

Date: 23 November 2009  
On behalf of: Digital Marketing Group plc ("DMG", "the Company" or "the Group")  
Embargoed: 0700hrs

**Digital Marketing Group plc  
Interim Results 2009/2010**

**PROFITS FLAT – PIPELINE BEST FOR 12 MONTHS**

Digital Marketing Group plc (AIM: DIGI), the UK's largest digital marketing agency today announced its interim results for the six months ended 30 September 2009.

**Performance Highlights**

- Gross profits £17.44m (2008: £18.72m)
- EBITDA before share based payments £3.63m (2008: £3.85m)
- Profit before tax ("PBT") before amortisation and share based payment charges £2.93m (2008: £3.15m)
- Like for like costs reduced by £4.24m from £20.80m to £16.56m
- Net debt £6.02m; undrawn banking facilities of £4.94 million
- Adjusted basic earnings per share 3.20 pence (2008: 3.75 pence)

**Commenting on the results, Stephen Davidson, Chairman of Digital Marketing Group plc, said:** "Despite the economic environment, we have produced a resilient set of results and remain confident for the coming months.

"As I stated at our full year results in July 2009, we have experienced a tough trading environment along with the rest of the industry; but our extremely experienced management team and innovative product offering mean we are now in the ideal position to take advantage of the increased spend in digital marketing which we anticipate during 2010 and beyond."

**Ben Langdon, Chief Executive of Digital Marketing Group plc, added:** "We are seeing some exceptional performances in our businesses as well as greater momentum in our new business pipeline across the Group; many of our companies are busier now than at any time in the past 12 months.

"Our business is stronger than ever following a large cost reduction programme and strong levels of existing client spend. Combined with our position as the UK's largest digital marketing business, we are extremely optimistic about the future, particularly as clients begin to re-invest in marketing.

"We predicted a tough six months but these results are predominantly in line with the past two years' performance and give us confidence for the rest of the year."

**Enquiries:**

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## INTERIM RESULTS

We have produced a resilient set of results, despite the difficult trading conditions we and our peers have been experiencing, with clients deferring spend or taking longer over their internal decision making process, which in turn has affected our revenue and trading visibility.

The Group reported gross revenues of £24.70 million for the six months ended 30 September 2009 against £26.48 million for the equivalent period in the prior year. As a result gross profit fell from £18.72 million to £17.44 million for the six months ended 30 September 2009.

Our digital agencies have shown strength with our e-commerce business in particular doing exceptionally well, up 34% in terms of PBT year on year.

By comparison, our data business with its strength in the financial services industry sector, has been less robust with a fall in revenue of £3.4 million. However, within this business we have made the greatest cost reduction totalling £2.3 million ensuring it has an appropriate cost base for any recovery in this sector.

During the period we received partial settlement on a contractual obligation from a client who has gone into liquidation, amounting to £1 million, which has been disclosed within other income.

Operating expenses fell by 2.2% from £16.93 million to £16.56 million. However, on a like for like basis these costs have been reduced from £20.80 million, a reduction of £4.24 million. We have taken active measures and tough decisions to manage our cost base and streamline the business, which has primarily meant a reduction in staff numbers. We reduced our headcount by 87 people to 560 between September 2008 and September 2009, resulting in a reduction of £3.21 million in operating expenses. This concentration on cost management is already showing results for our digital agencies and will mean improved financial performance in the future.

The action we have taken and continue to take will ensure we have an appropriate cost base. Our adjusted earnings before interest, tax, depreciation, amortisation and charges for share based payments was £3.63 million compared to £3.85 million for the six months ended 30 September 2008.

Following the strategic acquisitions of Cybercom Limited and Gasbox Limited in October 2008, our net debt increased to £9.40 million, however we have since reduced this figure by £3.38 million, hence net debt currently stands at £6.02 million (compared to reported debt at 30 Sept 2008 of £1.82 million). The cost of financing this debt has fallen, however we have not had the advantage of increased deposit rates on any short term cash available to us. Our net financing cost rose by £201,000 to £375,000 for the six months ended 30 September 2009.

Clients are showing significant interest in Digital Brain Search, a product we launched four months ago for the Pay Per Click ("PPC") market. We have won a number of assignments so far with new prospects being developed. This new product is of particular importance, due to PPC being the single biggest area for online marketing spend in the UK. Digital Brain Search is part of a portfolio of products that DMG has developed, under the Digital Brain brand banner.

Recent client wins include Berghaus, Sony Ericsson, Royal Mail, SPAR, History Channel, Yorkshire Building Society, Holiday Extras, Oval Group and SeaFrance. These wins are across all our businesses and reflect the depth and quality of the innovative services we are providing to our clients.

### Outlook

Research published by the European Interactive Advertising Association stated that 94% of marketers expected to spend more online next year than in 2009 and that they had spent

more online in 2009 than 2008. As the UK's largest digital marketing business, we are experiencing increased levels of new business activity which will convert into revenue for the Group. This, together with the cost reduction programme, means that our improving PBT run rate now gives us confidence for the second half.

Ben Langdon  
Chief Executive  
20 November 2009

**Consolidated Interim Income Statement (unaudited)**

|   |             | <b>Six months<br/>ended<br/>30 Sept 2009<br/>£000</b> | Six months<br>ended<br>30 Sept 2008<br>£000 | Year<br>ended<br>31 March 2009<br>£000 |
|---|-------------|---|---|--|
| <b>Continuing operations</b>                              | <i>Note</i> |   |   |  |
| Revenue   | 4           | <b>24,701</b>   | 26,475                                      | 56,654                                 |
| Direct costs  |             | <b>(7,260)</b>  | (7,755)                                     | (15,101)                               |
| Gross profit  |             | <b>17,441</b>   | 18,720                                      | 41,553                                 |
| Other operating income                                    |             | <b>1,133</b>  | 137   | 192                                    |
| Amortisation  |             | <b>(956)</b>  | (758)                                       | (1,863)                                |
| Operating expenses  |             | <b>(16,555)</b>                                       | (16,927)                                    | (36,161)                               |
| Operating profit  |             | <b>1,063</b>  | 1,172                                       | 3,721                                  |
| Finance income  |             | <b>2</b>  | 145   | 97                                     |
| Finance costs   |             | <b>(377)</b>  | (319)                                       | (704)                                  |
| Net financing costs                                       |             | <b>(375)</b>  | (174)                                       | (607)                                  |
| Profit before tax   |             | <b>688</b>  | 998   | 3,114                                  |
| Taxation  | 5           | <b>(552)</b>  | (667)                                       | (1,674)                                |
| <b>Profit for the period attributable to shareholders</b> |             | <b>136</b>  | 331   | 1,440                                  |
| <b>Attributable to equity holders of the company</b>      |             | <b>136</b>  | 331   | 1,440                                  |
| <b>Earnings per ordinary share</b>                        | 6           |   |   |  |
| From continuing operations                                |             |   |   |  |
| - basic   |             | 0.20p   | 0.50p                                       | 2.15p                                  |
| -diluted  |             | 0.18p   | 0.45p                                       | 1.92p                                  |

**Consolidated interim statement of comprehensive income (unaudited)**

|                                   |  | <b>Six months<br/>ended<br/>30 Sept 2009<br/>£000</b> | Six months<br>ended<br>30 Sept 2008<br>£000 | Year<br>ended<br>31 March 2009<br>£000 |
|-----------------------------------|--|---|---|--|
| Profit for the period             |  | <b>136</b>  | 331   | 1,440                                  |
| Other comprehensive income        |  | <b>57</b>   | 40  | (286)                                  |
| <b>Total comprehensive income</b> |  | <b>193</b>  | 371   | 1,154                                  |

**Consolidated interim balance sheet (unaudited)**

|   | <i>Note</i> | <b>30 Sept 2009</b><br><b>£'000</b> | 30 Sept 2008<br>£'000 | 31 March 2009<br>£'000 |
|---|-------------|-------------------------------------|-----------------------|------------------------|
| <b>Assets</b>   |             |                                     |                       |                        |
| <b>Non-current assets</b>   |             |                                     |                       |                        |
| Property, plant and equipment   |             | <b>1,816</b>                        | 2,096                 | 2,057                  |
| Goodwill  |             | <b>46,973</b>                       | 39,249                | 47,051                 |
| Other intangible assets   |             | <b>15,435</b>                       | 12,639                | 16,116                 |
|   |             | <b>64,224</b>                       | 53,984                | 65,224                 |
| <b>Current assets</b>   |             |                                     |                       |                        |
| Inventories   |             | <b>154</b>                          | 842                   | 196                    |
| Trade and other receivables   |             | <b>9,226</b>                        | 8,422                 | 10,683                 |
| Cash and cash equivalents   |             | <b>11,421</b>                       | 11,499                | 12,227                 |
|   |             | <b>20,801</b>                       | 20,763                | 23,106                 |
| <b>Total assets</b>   |             | <b>85,025</b>                       | 74,747                | 88,330                 |
| <b>Liabilities</b>  |             |                                     |                       |                        |
| <b>Current liabilities</b>  |             |                                     |                       |                        |
| Bank overdraft  | 7           | <b>(9,783)</b>                      | (8,976)               | (8,806)                |
| Other interest bearing loans and borrowings                               | 7           | <b>(1,691)</b>                      | (1,886)               | (1,691)                |
| Financial derivatives   | 8           | <b>(424)</b>                        | (155)                 | (481)                  |
| Trade and other payables  |             | <b>(11,929)</b>                     | (9,696)               | (15,678)               |
| Tax payable   |             | <b>(1,518)</b>                      | (1,927)               | (1,475)                |
| Provisions  |             | <b>(58)</b>                         | (168)                 | (147)                  |
|   |             | <b>(25,403)</b>                     | (22,808)              | (28,278)               |
| <b>Non-current liabilities</b>  |             |                                     |                       |                        |
| Other interest bearing loans and borrowings                               | 7           | <b>(5,966)</b>                      | (2,458)               | (7,612)                |
| Provisions  |             | -                                   | (64)                  | -                      |
| Deferred tax liabilities  |             | <b>(4,396)</b>                      | (3,668)               | (4,661)                |
|   |             | <b>(10,362)</b>                     | (6,190)               | (12,273)               |
| <b>Total liabilities</b>  |             | <b>(35,765)</b>                     | (28,998)              | (40,551)               |
| <b>Net assets</b>   |             | <b>49,260</b>                       | 45,749                | 47,779                 |
| <b>Equity</b>   |             |                                     |                       |                        |
| <b>Capital and reserves attributable to equity holders of the company</b> |             |                                     |                       |                        |
| Share capital   |             | <b>33,689</b>                       | 33,814                | 33,689                 |
| Share premium account   |             | <b>6,608</b>                        | 6,621                 | 6,608                  |
| Hedging reserve   |             | <b>(424)</b>                        | (155)                 | (481)                  |
| Capital redemption reserve  |             | <b>125</b>                          | -                     | 125                    |
| Share option reserve  |             | <b>5,810</b>                        | -                     | 5,810                  |
| Retained earnings   |             | <b>3,452</b>                        | 5,469                 | 2,028                  |
| <b>Total equity</b>   |             | <b>49,260</b>                       | 45,749                | 47,779                 |

### Consolidated interim cash flow statement (unaudited)

|   | Six months<br>ended<br>30 Sept 2009<br>£000 | Six months<br>ended<br>30 Sept 2008<br>£000 | Year<br>ended<br>31 March 2009<br>£000 |
|---|---|---|--|
| <b>Cash flow from operating activities</b>                          |   |   |  |
| Profit for the period   | 136   | 331   | 1,440                                  |
| Adjustment for:   |   |   |  |
| Depreciation, amortisation and impairment                           | 1,282                                       | 1,067                                       | 2,531                                  |
| Financial income  | (2)   | (145)                                       | (97)                                   |
| Financial expenses  | 377   | 319   | 704                                    |
| Share based payment expense   | 1,288                                       | 1,389                                       | 2,814                                  |
| Taxation  | 552   | 667   | 1,674                                  |
| Decrease in trade and other receivables                             | 1,509                                       | 1,160                                       | 1,631                                  |
| Decrease/(increase) in inventories                                  | 42  | (52)  | 594                                    |
| (Decrease) in trade and other payables                              | (3,553)                                     | (2,543)                                     | (2,929)                                |
| <b>Cash generated from operation</b>                                | <b>1,631</b>                                | <b>2,193</b>                                | <b>8,362</b>                           |
| Interest received   | 2   | 145   | 97                                     |
| Interest paid   | (272)                                       | (319)                                       | (530)                                  |
| Tax paid  | (826)                                       | (196)                                       | (2,207)                                |
| <b>Net cash flow from operating activities</b>                      | <b>535</b>                                  | <b>1,823</b>                                | <b>5,722</b>                           |
| <b>Cash flows from investing activities</b>                         |   |   |  |
| Proceeds from the sale of property, plant and equipment             | 3   | -   | 6                                      |
| Acquisitions of subsidiaries, net of cash acquired                  | 7   | (3,565)                                     | (7,610)                                |
| Payment of contingent consideration for prior year acquisitions     | (278)                                       | -   | (3,566)                                |
| Addition of intangible assets                                       | (275)                                       | -   | (105)                                  |
| Acquisition of property, plant and equipment                        | (87)  | (263)                                       | (283)                                  |
| <b>Net cash outflow from investing activities</b>                   | <b>(630)</b>                                | <b>(3,828)</b>                              | <b>(11,558)</b>                        |
| <b>Cash flows from financing activities</b>                         |   |   |  |
| Proceeds from new loan and draw down of bank facilities             | -   | -   | 6,600                                  |
| Repayment of borrowings   | (1,688)                                     | (575)                                       | (2,268)                                |
| Payments to redeem share capital                                    | -   | -   | (178)                                  |
| <b>Net cash (outflow)/inflow from financing activities</b>          | <b>(1,688)</b>                              | <b>(575)</b>                                | <b>4,154</b>                           |
| <b>Net (decrease) in cash, cash equivalents and bank overdrafts</b> | <b>(1,783)</b>                              | <b>(2,580)</b>                              | <b>(1,682)</b>                         |
| Cash and cash equivalents at beginning of period                    | 3,421                                       | 5,103                                       | 5,103                                  |
| <b>Cash and cash equivalents at end of period</b>                   | <b>1,638</b>                                | <b>2,523</b>                                | <b>3,421</b>                           |
| <b>Cash and cash equivalents comprise:</b>                          |   |   |  |
| Cash at bank and in hand  | 11,421                                      | 11,499                                      | 12,227                                 |
| Bank overdrafts   | (9,783)                                     | (8,976)                                     | (8,806)                                |
| <b>Cash and cash equivalents at end of period</b>                   | <b>1,638</b>                                | <b>2,523</b>                                | <b>3,421</b>                           |

### Consolidated interim statement of changes in equity (unaudited)

|   | Share capital<br>£'000 | Share premium account<br>£'000 | Hedging reserve<br>£000 | Shares to be issued<br>£'000 | Capital redemption reserve<br>£'000 | Share option reserve<br>£'000 | Retained earnings<br>£000 | Total equity<br>£'000 |
|---|------------------------|--------------------------------|-------------------------|------------------------------|-------------------------------------|-------------------------------|---------------------------|-----------------------|
| Balance at 1 April 2008                       | 32,655                 | 5,954                          | (195)                   | 536                          | -                                   | -                             | 3,749                     | 42,699                |
| Cash flow hedges                              | -                      | -                              | 40                      | -                            | -                                   | -                             | -                         | 40                    |
| Profit for the period                         | -                      | -                              | -                       | -                            | -                                   | -                             | 331                       | 331                   |
| Total comprehensive income for the period     | -                      | -                              | 40                      | -                            | -                                   | -                             | 331                       | 371                   |
| Credit in respect of share-based payments     | -                      | -                              | -                       | -                            | -                                   | -                             | 1,389                     | 1,389                 |
| Issue of share capital – business combination | 1,159                  | 667                            | -                       | -                            | -                                   | -                             | -                         | 1,826                 |
| Release of reserve                            | -                      | -                              | -                       | (536)                        | -                                   | -                             | -                         | (536)                 |
|   | 1,159                  | 667                            | -                       | (536)                        | -                                   | -                             | 1,389                     | 2,679                 |
| Balance at 30 September 2008                  | 33,814                 | 6,621                          | (155)                   | -                            | -                                   | -                             | 5,469                     | 45,749                |
| Cash flow hedges                              | -                      | -                              | (326)                   | -                            | -                                   | -                             | -                         | (326)                 |
| Profit for the period                         | -                      | -                              | -                       | -                            | -                                   | -                             | 1,109                     | 1,109                 |
| Total comprehensive income for the period     | -                      | -                              | (326)                   | -                            | -                                   | -                             | 1,109                     | 783                   |
| Transfer on exercise of share options         | -                      | (13)                           | -                       | -                            | -                                   | -                             | 13                        | -                     |
| Credit in respect of share based payments     | -                      | -                              | -                       | -                            | -                                   | -                             | 1,425                     | 1,425                 |
| Transfer to share option reserve              | -                      | -                              | -                       | -                            | -                                   | 5,810                         | (5,810)                   | -                     |
| Purchase of own shares                        | (125)                  | -                              | -                       | -                            | 125                                 | -                             | (178)                     | (178)                 |
|   | (125)                  | (13)                           | -                       | -                            | 125                                 | 5,810                         | (4,550)                   | 1,247                 |
| Balance at 31 March 2009                      | 33,689                 | 6,608                          | (481)                   | -                            | 125                                 | 5,810                         | 2,028                     | 47,779                |
| Cash flow hedges                              | -                      | -                              | 57                      | -                            | -                                   | -                             | -                         | 57                    |
| Profit for the period                         | -                      | -                              | -                       | -                            | -                                   | -                             | 136                       | 136                   |
| Total comprehensive income for the period     | -                      | -                              | 57                      | -                            | -                                   | -                             | 136                       | 193                   |
| Credit in respect of share based payments     | -                      | -                              | -                       | -                            | -                                   | -                             | 1,288                     | 1,288                 |
|   | -                      | -                              | -                       | -                            | -                                   | -                             | 1,288                     | 1,288                 |
| Balance at 30 September 2009                  | 33,689                 | 6,608                          | (424)                   | -                            | 125                                 | 5,810                         | 3,452                     | 49,260                |

## 1. General Information

Digital Marketing Group plc (the “Company”) is incorporated and domiciled in the United Kingdom. The Company is listed on the AIM market of the London Stock Exchange. The registered address is 30-33 Minories, Tower Hill, London, EC3N 1DD.

The interim financial information was approved for issue on 20 November 2009.

## 2. Basis of preparation

The consolidated interim financial statements for the six months ended 30 September 2009 have been prepared in accordance with applicable accounting standards and under the historical cost convention except for certain financial instruments that are carried at fair value.

The financial information for the year ended 31 March 2009 set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31 March 2009 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unmodified.

The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which have been prepared in accordance with International Financial Reporting Standards (IFRSs).

### 3. Accounting policies

Except as described below, the principal accounting policies of Digital Marketing Group plc and its subsidiaries ("the Group") are consistent with those set out in the Group's 2009 annual report and financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2009.

IAS 1, "Presentation of financial statements" (revised 2007). The revised standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present two statements: an income statement and a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.

IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The chief operating decision-maker has been identified as the Group Chief Executive. Historically, the Group reported three segments, Online marketing and media, Direct marketing services and Data services and consultancy this has now been reduced to two segments, Digital marketing and Data and data related services

### 4. Segment information (unaudited)

The chief operating decision-maker has been identified as the Group Chief Executive. The Group Chief Executive reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. Digital Marketing provide full agency services for clients on digital platforms. Data and data related services provide data analytics and voice services to clients.

The Group Chief Executive assesses the performance of the operating segments based on gross profit and operating profit before interest and tax.

Total assets exclude intangible assets, cash and external borrowings which have not been allocated to business segments.

No single client accounts for more than 10% of group revenue. All the group's activities are carried out within the UK.

#### Six months ended 30 September 2009

|  | Digital marketing | Data and data related services | Unallocated | Total    |
|--|-------------------|--------------------------------|-------------|----------|
|  | £'000             | £'000                          | £'000       | £'000    |
| Revenue  | 17,623            | 7,348                          | (270)       | 24,701   |
| Direct costs   | (6,990)           | (507)                          | 237         | (7,260)  |
| Gross profit   | 10,633            | 6,841                          | (33)        | 17,441   |
| Other operating income   | 5                 | 1,128                          | -           | 1,133    |
| Operating expenses excluding depreciation, amortisation and charges for share based payments | (8,466)           | (5,889)                        | (586)       | (14,941) |
| Operating profit before depreciation, amortisation and charges for share based payments      | 2,172             | 2,080                          | (619)       | 3,633    |
| Depreciation   | (168)             | (146)                          | (12)        | (326)    |
| Amortisation   | (608)             | (348)                          | -           | (956)    |
| Charges for share based payments   | (58)              | (187)                          | (1,043)     | (1,288)  |
| Operating profit   | 1,338             | 1,399                          | (1,674)     | 1,063    |
| Finance income   |                   |                                |             | 2        |
| Finance costs  |                   |                                |             | (377)    |
| Profit before tax  |                   |                                |             | 688      |
| Taxation   |                   |                                |             | (552)    |
| Profit for the period from continuing operations   |                   |                                |             | 136      |

**Six months ended 30 September 2008**

|  | Digital<br>marketing<br>£'000 | Data and data<br>related<br>services<br>£'000 | Unallocated<br>£'000 | Total<br>£'000 |
|--|-------------------------------|---|----------------------|----------------|
| Revenue  | 17,572                        | 9,868   | (965)                | 26,475         |
| Direct costs   | (7,319)                       | (1,401)                                       | 965                  | (7,755)        |
| Gross profit   | 10,253                        | 8,467   | -                    | 18,720         |
| Other operating income   | 137                           | -   | -                    | 137            |
| Operating expenses excluding depreciation,<br>amortisation and charges for share based<br>payments | (7,574)                       | (6,681)                                       | (753)                | (15,008)       |
| Operating profit before depreciation,<br>amortisation and charges for share based<br>payments      | 2,816                         | 1,786   | (753)                | 3,849          |
| Depreciation   | (188)                         | (120)   | (1)                  | (309)          |
| Amortisation   | (425)                         | (333)   | -                    | (758)          |
| Charges for share based payments   | (251)                         | (501)   | (858)                | (1,610)        |
| Operating profit   | 1,952                         | 832   | (1,612)              | 1,172          |
| Finance income   |                               |   |                      | 145            |
| Finance costs  |                               |   |                      | (319)          |
| Profit before tax  |                               |   |                      | 998            |
| Taxation   |                               |   |                      | (667)          |
| Profit for the period from continuing<br>operations  |                               |   |                      | 331            |

**Year ended 31 March 2009**

|  | Digital<br>marketing<br>£'000 | Data and data<br>related<br>services<br>£'000 | Unallocated<br>£'000 | Total<br>£'000 |
|--|-------------------------------|---|----------------------|----------------|
| Revenue  | 37,141                        | 21,141  | (1,628)              | 56,654         |
| Direct costs   | (14,237)                      | (2,492)                                       | 1,628                | (15,101)       |
| Gross profit   | 22,904                        | 18,649  | -                    | 41,553         |
| Other operating income   | 192                           | -   | -                    | 192            |
| Operating expenses excluding depreciation,<br>amortisation and charges for share based<br>payments | (16,703)                      | (14,180)                                      | (1,574)              | (32,457)       |
| Operating profit before depreciation,<br>amortisation and charges for share based<br>payments      | 6,393                         | 4,469   | (1,574)              | 9,288          |
| Depreciation   | (360)                         | (286)   | (22)                 | (668)          |
| Amortisation   | (1,197)                       | (666)   | -                    | (1,863)        |
| Charges for share based payments   | (359)                         | (865)   | (1,812)              | (3,036)        |
| Operating profit   | 4,477                         | 2,652   | (3,408)              | 3,721          |
| Finance income   |                               |   |                      | 97             |
| Finance costs  |                               |   |                      | (704)          |
| Profit before tax  |                               |   |                      | 3,114          |
| Taxation   |                               |   |                      | (1,674)        |
| Profit for the period from continuing<br>operations  |                               |   |                      | 1,440          |

|                          | Digital<br>marketing<br>£'000 | Data and data<br>related<br>services<br>£'000 | Unallocated<br>£'000 | Total<br>£'000 |
|--------------------------|-------------------------------|---|----------------------|----------------|
| <b>Total assets</b>      |                               |   |                      |                |
| <b>30 September 2009</b> | <b>10,054</b>                 | <b>7,267</b>                                  | <b>67,704</b>        | <b>85,025</b>  |
| 31 March 2009            | 12,260                        | 7,621   | 68,449               | 88,330         |
| 30 September 2008        | 9,456                         | 7,668   | 57,623               | 74,747         |

## 5. Taxation (unaudited)

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to profit before tax to the tax charge is given below.

|   | <b>Six months<br/>ended<br/>30 Sept 2009</b> | Six months<br>ended<br>30 Sept 2008 | Year<br>ended<br>31 March 2009 |
|---|--|-------------------------------------|--------------------------------|
|   | <b>£000</b>                                  | £000                                | £000                           |
| Profit before tax   | <b>688</b>                                   | 998                                 | 3,114                          |
| Tax charge thereon at UK corporation tax rate of 28%<br>(2008: 28%)               | <b>193</b>                                   | 279                                 | 872                            |
| Factors affecting tax charge:   |  |                                     |                                |
| Non-deductible expenses   | <b>240</b>                                   | 212                                 | 572                            |
| Share based payment charges   | <b>361</b>                                   | 390                                 | 788                            |
| Depreciation for period in excess of capital allowances                           | <b>28</b>                                    | -                                   | 74                             |
| Other   | <b>11</b>                                    | -                                   | (5)                            |
| Utilisation of tax losses   | <b>-</b>                                     | -                                   | (109)                          |
| Prior year adjustment   | <b>37</b>                                    | -                                   | (32)                           |
| Total current period charge   | <b>870</b>                                   | 881                                 | 2,160                          |
| Deferred tax credit – origination and reversal of<br>temporary timing differences | <b>(318)</b>                                 | (214)                               | (486)                          |
| Recognised in the consolidated income statement                                   | <b>552</b>                                   | 667                                 | 1,674                          |

## 6. Earnings per share (unaudited)

|                            | <b>Six months<br/>ended<br/>30 Sept 2009</b> | Six months<br>ended<br>30 Sept 2008 | Year<br>ended<br>31 March 2009 |
|----------------------------|--|-------------------------------------|--------------------------------|
|                            | <b>Pence per<br/>share</b>                   | Pence per<br>share                  | Pence per<br>share             |
| From continuing operations |  |                                     |                                |
| Basic                      | <b>0.20p</b>                                 | 0.50p                               | 2.15p                          |
| Diluted                    | <b>0.18p</b>                                 | 0.45p                               | 1.92p                          |

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

|   | <b>Six months<br/>ended<br/>30 Sept 2009</b> | Six months<br>ended<br>30 Sept 2008 | Year<br>ended<br>31 March 2009 |
|---|--|-------------------------------------|--------------------------------|
|   | <b>£'000</b>                                 | £'000                               | £'000                          |
| Profit for the period attributable to shareholders              | <b>136</b>                                   | 331                                 | 1,440                          |
| Weighted average number of ordinary shares in issue:            | <b>Number '000</b>                           | Number '000                         | Number '000                    |
| Basic   | <b>67,378</b>                                | 66,250                              | 66,851                         |
| Adjustment for share options, warrants and contingent<br>shares | <b>7,001</b>                                 | 6,706                               | 7,964                          |
| Diluted   | <b>74,379</b>                                | 72,956                              | 74,815                         |

### Adjusted earnings per share

|                                     | <b>Six months<br/>ended<br/>30 Sept 2009</b> | Six months<br>ended<br>30 Sept 2008 | Year<br>ended<br>31 March 2009 |
|-------------------------------------|--|-------------------------------------|--------------------------------|
|                                     | <b>Pence per<br/>share</b>                   | Pence per<br>share                  | Pence per<br>Share             |
| From continuing operations          |  |                                     |                                |
| Basic adjusted earnings per share   | <b>3.20p</b>                                 | 3.75p                               | 8.76p                          |
| Diluted adjusted earnings per share | <b>2.90p</b>                                 | 3.41p                               | 7.82p                          |

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

|   | <b>Six months<br/>ended<br/>30 Sept 2009</b> | Six months<br>ended<br>30 Sept 2008 | Year<br>ended<br>31 March 2009 |
|---|--|-------------------------------------|--------------------------------|
|   | <b>£'000</b>                                 | £'000                               | £'000                          |
| Profit before tax   | 688  | 998                                 | 3,114                          |
| Amortisation  | 956  | 758                                 | 1,863                          |
| Charges for share based payments  | 1,383  | 1,610                               | 3,036                          |
| Adjusted profit attributable to shareholders from continuing operations | <b>3,027</b>                                 | 3,366                               | 8,013                          |
| Current period tax charge   | <b>(870)</b>                                 | (881)                               | (2,160)                        |
|   | <b>2,157</b>                                 | 2,485                               | 5,853                          |

#### 7. Bank overdraft, borrowings and loans (unaudited)

|                                     | <b>30 Sept 2009</b> | 30 Sept 2008 | 31 March 2009 |
|-------------------------------------|---------------------|--------------|---------------|
|                                     | <b>£'000</b>        | £'000        | £'000         |
| <b>Summary</b>                      |                     |              |               |
| Bank overdraft                      | <b>9,783</b>        | 8,976        | 8,806         |
| Borrowings, undiscounted cash flows | <b>7,657</b>        | 4,344        | 9,303         |
|                                     | <b>17,440</b>       | 13,320       | 18,109        |

Borrowings are repayable as follows:

|                         |               |        |        |
|-------------------------|---------------|--------|--------|
| Within 1 year           |               |        |        |
| Bank overdraft          | <b>9,783</b>  | 8,976  | 8,806  |
| Borrowings              | <b>1,848</b>  | 2,131  | 1,984  |
| Total due within 1 year | <b>11,631</b> | 11,107 | 10,790 |
| Less future interest    | <b>(157)</b>  | (245)  | (293)  |
| Total due within 1 year | <b>11,474</b> | 10,862 | 10,497 |

|   |              |       |       |
|---|--------------|-------|-------|
| In more than one year but not more than 2 years | <b>1,812</b> | 1,252 | 1,928 |
| In more than 2 years but not more than 3 years  | <b>4,284</b> | 1,166 | 6,021 |
| In more than 3 years but not more than 4 years  | -            | 279   | -     |
| Total due in more than 1 year                   | <b>6,096</b> | 2,697 | 7,949 |
| Less future interest                            | <b>(130)</b> | (239) | (337) |
| Total due in more than 1 year                   | <b>5,966</b> | 2,458 | 7,612 |

| Average interest rates at the balance sheet date were: | %           | %    | %    |
|--|-------------|------|------|
| Overdraft  | <b>5.00</b> | 7.25 | 5.00 |
| Mortgage   | -           | 7.00 | 7.00 |
| Term loan  | <b>1.85</b> | 7.70 | 2.96 |
| Term loan  | <b>3.35</b> | -    | 3.46 |
| Revolving credit facility                              | <b>2.32</b> | -    | 3.46 |

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 £4.0 million of its borrowings.

The borrowing facilities available to the Group at 30 September 2009 was £11.13 million (2008: £11.14 million) and, taking into account cash balances within the Group, there was £4.94 million (2008: £9.27 million) 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.

| <b>Reconciliation of net debt</b> | Cash at bank<br>and in hand | Overdraft      | Borrowings     | Net debt       |
|-----------------------------------|-----------------------------|----------------|----------------|----------------|
|                                   | £'000                       | £'000          | £'000          | £'000          |
| 30 September 2009                 | <b>11,421</b>               | <b>(9,783)</b> | <b>(7,657)</b> | <b>(6,019)</b> |
| 31 March 2009                     | 12,227                      | (8,806)        | (9,303)        | (5,882)        |
| 30 September 2008                 | 11,499                      | (8,976)        | (4,344)        | (1,821)        |

## 8. Financial derivatives (unaudited)

|                    | 30 Sept 2009 | 30 Sept 2008 | 31 March 2009 |
|--------------------|--------------|--------------|---------------|
|                    | £'000        | £'000        | £'000         |
| Interest rate swap | <b>424</b>   | 155          | 481           |

In 2007 the Group purchased an interest rate swap of 6.19% for the period 2007 to 2012 for £4.0 million 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 30 September 2009 and was a net liability of £424,000 (2008: £155,000).

## 9. Provisions (unaudited)

|                                | 30 Sept 2009 | 30 Sept 2008 | 31 March 2009 |
|--------------------------------|--------------|--------------|---------------|
|                                | £'000        | £'000        | £'000         |
| At the beginning of the period | <b>147</b>   | 518          | 358           |
| Utilised during the year       | <b>(89)</b>  | (68)         | (211)         |
| At the end of the period       | <b>58</b>    | 450          | 147           |

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

## 10. Share capital (unaudited)

On 4 September 2008, by way of a special resolution, the Company reorganised and enlarged its authorised share capital of £50,049,999 consisting of 100,000,000 ordinary shares of 50 pence each and 49,999 redeemable preference shares of £1.00 each into authorised share capital of £55,000,000 consisting of 200,000,000 ordinary shares of 5 pence each and 100,000,000 deferred shares of 45 pence each and cancelling 49,999 redeemable preference shares of £1.00 each.

### Authorised:

|   | 50p ordinary<br>shares | £1.00 redeemable<br>preference shares | 45p<br>deferred<br>shares | 5p ordinary<br>shares |
|---|------------------------|---------------------------------------|---------------------------|-----------------------|
|   | £'000                  | £'000                                 | £'000                     | £'000                 |
| Authorised share capital at 31 March 2009 | 50,000                 | 50                                    | -                         | -                     |
| Cancelled                                 | -                      | (50)                                  | -                         | -                     |
| 5p Ordinary                               | (5,000)                | -                                     | -                         | 5,000                 |
| 45p Deferred                              | (45,000)               | -                                     | 45,000                    | -                     |
| Increase in authorised share capital      | -                      | -                                     | -                         | 5,000                 |
| <b>At 30 September 2009</b>               | <b>-</b>               | <b>-</b>                              | <b>45,000</b>             | <b>10,000</b>         |

### Allotted, issued and fully paid

|                                       | 50p ordinary<br>shares | 45p deferred<br>shares | 5p ordinary<br>shares | £'000         |
|---------------------------------------|------------------------|------------------------|-----------------------|---------------|
|                                       | Number                 | Number                 | Number                |               |
| Issued share capital at 31 March 2009 | 67,378,520             | -                      | -                     | 33,689        |
| Conversion                            | (67,378,520)           | 67,378,520             | 67,378,520            | -             |
| <b>At 30 September 2009</b>           | <b>-</b>               | <b>67,378,520</b>      | <b>67,378,520</b>     | <b>33,689</b> |

The 5 pence ordinary shares have the same rights (including voting and dividend rights and rights on a return of capital) as the previous 50 pence ordinary shares. Holders of the 45 pence deferred shares do not have any right to receive notice of any general meeting of the Company or any right to attend, speak or vote at any such meeting. The deferred share holders are not entitled to receive any dividend or other distribution and shall on a return of assets in a winding up of the Company entitle the holders only to the repayment of the amounts paid up on the shares after the amount paid to the holders of the new ordinary shares exceeds £1,000,000 per new ordinary share. The deferred shares will also be incapable of transfer and no share certificates will be issued in respect of them.

#### **11. Related party transactions (unaudited)**

There were no significant changes in the nature and size of related party transactions for the period to those disclosed in the Annual Report for the year ended 31 March 2009.

## **INDEPENDENT REVIEW REPORT TO DIGITAL MARKETING GROUP PLC**

### **Introduction**

We have been engaged by the company to review the interim financial information in the interim report for the six months ended 30 September 2009 which comprises the consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim balance sheet, consolidated interim cash flow statement and consolidated interim statement of changes in equity and the related notes 1 to 11. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial information.

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

### **Directors' responsibilities**

The interim report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts. The annual financial statements of the group are prepared in accordance with the basis of presentation set out in Note 2.

### **Our responsibility**

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

### **Scope of review**

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

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the interim report for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

Grant Thornton UK LLP  
Chartered Accountants  
Sheffield  
20 November 2009