



Digital Marketing Group plc
Annual Report 2008/9



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1. 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 yr/yr (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
- Additionally:**
- Completion of two significant acquisitions, Cybercom Group UK Ltd (CyberDMG) and Gasbox Ltd (GasboxDMG) and the acquisition of a third but smaller entity, Prodant Ltd (Prodant) in October 2008.
 - Recognised as the UK's biggest digital marketing agency (Campaign Magazine Jan 2009).

2. 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% yr/yr (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 six months for CyberDMG, GasboxDMG and Prodant Limited (Prodant). These three acquisitions added important skills to our group. CyberDMG has strong e-commerce credentials. GasboxDMG 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. 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 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

3. Chief Executive's review

This section of the Annual Report will cover:

- Business review
- Financial performance
- Segmental performance and review of recent acquisitions
- Liquidity review
- Key Performance Indicators
- Outlook for 2009/10
- Long term strategic vision

Business review

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

We call this 'digital direct marketing'.

The three core components of digital direct marketing are:

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

Underpinning these three segments is a common philosophy and proposition, Digital Brain.

Digital Brain demonstrates the strategic difference between Digital Marketing Group (DMG) and other digital marketing agencies. We believe



that the real power of digital interactivity lies in the data that we are able to collect from consumers and the use of that data to help create more relevant, timely and personalised communications for those same consumers.

The philosophy behind Digital Brain is already spawning new products based on the integration of data analysis skills and online marketing. The launch of Digital Brain:Search, a revolutionary new product in paid for search marketing (PPC) will be followed by other Digital Brain-inspired products.

Given the degree of integration taking place across the Group we took the decision during 2008/9 to promote and manage our business as one co-ordinated group under the DMG brand.

We have also formed 'AgencyDMG', a team dedicated to pitching for, converting and managing business won by DMG (www.agencyDMG.com). Our businesses are as follows:

inboxDMG

InboxDMG joined Digital Marketing Group in October 2006.

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

- online advertising
- email marketing
- viral advertising
- websites (through website design and build programmes)
- campaign reporting.

cheezeDMG

CheezeDMG joined Digital Marketing Group in January 2007.

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

graphicoDMG

GraphicoDMG joined Digital Marketing Group in June 2007.

GraphicoDMG is a full service creative digital marketing agency. GraphicoDMG's core product remains large scale web design and build work for its clients. However their range of products and services includes online marketing and media, online strategy and branding and mobile marketing.

hyperlaunchDMG

HyperlaunchDMG joined Digital Marketing Group in June 2007.

Since its inception HyperlaunchDMG has developed an industry specialism by focusing on entertainment-orientated clients, and has won a number of awards particularly for its work in the music industry.

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

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



CyberDMG joined Digital Marketing Group in October 2008 and is a specialist in e-commerce and electronic trading.

The acquisition of CyberDMG is of strategic importance given the significant growth opportunity that e-commerce represents. The market for e-commerce has continued to grow substantially despite the recent economic slowdown. eMarketer predicts that online sales will hit £94.2 billion (\$169.6 billion) by 2012.

The acquisition of CyberDMG strongly enhances DMG's existing e-commerce offering, further strengthening DMG's position in the market and creating significant potential for cross-selling.

Cross-selling opportunities include promoting CyberDMG's services to DMG's existing clients, and also offering DMG's digital direct marketing platform to CyberDMG's clients.

CyberDMG has a strong portfolio of blue chip clients including IBM, John Lewis Partnership, Kickers, Lloyds TSB, Speedo, Thomson Reuters, Tomy and Waitrose.

CyberDMG is a Tier1 IBM Business Partner, specialising in WebSphere Commerce technologies.



JaywingDMG joined Digital Marketing Group in January 2007 as the Group's data services consultancy.

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

Services include segmentation, online and offline marketing and campaign planning, targeting models, contact strategy design, database hosting and management, online and offline campaign management, and list management and sourcing.

In October 2008 JaywingDMG acquired Prodant, having identified significant opportunities for synergies and cross-selling. JaywingDMG plans to enhance the data and analytics component of the Prodant offering in order to help DMG's voice business (GasboxDMG) make better use of their customer information to increase productivity and reduce costs. An area of specific current interest to JaywingDMG is Collections and Recoveries where a joint product with Prodant has already been identified.



DigForFireDMG joined Digital Marketing Group in October 2006 and is the UK's largest online and offline direct marketing agency operating exclusively outside of London.

DigForFireDMG offers clients end-to-end integrated direct marketing services accommodating both online and offline direct marketing, including web design and build, viral advertising, banner advertising, direct mail, direct response press communications and online and offline press relations.

GasboxDMG joined Digital Marketing Group in October 2008.

GasboxDMG develops and executes direct voice marketing campaigns based on highly targeted customer information and dynamic data management.

GasboxDMG was launched in 2006 by Andy Gardner and Martin Boddy who are the founders of JaywingDMG, the data services specialist company in the Digital Marketing Group.

GasboxDMG has an established relationship with JaywingDMG and

a proven track record of working together on the successful delivery of client projects. The strength of a joint GasboxDMG/JaywingDMG proposition is based on the combination of JaywingDMG's Digital Brain with the first-class execution capabilities of GasboxDMG. Digital Brain enables the creation of unique contact strategies for each individual consumer, based on historical data and real-time interactions.

GasboxDMG also complemented DMG's existing voice marketing

business, HSM, and the acquisition enabled the Group to offer clients an integrated voice and data business with both B2B (business-to-business) and B2C (business-to-consumer) offerings. Gary Stevens' decision to step down as CEO of HSM and the addition of GasboxDMG to the Group gave us the opportunity to integrate GasboxDMG's business with HSM and create a single, powerful consumer and B2B voice marketing company under the leadership of Chris Hancock which took effect from 1 April 2009.

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

- Web design and build
- E-commerce
- SEO and PPC
- E-CRM
- Mobile marketing
- Viral marketing
- Online PR and buzz media
- Social media/user generated content consultancy
- Building of online brands.

In January 2009, Campaign magazine published its annual round up of the UK's top digital agencies and Digital Marketing Group achieved 1st place up from its 4th place in 2007.

Digital agencies

Rank	Agency	Year end	Gross income		Operating profit		Operating profit margin on gross income	
			Latest (£000s)	Change (%)	Latest (£000s)	Change (%)	Latest (%)	Previous (%)
1	Digital Marketing Group plc	31/03/08	33,079	294.31	2,520	37.18	7.62	21.90
2	LBI ¹	31/12/07	23,395	50.63	2,491	-1.89	10.65	16.35
3	AKQA	31/12/07	22,813	14.11	2,360	19.55	10.34	9.87
4	Latitude Group	31/12/07	10,417	53.33	1,103	-47.40	10.59	30.87
5	Dare Digital	30/06/07	9,839	75.63	1,133	65.40	11.52	12.23
6	Agency.com	31/12/07	9,550	12.80	516	-48.61	5.40	11.86
7	TMN Group plc ²	30/04/07	9,080	79.02	3,272	92.24	36.04	33.56
8	GT London ³	31/12/07	8,904	72.66	921	35.24	10.34	13.21
9	Agency Republic	31/12/07	8,084	27.43	1,258	16.91	15.56	16.96
10	Investis	31/12/07	7,042	30.17	968	1,000.00	13.75	1.63
11	Avenue A Razorfish	31/12/06	6,930	81.18	1,484	126.56	21.41	17.12
12	Profero	31/03/07	6,467	39.83	343	25.64	5.30	5.90
13	Glue London	31/12/06	6,193	38.45	517	58.10	8.35	7.31
14	Reading Room	31/03/07	5,836	67.32	529	569.62	9.06	2.26
15	Deal Group Media plc	31/12/07	5,305	-20.52	-2,414	-7.15	-45.50	-33.75

¹ prev. Framfab UK; ² prev. Themata.net plc; ³ prev. Good Technology

Campaign Magazine – January 2009

Financial performance

At the beginning of October 2008 three businesses, CyberDMG, GasboxDMG and Prodant, joined the Group, and our results therefore include post-acquisition figures to 31 March 2009 and comprise six months for these businesses.

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 yr/yr (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.

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

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

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%
	41.55	10.86	33.08	8.56	26%	27%
Central costs	0.00	(1.57)	0.00	(1.13)	-	39%
Total	41.55	9.29	33.08	7.43	26%	25%

*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.

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

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.

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

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

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 31 March 2009 and the previous year.

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

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

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.

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 co-ordinated 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 DemographDMG. Digital Brain:Search is a unique product which combines our search marketing and data analysis skills

to produce more effective results for clients. DemographDMG 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.

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, GasboxDMG 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 have:

- 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.

4. Board of directors and operations board

Stephen Davidson, Chairman (aged 53)

Stephen is Chairman of Entercation TV Limited and Datatec Limited. He is also a non-executive director of Inmarsat plc and Mecom Group plc. Stephen has held various positions in Investment Banking, most recently at WestLB Panmure where he was Global Head of Media and Telecoms, Investment Banking, then Vice Chairman of Investment Banking. From 1993 to 1998 Stephen was Finance Director, then CEO of Telewest Communications plc.

He was Chairman of the Cable Communications Association from 1996 to 1998. Stephen holds a first class honours degree in mathematics and statistics from the University of Aberdeen.

Ben Langdon, Chief Executive (aged 45)

Ben was previously Chairman of Euro RSCG UK, one of the country's largest marketing service groups including businesses in digital and direct marketing, advertising, public relations, sales promotion and design.

From 1996-2003 Ben worked at McCann-Erickson where he was promoted from Chief Executive of the London business to UK Group Chairman. In 2000 he was promoted to European Regional Director of Universal McCann, the media planning and buying business, and then in late 2001 at the age of 38, to Regional Director for McCann-Erickson WorldGroup, Europe, Middle East and Africa (EMEA).

Ben holds an honours degree in modern history from Oxford University.

Andrew Wilson, Non-Executive Director (aged 48)

Andrew is currently a non-executive director of Global Healthcare AB, Mavinwood plc, Impellam Group plc and London Town plc. Previously he was an investment banker with UBS Warburg specialising in mergers and acquisitions.

Ian Robinson, Non-Executive Director (aged 62)

Ian is currently a director of Anne Street Partners Limited and non-executive Chairman of London Town plc. Previously he was Chief Financial Officer of Carlisle Group's UK staffing and facilities services operations. Ian qualified as a chartered accountant having trained with Peat Marwick Mitchell & Co in London. He has held other senior financial appointments in UK service group companies and has spent several years overseas in both chief executive and chief financial officer roles of a quoted international services group.

Barry Jenner, Non-Executive Director (aged 51)

Barry runs his own business consultancy, having enjoyed a successful career with Gallaher Group plc. His most recent role there was Director of global human resources. Prior to this he was Managing Director of the UK division of Gallaher (2000-2006) managing the sales, marketing, trade marketing and distribution functions. Barry joined Gallaher as a management trainee in 1979 and held a series of sales positions until entering brand management/marketing in 1985. He was appointed trade marketing manager in 1987, before assuming responsibility for the flagship brand Benson & Hedges in 1988. Barry was appointed head of cigarette marketing in 1991, before becoming marketing director, UK in 1994.

Keith Sadler, Group Finance Director and Company Secretary (aged 50)

Keith joined the Board in June 2009 as Group Finance Director and Company Secretary. He was formerly Chief Executive and Group Finance Director of SPG Media Group plc, a marketing services company. Prior to this he was Group Finance Director and Company Secretary of The Wireless Group plc and two quoted regional newspaper publishers, News Communication and Media plc and Bristol United Press plc. Keith was also Group Treasurer of Mirror Group Newspapers plc. Keith is a chartered accountant and holds an honours degree in economics.

Operations board

The operations board meets regularly under the Chairmanship of Ben Langdon and manages all the key day-to-day issues affecting our clients, people and stakeholders.

At the end of 2008/09 the operations board consisted of the following people:

Ben Langdon

Chief Executive, Digital Marketing Group plc

Greg Minns

Finance Director and Company Secretary, Digital Marketing Group plc*

Charles Buddery

Chief Executive, DigForFireDMG

Andy Gardner

Managing Partner, JaywingDMG

Jon Morgan

Managing Director, HyperlaunchDMG*

Alex Weller

Managing Director, GraphicoDMG

Matt Ramsay

Managing Director, InboxDMG

Matt O'Brien

Managing Director, CheezeDMG

Terry Hunter

Managing Director, CyberDMG

Chris Hancock

Managing Director, GasboxDMG

*resigned

5. Principal risks and uncertainties

General economic and business conditions

The sector in which the Group operates is sensitive to both general economic and business conditions and has been affected by the condition of specific industries such as financial services, automotive and retail. The current economic recession has already resulted in material declines in the Group's revenues in the latter stages of 2008/9. 2009/10 is likely to continue to be a very difficult trading environment for the Group.

People

The operations of the Group are dependent upon the continuing employment of a number of senior management personnel. The future results of the Group could depend upon the efforts and expertise of such individuals. The loss of the service of any key management personnel could have a material adverse effect on the business of the Group.

As the Group operates in a specialised sector, it is dependent on its ability to recruit personnel with adequate experience and technical expertise. However, as the supply of such personnel is limited, the Group is likely to encounter significant competition for the recruitment of suitably experienced and skilled personnel. The future results of the Group could depend significantly upon the recruitment of such personnel and failure to do so could have a material adverse effect on the business of the Group.

To mitigate this risk the Group was keen that vendors in each business took a significant percentage of their consideration in shares in Digital Marketing Group plc. In addition, the key managers in our businesses participate in the Performance Share Plan share options programme and the Annual Bonus Programme, both of which reward performance and loyalty to the Company (see Directors' Remuneration Report).

Clients

The businesses within the Group have, historically, derived a substantial

amount of their revenue from contracts with a limited number of clients and these contracts are generally terminable upon three months' notice by the client. However, all of the companies within the Group have a proven track record of retaining customers. The loss of one or more contracts with the Group's clients, especially one of the two largest contracts, or a significant decrease in revenue derived from such contracts, could have an adverse impact on the Group's businesses, financial condition and results of operations.

Competition

The Group faces competition from other entities operating in the sector.

In particular these entities may have greater resources and may operate in international markets which could make them attractive to those clients seeking global campaigns or global consolidation of their marketing efforts. Each of the companies within the Group has, however, been competing successfully against international networks for several years, and has in many cases won international projects from blue-chip multinational brands.

Suitable acquisitions and access to capital

The Group's plans for continued expansion are primarily based on organic growth. In addition however, the Group has a selective and strategic acquisition strategy. The availability of debt or equity finance to fund future acquisitions may be limited or difficult to obtain.

Execution

The ability of the Group to deliver incremental revenues through co-ordinated new business activity is dependent on the availability of key senior personnel to help convert leads and cross refer business.

Products and services

The online marketing industry is characterised by rapidly changing technology, evolving industry standards, frequent product and

service introductions and evolving web publisher and advertiser demands.

These uncertainties are exacerbated by the emerging nature of internet use and advertising. The Group's future success will depend on its ability to modify its products and services to respond in a timely and cost-effective manner to new technologies and changing web publisher and advertiser demands.

If the Group is unable to adapt to these pressures or to develop products and services to address new and converging technologies, the Group may be unable to compete successfully. The Group intends to continue to develop its own tools and products from within existing resources to ensure that it responds in a timely and cost-effective manner to these changes.

Forward-looking statements

Statements contained in this Report, including in the Description of Business Principal Risks and Uncertainties, the Directors' Report, and the Directors' Remuneration Report may constitute forward-looking statements that are based on the Board's current expectations, assumptions and projections about the Group and the industry, which contain risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of other factors.

Comparative statements

In this report Digital Marketing Group plc makes certain statements with respect to the market in which the Group operates, its position within that market and also the position of its businesses within the same market. This report also makes certain statements with respect to the products, services and brands of the Group and its businesses by comparison with third parties or their products, services or brands. These statements are based on either independent sources or published and referenced information and are accurate to the best of the knowledge and belief of Digital Marketing Group plc.

6. Directors' report

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 March 2009.

Principal activities

Our principal activities are detailed in the Chief Executive's Review and further in Note 2 to the Financial Statements on Segmental Reporting.

Business review

The Company is required by the Companies Act 1985 to set out in this report a fair review of the business of the Group during the financial year

ended 31 March 2009 and of the position of the Group at the year end.

A review of the business and a commentary on its strategy, performance and development is set out in the Chairman's statement on page 3, Chief Executive's Review on pages 4 to 12, and Financial Statements on pages 26 to 70.

In addition, the principal risks facing the business are detailed on page 14.

All the information detailed in those sections which is required for the business review or otherwise for this

report is incorporated by reference in (and shall be deemed to be part of) this report.

The Group has set some clear financial goals to achieve in 2009/10 both at the full year and half year level.

Results and dividend

The results are shown on pages 26 to 70.

The Directors are not proposing to pay a dividend.

Board committees and advisors

Remuneration committee

Barry Jenner (Chairman)
Stephen Davidson
Ian Robinson
Andrew Wilson

Nomination committee

Stephen Davidson (Chairman)
Ben Langdon
Barry Jenner
Ian Robinson
Andrew Wilson

Audit committee

Ian Robinson (Chairman)
Stephen Davidson
Barry Jenner
Andrew Wilson

Future developments

The future prospects of the Group are referred to in the Chairman's Statement on page 3 and the Chief Executive's Review on pages 4 to 12.

Charitable and political donations

Charitable donations of £525 were made during the year (2008: £100). No political donations were made during the year (2008: nil).

Company secretary

Keith Sadler

Registered office

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

Registered number

05935923

Auditors

Grant Thornton UK LLP
2 Broadfield Court
Sheffield S8 0XF

Legal advisers

Rosenblatt Solicitors
9-13 St Andrew Street
London EC4A 3AF

Financial instruments

Details of the financial risk management objectives and policies of the Group, including hedging policies, are given in Note 36 to the consolidated financial statements.

Financial PR

Redleaf Communications Limited
11-33 St John Street
London EC1M 4AA

Nominated adviser and broker

Cenkos Securities Limited
6, 7, 8 Tokenhouse Yard
London EC2R 7AS

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA

Directors and their interests

A list of the Directors who served during the year is shown below:

Director and position	Date of appointment	Date of resignation	Ordinary shares of 50p each		Share options over ordinary shares of 50p each	
			As at 31 Mar 2009	As at 31 Mar 2008	As at 31 Mar 2009	As at 31 Mar 2008
Stephen Davidson , Chairman	20 September 2006		622,675	597,675	1,754,386	1,754,386
Ben Langdon , Chief Executive	20 September 2006		1,008,772	1,008,772	5,173,404	4,905,154
Sarah Guest , Finance Director and Company Secretary	4 September 2007	1 March 2009	-	-	- *	281,532
Gary Stevens , Executive Director	25 October 2006	24 November 2008	3,508,772	3,508,772	584,795	877,193
Barry Jenner , Non-Executive Director	26 October 2006		10,000	10,000	70,175	70,175
Ian Robinson , Non-Executive Director	20 September 2006		127,876	127,342	70,175	70,175
Andrew Wilson , Non-Executive Director	20 September 2006		75,970	75,970	70,175	70,175

*Share options lapsed on resignation.

Reappointment of Directors

Under the Company's Articles newly appointed Directors stand for election at the next AGM and existing Directors offer themselves for re-election every 3 years.

Employees

As at 31 March 2009 the number of people employed by the Group was 616.

Equal opportunities

The Group believes in giving full and equal opportunities to applicants and existing employees in relation

to job opportunities, development and remuneration irrespective of their sex, colour, race, religion, disability, age or sexual orientation.

Health and safety

The Group is committed to maintaining high standards of health and safety for its employees, customers, visitors, contractors and anyone affected by its business activities. Health and safety is on the agenda for regularly scheduled Board meetings.

Employee welfare

At a subsidiary level our businesses encourage regular consultations so that employee views can be taken into account.

Policy and practice on payment of creditors

It is the Group's policy and practice to settle its supplier accounts on due dates according to agreed terms of credit. The average creditor days across the Group for the year was 79 days (2008: 70).

Share capital and substantial shareholdings

Substantial Shareholdings:

	As at 31 March 2009	As at 31 March 2008
Mayfair Limited	24.46%	25.28%
Andrew Gardner	7.30%	7.54%
Martin Boddy	7.30%	7.54%
Charles Buddery	5.69%	3.84%
Helena Stevens	5.21%	5.38%
Gary Stevens	5.21%	5.38%
Jamie Riddell	5.00%	4.29%
Insight Asset Management	4.31%	3.65%
Katherine Riddell	4.15%	4.29%
Tudor Capital	3.13%	3.24%

Directors' and officers' liability insurance

The Group maintains appropriate insurance to cover Directors' and Officers' liability. At the date upon which this report was approved and for the period from the IPO, the Group has provided an indemnity in respect of all of the Group's Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Annual General Meeting

Your attention is drawn to the Notice of Meeting enclosed with this Annual Report, which sets out the resolutions to be proposed at the forthcoming Annual General Meeting.

Auditor

As recommended to the Board by the Audit Committee, Grant Thornton UK LLP were appointed as the Group's auditor. Grant Thornton UK LLP have expressed their willingness to continue in office as auditor and a resolution will be proposed to reappoint them at the Annual General Meeting.

Directors' responsibilities

The following statement, which should be read in conjunction with the auditor's statement of auditor's responsibilities set out on page 25, is made with a view to distinguishing between the respective responsibilities of the Directors and the auditors in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for

safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Group's auditor is unaware
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the digitalmarketinggroup.co.uk website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors have engaged Grant Thornton UK LLP for certain non-audit work including Due Diligence on some acquisitions and, on a case by case basis, consider carefully the safeguard of their objectivity and independence as auditor prior to engagement. Often this includes engaging another UK office for the non-audit work.

By order of the Board
Keith Sadler
Company Secretary
3 July 2009

7. Statement on corporate governance

The Group is committed to high standards of corporate governance. Whilst the Group does not fully comply with the Combined Code, it applies a level of corporate governance appropriate for a company of its size. This statement describes how the principles of corporate governance are applied.

Board

The Board currently comprises the Chairman, Chief Executive, Finance Director, and three Non-Executive Directors. Short biographies of each of the directors, which illustrate their range of experience, are set out on page 13. The Board is responsible to the shareholders for the proper management of the Group and meets normally at least five times a year to set overall direction and strategy of the Group. All key operational and investment decisions are subject to Board approval. The Company Secretary is responsible for ensuring that the Board procedures are followed and regulations are complied with.

The roles of the Chief Executive and Chairman are separate and there is a clear division of their responsibilities. All Directors are subject to re-election at least every three years. Stephen Davidson and Ben Langdon will retire at the upcoming AGM and, being eligible, offer themselves for re-election.

Committees of the Board

Remuneration Committee

The composition of the Remuneration Committee is disclosed on page 15 and comprises solely Non-Executive Directors. The Remuneration Committee, on behalf of the Board, meets as and when necessary to review and approve as appropriate the contract terms, remuneration and other benefits of the Executive Directors and Senior Management and major remuneration plans for the Group as a whole. The Remuneration Committee appraises the Chief Executive against his written objectives. Similarly, the Chief Executive appraises the other Executive Directors and Senior Management. The Remuneration Committee approves the setting of objectives for all of the Executive Directors and authorises their annual bonus payments for achievement of objectives. The Remuneration Committee approves remuneration packages sufficient to attract, retain and motivate Executive Directors required to run the Group successfully, but does not pay more than is necessary for this service. The Remuneration Committee is empowered to recommend the grant of share options under the existing share option plan and to make awards under the long-term incentive plans. The Remuneration Committee considers there to be an appropriate balance between fixed and variable remuneration and between short-term and long-term variable components of remuneration. All the decisions of the Remuneration Committee on remuneration matters in 2008/9 were

reported to and endorsed by the Board. Further details of the Group's policies on remuneration and service contracts are given in the Directors' remuneration report on pages 21 to 24.

Audit Committee

The Audit Committee comprises solely Non-Executive Directors. By invitation, the meetings of the Audit Committee may be attended by the Chief Executive, Finance Director and the auditors. The committee meets not less than twice annually. The Audit Committee oversees the monitoring of the adequacy and effectiveness of the Group's internal controls, accounting policies and financial reporting and provides a forum for reporting by the Group's external auditors. Its duties include keeping under review the scope and results of the audit and its cost effectiveness, consideration of management's response to any major audit recommendation and the independence and objectivity of the auditors.

Nomination Committee

The composition of the Nomination Committee is disclosed on page 15 and comprises a majority of Non-Executive Directors. It is responsible for nominating to the Board candidates for appointment as Directors, having regard to the balance and structure of the Board. All Directors are subject to re-election at least every three years. Stephen Davidson and Ben Langdon will retire by rotation at the upcoming AGM and, being eligible, offer themselves for re-election. The terms of reference for all committees are available on the Group's website.

Attendance at Board meetings and committees

The Directors attended the following Board meetings and committees during the period:

	Board	Remuneration	Nomination	Audit
Total meetings held	6	4	1	2
Stephen Davidson	6	4	1	2
Ben Langdon	6	-	1	-
Sarah Guest ⁽¹⁾	6	-	-	-
Gary Stevens ⁽²⁾	3	-	-	-
Barry Jenner	6	4	1	2
Ian Robinson	6	4	1	2
Andrew Wilson	5	1	-	1

(1) resigned 1 March 2009

(2) resigned 24 November 2008

Board performance and evaluation

In addition to the re-election of Directors every three years, the Board has a process for evaluation of its own

performance, that of its committees and individual directors, including the Chairman.

Relationships with shareholders

The Board recognises the importance of effective communication with the Group's shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. The Group communicates with investors

through interim statements, audited annual reports, press releases and the Company's website www.digitalmarketinggroup.co.uk. Shareholders are welcome at the Group's Annual General Meeting (AGM), (notice of which is provided

with this Report), where they will have an opportunity to meet the Board. The Group obtains feedback from its broker on the views of institutional investors on a non-attributed and attributed basis and any concerns of major shareholders would be communicated to the Board.



Internal controls

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls and will continue to ensure that management keeps these processes under regular review and improves them where appropriate.

Management structure:

There is a clearly defined organisational structure throughout the Group with established lines of reporting and delegation of authority based on job responsibilities and experience.

Financial reporting:

Monthly management accounts provide relevant, reliable, up-to-date financial and non-financial information to management and the Board. Annual plans, forecasts and performance targets allow management to monitor the key business and financial activities and the progress towards achieving the financial objectives. The annual budget is approved by the Board.

Monitoring of controls:

It is intended that the Audit Committee receives regular reports from the auditor and assures itself that the internal

control environment of the Group is operating effectively. There are formal policies and procedures in place to ensure the integrity and accuracy of the accounting records and to safeguard the Group's assets. Significant capital projects and acquisitions and disposals require Board approval.

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.

Corporate social responsibility

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interests of the Group's

stakeholders, including its investors, employees, suppliers and business partners when operating the business.

Employment

At a subsidiary level each individual company has established policies which address key corporate objectives in the management of employee relations, communication and employee involvement, training and personal development and equal opportunity. The Board recognises its legal

responsibility to ensure the wellbeing, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors. Health and Safety is on the agenda for regularly scheduled plc Board and Operations Board meetings.

Environment

By their nature, the Group's regular operations are judged to have a low environmental impact and are not expected to give rise to any significant inherent environmental risks over the next 12 months.

8. Directors' Remuneration Report

This report is prepared taking account of the requirements of the Companies Act 1985, as amended by the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the Financial Services Authority. Shareholders will be invited to vote to approve the Directors' Remuneration Report at the forthcoming Annual General Meeting.

Composition of the Remuneration Committee

The Remuneration Committee comprises:

Barry Jenner (Chairman)

Stephen Davidson

Ian Robinson

Andrew Wilson

Remuneration policy

The Group's policy on remuneration for the current year and, so far as is practicable, for subsequent years is set out below. However, the Remuneration Committee believes that it should retain the flexibility to adjust the remuneration policy in accordance with the changing needs of the business. All statements in this report in relation to remuneration policy for subsequent years should be read in conjunction with this paragraph. Any changes in policy in subsequent years will be detailed in future reports on remuneration. The Group must ensure that its remuneration arrangements attract and retain people of the right calibre in order to ensure corporate success and to enhance shareholder value. Its overall approach is to attract, develop, motivate and retain talented people at all levels, by paying competitive salaries and benefits to all its staff and encouraging its staff to hold shares in the Group. Pay levels are set to take account of contribution and individual performance, wage levels elsewhere in the Group and with reference to relevant market information. The Group seeks to reward its employees fairly and give them the opportunity to increase their earnings by linking pay to achieving

business and individual performance targets. The Board believes that share ownership is an effective way of strengthening employees' involvement in the development of the business and bringing together their interests and those of shareholders. Executive Directors are rewarded on the basis of individual responsibility, competence and contribution and salary increases also take into account pay awards made elsewhere in the Group as well as external market benchmarking.

There are currently two Executive Directors on the Board:

Ben Langdon (Chief Executive)

Keith Sadler (Group Finance Director and Company Secretary)

Executive Directors do not participate in a pension scheme or in any healthcare arrangements.

Performance-related elements form a substantial part of total remuneration packages and are designed to align Directors' interests with those of shareholders. In line with best practice and to bring Directors' and shareholders' interests further into line, Executive Directors and the management team are encouraged to maintain a holding of ordinary shares in the Group with a value of at least one times salary.

Executive Directors' annual total reward opportunity 2009/10

Advisers

The Remuneration Committee is advised internally by the Chief Executive and the Company Secretary. The Committee has access to external advice as required.

Non-Executive Directors' fees

Fees for Non-Executive Directors are determined by the Board annually, taking advice as appropriate and reflecting the time commitment and responsibilities of the role. Non-Executive Directors' fees currently comprise a basic fee of £15,000 per annum.

Non-Executive Directors do not participate in the annual bonus plan, pension scheme or healthcare

arrangements. They were issued awards as described below under the Performance Share Plan (PSP). The Group reimburses the reasonable expenses they incur in carrying out their duties as Directors. Non-Executive Directors do not have service contracts, but instead have letters of appointment. Details of their terms of appointment are given below.

Directors' service agreements and letters of appointments

Ben Langdon entered into a service contract with DMG dated 2 October 2006 subject to termination upon six months' notice by Mr Langdon and 12 months' notice by DMG. The agreement provides for an annual salary of £200,000. Mr Langdon may also be entitled to an annual bonus, subject to terms determined annually by the Remuneration Committee. It is envisaged that the bonus which may be achieved by Mr Langdon will be between 80% and 150% of his annual salary under the Annual Bonus Plan described below subject to meeting performance targets. Mr Langdon also participates in the PSP. Mr Langdon is also covered under the Group Directors' and Officers' Liability Insurance Policy.

Stephen Davidson entered into a letter of appointment as Chairman with DMG dated 2 October 2006 subject to termination upon at least three months' notice by either Mr Davidson or DMG. The letter provides for an annual fee of £40,000. Mr Davidson is also covered under the Group Directors' and Officers' Liability Insurance Policy.

Barry Jenner entered into a letter of appointment with DMG dated 2 October 2006 subject to termination upon at least three months' notice by either Mr Jenner or DMG. The letter provides for an annual fee of £15,000. Mr Jenner is also covered under the Group Directors' and Officers' Liability Insurance Policy.

DMG entered into agreements with Anne Street Partners Limited for the provision of the services of Andrew Wilson and Ian Robinson as Non-Executive Directors to DMG. An annual fee of £15,000 is payable to Anne Street Partners Limited under each of the

agreements. The agreements may be terminated on three months' notice by Anne Street Partners Limited or DMG. Andrew Wilson and Ian Robinson are also covered under the Group Directors' and Officers' Liability Insurance Policy.

Keith Sadler entered into a service contract with DMG in June 2009 subject to termination upon six months' notice by Mr Sadler and six months' notice by DMG. The agreement provides for an annual salary of £60,000 during any handover with Greg Minns, £120,000 during the remainder of 2009/10 rising to £150,000 in 2010/11. Mr Sadler may be entitled to an annual bonus of 25% of salary in 2009/10 (pro rated) and between 30% and 60% of his annual salary under the Annual Bonus Plan outlined below. Mr Sadler also participates in the PSP. Mr Sadler is also covered under the Group Directors' and Officers' Liability Insurance Policy.

There are no service agreements in existence between the Directors and any member of the Group that cannot be terminated by the employing company without payment of compensation (other than statutory compensation) within one year.

Main elements of Executive Directors' remuneration

Fixed remuneration

Basic salary and benefits

Basic salary is set by the Remuneration Committee by taking into account the responsibilities, individual performance and experience of the Executive Directors, as well as the market practice for Executives in a similar position. Basic salary is reviewed (but not necessarily increased) annually by the Remuneration Committee and adjustments will occur if necessary in relation to market practice and after a formal appraisal of performance.

Pensions

No pension contributions are made.

Management incentives

Annual Bonus Plan (ABP)

The annual bonus award is open to Executive Directors and senior management. An accrual has been recorded for cash payable as at

31 March 2009. The ABP pool is created through the achievement and overachievement against budgeted revenue and profit targets. 50% of any profits achieved over budget can be distributed internally by the operating unit CEO subject to achievement of the Group's PBT and EPS target. ABP awards are capped at 100% of salary. Members of senior management are anticipated to have accrued bonuses of 25% salary within budget with the opportunity to earn up to 50% salary by over-achieving budget provided the EPS target has been achieved. All bonuses need to be approved by the Digital Marketing Group Plc CEO and the Remuneration Committee.

Performance Share Plan (PSP)

The Board has adopted the Digital Marketing Group Performance Share Plan (PSP) under which the Remuneration Committee may grant conditional share awards, nil-cost options or options with an exercise price equal to the market value of the DMG shares on the date of grant (awards). Where possible, it is intended that options under the PSP would be granted as qualifying options for the purpose of the EMI Code (as defined in section 527(3) of the Income Tax Earnings and Pension Act 2003).

The PSP contains a schedule under which HMRC approved options may be granted (to a maximum value of £30,000 for each option holder). All employees within the Group are eligible to participate in the PSP, but it is intended that only the senior management will be granted awards initially. Awards may be granted in the 42 day period following the announcement of DMG's results for any period and at any other times that the Remuneration Committee considers exceptional circumstances exist justifying the grant of awards. The PSP is currently subject to a maximum number of awards that can be issued, being 20% of the issued share capital of the Company (inclusive of those available to be issued under the Plan). This maximum number of awards that can be issued and pursuant to options granted to Directors (as set out in the table of Directors and their interests on page 16) will be available for issue

to Directors and employees of the Group. Awards will vest after three years subject to the achievement of performance criteria determined by the Remuneration Committee. Vesting of the initial grant of awards under the PSP is subject to the achievement of a Cumulative Annual Growth Rate (CAGR) in adjusted earnings per share as defined in the PSP of at least 15% at which point 25% of the shares subject to an award would vest with a proportionate and linear interpolation up to a CAGR of 25% at which point all of the DMG shares subject to an award would vest. For the purpose of the PSP, the base year will be the adjusted 12 months ended 31 March prior to the grant date and the base year earnings per share will be an agreed figure as defined in the PSP. Subsequent awards are also subject to the achievement of CAGR in adjusted earnings per share over a 3 year period with ranges between 10% and 25%.

If a participant ceases employment with the Group before an award vests, the award will usually lapse. However, if the cessation is due to disability, ill-health, injury, redundancy or retirement, or the sale of the employing company or business for which the participant works (or where exceptional circumstances exist, another reason not involving gross misconduct), the award will vest at the end of the performance period to the extent that the applicable performance criteria have been met, but pro rata to the time elapsed between the date of grant and the date of cessation of employment. The Remuneration Committee will have discretion to allow an award to vest on another basis if it believes that the circumstances warrant this. If a participant dies, the participant's award will vest in full.

If there is a takeover of DMG other than part of an internal reconstruction, awards will vest to the extent that the performance criteria have been met up to that time, and pro rata to the time elapsed since the date of grant. However, the Remuneration Committee will have discretion to allow awards to vest to a greater extent if it believes there are exceptional factors which warrant this. On the vesting of an award, participants will receive additional

DMG shares (or cash) equal to the value of dividends which would have been paid on the DMG shares subject to the award which is vested in the period since the date of grant.

The number of DMG shares subject to awards and, in the case of market value options, the exercise price, may be adjusted in the event of a variation in the share capital of DMG. The Remuneration Committee may amend the rules of the PSP at any time. However, no amendment which is to the advantage of the participants may be made without the prior approval of shareholders if it relates to the limits on the number of DMG shares which may be made the subject of awards, the persons to whom the awards may be granted, the rights attaching to awards and the DMG shares subject to awards, in the case of market value options the determination of the option price and the rights of participants in the event of a variation in the share capital of DMG, except for minor amendments

to benefit the administration of the Plan, or amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment in any jurisdiction for any participant or member of the Group.

Two significant factors have caused the Remuneration Committee to reconsider structure and performance criteria for future awards and the vesting of certain existing awards. The first factor is the exceptional business environment in which we operate, with unusually low future business visibility. The second is the challenging fiscal regime we face in coming years.

For future awards the Committee believes that currently a 2 year vesting period is more appropriate than 3 years. Further, the Committee also believes that achievement of successive annual financial targets (particularly profit before tax) which meet investor expectations is

paramount. Upcoming awards will be made on that basis. The Remuneration Committee will keep these matters under close review as both the fiscal and economic environment evolve. In addition, in the light of the factors referred to above, the Remuneration Committee has made a one-off grant under the Company's Performance Share Plan to the Chief Executive of between 800,000 and 1,000,000 performance shares in the Company. These options, which will vest after the external audit of the 2009/10 financial year's performance, will be based on a straight-line sliding scale provided that our market forecast consensus PBT number is met, as a minimum. Achievement of the market forecast PBT will trigger the vesting of 800,000 performance shares, with up to 1,000,000 in total vesting conditional upon achievement of a significantly higher or 'stretch' level of PBT, agreed by the Board prior to the commencement of the 2009/10 financial year.

Summary of options as at 31 March 2009:

EPS Base	Number of options
4.19p per share	10,729,276
5.00p per share	616,795
5.13p per share	644,000
5.97p per share	254,294
7.30p per share	1,397,120
	13,641,485

Barry Jenner, Stephen Davidson, Ian Robinson and Anne Street Partners Limited (in respect of Andrew Wilson's appointment as a Director) were granted nil cost options over DMG shares on the same terms and subject to the same performance criteria as the initial grant of awards under the PSP.



Directors' remuneration

Information on the remuneration of each Director during the year is detailed below:

	Salary	Bonus	Benefits	Pensions	Total
	£	£	£	£	£
Stephen Davidson	40,000	-	-	-	40,000
Sarah Guest note 1	96,250	-	-	-	96,250
Barry Jenner	15,000	-	-	-	15,000
Ben Langdon	200,000	160,000	-	-	360,000
Ian Robinson	15,000	-	-	-	15,000
Gary Stevens note 2	65,000	-	369	3,249	68,618
Andrew Wilson	15,000	-	-	-	15,000
	446,250	160,000	369	3,249	609,868

note 1 resigned 1 March 2009
note 2 resigned 24 November 2008

Directors' interests

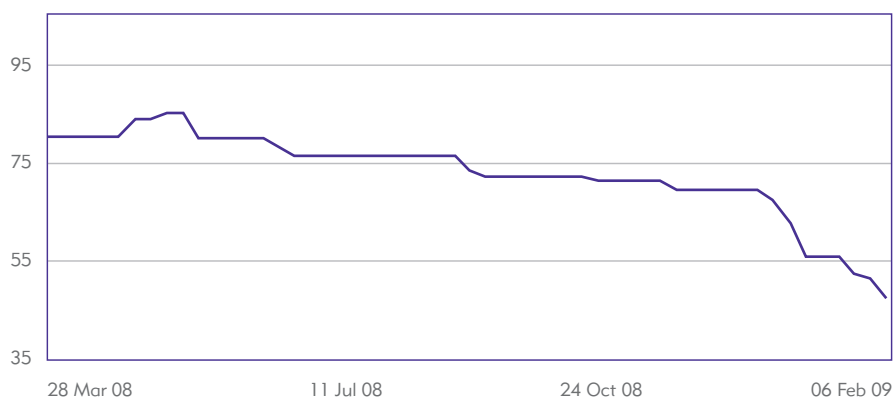
The Directors of the Group in office at the end of the year and their interests, along with those of their connected persons, in the share

capital of the Group as at 31 March 2009 are shown in the Directors' report on page 16. The Register of Directors' Interests (which is open to

shareholders' inspection) contains full details of Directors' shareholdings and options to subscribe for shares.

Share price

The following graph charts the movement in the Digital Marketing Group's share price (in pence per share) for the year ended 31 March 2009.



Approved by the Board
Barry Jenner
Chairman, Remuneration Committee
3 July 2009

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF DIGITAL MARKETING GROUP PLC

We have audited the Group and parent Company financial statements (the financial statements) of Digital Marketing Group plc for the year ended 31 March 2009 which comprise the principal accounting policies, the consolidated income statement, the parent Company profit and loss account, the consolidated and parent Company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity and notes 1 to 36 of the consolidated financial statements and notes 1 to 26 of the parent Company financial statements. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent Company financial statements in accordance with United Kingdom law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view, and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented elsewhere in the Annual Report that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the performance highlights, the Chairman's statement, the Chief Executive's Review, the Board of Directors and Operations Board, the Principal Risk and Uncertainties, the Statement on Corporate Governance and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985;
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent Company's financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
SHEFFIELD
3 July 2009

Consolidated income statement

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Continuing operations			
Revenue	2	56,654	50,971
Direct costs		(15,101)	(17,892)
		<hr/>	<hr/>
Gross profit		41,553	33,079
Other operating income	3	192	212
Amortisation	16	(1,863)	(1,407)
Operating expenses	4	(36,161)	(29,204)
		<hr/>	<hr/>
Operating profit		3,721	2,680
		<hr/>	<hr/>
Finance income	5	97	252
Finance costs	6	(704)	(783)
		<hr/>	<hr/>
Net financing costs		(607)	(531)
		<hr/>	<hr/>
Profit before tax		3,114	2,149
Taxation	7	(1,674)	(1,013)
		<hr/>	<hr/>
Profit for the year attributable to shareholders	30	1,440	1,136
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	8		
From continuing operations			
- basic		2.15p	1.79p
- diluted		1.92p	1.57p
		<hr/> <hr/>	<hr/> <hr/>

Consolidated balance sheet

	Note	31 March 2009 £'000	31 March 2008 £'000
Non-current assets			
Property, plant and equipment	14	2,057	2,215
Goodwill	15	47,051	39,449
Other intangible assets	16	16,116	13,324
		<u>65,224</u>	<u>54,988</u>
Current assets			
Inventories	17	196	790
Trade and other receivables	18	10,683	9,582
Cash and cash equivalents		12,227	12,004
		<u>23,106</u>	<u>22,376</u>
Total assets		<u>88,330</u>	<u>77,364</u>
Current liabilities			
Bank overdraft	19	8,806	6,901
Other interest-bearing loans and borrowings	19	1,691	1,122
Financial derivatives	20	481	195
Trade and other payables	21	15,678	17,168
Tax payable		1,475	1,242
Provisions	22	147	133
		<u>28,278</u>	<u>26,761</u>
Non-current liabilities			
Other interest-bearing loans and borrowings	19	7,612	3,797
Provisions	22	-	225
Deferred tax liabilities	23	4,661	3,882
		<u>12,273</u>	<u>7,904</u>
Total liabilities		<u>40,551</u>	<u>34,665</u>
Net assets		<u>47,779</u>	<u>42,699</u>
Equity attributable to shareholders			
Share capital	24	33,689	32,655
Share premium account	25	6,608	5,954
Hedging reserve	26	(481)	(195)
Shares to be issued	27	-	536
Capital redemption reserve	28	125	-
Share option reserve	29	5,810	-
Retained earnings	30	2,028	3,749
		<u>47,779</u>	<u>42,699</u>
Total equity		<u>47,779</u>	<u>42,699</u>

These financial statements were approved by the Board of Directors on 3 July 2009 and were signed on its behalf by:

Ben Langdon
Director

Consolidated cash flow statement

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Cash flow from operating activities			
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	12	2,814	2,357
Taxation		1,674	1,013
		<hr/>	<hr/>
Operating cash flow before changes in working capital and provisions		9,066	7,031
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
		<hr/>	<hr/>
Cash generated from the operation		8,362	9,046
Interest received		97	252
Interest paid		(530)	(717)
Tax paid		(2,207)	(1,194)
		<hr/>	<hr/>
Net cash flow from operating activities		5,722	7,387
		<hr/>	<hr/>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		6	10
Acquisitions of subsidiaries, net of cash acquired	13	(7,610)	(8,021)
Payment of contingent consideration for prior year acquisitions		(3,566)	-
Acquisition of intangible assets	16	(105)	-
Acquisition of property, plant and equipment	14	(283)	(747)
		<hr/>	<hr/>
Net cash outflow from investing activities		(11,558)	(8,758)
		<hr/>	<hr/>
Cash flows from financing activities			
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	24	(178)	-
		<hr/>	<hr/>
Net cash inflow from financing activities		4,154	3,569
		<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents		(1,682)	2,198
Cash and cash equivalents at beginning of year		5,103	2,905
		<hr/>	<hr/>
Cash and cash equivalents at end of year		3,421	5,103
		<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:			
Cash at bank and in hand		12,227	12,004
Bank overdrafts	19	(8,806)	(6,901)
		<hr/>	<hr/>
Cash and cash equivalents at end of year		3,421	5,103
		<hr/> <hr/>	<hr/> <hr/>

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
At 1 April 2007	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
At 31 March 2008	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)
At 31 March 2009	33,689	6,608	(481)	-	125	5,810	2,028	47,779

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 36.

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 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. 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 net 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. 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. 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 the 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 cost when such cost 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' becomes 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). This 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 the bearing of 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 required 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 2009) 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)

Segmental reporting

Year ended 31 March 2009

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

2 Segmental reporting (continued)

Segmental reporting

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	(12,209)	(3,713)	(3,848)	1,878	(17,892)
Gross profit	10,027	11,045	12,007	-	33,079
Other operating income	212	-	-	-	212
Operating expenses excluding depreciation, amortisation and charges for share options	(7,512)	(8,676)	(8,543)	(1,129)	(25,860)
Operating profit before depreciation, amortisation and charges for share options	2,727	2,369	3,464	(1,129)	7,431
Depreciation	(229)	(209)	(146)	(2)	(586)
Operating profit before amortisation and charges for share options	2,498	2,160	3,318	(1,131)	6,845
Amortisation	(534)	(334)	(539)	-	(1,407)
Charges for share options (note 12)	(94)	(412)	(671)	(1,581)	(2,758)
Operating profit	1,870	1,414	2,108	(2,712)	2,680
Finance income					252
Finance costs					(783)
Profit before tax					2,149
Taxation					(1,013)
Profit for year from continuing operations					1,136

2 Segmental reporting (continued)

	31 March 2009				
	Online marketing & media £'000	Direct marketing services £'000	Data services £'000	Unallocated £'000	Group total £'000
Assets	11,262	2,730	5,889	68,449	88,330
Liabilities	(10,734)	(4,328)	(3,741)	(21,748)	(40,551)
Capital employed	528	(1,598)	2,148	46,701	47,779

	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 consist predominantly 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
Year ended 31 March 2009	115	83	77	8	283
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 Other operating income

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Other operating income	192	212

4 Other operating expenses

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Wages and salaries	24,310	20,282
Share based payments	3,036	2,759
Administration	8,815	6,163
	<hr/>	<hr/>
	36,161	29,204
	<hr/> <hr/>	<hr/> <hr/>

5 Finance income

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Interest income	97	252
	<hr/>	<hr/>

6 Finance costs

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Interest expense	704	783
	<hr/>	<hr/>

7 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	(486)	(657)
	<hr/>	<hr/>
Total tax charge	1,674	1,013
	<hr/>	<hr/>
Reconciliation of total tax charge:		
Profit before tax	3,114	2,149
	<hr/>	<hr/>
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	(109)	-
	<hr/>	<hr/>
Total tax charge	2,160	1,670
	<hr/> <hr/>	<hr/> <hr/>

8 Earnings per share

	Year ended 31 March 2009 pence per share	Year ended 31 March 2008 pence per share
Basic	2.15p	1.79p
Diluted	1.92p	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:

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

Adjusted earnings per share

	Year ended 31 March 2009 pence per share	Year ended 31 March 2008 pence per share
From continuing and discontinued operations		
Basic adjusted earnings per share	8.76p	7.30p
Diluted adjusted earnings per share	7.82p	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:

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Profit before tax	3,114	2,149
Amortisation	1,863	1,407
Charges for share options	3,036	2,759
Adjusted profit attributable to shareholders	8,013	6,315
Current year tax charge	(2,160)	(1,670)
	5,853	4,645

9 Expenses and auditor's remuneration

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
The following are included in profit before tax:		
Depreciation of property, plant and equipment	668	587
Amortisation of intangible assets	1,863	1,407
Employee emoluments	27,346	23,041
	<u> </u>	<u> </u>
Auditor's remuneration:		
Audit of the financial statements	33	30
Other amounts payable to the auditors and their associates in respect of:		
Audits of financial statements of subsidiaries pursuant to legislation	66	51
Fees for taxation services	46	16
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or the Group	76	75
	<u> </u>	<u> </u>

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed separately as the information is required instead to be disclosed on a consolidated basis.

10 Directors' emoluments

Year to 31 March 2009

	Salary £	Bonus £	Benefits £	Sub total £	Pensions £	Total £
Stephen Davidson	40,000	-	-	40,000	-	40,000
Sarah Guest note 1	96,250	-	-	96,250	-	96,250
Barry Jenner	15,000	-	-	15,000	-	15,000
Ben Langdon	200,000	160,000	-	360,000	-	360,000
Ian Robinson	15,000	-	-	15,000	-	15,000
Gary Stevens note 2	65,000	-	369	65,369	3,249	68,618
Andrew Wilson	15,000	-	-	15,000	-	15,000
	<u>446,250</u>	<u>160,000</u>	<u>369</u>	<u>606,619</u>	<u>3,249</u>	<u>609,868</u>

note 1 resigned 1 March 2009

note 2 resigned 24 November 2008

Year to 31 March 2008

	Salary £	Bonus £	Benefits £	Sub total £	Pensions £	Total £
Stephen Davidson	40,000	-	-	40,000	-	40,000
Sarah Guest	60,173	24,500	-	84,673	-	84,673
Barry Jenner	15,000	-	-	15,000	-	15,000
Ben Langdon	175,000	145,250	-	320,250	-	320,250
Robert Millington	52,154	-	3,726	55,880	-	55,880
Ian Robinson	15,000	-	-	15,000	-	15,000
Gary Stevens	94,313	-	572	94,885	4,107	98,992
Andrew Wilson	15,000	-	-	15,000	-	15,000
	<u>466,640</u>	<u>169,750</u>	<u>4,298</u>	<u>640,688</u>	<u>4,107</u>	<u>644,795</u>

The pension scheme contributions were made by HSM Limited for Gary Stevens.

10 Directors' emoluments (continued)

Transactions with key management personnel

Key management of the Group is considered to be the Board of Directors and the Operations Board.

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Short-term benefits		
Salaries including bonuses	1,435,280	1,578,468
Social security costs	185,596	194,573
Healthcare	43,833	24,024
	<hr/>	<hr/>
Total short-term benefits	1,664,709	1,797,065
Post-employment benefits		
Defined contribution pension plan	33,441	15,932
	<hr/>	<hr/>
	33,441	15,932
Share-based payments	1,745,381	1,427,715
	<hr/>	<hr/>
Total remuneration	3,443,531	3,240,712
	<hr/> <hr/>	<hr/> <hr/>

Share Options and Performance Share Plan (PSP)

The Board has adopted a Performance Share Plan (PSP) under which the Remuneration Committee may grant conditional share awards, nil cost options or market rate options. The share options granted to directors are set out below and are all nil cost options with an exercise price of a nominal £1 per tranche exercised. The options are performance linked to the compound annual growth rate in earnings per share, and, subject to the performance criteria, vest after 31 March 2010. Further details of the PSP are given on pages 22 to 23.

Share options granted under the PSP, all of which are outstanding, have been as follows:

Number of share options granted

	As at 31 March 2008	Granted during the year	Exercised during the year	Lapsed during the year	As at 31 March 2009	Date of grant
Stephen Davidson	1,403,509	-	-	-	1,403,509	26 Jan 2007
	350,877	-	-	-	350,877	2 Feb 2007
Sarah Guest	191,489	-	-	(191,489)	-	10 Sept 2007
	90,043	-	-	(90,043)	-	21 Dec 2007
Barry Jenner	70,175	-	-	-	70,175	26 Jan 2007
Ben Langdon	3,859,649	-	-	-	3,859,649	26 Jan 2007
	701,754	-	-	-	701,754	2 Feb 2007
	250,000	-	-	-	250,000	10 Sept 2007
	93,750	-	-	(93,750)	-	21 Dec 2007
	-	362,000	-	-	362,000	13 Aug 2008
Ian Robinson	70,175	-	-	-	70,175	26 Jan 2007
Gary Stevens	877,193	-	-	(292,398)	584,795	26 Jan 2007
Andrew Wilson	70,175	-	-	-	70,175	26 Jan 2007

11 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Management and administration	102	92
Call centre operatives	181	137
Account management and production	214	163
Information strategists	113	85
Media planning and buying	16	32
	<hr/> 626 <hr/>	<hr/> 509 <hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Wages and salaries	21,448	17,887
Social security costs	2,402	2,061
Other pension costs	460	334
Share option charges - PSP Options (see note 12)	2,814	2,357
Share option charges - Employers NI (see note 12)	222	402
	<hr/> 27,346 <hr/>	<hr/> 23,041 <hr/>

12 Employee benefits

The company grants share options under the Digital Marketing Group Performance Share Plan, more details of which are given in the Directors' Remuneration Report.

Details of the share options granted during and outstanding at the end of the year are as follows:

	Year ended 31 March 2009		Year ended 31 March 2008	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1 April	13,718,899	7.1p	9,846,490	5.9p
Granted during the year	1,534,620	37.3p	4,043,076	8.8p
Lapsed during the year	(1,612,034)	19.5p	(126,807)	57.0p
Exercised during the year	-	-	(43,860)	-
	<hr/> 13,641,485 <hr/>	<hr/> 9.7p <hr/>	<hr/> 13,718,899 <hr/>	<hr/> 7.1p <hr/>
At 31 March				
Exercisable at end of year	<hr/> -	<hr/> -	<hr/> -	<hr/> -

Share options outstanding at the end of the year have a range of exercise prices from a nominal £1 per tranche exercised to £1.235 per share and a weighted average remaining vesting period of 3.0 years.

12 Employee benefits (continued)

Share options outstanding at the year end were as follows:

As at 31 March 2009

Number	Exercise price	Period of exercise	
		from	to
1,035,319	nil	31/03/2010	02/02/2012
7,111,111	nil	31/03/2010	26/01/2012
732,455	57p	31/03/2010	26/01/2012
2,687,186	nil	12/07/2010	12/07/2012
104,000	57p	12/07/2010	12/07/2012
36,000	123.5p	12/07/2010	12/07/2012
250,000	nil	10/09/2010	10/09/2012
110,000	117.5p	10/09/2010	10/09/2012
178,294	89p	21/12/2010	21/12/2012
737,000	nil	13/08/2011	13/08/2013
660,120	76.5p	13/08/2011	13/08/2013
13,641,485			

As at 31 March 2008

Number	Exercise price	Period of exercise	
		from	to
7,754,386	nil	31/03/2010	26/01/2012
1,052,632	nil	31/03/2010	02/02/2012
416,666	60p	31/03/2010	25/01/2012
456,140	57p	31/03/2010	26/01/2012
2,759,998	nil	12/07/2010	12/07/2012
174,000	57p	12/07/2010	12/07/2012
60,000	123.5p	12/07/2010	12/07/2012
441,489	nil	10/09/2010	10/09/2012
110,000	117.5p	10/09/2010	10/09/2012
206,293	nil	21/12/2010	21/12/2012
287,294	89p	21/12/2010	21/12/2012
13,718,898			

Charge to the income statement

Under IFRS 2 the Group is required to recognise an expense in the relevant Company's financial statements. The expense is apportioned over the vesting period based upon the number of options which are expected to vest and the fair value of those options at the date of grant.

In considering appropriate expense the Group commissioned an independent valuation from American Appraisal UK Limited and have fully adopted their findings and accordingly a charge of £2,814,000 (2008: £2,357,000) has been made in these financial statements.

The weighted average fair value of the options is 72.8p (2008: 74.3p).

12 Employee benefits (continued)

The weighted average fair value was calculated using the trinomial model with the following inputs:

	Year ended 31 March 2009	Year ended 31 March 2008
Share price range at date of grant	62.5p to 125.0p	62.5p to 125.0p
Exercise price	0p to 123.5p	0p to 123.5p
Expected volatility	35% - 40%	35%
Dividend yield	0%	0%
Risk free rate	4.53% - 5.71%	4.61% - 5.71%
Option life	3 years	3 years

Expected volatility was determined by American Appraisal UK Limited and is the standard deviation of the continuously compounded rates of return on the shares over the long term average. The rate of return is the benefit (or cost) of both dividends and share price movement. The volatilities of seven quoted companies, considered by the management of Digital Marketing Group plc to be comparable to Digital Marketing Group plc, were considered to determine the rates of return over the long-term average. The risk free rate is equal to the yield on 5 year UK Government Gilts at each date of grant (as quoted by the Bank of England).

During the previous year the Group transferred the liability to settle the Employer's NI from the option holder to the Group. As a result the Group has charged £222,000 (2008: £402,000) to the Profit and Loss Account in the year as an additional Share Based Payment charge. The future Employers NI liability has been discounted over the 3 year period using a discount rate of 10%.

The financial statements include the following amounts:

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Share based payment charge	2,814	2,357
Related national insurance costs	222	402
	<hr/> 3,036 <hr/>	<hr/> 2,759 <hr/>

13 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:

	Acquirees' book value £'000	Fair value adjustments £'000	Notes	Acquisition amounts £'000
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)
	<hr/>	<hr/>		<hr/>
Net identifiable assets and liabilities	1,572	3,276		4,848
	<hr/>	<hr/>		<hr/>
Goodwill on acquisition				7,602
				<hr/>
				12,450
				<hr/> <hr/>
Cash consideration paid (including legal and professional fees of £470,000)				8,025
Contingent consideration payable in cash or cash and shares (note 33)				4,425
				<hr/>
				12,450
				<hr/> <hr/>
Summary of net cash outflow from acquisitions:				
Cash paid				8,025
Cash acquired				(415)
				<hr/>
Net cash outflow from acquisitions in the year				7,610
				<hr/> <hr/>

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.

13 Acquisition of subsidiaries (continued)

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

Notes

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

CyberDMG

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 £395,000 to the consolidated profit attributable to shareholders for the year ended 31 March 2009.

The assets and liabilities of CyberDMG acquired were as follows:

	Acquirees' book value £'000	Fair value adjustments £'000	Acquisition amounts £'000
Acquirees' net assets at the acquisition date:			
Other intangible assets	-	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	1,043	3,276	4,319
Goodwill on acquisition			5,150
			9,469
Cash consideration paid (including legal and professional fees of £227,000)			6,469
Contingent consideration payable in cash or shares			3,000
			9,469
Summary of net cash outflow from acquisition:			
Cash paid			6,469
Cash acquired			(96)
Net cash outflow			6,373

13 Acquisition of subsidiaries (continued)

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 or shares of £1,325,000. In the period since acquisition, the subsidiary contributed £164,000 to the consolidated profit attributable to shareholders for the year ended 31 March 2009.

The assets and liabilities of GasboxDMG acquired were as follows:

	Acquirees' book value £'000	Fair value adjustments £'000	Acquisition amounts £'000
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
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	475	-	475
	<hr/>	<hr/>	<hr/>
Goodwill on acquisition			2,182
			<hr/>
			2,657
			<hr/>
Cash consideration paid (including legal and professional fees of £222,000)			1,332
Contingent consideration payable in cash or shares			1,325
			<hr/>
			2,657
			<hr/>
Summary of net cash outflow from acquisition:			
Cash paid			1,332
Cash acquired			(309)
			<hr/>
Net cash outflow			1,023
			<hr/>

13 Acquisition of subsidiaries (continued)

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 £103,000 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:

	Acquirees' book value £'000	Fair value adjustments £'000	Acquisition amounts £'000
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)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	54	-	54
	<hr/>	<hr/>	<hr/>
Goodwill on acquisition			270
			<hr/>
			324
			<hr/> <hr/>
Cash consideration paid (including legal and professional fees of £21,000)			224
Contingent consideration payable in cash			100
			<hr/>
			324
			<hr/> <hr/>
Summary of net cash outflow from acquisition:			
Cash paid			224
Cash acquired			(10)
			<hr/>
Net cash outflow			214
			<hr/> <hr/>

14 Property, plant and equipment

	Freehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost					
At 31 March 2007	-	134	20	688	842
Acquisitions of subsidiaries	1,150	-	-	201	1,351
Additions	-	136	-	611	747
Disposals	-	-	(14)	(18)	(32)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	1,150	270	6	1,482	2,908
Acquisitions of subsidiaries	-	39	-	194	233
Additions	-	-	-	283	283
Disposals	-	(7)	-	(3)	(10)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	1,150	302	6	1,956	3,414
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 31 March 2007	-	12	4	112	128
Depreciation charge for the year	22	49	5	511	587
Depreciation on disposals	-	-	(4)	(18)	(22)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2008	22	61	5	605	693
Depreciation charge for the year	29	62	1	576	668
Depreciation on disposals	-	(1)	-	(3)	(4)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	51	122	6	1,178	1,357
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 March 2008	1,128	209	1	877	2,215
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2009	1,099	180	-	778	2,057
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The assets are covered by a fixed charge in favour of the Group's lenders.

The amount held under finance leases included in the above was £nil net book value as at 31 March 2009 (2008: £6,000).

15 Goodwill

	Goodwill £'000
Cost and net book value	
At 31 March 2007	30,734
Acquisitions through business combinations	8,024
Adjustments to prior year acquisitions	691
	<hr/>
At 31 March 2008	39,449
Acquisitions through business combinations	7,602
	<hr/>
At 31 March 2009	47,051
	<hr/> <hr/>
Goodwill is attributed to the following cash generating units:	
GraphicoDMG	6,017
HyperlaunchDMG	2,007
InboxDMG	1,711
CheezeDMG	9,620
CyberDMG	5,151
DigForFireDMG	5,550
HSMDMG	4,209
GasboxDMG	2,182
JaywingDMG	10,604
	<hr/>
	47,051
	<hr/> <hr/>

Goodwill and other intangible assets have been tested for impairment by assessing the value in use of the relevant cash generating units. The value in use calculations were based on projected cashflows in perpetuity. Budgeted cash flows for 2009/10 were used. Subsequent years were based on reducing rates of growth declining to a 2% growth rate by 2016.

The average year on year growth in earnings before interest, tax, depreciation and amortisation (EBITDA) which has been used as the basis for forecasting cash flows when testing for impairment were:

	Year on year growth
2009/10	(6.3%)
2010/11	17.2%
2011/12	10.4%
2012/13	6.8%
2013/14	6.4%
2014/15	4.7%
2015/16	3.4%
Perpetuity	2.0%

The growth rates shown are the average applied to the cash flows of the individual cash generating units and do not form a basis for estimating the consolidated profits of the Group in the future.

The discount rate used to test the cash generating units was the Group's pre-tax Weighted Average Cost of Capital (WACC) of 10.3%. The individual cash generating units were assessed for risk variances from the WACC, but in the absence of geographical risk, currency risk and any significant price risk variations, the WACC was used for all the cash generating units.

As a result of this test no impairment provisions are considered necessary.

The Directors have performed sensitivity analysis in relation to the WACC used which showed that no impairment will be required for WACCs up to 15%. At a discount rate of 15.3% an impairment charge of £76,000 would be required.

The Directors have also performed sensitivity analysis in relation to the year on year growth in EBITDA which showed that no impairment will be required up to a reduction in projected EBITDA growth of 8%. At a fall in projected EBITDA growth of 8.5% an impairment charge of £100,000 would be required.

16 Other intangible assets

	Customer relationships, trademarks and development costs £'000
Cost	
At 31 March 2007	10,536
Acquisitions through business combinations	4,516
	<hr/>
At 31 March 2008	15,052
Additions during the year	105
Acquisitions through business combinations	4,550
	<hr/>
At 31 March 2009	19,707
	<hr/>
Amortisation	
At 31 March 2007	321
Amortisation charge for the year	1,407
	<hr/>
At 31 March 2008	1,728
Amortisation charge for the year	1,863
	<hr/>
At 31 March 2009	3,591
	<hr/>
Net book amount	
At 31 March 2008	13,324
	<hr/> <hr/>
At 31 March 2009	16,116
	<hr/> <hr/>

The cost of customer relationships were determined as at the date of acquisition of the subsidiaries by professional valuers. The valuations used the discounted cash flow method, assuming rates of customer attrition at 10% and sales growth at 2% each year. The discount rate applied to the future cash flows were specific to each subsidiary and were all in the range 14.6% to 15.5%. The discount rate applied to the future cash flows in order to determine the cost of customer relationships acquired during this financial year was 15.5%.

Goodwill and other intangible assets have been tested for impairment. The method, key assumptions and results of the impairment review are detailed in note 15.

17 Inventories

	31 March 2009 £'000	31 March 2008 £'000
Work in progress	196	790
	<hr/> <hr/>	<hr/> <hr/>

18 Trade and other receivables

	31 March 2009	31 March 2008
	£'000	£'000
Trade receivables	8,486	8,494
Prepayments and accrued income	1,365	633
Deferred tax	178	36
Other receivables	654	419
	<hr/>	<hr/>
	10,683	9,582
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of trade and other receivables approximates to their fair value.
All financial assets are classified as loans and receivables.

All trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired so a provision of £542,000 (2008: nil) has been recorded accordingly. In addition some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	31 March 2009	31 March 2008
	£'000	£'000
Not more than 3 months	3,009	4,060
More than 3 months but not more than 6 months	174	208
More than 6 months but not more than 1 year	58	18
More than 1 year	6	1
	<hr/>	<hr/>
	3,247	4,287
	<hr/> <hr/>	<hr/> <hr/>

19 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	
	18,109	11,820	
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	10,497	8,023	
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	7,612	3,797	
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 was £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 overdraft 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)	184	(6,014)	(52)	(5,882)

20 Financial derivatives

	31 March 2009 £'000	31 March 2008 £'000
Interest rate swap	481	195

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. This swap is designated a hedge of the interest expense relating to the Group loans. The contract was marked to market at 31 March 2009 and was a net liability of £481,000 (2008: £195,000).

The interest rate swap's contractual maturity is summarised below:

	31 March 2009 £'000	31 March 2008 £'000
Current		
Within 6 months	124	124
In 6 to 12 months	124	124
Non-current		
1 to 5 years	557	805

The above contractual maturities reflect the gross cash flows, which differ from the carrying value at the balance sheet date.

21 Trade and other payables

	31 March 2009 £'000	31 March 2008 £'000
Trade payables	3,900	4,496
Tax and social security	2,630	2,593
Other payables, accruals and deferred income	9,148	10,079
	15,678	17,168

The carrying amount of trade and other payables approximates to their fair values.

22 Provisions

	31 March 2009 £'000	31 March 2008 £'000
At 31 March 2008	358	518
Utilised during the year	(211)	(160)
	147	358
Total provisions are analysed as follows:		
Non-current	-	225
Current	147	133
	147	358

Provisions relate to leases in Group companies where the commercial benefit has either ceased or will cease before the normal expiry period.

23 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities:	31 March 2009	31 March 2008
	£'000	£'000
Accelerated capital allowances on property, plant and equipment:		
At start of year	4	8
Arising on acquisition	(3)	-
Origination and reversal of temporary differences	(18)	(4)
	<hr/>	<hr/>
At end of year	(17)	4
	<hr/> <hr/>	<hr/> <hr/>
Other temporary differences:		
At start of year	3,842	3,029
Adjustment in relation to prior year classification	(8)	-
Arising on acquisition	1,134	1,466
Origination and reversal of temporary differences	(468)	(653)
	<hr/>	<hr/>
At end of year	4,500	3,842
	<hr/> <hr/>	<hr/> <hr/>
Total deferred tax:		
At start of year	3,846	3,037
Adjustment in relation to prior year classification	(8)	-
Arising on acquisition	1,131	1,466
Origination and reversal of temporary differences (note 7)	(486)	(657)
	<hr/>	<hr/>
At end of year	4,483	3,846
	<hr/> <hr/>	<hr/> <hr/>
Deferred tax is included within:		
Deferred tax liability	4,661	3,882
Deferred tax asset	(178)	(36)
	<hr/>	<hr/>
	4,483	3,846
	<hr/> <hr/>	<hr/> <hr/>

24 Share capital

	31 March 2009 £'000	31 March 2008 £'000
Authorised share capital		
100,000,000 Ordinary shares of £0.50 each	50,000	50,000
49,999 Redeemable preference shares of £1 each	50	50
	<hr/>	<hr/>
	50,050	50,050
	<hr/>	<hr/>
Alloted, called up and fully paid		
Ordinary shares of 50p each:		
At start of period	32,655	25,063
Issue of shares during the period	1,159	7,592
Shares repurchased	(125)	-
	<hr/>	<hr/>
At end of period	33,689	32,655
	<hr/>	<hr/>
Reconciliation of movements of number of ordinary shares of £0.50 issued:	31 March 2009	31 March 2008
	Number	Number
Ordinary shares of £0.50 each:		
At start of period	65,309,782	50,126,437
Issue of ordinary shares during the period	2,318,738	15,183,345
Shares repurchased	(250,000)	-
	<hr/>	<hr/>
	67,378,520	65,309,782
	<hr/>	<hr/>

On 12 June 2008 the Company issued 466,551 ordinary shares at £0.8258 per share as part of the consideration for the acquisition of Graphico New Media Limited. The premium arising on issue was £152,018.

On 30 June 2008 the Company issued 670,087 ordinary shares at £0.80 per share as part of the consideration for the acquisition of Cheeze Limited. The premium arising on issue was £201,026.

On 12 August 2008 the Company issued 1,182,100 ordinary shares at £0.766 per share as part of the consideration for the acquisition of Graphico New Media Limited. The premium arising on issue was £314,439.

On 1 December 2008 the Company repurchased 225,000 shares at £0.715 each and on 9 December 2008 the Company repurchased 25,000 shares at £0.715 each.

Warrant over shares

The Company has granted warrants to Cenkos Securities PLC over 324,561 ordinary shares at £0.57 per share in lieu of services rendered prior to the formation of the Company and admission to the AIM. These warrants are exercisable at any time until 25 October 2012. The fair value of the warrants has been calculated at £50,000 which at the time of granting the warrants represented the value of the services provided.

25 Share premium account

	31 March 2009 £'000	31 March 2008 £'000
At start of year	5,954	2,986
Premium on issue of shares	654	3,506
Share issue costs	-	(538)
	<hr/>	<hr/>
	6,608	5,954
	<hr/>	<hr/>

The share premium arising on the issue of shares has been adjusted by £13,000 to take account of share options exercised in earlier years.

26 Hedging reserve

	31 March 2009 £'000	31 March 2008 £'000
At start of year	195	-
Loss on cash flow hedges	(37)	(3)
Transfer to profit or loss	37	3
Change in fair value of cash flow hedge	286	195
	<u>481</u>	<u>195</u>

The cash flow hedges arise from changes in the fair value of the 2007-2012 interest rate swap.

27 Shares to be issued

	31 March 2009 £'000	31 March 2008 £'000
At start of year	536	500
Shares to be issued in respect of deferred consideration	-	36
Shares issued in respect of deferred consideration	(536)	-
	<u>-</u>	<u>536</u>

28 Capital redemption reserve

	31 March 2009 £'000	31 March 2008 £'000
At start of year	-	-
Share buy back	125	-
	<u>125</u>	<u>-</u>
At end of year	<u>125</u>	<u>-</u>

29 Share option reserve

	31 March 2009 £'000	31 March 2008 £'000
At start of period	-	-
Transfer from profit and loss account	5,810	-
	<u>5,810</u>	<u>-</u>
At end of period	<u>5,810</u>	<u>-</u>

The Board of Directors have approved the transfer of reserves from the profit and loss account to a designated share option reserve. The share option reserve is a distributable reserve.

30 Retained earnings

	31 March 2009	31 March 2008
	£'000	£'000
At start of year	3,749	291
Retained profit for the year	1,440	1,136
Charge in respect of share options	2,814	2,357
Capital Redemption Reserve	(125)	-
Premium on redemption of shares	(53)	-
Amount arising on exercise of share options	13	(35)
Transfer to share option reserve	(5,810)	-
	<hr/>	<hr/>
	2,028	3,749
	<hr/> <hr/>	<hr/> <hr/>

31 Operating leases

The Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	31 March 2009	31 March 2008
	£'000	£'000
In less than one year	751	671
Between one and five years	1,902	2,558
After five years	2,350	3,072

The Group leases a number of office premises under operating leases. During the year £644,293 (2008: £640,000) was recognised as an expense in the consolidated income statement in respect of operating leases.

32 Capital commitments

The Group had no commitments to purchase property, plant and equipment at 31 March 2009 (2008: £nil).

33 Contingent liabilities

Some acquisitions by the Group 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 £9,100,000 (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:

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

The amounts provided have not been discounted.

34 Related parties

Ian Robinson, Non-Executive Director, is also a Director of Anne Street Partners Limited. The services of Ian Robinson and Andrew Wilson as Non-Executive Directors of the Company are purchased from Anne Street Partners for an annual fee of £15,000 (2008: £15,000) each. At the year end £8,625 was outstanding to Anne Street Partners.

During the year the Company purchased Gasbox Limited. Andrew Gardner and Martin Boddy were both Directors of Gasbox Limited and each held 125,000 ordinary shares in Gasbox Limited at the date of acquisition.

Andrew Gardner was also company secretary of Gasbox Limited at acquisition. Andrew Gardner is on the Operations Board of Digital Marketing Group plc and is a Director of the following companies in the Group; Alphanumeric Limited, Alphanumeric (Holdings) Limited, Jaywing Central Limited, Alphanumeric Group Holdings Limited, Gasbox Limited, Prodant Limited.

During the year Martin Boddy served as Director for Alphanumeric (Holdings) Limited, Alphanumeric Limited, ISIS Direct Limited, Alphanumeric Group Holdings Limited and Gasbox Limited. As at 31 March 2009 he had resigned these positions.

35 Accounting estimates and judgements

Accounting estimates

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 (see note 15).

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 (see note 16).

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 Employers NI liability has been discounted over the 3 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 33.

Accounting judgements

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.

36 Financial risk management

The Group uses various financial instruments. These include loans, cash, equity investments and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. In this instance price risk has been ignored as it is not considered a material risk to the business. The Group's policies for managing fair value interest rate risk are considered along with those for managing cash flow interest rate risk and are set out in the subsection entitled 'interest rate risk' below.

Currency risk

The Group is only minimally exposed to translation and transaction foreign exchange risk.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and by investing cash assets safely and profitably.

The Group policy throughout the period has been to ensure continuity of funding.

Short-term flexibility is achieved by overdraft facilities.

The maturity of borrowings is set out in note 19 to the consolidated financial statements.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Directors' policy to manage interest rate fluctuations is to regularly review the costs of capital and the risks associated with each class of capital, and to maintain an appropriate mix between fixed and floating rate borrowings. 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 contract was marked to market at 31 March 2009 and was valued with a net liability of £481,000 (2007: £195,000).

The interest rate exposure of the financial assets and liabilities of the Group is shown in the table below. The table includes trade debtors and creditors as these do not attract interest and are therefore subject to fair value interest rate risk.

	31 March 2009	31 March 2008
	£'000	£'000
Financial assets:		
Floating interest rate:		
Cash	12,227	12,004
Zero interest rate:		
Trade receivables	8,486	8,494
	20,713	20,498
Financial liabilities:		
Floating interest rate:		
Overdrafts	8,806	6,901
Bank loans	9,303	4,919
Zero interest rate:		
Trade payables	3,900	4,496
	22,009	16,316

Sensitivity to interest rate fluctuations

If the average interest rate payable on the net financial asset / net financial liabilities subject to a floating interest rate during the year had been 1% higher than reported on the average borrowings during the year, then profit before tax would have been £18,000 lower, and if the interest rate on these liabilities had been 1% lower, profit before tax would have improved by £18,000.

Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the Group's trade receivables.

In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The Directors consider that the Group's trade receivables were impaired for the year ended 31 March 2009 and a provision for £542,000 has been provided accordingly. See note 18 for further information on financial assets that are past due.

Summary of financial assets and liabilities by category

31 March 2009 31 March 2008
£'000 £'000

The carrying amounts of financial assets and liabilities recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

Financial assets:

Trade and other receivables - loans and receivables
Cash and cash equivalents

9,140 8,913
12,227 12,004

21,367 20,917

Financial liabilities:

Non current:

Borrowings - financial liabilities measured at amortised cost
Financial Derivatives - hedging instrument carried at fair value

(7,612) (3,797)
(481) (195)

Current:

Borrowings - financial liabilities measured at amortised cost
Trade and other payables

(10,497) (8,023)
(13,048) (14,575)

(31,638) (26,590)

Net financial assets and liabilities

(10,271) (5,673)

Plant, property and equipment

2,057 2,215

Goodwill

47,051 39,449

Other intangible assets

16,116 13,324

Prepayments

1,365 633

Deferred tax

178 36

Inventories

196 790

Taxation payable

(4,105) (3,835)

Provisions for deferred tax

(4,661) (3,882)

Provisions for liabilities

(147) (358)

58,050 48,372

Total equity

47,779 42,699

Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to shareholders

by pricing products and services commensurately with the level of risk.

Company profit and loss account

	Note	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Turnover		314	298
Cost of sales		(39)	(573)
Gross Profit		275	(275)
Administrative expenses		(3,389)	(2,713)
Amortisation of capitalised goodwill		(132)	(253)
Total administrative expenses	2	(3,521)	(2,966)
Operating loss	3	(3,246)	(3,241)
Income from fixed asset investments		3,050	2,750
Interest receivable and similar income		85	110
Interest payable and similar charges	4	(733)	(724)
Loss on ordinary activities before taxation		(844)	(1,105)
Taxation on ordinary activities	5	606	762
Loss on ordinary activities after taxation	21	(238)	(343)

All of the activities of the Company are classed as continuing.

The Company has no recognised gains or losses for the year other than the loss for the year as set out above.

Company balance sheet

	Note	31 March 2009 £'000	31 March 2008 £'000
Fixed assets			
Tangible assets	9	6	4
Intangible assets	10	-	132
Investments	11	68,413	56,287
		<u>68,419</u>	<u>56,423</u>
Current assets			
Debtors	12	2,879	5,646
Current liabilities			
Creditors: amounts falling due within one year	13	(12,542)	(14,313)
Net current liabilities		<u>(9,663)</u>	<u>(8,667)</u>
Total assets less current liabilities		58,756	47,756
Creditors: amounts falling due after more than one year	14	(11,537)	(3,003)
Total net assets		<u>47,219</u>	<u>44,753</u>
Capital and reserves			
Called up share capital	16	33,689	32,655
Share premium account	17	6,608	5,954
Shares to be issued	18	-	536
Share option reserve	19	5,810	6,107
Capital redemption reserve	20	125	-
Profit and loss account	21	987	(499)
Shareholders' funds	22	<u>47,219</u>	<u>44,753</u>

These financial statements were approved by the board of directors on 3 July 2009 and were signed on its behalf by:

Ben Langdon
Director

Notes to the Company financial statements

1 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards and have been prepared under the historical cost convention.

The principal accounting policies of the Company are set out below. The policies remain unchanged from the previous year.

Turnover

Turnover represents sales by the parent company on behalf of other group companies, and is stated exclusive of VAT.

Fixed assets and depreciation

All fixed assets are initially recorded at cost.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & fittings 20-33% straight line.

Investments

Investments are included at cost, less amounts written off.

Classification of financial instruments issued by the Company

Financial instruments issued by the Company 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 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; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

Share based payment

The fair value at the date of grant of share based remuneration has been calculated using a trinomial pricing model and charged to the profit and loss on a straight line basis over the vesting period of the award. The charge to the profit and loss, in respect of the Company's employees, 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.

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 recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

2 Other operating charges

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Share based payment charge	1,592	1,145
Related national insurance costs	222	402
Administrative expenses	1,707	1,419
	<hr/>	<hr/>
Total administrative expenses	3,521	2,966
	<hr/> <hr/>	<hr/> <hr/>

3 Operating loss

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Operating loss is stated after charging:		
Depreciation of owned fixed assets	4	2
	<hr/>	<hr/>

4 Interest payable and similar charges

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Bank interest payable	634	724
Intercompany interest payable	99	-
	<hr/>	<hr/>
	733	724
	<hr/> <hr/>	<hr/> <hr/>

5 Tax on ordinary activities

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
The tax credit represents:		
UK Corporation tax at 28% (2008: 30%)	(595)	(762)
Adjustment in respect of prior period	2	-
	<hr/>	<hr/>
Total current tax	(593)	(762)
Origination and reversal of timing differences	(13)	-
	<hr/>	<hr/>
	(606)	(762)
	<hr/> <hr/>	<hr/> <hr/>
The tax charge can be explained as follows:		
Loss before tax	(844)	(1,105)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 28% (2008: 30%)	(236)	(332)
Effect of:		
Income not taxable	-	(835)
Expenses not deductible for tax	(370)	431
Capital allowances for the period in excess of depreciation	1	-
Adjustment to prior years	-	(26)
Other	10	-
Prior year adjustment	2	-
	<hr/>	<hr/>
Current year expense	(593)	(762)
	<hr/> <hr/>	<hr/> <hr/>

6 Auditors' remuneration

Details of remuneration paid to the auditors by the Group are shown in note 9 to the consolidated financial statements.

7 Directors and employees

	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Average number of staff employed by the Company	6	4
	<hr/> <hr/>	<hr/> <hr/>
	Year ended 31 March 2009 £'000	Year ended 31 March 2008 £'000
Aggregate emoluments (including those of Directors):		
Wages and salaries	707	595
Social security costs	80	72
	<hr/>	<hr/>
Total emoluments	787	667
Gain on exercise of share options	-	35
	<hr/>	<hr/>
	787	702
	<hr/> <hr/>	<hr/> <hr/>

Details of individual directors remuneration, pension benefits and share options are shown in note 10 to the consolidated financial statements.

8 Dividends

The Directors do not recommend the payment of a dividend for the current year (2008: £nil).

9 Tangible fixed assets

	Fixtures & Fittings £'000
Cost at 1 April 2008	7
Additions	6
	<hr/>
Cost at 31 March 2009	13
	<hr/>
Depreciation at 1 April 2008	3
Charge for the year	4
	<hr/>
Depreciation at 31 March 2009	7
	<hr/>
Net book value 31 March 2009	6
	<hr/> <hr/>
Net book value 31 March 2008	4
	<hr/> <hr/>

10 Intangible fixed assets

	Capitalised goodwill £'000
Cost at 1 April 2008 and 31 March 2009	517
	<hr/>
Amortisation at 1 April 2008	385
Charge for the year	132
	<hr/>
Amortisation at 31 March 2009	517
	<hr/>
Net book value 31 March 2009	-
	<hr/> <hr/>
Net book value 31 March 2008	132
	<hr/> <hr/>

11 Fixed asset investments

Subsidiaries
£'000

Cost at 1 April 2008	56,287
Acquisitions of subsidiary undertakings during the year	12,126

Cost at 31 March 2009	68,413
------------------------------	---------------

During the year the Company acquired the share capital of Cybercom Group UK Limited, which has since changed its name to CyberDMG Limited, and Gasbox Limited.

At 31 March 2008 the Company held either directly or indirectly, 20% or more of the allotted share capital of the following companies:

	Class of share capital held	Proportion held		Nature of business
		by parent Company	by the Group	
Digital Marketing Group Services Limited	Ordinary	100%	100%	Dormant
HSM Limited	Ordinary	100%	100%	Online marketing & media, direct marketing
Inbox Limited	Ordinary	-	100%	Dormant
Scope Creative Marketing Limited	Ordinary	100%	100%	Direct marketing
Dig for Fire Limited	Ordinary	-	100%	Dormant
Junction Brand Communication Limited	Ordinary	-	100%	Dormant
Cheeze Limited	Ordinary	100%	100%	Online marketing & media
Alphanumeric Group Holdings Limited	Ordinary	100%	100%	Holding company
Alphanumeric Holdings Limited	Ordinary "A"	# 70%	100%	Holding company
Alphanumeric Limited	Ordinary	-	100%	Data services & consultancy
Jaywing Central Limited	Ordinary	-	100%	Dormant
ISIS Direct Limited	Ordinary	-	100%	Dormant
Graphico New Media Limited	Ordinary	100%	100%	Online marketing & media
Hyperlaunch New Media Limited	Ordinary	100%	100%	Online marketing & media
CyberDMG Limited	Ordinary	100%	100%	Online marketing & media
Gasbox Limited	Ordinary	100%	100%	Direct Marketing
Prodant Limited	Ordinary	-	100%	Data services & consultancy

The remaining 30% of the shares is held by Alphanumeric Group Holdings Limited.

All the companies listed above are incorporated in England and Wales.

12 Debtors

	31 March 2009 £'000	31 March 2008 £'000
Trade debtors	85	47
Amounts due from Group undertakings	2,086	4,821
Prepayments and accrued income	76	26
Other taxation and social security	26	16
Corporation tax	594	736
Deferred tax	12	-
	<u>2,879</u>	<u>5,646</u>

13 Creditors: amounts falling due within one year

	31 March 2009 £'000	31 March 2008 £'000
Bank loans and overdrafts (note 15)	10,497	7,985
Trade creditors	81	54
Amounts owed to Group undertakings	95	-
Other taxation and social security	21	22
Accruals and deferred income	1,248	1,196
Deferred consideration payable on acquisition of subsidiary undertakings	600	5,056
	<u>12,542</u>	<u>14,313</u>

14 Creditors: amounts falling due after more than one year

	31 March 2009 £'000	31 March 2008 £'000
Bank loans	7,612	3,003
Deferred consideration payable on acquisitions of subsidiary undertakings	3,925	-
	<u>11,537</u>	<u>3,003</u>

The bank loans and overdrafts are secured over the assets of the Company and its subsidiaries.

15 Borrowings and financial derivatives

	31 March 2009 £'000	31 March 2008 £'000
Summary		
Bank overdraft	8,806	6,893
Bank loans	9,303	4,095
	<u>18,109</u>	<u>10,988</u>
Borrowings are repayable as follows		
Within 1 year		
Bank overdraft	8,806	6,893
Bank loans	1,691	1,092
	<u>10,497</u>	<u>7,985</u>
Bank loans		
In more than 1 year but not more than 2 years	1,691	1,092
In more than 2 years but not more than 3 years	5,921	1,092
In more than 3 years but not more than 4 years	-	819
	<u>7,612</u>	<u>3,003</u>

In 2007 the Company purchased an interest rate swap of 6.19% for the period 2007 to 2012 for £4,000,000 of its borrowings. At 31 March 2009 the interest rate swap's fair value was a liability of £481,000 (2008: £195,000).

16 Share capital

	31 March 2009	31 March 2008
	£'000	£'000
Authorised share capital:		
100,000,000 Ordinary shares of £0.50 each	50,000	50,000
49,999 redeemable preference shares of £1 each	50	50
	<hr/>	<hr/>
	50,050	50,050
	<hr/> <hr/>	<hr/> <hr/>
Allotted, called up and fully paid:		
Ordinary shares of £0.50 each:		
At start of period	32,655	25,063
Issue of shares during the period	1,159	7,592
Share buy back	(125)	-
	<hr/>	<hr/>
At end of period	33,689	32,655
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of movements of number of ordinary shares of £0.50 issued:	31 March 2009	31 March 2008
	Number	Number
Ordinary shares of £0.50 each:		
At start of year	65,309,782	50,126,437
Issue of ordinary shares during the period	2,318,738	15,183,345
Share buy back	(250,000)	-
	<hr/>	<hr/>
	67,378,520	65,309,782
	<hr/> <hr/>	<hr/> <hr/>

Details of the issues of shares and the share buy back are given in note 24 of the consolidated financial statements.

17 Share premium account

	31 March 2009	31 March 2008
	£'000	£'000
At start of period	5,954	2,986
Premium on allotment of shares during period	654	3,506
Share issue costs	-	(538)
	<hr/>	<hr/>
At end of period	6,608	5,954
	<hr/> <hr/>	<hr/> <hr/>

The share premium arising on the issue of shares has been adjusted by £13,000 to take account of share options exercised in earlier years.

18 Shares to be issued

	31 March 2009	31 March 2008
	£'000	£'000
At start of period	536	500
Shares to be issued in respect of deferred consideration	-	36
Shares issued in respect of deferred consideration	(536)	-
	<hr/>	<hr/>
At end of period	-	536
	<hr/> <hr/>	<hr/> <hr/>

19 Share option reserve

	31 March 2009 £'000	31 March 2008 £'000
At start of period	6,107	4,689
Transfer (to)/from profit and loss account	(297)	1,418
	<hr/>	<hr/>
At end of period	5,810	6,107
	<hr/> <hr/>	<hr/> <hr/>

The share option reserve is a distributable reserve.

20 Capital redemption reserve

	31 March 2009 £'000	31 March 2008 £'000
At start of period	-	-
Arising on the share buy back	125	-
	<hr/>	<hr/>
At end of period	125	-
	<hr/> <hr/>	<hr/> <hr/>

21 Profit and loss account

	31 March 2009 £'000	31 March 2008 £'000
At start of period	(499)	117
Credit in respect of share based payments	1,592	1,145
Transfer from/(to) share options reserve	297	(1,418)
Share buy back	(125)	-
Premium arising on redemption of shares	(53)	-
Amount arising on exercise of share options	13	-
Retained loss for the period	(238)	(343)
	<hr/>	<hr/>
At end of period	987	(499)
	<hr/> <hr/>	<hr/> <hr/>

22 Reconciliation of movements in shareholders' funds

	31 March 2009 £'000	31 March 2008 £'000
At start of period	44,753	33,355
Shares issued during the period	1,159	7,592
Share buy back	(125)	-
Premium arising on redemption of shares	(53)	-
Deferred consideration on acquisition of subsidiary undertakings	(536)	36
Premium on shares allotted during the period, net of costs	654	2,968
Amount arising on exercise of share options	13	-
Credit in respect of share based payments	1,592	1,145
Retained loss for the period	(238)	(343)
	<hr/>	<hr/>
At end of period	47,219	44,753
	<hr/> <hr/>	<hr/> <hr/>

23 Share based payments

Details of the share options issued are given in note 12 to the consolidated financial statements. The basis of calculation of the share based payments, which all relate to share options issued, are given in the consolidated financial statements in note 12 to the consolidated financial statements.

24 Contingent liabilities

There is a cross guarantee between all members of the Digital Marketing Group plc group of companies on all bank overdrafts and bank borrowings with Barclays Bank plc. At 31 March 2009 the amount thus guaranteed by the Company was £nil (2008: £nil).

25 Related parties

The Company is exempt from the requirements of FRS 8 to disclose transaction with other members of the Digital Marketing Group plc group of companies.

Transactions with other related parties are disclosed in note 34 to the consolidated financial statements.

26 Financial risk management objectives and policies

Details of Group policies are set out in note 36 to the consolidated financial statements.

Shareholder information

Annual General Meeting

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.

Results

Announcement of 2009/10 half year results to 30 September 2009 – early December 2009. Preliminary announcement of 2009/10 results – early July 2010.

Dividend

There is no dividend payable.

Multiple accounts on the shareholder register

If you have received two or more copies of this document, this means that there is more than one account in your name on the shareholders register. This may be caused by either your name or address appearing on each account in a slightly different way. For security reasons, the Registrars will not amalgamate the account without your written consent, so if you would like any multiple accounts combined into one account, please write to Capita Registrars at the address given in the shareholder enquiries section opposite.

Documents

The following documents, which are available for inspection during normal business hours at the registered office of the Company on any weekday (Saturdays, Sundays and public holidays excluded), will also be available for inspection at the place of the AGM from at least 15 minutes prior to the meeting until its conclusion.

1. Copies of the Executive Directors' service agreements and the Non-Executive Directors' letters of appointment;
2. The memorandum and articles of association of the Company; and
3. Register of Directors' interests in the share capital of the Company maintained under Section 325 of the Companies Act 1985.

Particulars of the Directors' interest in shares are given in the Remuneration Report which is contained in the Report and Accounts for the year ended 31 March 2009.

Issued share capital

As at 3 July 2009 (being the last practicable date before the publication of this document) the Company's issued share capital comprised 67,378,520 ordinary shares of 50p each. Therefore, as at 3 July 2009 the total voting rights in the Company were 67,378,520. On a vote by show of hands every member who is present in person or by proxy has one vote. On a poll every member who is present in person or by proxy has one vote for every ordinary share of which he or she is a holder.

Share dealing services

To purchase or sell shares in Digital Marketing Group log on to www.capitadeal.com or call 0871 664 0364 (Mon-Fri 8am-4.30pm). Capita Share Dealing Services is a trading name of Capita IRG Trustees Limited, which is authorised and regulated by the Financial Services Authority. If you are selling shares you must have the relevant certificate(s) in your possession. This is not a recommendation to buy or sell shares and this service may not be suitable for all shareholders.

Shareholder enquiries

Capita Registrars maintains the register of members of the Company. If you have any queries concerning your shareholding, or if any of your details change, please contact the Registrars:

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA

Shareholder helpline: 0871 664 0300
(calls cost 10p per minute plus network extras)

Fax: 01484 606484.

Textphone for shareholders with hearing difficulties: 0871 664 0532
(calls cost 10p per minute plus network extras)

Capita Registrars also offer a range of shareholder information online at www.capitaregistrars.com

Website

Information on the Group is available at www.digitalmarketinggroup.co.uk





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Registered in England no. 5935923