31 March 2009 and comprise 6 months for Cyber DMG Limited (CyberDMG), Gasbox Limited (Gasbox) and Prodant Limited (Prodant). These three acquisitions added important skills to our group. Cyber DMG has strong ecommerce credentials. Gasbox complemented our existing voice offering, HSM, and allowed us to merge these two businesses together under new management. Prodant was merged into Jaywing, our data services business. All three businesses have been successfully integrated into our group.

We are in a strong position financially. In October 2008 we secured additional bank facilities of £4.0m. Our net debt is £5.9m at 31 March 2009. At the year end the Group had £7.1m of undrawn borrowing facilities.

Despite this, the last few months of our financial year proved very difficult. Cancellation and delay in client projects made planning and visibility of revenue challenging. Client-side decision making has also slowed down considerably. Our businesses with clients in the financial services sector were particularly affected but the recent downturn has not been limited to this sector.

For 2009/10 the Group has therefore planned on the assumption that these recent declines in client revenues may continue. Recovery in client confidence will probably come in 2010. Management's focus at a Group level is therefore on micro-managing our businesses to ensure that we balance staff costs and headcount against expected revenue to protect profitability. The first half of 2009/10 will be difficult, with the second half likely to improve. At the same time we will continue to develop new products to enhance our position in the market.

By the end of 2009/10 we expect online advertising to have grown its share of all advertising spend to over 20%. It is our view that this will be the point at which digital marketing becomes the lead medium for many clients, and given our position as the UK's largest digital marketing agency we expect to benefit significantly from the recovery in marketing spend.

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.

In particular I would also like to thank the clients of Digital Marketing Group for their continued loyalty and support.

Finally, I would like to welcome Keith Sadler to the Board. Keith joined Digital Marketing Group in June 2009. Keith replaced Greg Minns who joined the company in January 2009 and performed the role of Finance Director and Company Secretary during the interim period. Having worked with Keith before, I know his capabilities first hand and am delighted that he is joining DMG. He has

exceptional experience as a plc board director and financial and operating executive in the media sector.

Stephen Davidson  
Chairman  
3 July 2009

## CHIEF EXECUTIVE'S REVIEW

### Key Performance Indicators

At the beginning of 2008/9 we set ourselves the following KPIs:

- Each business 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.

I am therefore extremely pleased to report the following:

- We generated gross profits of £3.9m through the existing client cross referrals programme. This represented approximately 9% of our total annual gross profits and delivered higher margin returns to the Group relative to new business generated from new clients.
- We generated over £13m in gross profits from new business, either in the form of new work from existing clients (£8m) or from clients not previously working with DMG (£5m).
- Adjusted basic EPS (profit after tax, before amortisation and charges for share options) is 8.76p as at 31 March 2009 (2008: 7.30p) showing 20% growth year on year.
- We made good strides in terms of cost rationalisation with decisions taken achieving over £150,000 of annualised savings through co-location of London based offices, downsizing of office space for Group Finance and sharing of finance resource.
- We launched eSP, an online sales promotion service that uses digital campaigns, viral, buzz and e-CRM to distribute promotional offers, supported by industry-leading couponing mechanisms including secure vouchers and mobile couponing.
- We recently also launched Digital Brain: Search and Demograph:DMG. Digital Brain: Search is a unique product which combines our search marketing and data analysis skills to produce more effective results for clients. Demograph:DMG is a digital research business geared up to provide a wide range of services that include:
  - Web usability and accessibility
  - Digital pre-testing and concept testing
  - Online qualitative and quantitative research
  - Online Brand Health benchmarking and tracking
- We have achieved the following industry recognition:
  - New Media Age – 3rd in the top 50 Digital Marketing Agencies in the 100 Interactive Agencies Guide (September 2008)
  - Marketing – 3rd in the Digital league (December 2008)
  - Campaign – 1st in the UK Digital Agencies League, independently compiled by Kingston Smith W1 (January 2009)
  - Marketing – 3rd in the Direct Marketing and Sales Promotion league (March 2009)

Budgetary constraints and the changed economic environment meant that it was decided to postpone the repeat analysis of 'softer' measures until financial year 2010/11.

## Financial Performance

At the beginning of October 2008 three businesses, CyberDMG, Gasbox and Prodant, joined the Group, and our results therefore include post acquisition figures to 31 March 2009 and comprise six months for these businesses. The Segmental Performance and Review of Recent Acquisitions section below shows this in greater detail.

On this basis the Group achieved:

- Revenues £56.65m +11% yr/yr (2008: £50.97m)
- Gross Profit £41.55m +26% yr/yr (2008: £33.08m)
- EBITDA £9.29m (before charges for share options) +25% (2008: £7.43m)
- Profit before tax before charges for share options and amortisation £8.01m +27% yr/yr (2008: £6.31m)
- Profit before tax £3.11m +45% yr/yr (2008:£2.15m)
- Adjusted basic EPS (profit after tax, before amortisation and charges for share options) 8.76p +20% growth year on year (2008: 7.30p)
- Basic EPS 2.15p
- Group cross referrals generated £3.9m GP (9% of total GP)
- Net cashflow generated from operations £5.7m
- Year end net debt £5.9m

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

	<b>2009</b>	<b>2008</b>	<b>Yr/Yr Growth</b>
	<b>£million</b>	<b>£million</b>	<b>%</b>
Revenue	56.65	50.97	11%
Direct costs	(15.10)	(17.89)	(16)%
<b>Gross profit</b>	<b>41.55</b>	<b>33.08</b>	<b>26%</b>
Operating expenses, excluding central costs, interest, depreciation, amortisation and charges for share options	(30.69)	(24.52)	25%
<b>EBITDA before central costs and charges for share options</b>	<b>10.86</b>	<b>8.56</b>	<b>27%</b>
Central costs	(1.57)	(1.13)	39%
<b>EBITDA before charges for share options</b>	<b>9.29</b>	<b>7.43</b>	<b>25%</b>
Depreciation	(0.67)	(0.59)	14%
<b>EBITA before charges for share options</b>	<b>8.62</b>	<b>6.84</b>	<b>26%</b>
Net interest expense	(0.61)	(0.53)	15%
<b>Profit before tax, amortisation and charges for share options</b>	<b>8.01</b>	<b>6.31</b>	<b>27%</b>

The figures above exclude amortisation of £1.86m (2008: £1.4m) and charges in respect of group share options £3.04m (2008: £2.76m).

## Liquidity Review

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. This allowed the Group to complete the acquisitions of CyberDMG, Gasbox and Prodant.

Full details of the financial structure of the acquisitions are given in Note 13 to the financial statements and the Group's borrowings in Note 19. At the year end the Group had available £7.1m 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 £5.7m.

As at 31 March 2009, the Group had net debt of £5.9m.

## Outlook and Objectives for 2009/10

The Internet Advertising Bureau (IAB) in conjunction with PricewaterhouseCoopers (PwC) produces an annual tracking study which represents the official internet advertising industry's growth figures (2008 UK Online Adspend Study). It therefore acts as the barometer for the health of the market. It recently confirmed the continued growth in importance of online marketing and advertising and said that:

- Online adspend during 2008 reached £3,349.7m
- Spending on internet advertising grew by 17% (on a like-for-like basis) when compared with 2007
- Online's share has grown to 19.2% for 2008, 15.5% for 2007.

New figures from Nielsen Online (5 June 2009) also revealed that online display ad activity in the UK is up by 21% compared with last year.

These figures cover the measurable parts of online advertising i.e. where online media is bought (display, search etc) and are therefore not necessarily an accurate assessment of the scale nor the growth of the entire online marketing industry.

One of the chief reasons for the continued growth in online advertising and marketing is that digital interactivity gives marketing clients much greater and more identifiable returns on their investment which we believe will continue to support the growth in digital direct marketing despite a worsening economic climate.

We believe that digital direct marketing will continue to grow and steal share from traditional marketing tools such as television, press, poster and radio advertising for the following key reasons:

- 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.

It has, however, been impossible to escape the realities of worldwide economic recession and, not surprisingly, the last few months of our financial year proved very difficult.

Cancellation and delay in client projects made planning and visibility of revenue challenging and this has continued into the first quarter of 2009/10.

Client-side decision making has also slowed down considerably.

Our businesses with clients in the financial services sector have been particularly affected but the recent downturn has not been limited to this sector.

WPP recently (28 April 2009) announced like for like revenues down 6% for the first quarter of 2009 reflecting cuts in client spending in reaction to the global financial and economic crisis. Our experience has been similar.

For 2009/10 the Group has therefore planned on the assumption that these recent declines in client revenues will continue. The first half of 2009/10 will be difficult, with the second half likely to improve. Sustainable recovery in client confidence is anticipated to come in 2010/11.

By the end of 2009/10 we expect online advertising to have grown its share of all advertising spend to over 20%. It is our view that this will be the point at which digital marketing becomes the lead medium for many clients, and given our position as the UK's largest digital marketing agency we expect to benefit significantly from any recovery in marketing spend.

Our key performance indicators for 2009/10 are as follows:

- Each business is to focus on balancing costs against lower levels of gross profits than previously anticipated to ensure we continue to meet market expectations.
- We will look to increase centralisation of non client-facing functions as part of our ongoing integration plan.
- The Group will continue to seek industry recognition as the UK's leading digital agency, and for the quality of its product as a means of attracting new clients.
- The Group will roll out Digital Brain:Search and will create other Digital Brain-inspired products. We will also launch DemographDMG, a new online research agency using skills already existent within the Group.
- The Group will create new and incremental 'routes to market' through the hiring of people with specific client sector knowledge or expertise, or through selective acquisition.

### **Long Term Strategic Vision**

The long term strategic vision for Digital Marketing Group remains extremely exciting as marketing spend continues to shift towards online media channels.

We believe that our integration of digital marketing and data analysis skills makes our business unique, and at the heart of the move by marketers to seek greater access to the information generated by consumers through online channels.

We have the management team and experience that will continue to deliver market expectations.

We have delivered organic and cross-referred growth across all our acquired businesses and will continue to do so despite extremely challenging economic conditions.

In this context, recent industry recognition adds further credibility to our business and aids our new business programme.

The long term development plan for the business therefore has two separate and parallel 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 acquire businesses only if they deliver against one of three criteria
  1. Enable us to enter new market sectors
  2. Enable us to develop new 'routes to market'
  3. Increase the success and profitability of our existing products/services.

## **Summary**

Since our admission to AIM in October 2006 Digital Marketing Group has:

- Met all the financial commitments made to our shareholders to date
- Built an integrated platform to deliver digital direct marketing to our clients
- Secured new accounts and generated incremental revenue to the Group
- Broadened our shareholder base to include new blue chip institutions
- Demonstrated our ability to secure and pay down bank debt consistently, increasing our financial flexibility

Economic conditions mean that we are currently less optimistic than we have been since admission about the short term performance of our business. However we believe the medium and long term future of the Group remains extremely positive as the recession accelerates the shift towards online marketing and media.

## Segmental Performance and Review of Recent Acquisitions

In order to aid shareholders in reviewing our business we use the following three segments:

A/ Online Marketing & Media

B/ Direct Marketing Services

C/ Data Services

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

	2009		2008		Yr/Yr Growth	
	Gross Profit	EBITDA *	Gross Profit	EBITDA *	Gross Profit	EBITDA *
	£million	£million	£million	£million	%	%
Online Marketing & Media	16.03	4.24	10.03	2.73	60%	55%
Direct Marketing Services	12.61	2.70	11.04	2.37	14%	14%
Data Services	12.91	3.92	12.01	3.46	8%	13%
	<b>41.55</b>	<b>10.86</b>	<b>33.08</b>	<b>8.56</b>	<b>26%</b>	<b>27%</b>
Central costs	0.00	(1.57)	0.00	(1.13)	-	39%
<b>Total</b>	<b>41.55</b>	<b>9.29</b>	<b>33.08</b>	<b>7.43</b>	<b>26%</b>	<b>25%</b>

\* EBITDA before charges for share options

### A/ Online Marketing & Media

In the year ended 31 March 2009 this segment achieved gross profit of £16.03m and EBITDA before charges for share options of £4.24m.

This represents growth in gross profits of 60% year on year and growth in EBITDA before charges for share options of 55% year on year.

	Online Marketing & Media		
	2009	2008	Yr/Yr Growth
	£million	£million	%
<b>Gross profit</b>	<b>16.03</b>	<b>10.03</b>	<b>60%</b>
<b>EBITDA before charges for share options</b>	<b>4.24</b>	<b>2.73</b>	<b>55%</b>

Within the online marketing & media segment CyberDMG joined Digital Marketing Group during the 2008/9 financial year. The following section reviews the financial performance of that Company during 2008/9.

The following table shows the financial contribution of CyberDMG to the Group's results, representing six months' post acquisition trading, together with an indicative summary of what the contribution would have been on a pro forma basis for the year to 31 March 2009 and the previous year.

	<b>CYBER DMG</b>			
	<b>2009</b>	<b>2009 Pro forma</b>	<b>2008 Pro forma</b>	<b>Pro forma Yr/Yr Growth</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>%</b>
Revenue	3.24	6.84	5.17	32%
Direct costs	(0.25)	(0.37)	(0.13)	185%
<b>Gross profit</b>	<b>2.99</b>	<b>6.47</b>	<b>5.04</b>	<b>28%</b>
Operating expenses, excluding interest, depreciation, amortisation and charges for share options	(2.42)	(5.40)	(4.18)	29%
<b>EBITDA before charges for share options</b>	<b>0.57</b>	<b>1.07</b>	<b>0.86</b>	<b>24%</b>
Depreciation	(0.02)	(0.03)	(0.03)	-
<b>Operating profit before interest, amortisation and charges for share options</b>	<b>0.55</b>	<b>1.04</b>	<b>0.83</b>	<b>25%</b>
Note	1	2	2	

1. The 2009 column shows the financial contribution of CyberDMG to the Group's results for the year ended 31 March 2009 representing the period from acquisition on 2 October 2008 to 31 March 2009.

2. The pro forma 2009 and 2008 columns are shown for illustrative purposes only. The information is based on the audited accounts of CyberDMG.

### **B/ Direct Marketing Services**

In the year ended 31 March 2009 this segment achieved gross profit of £12.61m and EBITDA before charges for share options of £2.70m

This represents growth in gross profits of 14% year on year and growth in EBITDA before charges for share options of 14% year on year.

	<b>Direct Marketing Services</b>		
	<b>2009</b>	<b>2008</b>	<b>Yr/Yr Growth</b>
	<b>£million</b>	<b>£million</b>	<b>%</b>
<b>Gross profit</b>	<b>12.61</b>	<b>11.04</b>	<b>14%</b>
<b>EBITDA before charges for share options</b>	<b>2.70</b>	<b>2.37</b>	<b>14%</b>

Within the direct marketing services segment GasboxDMG joined Digital Marketing Group in October 2008. The following section reviews the financial performance of that Company during 2008/9.

The following table shows the financial contribution of GasboxDMG to the Group's results, representing six months' post acquisition trading, together with an indicative summary of what the contribution would have been on a pro forma basis for the year to March 2009 and the previous year.

	<b>GASBOX DMG</b>			
	<b>2009</b>	<b>2009 Pro forma</b>	<b>2008 Pro forma</b>	<b>Pro forma Yr/Yr Growth</b>
	<b>£million</b>	<b>£million</b>	<b>£million</b>	<b>%</b>
Revenue	1.75	3.34	1.33	151%
Direct Costs	(0.10)	(0.10)	0.00	-
<b>Gross Profit</b>	<b>1.65</b>	<b>3.24</b>	<b>1.33</b>	<b>144%</b>
Operating expenses, excluding interest, depreciation, amortisation and charges for share options	(1.33)	(2.50)	(1.37)	83%
<b>EBITDA before charges for share options</b>	<b>0.32</b>	<b>0.74</b>	<b>(0.04)</b>	<b>-</b>
Depreciation	(0.04)	(0.09)	(0.07)	29%
<b>Operating profit before interest, amortisation and charges for share options</b>	<b>0.28</b>	<b>0.65</b>	<b>(0.11)</b>	<b>-</b>
Note	1	2	2	

1. The 2009 column shows the financial contribution of GasboxDMG to the Group's results for the year ended 31 March 2009 before representing the period from acquisition on 2 October 2008 to 31 March 2009.
2. The pro forma 2009 and 2008 columns are shown for illustrative purposes only. The information is based on the unaudited management accounts of GasboxDMG and has been adjusted for items which the Directors consider to be non recurring, for example, excess management remuneration.

### **C/ Data Services**

In the year ended 31 March 2009 this segment achieved gross profit of £12.91m and EBITDA before charges for share options of £3.92m

This represents growth in gross profits of 8% year on year and growth in EBITDA before charges for share options of 13% year on year.

	<b>Data Services</b>		
	<b>2009</b>	<b>2008</b>	<b>Yr/Yr Growth</b>
	<b>£million</b>	<b>£million</b>	<b>%</b>
<b>Gross profit</b>	<b>12.91</b>	<b>12.01</b>	<b>8%</b>
<b>EBITDA before charges for share options</b>	<b>3.92</b>	<b>3.46</b>	<b>13%</b>

The data services table above includes the results of Prodant which represents six months' post acquisition trading. The acquisition of Prodant is not considered to be significant to the Group in financial terms and hence no separate review of its financial performance in the period is given.

## Consolidated Income Statement

	<i>Note</i>	<b>Year ended 31 March 2009 £'000</b>	Year ended 31 March 2008 £'000
<b>Continuing operations</b>			
Revenue	2	<b>56,654</b>	50,971
Direct costs		<u>(15,101)</u>	<u>(17,892)</u>
Gross profit		<b>41,553</b>	33,079
Other operating income		<b>192</b>	212
Amortisation		<b>(1,863)</b>	(1,407)
Operating expenses		<u>(36,161)</u>	<u>(29,204)</u>
Operating profit		<b>3,721</b>	2,680
Finance income		<b>97</b>	252
Finance costs		<u>(704)</u>	<u>(783)</u>
Net financing costs		<b>(607)</b>	(531)
Profit before tax		<b>3,114</b>	2,149
Taxation	3	<u>(1,674)</u>	<u>(1,013)</u>
Profit for the year attributable to shareholders		<u><b>1,440</b></u>	<u>1,136</u>
 <b>Earnings per share</b>			
4			
From continuing operations			
- basic		<b>2.15p</b>	1.79p
- diluted		<b>1.92p</b>	1.57p

## Consolidated Balance Sheet

	<i>Note</i>	<b>31 March 2009</b> £'000	31 March 2008 £'000
<b>Non-current assets</b>			
Property, plant and equipment		2,057	2,215
Goodwill		47,051	39,449
Other intangible assets		16,116	13,324
		<u>65,224</u>	<u>54,988</u>
<b>Current assets</b>			
Inventories		196	790
Trade and other receivables		10,683	9,582
Cash and cash equivalents		12,227	12,004
		<u>23,106</u>	<u>22,376</u>
<b>Total assets</b>		<u>88,330</u>	<u>77,364</u>
<b>Current liabilities</b>			
Bank overdraft	6	8,806	6,901
Other interest-bearing loans and borrowings	6	1,691	1,122
Financial derivatives		481	195
Trade and other payables		15,678	17,168
Tax payable		1,475	1,242
Provisions		147	133
		<u>28,278</u>	<u>26,761</u>
<b>Non-current liabilities</b>			
Other interest-bearing loans and borrowings	6	7,612	3,797
Provisions		-	225
Deferred tax liabilities		4,661	3,882
		<u>12,273</u>	<u>7,904</u>
<b>Total liabilities</b>		<u>40,551</u>	<u>34,665</u>
<b>Net assets</b>		<u>47,779</u>	<u>42,699</u>
<b>Equity attributable to shareholders</b>			
Share capital		33,689	32,655
Share premium account		6,608	5,954
Hedging reserve		(481)	(195)
Shares to be issued		-	536
Capital redemption		125	-
Share option reserve		5,810	-
Retained earnings		2,028	3,749
<b>Total equity</b>		<u>47,779</u>	<u>42,699</u>

## Consolidated Cash Flow Statement

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
<b>Cash flow from operating activities</b>			
Profit for the year		1,440	1,136
Adjustments for:			
Depreciation, amortisation and impairment		2,531	1,994
Financial income		(97)	(252)
Financial expenses		704	783
Share-based payment expense		2,814	2,357
Taxation		1,674	1,013
<b>Operating cash flow before changes in working capital and provisions</b>		<b>9,066</b>	<b>7,031</b>
Decrease/(increase) in trade and other receivables		1,631	(1,672)
Decrease/(increase) in inventories		594	(334)
(Decrease)/increase in trade and other payables		(2,929)	4,021
<b>Cash generated from operations</b>		<b>8,362</b>	<b>9,046</b>
Interest received		97	252
Interest paid		(530)	(717)
Tax paid		(2,207)	(1,194)
<b>Net cash flow from operating activities</b>		<b>5,722</b>	<b>7,387</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		6	10
Acquisitions of subsidiaries, net of cash acquired	5	(7,610)	(8,021)
Payment of contingent consideration for prior year acquisitions		(3,566)	-
Acquisition of intangible assets		(105)	-
Acquisition of property, plant and equipment		(283)	(747)
<b>Net cash outflow from investing activities</b>		<b>(11,558)</b>	<b>(8,758)</b>
<b>Cash flows from financing activities</b>			
Proceeds from new loan and draw down of bank facilities		6,600	-
Proceeds from the issue of new share capital		-	9,463
Repayment of borrowings		(2,268)	(5,894)
Payments to redeem share capital		(178)	-
<b>Net cash inflow from financing activities</b>		<b>4,154</b>	<b>3,569</b>
Net (decrease)/increase in cash and cash equivalents		(1,682)	2,198
Cash and cash equivalents at beginning of year		5,103	2,905
<b>Cash and cash equivalents at end of year</b>		<b>3,421</b>	<b>5,103</b>
Cash and cash equivalents comprise:			
Cash at bank and in hand		12,227	12,004
Bank overdrafts	6	(8,806)	(6,901)
<b>Cash and cash equivalents at end of year</b>		<b>3,421</b>	<b>5,103</b>

## Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Hedging reserve £'000	Shares to be issued £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
<b>At 1 April 2007</b>	25,063	2,986	-	500	-	-	291	28,840
Retained earnings	-	-	-	-	-	-	1,136	1,136
Cash flow hedges	-	-	(195)	-	-	-	-	(195)
Total recognised income and expense	-	-	(195)	-	-	-	1,136	941
Allotment of 50p ordinary shares	7,592	2,968	-	-	-	-	-	10,560
Credit in respect of share-based payments	-	-	-	-	-	-	2,322	2,322
Shares to be issued	-	-	-	36	-	-	-	36
<b>At 31 March 2008</b>	32,655	5,954	(195)	536	-	-	3,749	42,699
Retained earnings	-	-	-	-	-	-	1,440	1,440
Cash flow hedges	-	-	(286)	-	-	-	-	(286)
Total recognised income and expense	-	-	(286)	-	-	-	1,440	1,154
Allotment of 50p ordinary shares	1,159	667	-	-	-	-	-	1,826
Transfer	-	(13)	-	-	-	-	13	-
Credit in respect of share-based payments	-	-	-	-	-	-	2,814	2,814
Transfer to share option reserve	-	-	-	-	-	5,810	(5,810)	-
Share buy back	(125)	-	-	-	-	-	(53)	(178)
Capital redemption reserve	-	-	-	-	125	-	(125)	-
Release of reserve	-	-	-	(536)	-	-	-	(536)
<b>At 31 March 2009</b>	<b>33,689</b>	<b>6,608</b>	<b>(481)</b>	<b>-</b>	<b>125</b>	<b>5,810</b>	<b>2,028</b>	<b>47,779</b>

## **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.

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 8.

#### ***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.

#### ***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.

#### ***Going concern***

The Directors have reviewed the forecasts for 2009/10 and 2010/11 which have been adjusted to take account of the current trading environment. The Directors consider the forecasts to be prudent and have assessed the impact of them on the Group's cash flow, facilities and headroom within its banking covenants. Further, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### **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 items 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, and are initially recognised at fair value.

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
- Order backlog 0.5 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 first in first out 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. Provision is made for national insurance when the Group is committed to settle this liability. The charge to the income statement takes account of the options expected to vest, is deemed to arise over the vesting period and is discounted.

## **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 2009 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. 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 initially recorded at fair value and thereafter at amortised cost using the effective interest rate method.

## **Segmental reporting**

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

### **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 2009. 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.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009). IAS 39 establishes the principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IAS 39 includes provisions about the classification of financial instruments, their ongoing measurement (including when impairment is required), when financial instruments should be recognised and derecognised and hedge accounting requirements. This will not impact the Group’s financial statements.

Amendment to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures About Financial Instruments (effective 1 January 2009) will require an entity to state in tabular form the fair value, amortised cost and amount at which the investments are actually carried in the financial statements. The amendments will also require an entity to disclose the effect on profit or loss and equity if all debt instruments had been accounted for at fair value or at amortised cost. This will not impact the Group’s financial statements.

Embedded Derivatives - Amendments to IAS 39 and IFRIC 9 (effective for annual periods ending on or after 30 June 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 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 13 (effective 1 July 2008) deals with customer loyalty. The interpretation will have no effect on the financial performance of the Group.

IFRIC 15 Agreements for the construction of real estate (effective 1 January 2009). This will not impact the Group’s financial statements.

IFRIC 16 Hedges of a net investment in a foreign operation (effective 1 October 2008). This will not impact the Group’s financial statements.

IFRIC 17 Distributions of non cash assets to owners (effective 1 July 2009). This will not impact the Group’s financial statements.

IFRIC 18 Transfers of assets from customers (effective prospectively for transfers on or after 1 July 2009). This will not impact the Group’s financial statements.

## **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 include the acquisitions of Cybercom Group UK Limited (CyberDMG) and Gasbox Limited (GasboxDMG).

The new reporting segments are as follows:

1. ‘Online Marketing & Media’ (GraphicoDMG, HyperlaunchDMG, InboxDMG, CheezeDMG, CyberDMG)
2. ‘Direct Marketing Services’ (DigForFireDMG, GasboxDMG)

3. 'Data Services' (JaywingDMG)

**Continuing operations**

**Year ended 31 March 2009**

	Online marketing & media £'000	Direct marketing services £'000	Data services £'000	Unallocated £'000	Group total £'000
Revenue	<b>28,228</b>	<b>15,022</b>	<b>15,032</b>	<b>(1,628)</b>	<b>56,654</b>
Direct costs	<b>(12,194)</b>	<b>(2,415)</b>	<b>(2,120)</b>	<b>1,628</b>	<b>(15,101)</b>
Gross profit	<b>16,034</b>	<b>12,607</b>	<b>12,912</b>	-	<b>41,553</b>
Other operating income	<b>192</b>	-	-	-	<b>192</b>
Operating expenses excluding depreciation, amortisation and charges for share options	<b>(11,984)</b>	<b>(9,907)</b>	<b>(8,992)</b>	<b>(1,574)</b>	<b>(32,457)</b>
Operating profit before depreciation, amortisation and charges for share options	<b>4,242</b>	<b>2,700</b>	<b>3,920</b>	<b>(1,574)</b>	<b>9,288</b>
Depreciation	<b>(255)</b>	<b>(277)</b>	<b>(114)</b>	<b>(22)</b>	<b>(668)</b>
Operating profit before amortisation and charges for share options	<b>3,987</b>	<b>2,423</b>	<b>3,806</b>	<b>(1,596)</b>	<b>8,620</b>
Amortisation	<b>(990)</b>	<b>(334)</b>	<b>(539)</b>	-	<b>(1,863)</b>
Charges for share options	<b>(132)</b>	<b>(209)</b>	<b>(883)</b>	<b>(1,812)</b>	<b>(3,036)</b>
Operating profit	<b>2,865</b>	<b>1,880</b>	<b>2,384</b>	<b>(3,408)</b>	<b>3,721</b>
Finance income					<b>97</b>
Finance costs					<b>(704)</b>
Profit before tax					<b>3,114</b>
Taxation					<b>(1,674)</b>
Profit for year from continuing operations					<b>1,440</b>

**Continuing operations**

Year ended 31 March 2008

	Online marketing & media £'000	Direct marketing services £'000	Data services £'000	Unallocated £'000	Group total £'000
Revenue	22,236	14,758	15,855	(1,878)	50,971
Direct costs	<u>(12,209)</u>	<u>(3,713)</u>	<u>(3,848)</u>	<u>1,878</u>	<u>(17,892)</u>
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	<u>(7,512)</u>	<u>(8,676)</u>	<u>(8,543)</u>	<u>(1,129)</u>	<u>(25,860)</u>
Operating profit before depreciation, amortisation and charges for share options	2,727	2,369	3,464	(1,129)	7,431
Depreciation	<u>(229)</u>	<u>(209)</u>	<u>(146)</u>	<u>(2)</u>	<u>(586)</u>
Operating profit before amortisation and charges for share options	2,498	2,160	3,318	(1,131)	6,845
Amortisation	<u>(534)</u>	<u>(334)</u>	<u>(539)</u>	-	<u>(1,407)</u>
Charges for share options	<u>(94)</u>	<u>(412)</u>	<u>(671)</u>	<u>(1,581)</u>	<u>(2,758)</u>
Operating profit	<u>1,870</u>	<u>1,414</u>	<u>2,108</u>	<u>(2,712)</u>	2,680
Finance income					252
Finance costs					<u>(783)</u>
Profit before tax					2,149
Taxation					<u>(1,013)</u>
Profit for year from continuing operations					<u>1,136</u>

31 March 2009

	Online marketing & media £'000	Direct marketing services £'000	Data services £'000	Unallocated £'000	Group total £'000
Assets	<b>11,262</b>	<b>2,730</b>	<b>5,889</b>	<b>68,449</b>	<b>88,330</b>
Liabilities	<b>(10,734)</b>	<b>(4,328)</b>	<b>(3,741)</b>	<b>(21,748)</b>	<b>(40,551)</b>
Capital employed	<b>528</b>	<b>(1,598)</b>	<b>2,148</b>	<b>46,701</b>	<b>47,779</b>

31 March 2008

	Online marketing & media £'000	Direct marketing services £'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

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 services £'000	Data services £'000	Unallocated £'000	Group total £'000
<b>Year ended 31 March 2009</b>	<b>115</b>	<b>83</b>	<b>77</b>	<b>8</b>	<b>283</b>
Year ended 31 March 2008	282	376	87	2	747

*Geographical segments*

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

### 3 Taxation

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Recognised in the consolidated income statement:		
Current year tax	2,160	1,670
Origination and reversal of temporary timing differences	<u>(486)</u>	<u>(657)</u>
Total tax charge	<u>1,674</u>	<u>1,013</u>
Reconciliation of total tax charge:		
Profit before tax	<u>3,114</u>	<u>2,149</u>
Taxation using the UK Corporation Tax rate of 28% (2008: 30%)	872	645
Effects of:		
Non-deductible expenses	572	434
Share based payment charges	788	580
Depreciation for period in excess of capital allowances	74	54
Other	(5)	-
Prior year adjustment	(32)	(43)
Utilisation of tax losses	<u>(109)</u>	<u>-</u>
Total tax charge	<u>2,160</u>	<u>1,670</u>

#### 4 Earnings per share

	<b>Year ended 31 March 2009 pence per share</b>	Year ended 31 March 2008 pence per share
Basic	<b>2.15p</b>	1.79p
Diluted	<b>1.92p</b>	1.57p

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

	<b>Year ended 31 March 2009 £'000</b>	Year ended 31 March 2008 £'000
Profit for the year attributable to shareholders	<b>1,440</b>	1,136
Weighted average number of ordinary shares in issue:	<b>Number '000</b>	Number '000
Basic	<b>66,851</b>	63,653
Adjustment for share options	<b>7,105</b>	5,992
Adjustment for warrants	<b>66</b>	145
Adjustments for shares to be issued	<b>168</b>	670
Adjustment for contingent shares	<b>625</b>	1,739
Diluted	<b>74,815</b>	72,199

The dilution in respect of contingent shares is nil at 31 March 2009 as, in accordance with IAS 33, the performance targets for the consideration to be payable have not been met.

#### Adjusted earnings per share

	<b>Year ended 31 March 2009 pence per share</b>	Year ended 31 March 2008 pence per share
Basic adjusted earnings per share	<b>8.76p</b>	7.30p
Diluted adjusted earnings per share	<b>7.82p</b>	6.43p

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 number of ordinary shares in issue during the year. The numbers used in calculating the basic and diluted adjusted earnings per share are reconciled below:

	<b>Year ended 31 March 2009 £'000</b>	Year ended 31 March 2008 £'000
Profit before tax	<b>3,114</b>	2,149
Amortisation	<b>1,863</b>	1,407
Charges for share options	<b>3,036</b>	2,758
Adjusted profit before tax before amortisation and charges for share options	<b>8,013</b>	6,314
Current year tax charge	<b>(2,160)</b>	(1,670)
Adjusted profit attributable to shareholders before amortisation and charges for share options	<b>5,853</b>	4,644

## 5 Acquisition of subsidiaries

During the year the company made two acquisitions of subsidiary companies. Alphanumeric Limited made one acquisition. The net assets acquired, consideration paid, and goodwill arising on acquisition of these subsidiary undertakings are detailed in the following notes.

A summary of these amounts is shown below.

Summary of the three acquisitions:

	<b>Acquirees' book value £'000</b>	<b>Fair value adjustments £'000</b>	<i>Notes</i>	<b>Acquisition amounts £'000</b>
Acquirees' net assets at the acquisition date:				
Other intangible assets	-	4,550	1	4,550
Property, plant & equipment	233	-		233
Trade and other receivables	2,590	-		2,590
Cash and cash equivalents	415	-		415
Trade and other payables	(1,529)	-		(1,529)
Tax payable	(280)	-		(280)
Deferred tax	143	(1,274)	2	(1,131)
Net identifiable assets and liabilities	<u>1,572</u>	<u>3,276</u>		4,848
Goodwill on acquisition				7,602
				<u>12,450</u>
Cash consideration paid (including legal and professional fees of £470,000)				8,025
Contingent consideration payable in cash or cash and shares				4,425
				<u>12,450</u>
Summary of net cash outflow from acquisitions:				
Cash paid				8,025
Cash acquired				<u>(415)</u>
Net cash outflow from acquisitions in the year				<u>7,610</u>

*Notes:*

*1 Valuation of customer relationships.*

*2 Deferred tax effect of valuation of customer relationships.*

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

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	Unallocated and Adjustments	<b>Group Total</b>
	£'000	£'000	£'000	£'000	<b>£'000</b>
Revenue	31,825	16,610	15,290	(1,628)	<b>62,097</b>
Direct costs	(12,305)	(2,415)	(2,120)	1,628	<b>(15,212)</b>
Gross profit	19,520	14,195	13,170	-	<b>46,885</b>
Operating expenses excluding depreciation, amortisation and charges for share options	(14,771)	(11,077)	(9,243)	(1,573)	<b>(36,664)</b>
Operating profit before depreciation, amortisation and charges for share options	4,749	3,118	3,927	(1,573)	<b>10,221</b>

*Notes*

This information is based on the management accounts for CyberDMG Limited, Gasbox Limited and Prodant Limited.

## CyberDMG Limited

On 2 October 2008 the Group acquired all of the ordinary shares in Cybercom Group UK Limited (CyberDMG) for cash consideration of £6,469,000 (including legal and professional fees of £277,000) and contingent consideration payable in cash or shares of £3,000,000. In the period since acquisition, the subsidiary contributed £394,894 to the consolidated profit attributable to shareholders for the year ended 31 March 2009.

The assets and liabilities of CyberDMG acquired were as follows:

	<b>Acquirees' book value £'000</b>	<b>Fair value adjustments £'000</b>	<b>Acquisition amounts £'000</b>
Acquirees' net assets at the acquisition date:			
Other intangible assets	-	4,550	4,550
Property, plant & equipment	76	-	76
Trade and other receivables	2,117	-	2,117
Cash and cash equivalents	96	-	96
Trade and other payables	(1,093)	-	(1,093)
Tax payable	(153)	-	(153)
Deferred tax	-	(1,274)	(1,274)
Net identifiable assets and liabilities	<u>1,043</u>	<u>3,276</u>	4,319
Goodwill on acquisition			5,150
			<u>9,469</u>
Cash consideration paid (including legal and professional fees of £227,000)			6,469
Contingent consideration payable in cash or shares			<u>3,000</u>
			<u>9,469</u>
Summary of net cash outflow from acquisitions:			
Cash paid			6,469
Cash acquired			<u>(96)</u>
Net cash outflow			<u>6,373</u>

## GasboxDMG

On 2 October 2008 the Group acquired all of the ordinary shares in Gasbox Limited (GasboxDMG) for cash consideration of £1,332,000 (including legal and professional fees of £222,000) and contingent consideration payable in cash of £1,325,000. In the period since acquisition, the subsidiary contributed £163,876 to the consolidated profit attributable to shareholders for the year ended 31 March 2009.

The assets and liabilities of GasboxDMG acquired were as follows:

	<b>Acquirees' book value £'000</b>	<b>Fair value adjustments £'000</b>	<b>Acquisition amounts £'000</b>
Acquirees' net assets at the acquisition date:			
Property, plant & equipment	141	-	141
Trade and other receivables	376	-	376
Cash and cash equivalents	309	-	309
Trade and other payables	(400)	-	(400)
Tax payable	(95)	-	(95)
Deferred tax	144	-	144
Net identifiable assets and liabilities	<u>475</u>	<u>-</u>	<u>475</u>
Goodwill on acquisition			<u>2,182</u>
			<u>2,657</u>
Cash consideration paid (including legal and professional fees of £222,000)			1,332
Contingent consideration payable in cash			<u>1,325</u>
			<u>2,657</u>
Summary of net cash outflow from acquisitions:			
Cash paid			1,332
Cash acquired			<u>(309)</u>
Net cash outflow			<u>1,023</u>

## Prodant Limited

On 2 October 2008 Alphanumeric Limited, a wholly owned subsidiary of the Group, acquired all of the ordinary shares in Prodant Limited for cash consideration of £224,000 (including legal and professional fees of £21,000) and contingent consideration payable in cash of £100,000. In the period since acquisition, the subsidiary contributed £103,305 to the consolidated profit attributable to shareholders for the year ended 31 March 2009.

The assets and liabilities of Prodant Limited acquired were as follows:

	<b>Acquirees' book value £'000</b>	<b>Fair value adjustments £'000</b>	<b>Acquisition amounts £'000</b>
Acquirees' net assets at the acquisition date:			
Property, plant & equipment	16	-	16
Trade and other receivables	97	-	97
Cash and cash equivalents	10	-	10
Trade and other payables	(36)	-	(36)
Tax payable	(32)	-	(32)
Deferred tax	(1)	-	(1)
Net identifiable assets and liabilities	<u>54</u>	<u>-</u>	<u>54</u>
Goodwill on acquisition			<u>270</u>
			<u><u>324</u></u>
Cash consideration paid (including legal and professional fees of £21,000)			224
Contingent consideration payable in cash			<u>100</u>
			<u><u>324</u></u>
Summary of net cash outflow from acquisitions:			
Cash paid			224
Cash acquired			<u>(10)</u>
Net cash outflow			<u><u>214</u></u>

## 6 Bank overdraft, loans and borrowings

	31 March 2009 £'000	31 March 2008 £'000
Summary		
Bank overdraft	8,806	6,901
Borrowings	9,303	4,919
	<u>18,109</u>	<u>11,820</u>

Borrowings are repayable as follows:

Within 1 year		
Bank overdraft	8,806	6,901
Borrowings	1,984	1,453
Total due within 1 year	10,790	8,354
Less future interest	(293)	(331)
Total due within 1 year	<u>10,497</u>	<u>8,023</u>

In more than 1 year but not more than 2 years	1,928	1,373
In more than 2 years but not more than 3 years	6,021	1,299
In more than 3 years but not more than 4 years	-	952
In more than 4 years but not more than 5 years	-	112
Over 5 years	-	645
Total due in more than 1 year	7,949	4,381
Less future interest	(337)	(584)
Total due in more than 1 year	<u>7,612</u>	<u>3,797</u>

Average interest rates at the balance sheet date were:	£'000	%	%
Overdraft	8,806	5.00	7.50
Term loan	3,056	2.96	7.30
Term loan	1,667	3.46	-
Revolver loan	4,800	3.46	-
Mortgage	nil	-	7.00

As the loans are at variable market rates their carrying amount is equivalent to their fair value.

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.

The borrowing facilities available to the Group at 31 March 2009 was £13.02 million (2008: £11.34m) and, taking into account cash balances within the Group companies, there were £6.92 million (2008: £11.27m) 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.

### Reconciliation of net debt

	1 April 2008 £'000	Cash flow £'000	Non-cash Items £'000	31 March 2009 £'000
Cash at bank and in hand	12,004	223	-	12,227
Overdraft	(6,901)	(1,905)	-	(8,806)
	5,103	(1,682)	-	3,421
Borrowings	(4,919)	(4,332)	(52)	(9,303)
Net cash/(debt)	<u>184</u>	<u>(6,014)</u>	<u>(52)</u>	<u>(5,882)</u>

## 7 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 £9,300,000 (2008: £1,600,000) and the Directors have provided £4,425,000 (2008: £1,600,000), leaving £4,675,000 (2008: £nil) as an unprovided liability.

The amounts provided for are payable as follows:

	<b>31 March 2009</b>	31 March 2008
	<b>£'000</b>	£'000
In one year or less	<b>600</b>	1,600
In more than one year but less than five years	<b>3,825</b>	-
	<b><u>4,425</u></b>	<u>1,600</u>

The amounts provided have not been discounted.

## 8 Accounting estimates and judgements

### *Impairment of goodwill*

The carrying amount of goodwill is £47,051,000 (2008: £39,449,000). 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 £2,814,000 has been made in the year (2008: £2,357,000).

During the previous year 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 £222,000 (2008: £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 7.

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

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

## **9 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 2009 and the summarised income statement, summarised cash flow statement and associated notes for the year then ended have been extracted from the Group's 2009 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.