

Digital Marketing Group plc
Annual Report and Accounts
For the year ended 31 March 2010



Digital Marketing Group plc

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www.digitalmarketinggroup.co.uk

Registered in England no. 5935923

**DIGITAL
MARKETING
GROUP**



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Performance highlights

- Revenues £48.5m (2009: £56.7m)
- Gross profit £35.5m (2009: £41.6m)
- EBITDA (before share based charges) £8.3m (2009: £9.3m)
- Profit before tax, impairment, share based payment charges and amortisation £7.2m (2009: £8.0m)
- Adjusted basic EPS 8.77p (2009:8.76p)
- Net cash flow generated from operations £4.8m (2009: £8.4m)
- Net debt £7.3m (2009: £5.9m)
- Completion of acquisition of award winning agency 20:20 London
- Recognised as the UK's biggest digital marketing agency for the second year running (Campaign Magazine January 2010)
- Consolidated the business into two operating units, 20:20 and DMG, down from nine separate units
- Exceptional performance from eCommerce division +52% year on year at £1.58m PBT
- Statutory loss before tax and after amortisation, share based payment charges and impairment of intangibles and goodwill £1.4m (2009: profit £3.1m)

Chairman's statement

In what continues to be the most challenging economic environment for business and our industry in particular I am pleased to report that your company has produced another robust performance, which was consistent with market forecasts. Earnings before interest, tax, depreciation, amortisation and share based payments was £8.3million for the year ended 31 March 2010 against £9.3million for the previous year. The total adjustment is a charge of £6.0 million (2009: £6.2 million). The adjusted profit before tax was £7.2 million compared to £8.0 million in 2009.

A review of the carrying value of our intangible assets and goodwill was carried out at the year end and using a conservative weighted average cost of capital of 12.9% the Board has decided to impair the carrying value by £3.8million. The reported loss before tax for the year of £1.4 million (2009: profit £3.1 million) is therefore explained by share based payment charges of £2.9 million (2009: £3.0 million), amortisation of £1.9 million (2009: £1.9 million) and an impairment charge against the carrying value of intangibles and goodwill of £3.8 million (2009: £nil).

We have consolidated the business into two pillars; 20:20 and DMG. This reorganisation has been received well by the industry and clients alike and we are benefiting from recognition as the premier player in the UK digital marketing industry. This increase in profile has led to a corresponding increase in the level of invitations to pitch for projects and has improved our new business pipeline significantly year on year. The year has started well with our business operating in line with management budgets.

We are also pleased that our business is growing in areas where revenues are visible and recurring. Our Technology and eCommerce business had an exceptional year with its results up 52%. We believe that our balanced portfolio of data, marketing and technology expertise represents the future of our industry.

Our cost base continues to be controlled and we aim to ensure it is appropriate to the revenues we are generating. During the year we have reduced our salary bill by £2.5 million or 9.3%.

In December 2009 we acquired the award winning 20:20 agency based in London. This agency has won great acclaim in the industry for its innovative use of digital and mobile platforms in the launch of new products and engagement programmes. We have now branded our existing digital agencies under the 20:20 banner and continue to integrate the businesses into a single unit for the advantage of clients and employees.

As a result of this small scale acquisition we have increased our debt at year end to £7.3 million. We still have £3.9 million of headroom in our banking facilities of £11.2 million.

In a tough economic environment it is not surprising that our business has had both highs and lows. A big part of our data services business is focused on the financial services sector and has been severely impacted through the wider downturn with gross profit down 46.0%. We have also disclosed £1.7 million as other income which was received during the year from the administrator of a client with whom the Group had a contractual obligation.

I would like to thank management and employees who have worked tirelessly through the year to produce these results in what has been a very testing environment. It is extremely frustrating that all the hard work and success produced by all the management and employees is not reflected in the current share price. The members of the Board are all shareholders and are concerned the market does not rate the Company more highly and reflect the inherent value in the business. Once positive market sentiment returns to the sector we believe the Company will command the rating it merits.

I am extremely sad to report that Mike Ferguson, a director in our eCommerce business, died suddenly in May 2010 at the age of 56. Mike was part of the team at CyberDMG that transformed the business into the success it continues to be. Our sympathies are with his wife Ann and their children.

Stephen Davidson
Chairman
1 July 2010



Chief Executive's Review

Business review

Digital Marketing Group plc achieved an EBITDA before share based payment charges of £8.3m in 2009/10. The total adjustment is a charge of £6.0 million (2009: £6.2 million). Although this is a decline of £1m year on year it represents an extremely robust performance given the worst economic environment for generations and comes off the back of a very strong year in 2008/09 when the Company grew EBITDA by 18% year on year on a pro forma basis.

Unlike some of our competitors, we are a business with a broad spread of digital marketing expertise and are not reliant on one particular discipline for our revenues. We have, for example, been able to withstand the decline in the financial services sector and its inevitable impact on our data services business, precisely because we also have strong digital agencies, and an even stronger eCommerce division.

Unsurprisingly, in 2009/10 many of our clients undertook significant budget cuts and decision-making became painfully slow. Despite the inexorable shift of media budgets away from traditional channels in favour of digital and mobile, some elements of marketing spend through these channels were also hit through recession.

Nevertheless, our digital businesses proved extremely competitive, particularly those where our products and services helped clients become more cost effective and efficient.

For example, our eCommerce and technology business, 20:20 Technology (formerly CyberDMG) grew 51.7% year on year in 2009/10 to achieve PBT of £1.57m (£1.03m 2008/9).

This business, based as it is on expert knowledge of digital technology, is fundamentally scalable. It helps our clients lessen their reliance on 'bricks and mortar' retail chains and enables them to sell products more cost effectively online. This business has been relatively recession proof and is continuing to exceed our expectations. 20:20 Technology at the gross profit line now represents 17.9% of our total business, and we anticipate it will become at least 25% within 2 to 3 years.

We also envisage an increased emphasis on digital technologies in our proposition to clients and prospects. In time our business will become a better balance of technology, marketing and data analytics skills. Our ownership and understanding of digital technology helps us sell the multi-channel marketing service we call Digital Brain, but perhaps more importantly it also generates revenues that are visible and recurring.

Our commitment to digital technology as a means of helping us achieve sustainable organic growth also extends to other areas of our business. As consumers and businesses increasingly expect a personal and tailored service from brands, software and analytics will increasingly fill the void left by downsized marketing departments. In this environment, excellent, decision-based, action-oriented analytics will drive competitive advantage. As part of our Digital Brain platform, we launched Digital Brain:Search in July 2009. It is now a world-class search marketing management and analytics suite using business intelligence software. It combines a best-in-class analytics package and our own exceptionally complex mathematical models.

There are four modules within Digital Brain:Search:

- **Reporter:** turnkey, integrated automated reporting from all the major search engines and advertising tracking providers in one intuitive web-based dashboard. The model is easily extended to include other non-search data sources, such as customer data and site analytics.
- **Glossary:** an automated keyword and match type management recommendation engine which extends the number of keywords available to be purchased and so cuts cost per acquisition.
- **Optimiser:** identifies keywords that contribute to a sale, but are not actually clicked on. It provides automated bid price recommendations for keywords, which drives significant cost savings or performance enhancements.
- **Forecaster:** 'What if' analysis using real-time search, spend, inventory and sales data.

Digital Brain:Search is now used extensively by 20:20 Media & Analytics on all its new clients and is being adopted by all of the Group's search marketing clients.

Our digital agency network has also proved remarkably resilient in a difficult economic environment. The companies previously trading as DigforFireDMG, InboxDMG and GraphicoDMG all declined slightly year on year, but made combined operating profit before tax and share based payments of £3.4 million versus £3.7 million in the previous year. This underlying strength of performance should give our shareholders real confidence for the future particularly when client confidence and marketing spend recovers, as it inevitably will in time.

As mentioned above, the only significant area of weakness in our business occurred in our data services business where the economic crisis had a significant impact on its financial services clients and contributed to a substantial fall in overall revenues. None of the major financial services brands undertook substantial initiatives in the data services area in 2009/10 and falling applications for personal borrowing have impacted product revenues. Marketing spend has also reduced across the board in the financial services sector, given lower customer acquisition targets. Consolidation and restructuring of clients in the Banking sector also reduced opportunities to counter these factors through new business growth. Many of our clients spent the financial year 2009/10 focused on internal reorganisation and as a consequence data sales slumped across the industry. Our major competitors in this sector also reported significant declines in annual revenues in the UK in 2010 citing challenging market conditions created by restrained capital expenditure in the financial services sector. In addition, JaywingDMG's new product developments have taken longer to gain traction in a climate of budget reductions resulting in delays to expected new product revenues. The effect of the economic downturn in this sector resulted in gross profit at JaywingDMG falling by 46% down from £12.9 million to £7.0 million.

During the year we decided to consolidate our business further and reduced our nine operating units down to two pillars. The business unit has now been integrated along with GasboxDMG and DigforFire into one pillar business ('DMG'). The DMG pillar will specialise in multi-channel marketing, a process we term Digital Brain. The integration of three businesses into this pillar has enabled us to eliminate duplicative management resource, and will improve the cross selling of Digital Brain solutions which will in turn result in increased success for all three businesses. This DMG pillar now represented 54% of our total Gross Profits in 2009/10 versus 61% in 2008/09.

Our digital businesses have also been consolidated into one pillar ('20:20') and this now represents 46% of our total gross profits, versus 39% in 2008/09. 20:20 now trades as one entity www.weare2020.com, is led out of our newly acquired business in London, and has recently promoted and hired significant new talent reflecting both the vibrancy of our offering and the confidence the Board has in its future. We now have a new generation of dynamic leaders in 20:20 who are fully committed to the future growth of the company and are working hard within our organisation to build shareholder value.

The segmental performance of our business, now shown in two pillars (20:20 and DMG) is shown below. The 20:20 pillar includes operating units previously known as InboxDMG, HyperlaunchDMG, GraphicoDMG, CyberDMG, CheezeDMG, and 20:20 London.

The DMG pillar includes DigforFireDMG, JaywingDMG and GasboxDMG.



Segmental performance

For the year ended 31 March 2010

	20:20	DMG	Unallocated	Total
	£'000	£'000	£'000	£'000
Revenue from external customers	27,832	21,322	(690)	48,464
Direct costs	(11,382)	(2,160)	538	(13,004)
Gross profit	16,450	19,162	(152)	35,460
Other operating income	7	1,702	-	1,709
Operating expenses excluding depreciation, amortisation and charges for share based payments	(12,572)	(15,511)	(739)	(28,822)
Operating profit before depreciation, amortisation and charges for share based payments	3,885	5,353	(891)	8,347

For the year ended 31 March 2009

	20:20	DMG	Unallocated	Total
	£'000	£'000	£'000	£'000
Revenue from external customers	28,229	30,053	(1,628)	56,654
Direct costs	(12,194)	(4,535)	1,628	(15,101)
Gross profit	16,035	25,518	-	41,553
Other operating income	192	-	-	192
Operating expenses excluding depreciation, amortisation and charges for share based payments	(11,984)	(18,899)	(1,574)	(32,457)
Operating profit before depreciation, amortisation and charges for share based payments	4,243	6,619	(1,574)	9,288

Liquidity review

The Group has £11.2 million of banking facilities and at 31 March 2010 had available £3.9 million of undrawn facilities. The Group's facilities mature in October 2011 and it is the Group's intention to begin the process of renewal of these facilities before the end of this financial year.

During the year the Group purchased 20:20 London for £2.0 million which was financed out of the Group's existing facilities. Full details of the acquisition are given in note 12. We also settled £600,000 of deferred consideration for the acquisition of CyberDMG Limited.

The consolidated cash flow statement on page 30 of the financial statements shows the Group to have generated cash from operating activities of £4.8 million (2009: £8.4 million).

We paid £2.4 million in tax (2009: £2.2 million) which is up on the previous year because of timing issues and certain Group companies moving to a quarterly payment on account basis. In addition, we repaid £1.8 million of borrowings (2009: £2.3 million).

As at 31 March 2010, the Group had net debt of £7.3 million.

Impairment

As required by IAS 38 we have carried out an impairment review of the carrying value of our intangible assets and goodwill. We calculate our weighted average cost of capital with reference to long term market costs of debt and equity and the Company's own cost of debt and equity, adjusted for the size of the business and risk premiums. Based on this calculation the rate of 12.9% has been derived. This is applied to cash flows for each of the business units using growth rates in perpetuity of 2% from 2017. As a result of these calculations the Board have reviewed the carrying value of intangible assets and goodwill on the Group's balance sheet and have decided to take an impairment of £3.8 million (2009: £nil).

Contingent payments

The Group has been built through organic growth and by acquisition. The estimate of payments to be made for past acquisitions is £4.2 million (2009: £4.4 million). £2.4 million for the purchase of CyberDMG has crystallised and is due for payment in July 2012, subject to the management being in the Group's employment at that time. £500,000 is due for the purchase of 20:20 London and is subject to performance criteria being met. The balance of £1.3 million will be determined at the end of July 2010, however based on management information the Board does not anticipate that this will be payable.

Key performance indicators

At the beginning of 2009/10 the board agreed the following KPIs for the business:

- Each business was to focus on balancing costs against lower levels of gross profits than previously anticipated.
- Increased centralisation of non client facing functions as part of our ongoing integration plan.
- Continued recognition as the UK's No 1 digital agency.
- Roll out the launch of Digital Brain:Search and DemographDMG.
- Creation of new routes to market through the hiring of people with specific skills or through selective acquisition.

I am therefore pleased to be able to report the following:

- Salary costs were reduced by £2.5m, or 9.3% year on year.
- We have consolidated nine separate businesses into two pillars.
- We were recognised as the UK's No 1 Digital Agency for the second year in succession.
- Sales of Digital Brain:Search proved to be slightly slower than anticipated in 2009/10 as the lead times involved in getting clients to switch Pay Per Click suppliers were longer than expected, however, we won a significant contract from Swinton Insurance. The appointment of new leadership within the business unit formerly known as CheezeDMG and its relaunch as 20:20 Media&Analytics focused on sales of Digital Brain:Search will, we believe, aid new business and also help the unit recover from the loss of the Holiday Cottages Group account.

- From its launch in July 2009 DemographDMG has developed a strong client base and has an emerging reputation in the digital research sector. DemographDMG has undertaken large scale projects for a range of blue chip clients including HSBC and Carphone Warehouse. We now have a strong cross sector client base and are already seeing repeat business from many clients we have worked with.

Our digital research specialism has meant that the bulk of our revenue has come from this emerging sector and DemographDMG is developing specialisms in website usability testing, online research, technology insight and social media research. An aggressive new business push in these emerging markets is leading to an accelerated growth in these areas and a healthy new business pipeline for 2010/11.

- The acquisition of 20:20 London gives us access to new clients in new areas, particularly mobile marketing. The hiring of new management within our Bristol office, will make our business much more successful in social media and online PR.

In 2010/11 as we slowly emerge from recession, the KPIs will be:

- Recovery in our data services division within the DMG pillar.
- Winning of blue chip digital accounts through the new 20:20 pillar.
- Increased sales of Digital Brain:Search as well as more profitable social media marketing assignments.
- Emergence of 20:20 Mobile as a significant revenue generator, focused on applications, mobile content, games and commerce.

Outlook

Current market conditions appear to be improving slowly and we expect the recovery to be modest and more pronounced in 2011/12 than in 2010/11.

Group M recently forecast a 4.2% growth in media spend in the UK in 2010. Publicis recently forecast organic growth of 3.0% this year, whilst Aegis also forecast UK adspend to grow at 2.9% in 2010.

We anticipate our 20:20 digital business will exceed these levels of growth, and are expected to be similar to the 10.0% levels forecast by Aegis for digital media.

The creation of the 20:20 pillar is already impacting on our new business performance with wins across the digital marketing spectrum. We have recently won significant eCommerce contracts and are looking to expand our 20:20 Technology business in London and India. We have won design and build projects for Quinn Direct and Sealife and digital campaigns for DVLA and Defra. Our new 20:20 mobile business is already engaged on iPhone applications for brands as diverse as Hula Hoops and Bounty. Recent 20:20 social media wins include Airmiles, Nivea and Warburtons. We have also recently won viral campaigns/games for William Hill and Freesat and won new work from existing blue chip clients such as the Mountain Dew UK launch and V Water campaigns for PepsiCo.

Recovery in our DMG pillar and in particular our data services division is however linked to the speed of recovery in the financial services sector. Experian recently forecast 'gradual recovery' and our sentiment is the same. Our data services business is expected to improve slowly this year following the re-focusing of the company's lead generation effort which took place in the second half of 2009/10. Revenues from 'marketing' propositions in our data service division have now increased to former levels and mirror a corresponding rise in our data services sales pipeline (adjusted 3 months). Financial Services lending activity is slowly on the increase. There are also new entrants in the banking sector (Virgin Money, MetroBank, Walton&Co, Tesco) coupled with interest from Private Equity investment in the banking sector. All of this should help our data services business recover. Strategically, the increased use of online channels has flooded clients across all business sectors with data they find difficult to turn into actionable insight. However, KPIs on these channels are worsening with cost per sale figures rising quite rapidly. The key to this problem is multi-channel optimisation to achieve optimal customer recruitment and acquisition levels. DMG is the best placed business in the UK to handle clients with multi-channel marketing requirements and will benefit when clients begin to re-invest.

Long term strategic vision

- Despite our under-performing and significantly undervalued stock we continue to believe that the shift in spending in favour of online and mobile channels and away from traditional media remains part of a favourable long term trend. Our position as the UK market leader means we are well placed to take advantage of the upturn in spend on consumer marketing.
- Our focus as a business has however had to change as a result of the recession and its impact on the financial services business, and our data services company in particular. Our business will gradually move away from its over dependence on the financial services sector in our data services business and move towards an increased emphasis across the group on technology and integrated multi-channel selling. This multi-channel message will integrate our technology, marketing and data skills.
- Consistent with the theme of technology-driven integration, we remain committed to further integration in our own business. We now have two pillars where we previously had nine operating units, and we will continue to look for ways to consolidate further and eliminate unnecessary cost or duplication.
- We believe that a re-balancing of our business towards technology-driven solutions will also help us win more recurring revenues from clients as our services will become more 'business critical'.
- Critically, we believe that the market should recognise this re-balancing of our company's proposition and enable us to benefit from the valuation levels enjoyed by businesses less robust and less digitally and technologically skilled than ours.

Ben Langdon
Chief Executive

1 July 2010

Board of directors

Stephen Davidson **Chairman (aged 54)**

Stephen is a non-executive director of Inmarsat plc and Mecom Group plc and Chairman of Datatec Limited. Stephen has held various positions in Investment Banking, most recently at WestLB Panmure Gordon 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 46)**

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 to 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 World Group, Europe, Middle East and Africa (EMEA).

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

Keith Sadler **Group Finance Director and Company Secretary (aged 51)**

Keith 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. Prior to this he was Treasurer of Mirror Group Newspapers plc.

Keith is a chartered accountant and holds an honours degree in economics from the University of Kent.

Barry Jenner **Non-Executive Director (aged 52)**

Barry runs his own business consultancy, having enjoyed a successful career with Gallaher Group Plc. Prior to its acquisition by JTI in 2007 he was Worldwide Director of Human Resources. Between 2000 and 2006 he was Managing Director of the group's largest business unit, the UK, responsible for the sales, marketing, trade marketing and distribution functions. Barry joined Gallaher as a management trainee in 1979 and held a series of sales and marketing positions before becoming Marketing Director in 1994.

Ian Robinson **Non-Executive Director (aged 63)**

Ian is currently a director of Anne Street Partners Limited. 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.

Andy Wilson **Non-Executive Director (aged 48)**

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

Operations board

The operations board meets regularly, under the Chairmanship of Ben Langdon, and manages all the key issues affecting clients, employees and stakeholders.

As at 31 March 2010 the operations board consisted of the following:

Ben Langdon

Group Chief Executive, Digital Marketing Group plc

Keith Sadler

Group Finance Director, Digital Marketing Group plc

Charles Buddery

Chief Operating Officer, DMG

Matt Ramsay

Managing Director, 20:20 Agency

Terry Hunter

Chief Executive, 20:20 Technology

Advisers

Auditor

Grant Thornton UK LLP
2 Broadfield Court
Sheffield
S8 0XF

Nominated adviser and broker

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

Registrars

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

Solicitors

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

Registered Office

30-33 Minories
Tower Hill
London
EC3N 1DD

Registered number: 05935923

Country of incorporation: England

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, along with others, by the performance of specific sectors such as financial services, automotive and retail.

People

The operations of the Group are dependent upon the continuing employment of a number of senior management personnel. The future 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 a 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 Group (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 businesses 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 within 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 businesses 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 policy. 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, they may be unable to compete successfully. The Group intends to continue to develop its own tools and products from within its existing resources to ensure it responds in a timely and cost effective manner to these changes.

Forward looking statements

Statements contained in these financial statements, including in the Chief Executive's Review, 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 these financial statements, the Company 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. These financial statements 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.

Directors' report

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 March 2010.

Principal activity

The principal activity of the Group during the year under review is that of digital direct marketing services.

Business review

The information that fulfils the Companies Act requirements of the business review is included in the Business review on pages 6 to 11. This includes a review of the development of the business of the Group during the year, of its position at the end of the year and of likely future developments in its business. Details of the principal risks and uncertainties facing the Group are set out on pages 14-15.

Results and dividend

The Group operating loss before taxation for the year ended 31 March 2010 was £1.4 million (2009: profit £3.1 million). The Directors do not propose to pay a dividend.

Future developments

The future developments of the Group are referred to in the Chairman's Statement on page 5 and the Chief Executive's Review on pages 6 to 11.

Political and charitable donations

No political donations were made during the year (2009: £nil). During the year charitable donations were made of £875 (2009: £525).

Directors' interests

The present membership of the Board, together with biographies on each, is set out on page 12. The Directors' interests in shares in the Company are set out in the Directors' Remuneration Report on page 21.

Directors' third party indemnity provisions

The Group maintains appropriate insurance to cover Directors' and Officers' liability. The Group provides an indemnity in respect of all the Group's Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Employees

The Group is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, sex, marital status, sexual orientation, race, colour, religion or belief.

It is the policy of the Group that individuals with disabilities, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining.

Employees of the Company and its subsidiaries are regularly consulted by local managers and kept informed of matters affecting them and the overall development of the Group.

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 all regularly scheduled Board meetings.

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 were 69 days (2009:79 days). The Company did not have any trade creditors at 31 March 2010 or 2009.

Financial instruments

Details of the financial risk management objectives and policies of the Group, including hedging policies, are given in note 35 to the consolidated financial statements.

Share capital

Details of the Company's share capital including rights and obligations attaching to each class of share are set out in note 23 of the financial statements.

There are no restrictions on the transfer of ordinary shares in the capital of the Company other than customary restrictions contained within the Company's Articles of Association and certain restrictions which may be required from time to time by law, for example, insider trading law. In accordance with the Model Code which forms part of the Listing Rules of the Financial Services Authority certain Directors and employees are required to seek the prior approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. The Company's Articles of Association contain limited restrictions on the exercise of voting rights.

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders. The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover.

Major interests in shares

As at 1 July 2010 the Company had been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as shareholder of the Company:

		2010	2009
	Number of voting rights	%	%
Mayfair Limited	17,721,662	23.9	24.4
J & K Riddell	6,165,138	8.3	9.2
M Boddy	4,916,667	6.6	7.3
A Gardner	4,751,667	6.4	7.3
C Buddery	3,836,694	5.3	5.7
H Stevens	3,508,772	4.7	5.2
B Langdon	2,491,266	3.4	-
G Stevens	2,308,772	3.1	5.2

Corporate social responsibility

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take account of the interests of the Group's stakeholders, including its investors, employees, suppliers and business partners when operating the business.

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

Each of the Directors at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, Grant Thornton UK LLP, has indicated its willingness to remain in office, and a resolution that it be re-appointed will be proposed at the Annual General Meeting.

By order of the Board

Keith Sadler

Company Secretary

1 July 2010

Directors' remuneration report

This report is prepared voluntarily by the Board taking account of the requirements of the Companies Act 2006 and the Combined Code ("the Code").

The Remuneration Committee

The Remuneration Committee comprises:

- **Barry Jenner (Chairman)**
- **Stephen Davidson**
- **Ian Robinson**
- **Andy Wilson**

The Code recommends that a remuneration committee should be composed of entirely independent non-executive directors. Messrs. Davidson (Chairman of the Board), Robinson and Wilson (both of whom are affiliated with a major shareholder) are not regarded as independent under the Code. The Board does consider them to act independently as regards remuneration issues.

The Committee met three times during the year. All meetings were attended by all serving members of the Committee.

The Group Finance Director is secretary to the Committee.

The Committee seeks recommendations of the Group Chief Executive, who usually attends meetings of the Committee by invitation other than when his own remuneration is being discussed, and input from the Group Finance Director and Company Secretary. The Committee makes reference to external evidence of pay and employment conditions in other companies and is free to seek advice from external advisers.

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. 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 (Group Chief Executive)

Keith Sadler (Group Finance Director and Company Secretary)

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

Performance-related elements form a substantial part of the 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 annual salary.

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. The Non-Executive Directors will receive, in addition to their annual fee, an award of shares up to £7,500 in value. The Chairman will receive £20,000 in value in shares.

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), which have now vested or lapsed and will no longer participate in the PSP scheme. The Group reimburses the reasonable expenses they incur in carrying out their duties as Directors.

Remuneration components – Executive Directors

A significant proportion of each Executive Director's remuneration is performance related. The main components of the remuneration package for Executive Directors are:

- i. Basic salary
- ii. Annual Bonus Plan
- iii. Share options

Basic salary

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.

Annual bonus plan

The Executive Directors are eligible to participate in the annual bonus plan. The range of award is based on annual salary and for each of the Executive Directors the percentages are as follows:

Ben Langdon	50% -150%
Keith Sadler	20%- 60%

The performance requirements, for the ability to earn a bonus, are set by the Committee annually and are quantitative related measures based on stretching profit before tax targets.

Share options

The Committee believe that the award of share options aligns the interests of participants and shareholders. Awards are made to the Executive Directors with demanding performance criteria.

Directors' remuneration

The total amounts of the remuneration of the Directors of the company for the years ended 31 March 2010 and 2009 are shown below:

31 March	2010	2009
	£	£
Aggregate emoluments	357,615	576,619
Sums paid to third parties for Directors' services	30,000	30,000
Gains made on exercise of share options	2,135,694	-
	2,523,309	606,619

The emoluments of the Directors are shown below:

31 March	2010	2010	2010	2010	2009	2010	2009	2010	2009
	Fees and salary	Benefits in kind	Bonus	Total	Total	Gain on exercise of share options	Gain on exercise of share options	Pension contributions	Pension contributions
	£	£	£	£	£	£	£	£	£
Ben Langdon	225,000	-	-	225,000	360,000	2,068,324	-	-	-
Keith Sadler ¹	77,615	-	-	77,615	-	-	-	-	-
Stephen Davidson	40,000	-	-	40,000	40,000	-	-	-	-
Barry Jenner	15,000	-	-	15,000	15,000	33,685	-	-	-
Ian Robinson	15,000	-	-	15,000	15,000	33,685	-	-	-
Andy Wilson	15,000	-	-	15,000	15,000	-	-	-	-
Sarah Guest ²	-	-	-	-	96,250	-	-	-	-
Gary Stevens ³	-	-	-	-	65,369	-	-	-	3,249
Total	387,615	-	-	387,615	606,619	2,135,694	-	-	3,249

1. Appointed 2 July 2009

2. Resigned 1 March 2009

3. Resigned 24 November 2008

Directors' service agreements and letters of appointment

Contracts of service are negotiated on an individual basis as part of the overall remuneration package. The contracts of service are not for a fixed period. Details of these service contracts are set out below:

	Date of contract	Notice period	Company with whom contracted
Ben Langdon	2 October 2006	12 months	Digital Marketing Group plc
Keith Sadler	29 June 2009	6 months	Digital Marketing Group plc

In the event of termination of their contracts, each director is entitled to compensation equal to their basic salary and bonus for their notice period.

Non-executive Directors have letters of appointment the details of which are as follows:

	Date of contract	Notice period	Company with whom contracted
Stephen Davidson	2 October 2006	3 months	Digital Marketing Group plc
Barry Jenner	2 October 2006	3 months	Digital Marketing Group plc
Anne Street Partners Limited*	2 October 2006	3 months	Digital Marketing Group plc

* For the provision of services supplied by Ian Robinson and Andrew Wilson

Directors' interests in shares

The Directors' interests in the share capital of the Company are set out below:

31 March	2010	2009
	Number of shares	Number of shares
Ben Langdon	3,491,266	1,008,772
Keith Sadler	150,000	-
Stephen Davidson	662,675	662,675
Barry Jenner	80,175	10,000
Ian Robinson	248,051	127,876
Andy Wilson	75,970	75,970
Sarah Guest ¹	-	-
Gary Stevens ²	-	3,508,772

1. Resigned 1 March 2009

2. Resigned 24 November 2008

The table below sets out options granted under the PSP scheme:

	At 31 March 2009	Granted during year	Exercised during year	Lapsed during year	At 31 March 2010	Exercise price	Normal date from which exercisable	Expiry date
Ben Langdon	4,561,404	-	(4,561,404)	-	-	Nil	25-Jan-2010	25-Jan-2012
	250,000	-	(129,197)	(120,803)	-	Nil	12-Jul-2010	12-Jul-2012
	362,000	-	(119,459)	(242,541)	-	Nil	12-Jul-2011	12-Jul-2013
	-	1,000,000	-	(1,000,000)	-	Nil	31-Mar-2011	31-Mar-2013
	-	700,000	-	(700,000)	-	Nil	31-Mar-2011	31-Mar-2013
	-	2,500,000	-	-	2,500,000	Nil	28-Jan-2013	28-Jan-2015
	5,173,404	4,200,000	(4,810,060)	(2,063,344)	2,500,000			
Keith Sadler	-	300,000	-	(300,000)	-	Nil	31-Mar-2011	31-Mar-2013
	-	1,400,000	-	-	1,400,000	Nil	28-Jan-2013	28-Jan-2015
	-	1,700,000	-	(300,000)	1,400,000			
Stephen Davidson	1,754,386	-	-	-	1,754,386	Nil	25-Jan-2010	25-Jan-2015
	-	150,000	-	(150,000)	-	Nil	31-Mar-2011	31-Mar-2013
	1,754,386	150,000	-	(150,000)	1,754,386¹			
Barry Jenner	70,175	-	(70,175)	-	-	Nil	25-Jan-2010	25-Jan-2012
	-	50,000	-	(50,000)	-	Nil	31-Mar-2011	31-Mar-2013
	70,175	50,000	(70,175)	(50,000)	-			
Ian Robinson	70,175	-	(70,175)	-	-	Nil	25-Jan-2010	25-Jan-2012
	-	50,000	-	(50,000)	-	Nil	31-Mar-2011	31-Mar-2013
	70,175	50,000	(70,175)	(50,000)	-			
Andy Wilson	70,175	-	-	-	70,175	Nil	25-Jan-2010	25-Jan-2012
	-	50,000	-	(50,000)	-	Nil	31-Mar-2011	31-Mar-2013
	70,175	50,000	-	(50,000)	70,175¹			

1. These options have vested but remain unexercised.

The share options lapsed as a result of a failure to meet the demanding performance criteria set by Remuneration Committee. The awards made to the Executive Directors require the achievement of demanding increases in the share price over a three year period for the awards to vest.

Pensions

The Group operates a stakeholder pension scheme for staff. No director receives any contribution to a pension scheme.

Non-executive directorships

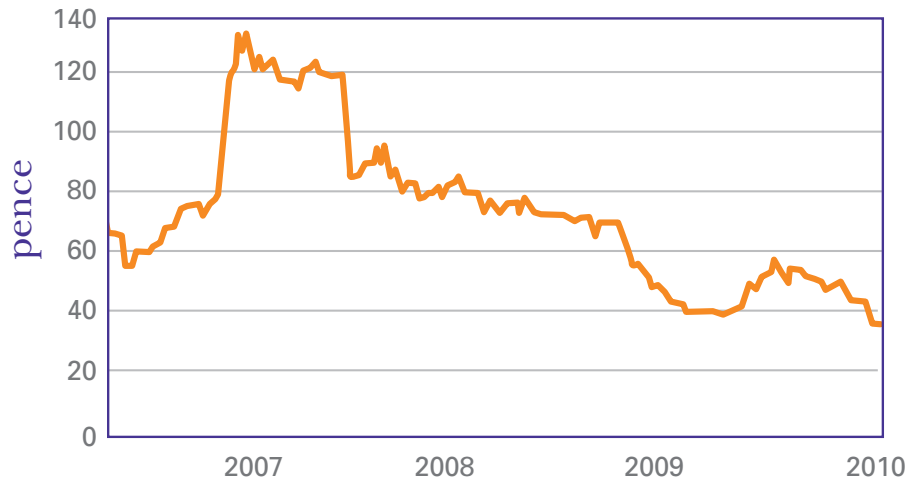
The Company allows its Executive Directors to take a limited number of outside directorships. Individuals retain the payments received from such services since these appointments are not expected to impinge on their principal employment. No Executive Director currently has an outside directorship.

Other related party transactions

No Director of the Company has, or had, a disclosable interest in any contract of significance subsisting during or at the end of the year. Disclosable transactions by the Group under IAS 24, Related Party Disclosures, are set out in note 33. There have been no other disclosable transactions by the Company and its subsidiaries with Directors of Group companies and with substantial shareholders since the publication of the last Annual Report.

Share price performance

The share price performance from 26 October 2006, date of the initial public offering, is shown in the following graph:



By order of the Board

Barry Jenner
Chairman, Remuneration Committee
 1 July 2010

Corporate governance

Although not required to comply with the Combined Code ("the Code") issued by the Financial Services Authority in June 2008 the Company is committed to high standards of corporate governance. Whilst the Group does not fully comply with the 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.

The Board

The Board currently comprises the Chairman, Group Chief Executive, Group Finance Director and three Non-Executive Directors. Short biographical details of each of the Directors are set out on page 12. The Board is responsible to the shareholders for the proper management of the Group and meets at least five times a year to set the overall direction and strategy of the Group. All strategic operational and investment decisions are subject to Board approval.

The roles of Group 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. Barry Jenner and Andy Wilson will retire at the upcoming Annual General Meeting ("AGM") and, being eligible, offer themselves for re-election.

Board committees

Remuneration Committee

The composition of the Remuneration Committee is disclosed on page 18 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 Group Chief Executive against his written objectives. Similarly, the Group Chief Executive appraises the other Executive Director 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 the year ended 31 March 2010 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 18 - 23.

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 auditor. 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 auditor. 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 auditor.

Nomination Committee

The Nomination Committee 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.

The terms of reference for all committees are available on the Group's website.

Company Secretary

The Company Secretary is responsible for advising the Board through the Chairman on all governance issues. All Directors have access to the advice and services of the Secretary.

Attendance at Board and Committee meetings

The Directors attended the following Board and Committee meetings during the year ended 31 March 2010.

	Board	Remuneration	Audit	Nomination
Total meetings held	7	3	2	1
Stephen Davidson	7	2	2	1
Ben Langdon	7	2	2	1
Keith Sadler ¹	6	2	2	-
Barry Jenner	7	3	2	1
Ian Robinson	7	3	2	1
Andy Wilson	7	3	2	1

1. Appointed 2 July 2009

In addition the Board met four times for the purpose of allotting shares under the Group's share option scheme.

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 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 the years ending 31 March 2011 and 31 March 2012 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.

By order of the Board

Keith Sadler

Company Secretary

1 July 2010

Directors' responsibilities statement

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

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By Order of the Board

Keith Sadler

Company Secretary

1 July 2010

Report of the Independent Auditor to the Members of Digital Marketing Group plc

We have audited the financial statements of Digital Marketing Group plc for the year ended 31 March 2010 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet and the consolidated cash flow statement, the consolidated statement of changes in equity, the principal accounting policies, and the related notes to the financial statements, the company's profit and loss account, the company balance sheet and the notes to the company financial statements. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's loss and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Michael Redfern

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP, Statutory Auditor, Chartered Accountants, Sheffield

1 July 2010

Consolidated statement of comprehensive income

For the year ended 31 March		2010	2010	2010	2009
Continuing operations	Note	£'000	£'000	£'000	£'000
		Before impairment of goodwill and intangible assets	Impairment of goodwill and intangible assets	Total	Total
Revenue	1	48,464	-	48,464	56,654
Direct costs		(13,004)	-	(13,004)	(15,101)
Gross profit		35,460	-	35,460	41,553
Other operating income	2	1,709	-	1,709	192
Amortisation	15	(1,938)	-	(1,938)	(1,863)
Operating expenses	3	(32,321)	(3,787)	(36,108)	(36,161)
Operating (loss)/profit		2,910	(3,787)	(877)	3,721
Finance income	4	2	-	2	97
Finance costs	5	(534)	-	(534)	(704)
Net financing costs		(532)	-	(532)	(607)
(Loss)/profit before tax		2,378	(3,787)	(1,409)	3,114
Tax expense	6	(576)	-	(576)	(1,674)
(Loss)/profit for the year attributable to equity holders of the parent	29	1,802	(3,787)	(1,985)	1,440
Other comprehensive income:					
Cash flow hedging					
Current year gains	25	65	-	65	(286)
Total comprehensive income for the period attributable to equity holders of the parent		1,867	(3,787)	(1,920)	1,154
Earnings per share	7				
From continuing operations					
- basic		2.61p	-	(2.88)p	2.15p
- diluted		2.37p	-	(2.88)p	1.92p

The accompanying notes form part of these consolidated financial statements.

Consolidated balance sheet

As at 31 March		2010	2009	2008
	Note	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	13	1,752	2,057	2,215
Goodwill	14	45,653	47,051	39,449
Other intangible assets	15	14,272	16,116	13,324
		61,677	65,224	54,988
Current assets				
Inventories	16	212	196	790
Trade and other receivables	17	11,832	10,683	9,582
Cash and cash equivalents		7,399	12,227	12,004
		19,443	23,106	22,376
Total assets		81,120	88,330	77,364
Current liabilities				
Bank overdraft	18	6,443	8,806	6,901
Other interest-bearing loans and borrowings	18	1,691	1,691	1,122
Financial derivatives	19	416	481	195
Trade and other payables	20	12,741	15,678	17,168
Current tax liabilities		254	1,475	1,242
Provisions	21	187	147	133
		21,732	28,278	26,761
Non-current liabilities				
Other interest-bearing loans and borrowings	18	6,522	7,612	3,797
Provisions	21	-	-	225
Deferred tax liabilities	22	4,133	4,661	3,882
		10,655	12,273	7,904
Total liabilities		32,387	40,551	34,665
Net assets		48,733	47,779	42,699
Equity attributable to owners of the parent				
Share capital	23	34,026	33,689	32,655
Share premium	24	6,608	6,608	5,954
Hedging reserve	25	(416)	(481)	(195)
Shares to be issued	26	-	-	536
Capital redemption reserve	27	125	125	-
Share option reserve	28	419	5,810	-
Retained earnings	29	7,971	2,028	3,749
Total equity		48,733	47,779	42,699

These financial statements were approved by the Board of Directors on 1 July 2010 and were signed on its behalf by:

Ben Langdon
 Director
 Company number: 5935923

The accompanying notes form part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 March		2010	2009
	Note	£'000	£'000
Cash flow from operating activities			
(Loss)/profit after tax		(1,985)	1,440
Adjustments for:			
Depreciation, amortisation and impairment		6,299	2,531
Loss on disposal of property, plant and equipment		28	-
Movement in provision		40	-
Financial income		(2)	(97)
Financial expenses		534	704
Share-based payment expense	11	2,874	2,814
Taxation		576	1,674
Operating cash flow before changes in working capital and provisions			
		8,364	9,066
(Increase)/decrease in trade and other receivables		(1,034)	1,631
(Increase)/decrease in inventories		(16)	594
Decrease in trade and other payables		(2,543)	(2,929)
Cash generated from operations			
		4,771	8,362
Interest received		2	97
Interest paid		(482)	(530)
Tax paid		(2,355)	(2,207)
Net cash flow from operating activities			
		1,936	5,722
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment		4	6
Acquisitions of subsidiaries, net of cash acquired	12	(1,632)	(7,610)
Payment of contingent consideration for prior year acquisitions		(600)	(3,566)
Acquisition of intangible assets	15	(694)	(105)
Acquisition of property, plant and equipment	13	(301)	(283)
Net cash outflow from investing activities			
		(3,223)	(11,558)
Cash flows from financing activities			
Proceeds from new loan and draw down of bank facilities		600	6,600
Repayment of borrowings		(1,778)	(2,268)
Payments to redeem share capital	23	-	(178)
Net cash (outflow)/inflow from financing activities			
		(1,178)	4,154
Net decrease in cash and cash equivalents			
		(2,465)	(1,682)
Cash and cash equivalents at beginning of year			
		3,421	5,103
Cash and cash equivalents at end of year			
		956	3,421
Cash and cash equivalents comprise:			
Cash at bank and in hand		7,399	12,227
Bank overdrafts	18	(6,443)	(8,806)
Cash and cash equivalents at end of year			
		956	3,421

The accompanying notes form part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital	Share premium	Hedging reserve	Shares to be issued	Capital redemption reserve	Share option reserve	Retained earnings	Total attributed to the owners of the parent
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2008	32,655	5,954	(195)	536	-	-	3,749	42,699
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)
Transactions with owners	1,034	654	-	(536)	125	5,810	(3,161)	3,926
Profit for the year	-	-	-	-	-	-	1,440	1,440
Other comprehensive income:								
Cash flow hedges	-	-	(286)	-	-	-	-	(286)
Total comprehensive income for the year	-	-	(286)	-	-	-	1,440	1,154
At 31 March 2009	33,689	6,608	(481)	-	125	5,810	2,028	47,779
Allotment of 5p Ordinary shares	337	-	-	-	-	(337)	-	-
Credit in respect of share-based payments	-	-	-	-	-	-	2,874	2,874
Transfer to share option reserve	-	-	-	-	-	(5,054)	5,054	-
Transactions with owners	337	-	-	-	-	(5,391)	7,928	2,874
Loss for the year	-	-	-	-	-	-	(1,985)	(1,985)
Other comprehensive income:								
Cash flow hedges	-	-	65	-	-	-	-	65
Total comprehensive income for the year	-	-	65	-	-	-	(1,985)	(1,920)
At 31 March 2010	34,026	6,608	(416)	-	125	419	7,971	48,733

The accompanying notes form part of these consolidated financial statements.

Principal 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, except for certain financial instruments that are held at fair value.

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 34.

Changes in accounting policy

Effective in the year 31 March 2010

A revised IAS 1 'Presentation of Financial Statements' was issued in September 2007 and has been adopted in these financial statements. 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.

IFRS 8 'Operating Segments' has been adopted during the year. 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 does not materially impact the results of the Group.

The Group has adopted the amendments to IFRS 7, 'Financial Instruments' and has categorised financial instruments held at fair value into a three level fair value hierarchy. The Group has taken advantage of the transitional provisions and has not provided comparative information.

Going concern

The Directors have reviewed the forecasts for 2010/11 and 2011/12 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 12 months from the date of these accounts. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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 activities other than media planning and buying is recognised when performance criteria have been met in accordance with the terms of the contracts. Revenue is recognised on long term contracts if their final outcome can be assessed with reasonable certainty, by including in the statement of comprehensive income 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 statement of comprehensive income.

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 statement of comprehensive income 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. Development costs incurred in the year are capitalised and amortised on a straight line basis over their economic life.

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 statement of comprehensive income 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

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 statement of comprehensive income.

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 statement of comprehensive income as incurred.

Share-based payment transactions

The fair value at the date of grant of share based remuneration is calculated using a BlackScholes model and charged to the statement of comprehensive income over the vesting period of the award. The charge to the statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income.

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 2010 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 statement of comprehensive income. If the hedging becomes ineffective, any related gain or loss recognised in equity is immediately transferred to the statement of comprehensive income. Any ineffectiveness in the hedge relationship is charged immediately to the statement of comprehensive income.

Financial liabilities

Interest 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 statement of comprehensive income 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 reports its business activities on a two pillar basis identified as DMG and 20:20 and is therefore organised on this basis. In previous years this has been reported on a vertical business activity basis. The comparative information has been amended to reflect this change of management reporting.

The entity derives its revenue from the provision of digital marketing services.

Standards and interpretations in issue at 31 March 2010 but not yet effective

A revised IAS 23 'Borrowing Costs' was issued in March 2007 and becomes effective for financial years beginning on or after 1 January 2009.

A revision to IAS 27 'Consolidated and Separate Financial Statements' was issued in 2008 and becomes effective 1 July 2009.

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.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items (effective 1 July 2009).

An amendment to IFRS 2 'Share-Based Payment' becomes effective for accounting periods beginning on or after 1 July 2009.

Embedded Derivatives - Amendments to IAS 39 and IFRIC 9 (effective for annual periods ending on or after 30 June 2009).

The January 2008 revision to IFRS 3 'Business Combination' will come into effect from 1 July 2009.

IFRIC Interpretation 13 (effective 1 July 2009) deals with Customer Loyalty.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008).

IFRIC 17 Distributions of Non cash assets to owners (effective 1 July 2009).

IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009).

Notes to the consolidated financial statements

1. Segmental analysis

The Group reports its business activities on a two pillar basis identified as DMG and 20:20 and is therefore organised on this basis. In previous years this has been reported on a vertical business activity basis. The comparative information has been amended to reflect this change of management reporting.

The entity derives its revenue from the provision of digital marketing services.

For the year ended 31 March 2010

	20:20	DMG	Unallocated	Total
	£'000	£'000	£'000	£'000
Revenue from external customers	27,832	21,322	(690)	48,464
Direct costs	(11,382)	(2,160)	538	(13,004)
Gross profit/(loss)	16,450	19,162	(152)	35,460
Other operating income	7	1,702	-	1,709
Operating expenses excluding depreciation, amortisation and charges for share based payments	(12,572)	(15,511)	(739)	(28,822)
Operating profit/(loss) before depreciation, amortisation and charges for share based payments	3,885	5,353	(891)	8,347
Depreciation	(204)	(345)	(25)	(574)
Amortisation	(1,010)	(928)	-	(1,938)
Impairment	(2,519)	(1,254)	(14)	(3,787)
Charges for share based payments	(22)	(1,381)	(1,522)	(2,925)
Operating profit/(loss)	130	1,445	(2,452)	(877)
Finance income				2
Finance costs				(534)
Loss before tax				(1,409)
Taxation				(576)
Loss for the period from continuing operations				(1,985)

For the year ended 31 March 2009

	20:20	DMG	Unallocated	Total
	£'000	£'000	£'000	£'000
Revenue from external customers	28,229	30,053	(1,628)	56,654
Direct costs	(12,194)	(4,535)	1,628	(15,101)
Gross profit	16,035	25,518	-	41,553
Other operating income	192	-	-	192
Operating expenses excluding depreciation, amortisation and charges for share based payments	(11,984)	(18,899)	(1,574)	(32,457)
Operating profit/(loss) before depreciation, amortisation and charges for share based payments	4,243	6,619	(1,574)	9,288
Depreciation	(255)	(391)	(22)	(668)
Amortisation	(990)	(873)	-	(1,863)
Charges for share based payments	(132)	(1,092)	(1,812)	(3,036)
Operating profit/(loss)	2,866	4,263	(3,408)	3,721
Finance income				97
Finance costs				(704)
Profit before tax				3,114
Taxation				(1,674)
Profit for the period from continuing operations				1,440

Year ended 31 March 2010

	20:20	DMG	Unallocated	Group Total
	£'000	£'000	£'000	£'000
Assets	35,175	27,707	18,238	81,120
Liabilities	(10,227)	(5,137)	(17,023)	(32,387)
Capital employed	24,948	22,570	1,215	48,733

Year ended 31 March 2009

	20:20	DMG	Unallocated	Group Total
	£'000	£'000	£'000	£'000
Assets	35,768	31,164	21,399	88,331
Liabilities	(10,734)	(8,069)	(21,749)	(40,552)
Capital employed	25,034	23,095	(350)	47,779

Unallocated assets and liabilities consist predominantly of 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

	20:20	DMG	Unallocated	Group Total
	£'000	£'000	£'000	£'000
Year ended 31 March 2010	73	228	-	301
Year ended 31 March 2009	115	160	8	283

2. Other operating income

	2010	2009
	£'000	£'000
Other operating income	1,709	192

During the year to 31 March 2010 the Group received part settlement from the administrator of a client for a contractual obligation to perform services on their behalf. It is anticipated there may be further distributions in the future but the Board is unaware of the quantum or timing of these potential receipts.

3. Other operating expenses

	2010	2009
	£'000	£'000
Wages and salaries	21,961	24,310
Share based payments	2,925	3,036
Administration	7,435	8,815
Impairment of intangible assets and goodwill	3,787	-
	36,108	36,161

4. Finance income

	2010	2009
	£'000	£'000
Interest income	2	97

5. Finance costs

	2010	2009
	£'000	£'000
Interest expense	534	704

6. Tax expense

	2010	2009
	£'000	£'000
Recognised in the consolidated statement of comprehensive income:		
Current year tax	1,134	2,160
Origination and reversal of temporary differences	(558)	(486)
Total tax charge	576	1,674
Reconciliation of total tax charge:		
(Loss)/profit before tax	(1,409)	3,114
Taxation using the UK Corporation Tax rate of 28% (2009: 28%)		
	(395)	872
Effects of:		
Non deductible expenses	94	160
Impairment of goodwill	892	-
Share based payment charges	804	788
Schedule 23 deductions	(805)	-
Other	(68)	(5)
Prior year adjustment	54	(32)
Utilisation of tax losses	-	(109)
Total tax charge	576	1,674

7. Earnings per share

	2010	2009
	Pence per Share	Pence per Share
Basic	(2.88)p	2.15p
Diluted	(2.88)p	1.92p

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. As the basic earnings per share is a loss a dilution does not take place.

The calculations of basic and diluted earnings per share are:

	2010	2009
	£'000	£'000
(Loss)/profit for the year attributable to shareholders	(1,985)	1,440

Weighted average number of ordinary shares in issue:

	2010	2009
	Number	Number
Basic	69,009,912	66,851,000
Adjustment for share options	6,934,553	7,105,000
Adjustment for warrants	-	66,000
Adjustment for shares to be issued	-	168,000
Adjustments for contingent shares	-	625,000
Diluted	75,944,465	74,815,000

Adjusted earnings per share

	2010	2009
	Pence per Share	Pence per Share
From continuing and discontinued operations		
Basic adjusted earnings per share	8.77p	8.76p
Diluted adjusted earnings per share	7.97p	7.82p

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:

	2010	2009
	£'000	£'000
(Loss)/profit before tax	(1,409)	3,114
Amortisation	1,938	1,863
Impairment of carrying value of goodwill and intangibles	3,787	-
Charges for share options	2,874	3,036
Adjusted profit attributable to shareholders	7,190	8,013
Current year tax charge	(1,134)	(2,160)
	6,056	5,853

8. Expenses and auditor's remuneration

	2010	2009
	£'000	£'000
The following are included in (loss)/profit before tax:		
Depreciation of property, plant and equipment	574	668
Amortisation of other intangible assets	1,938	1,863
Impairment of the carrying value of goodwill and other intangible assets	3,787	-
Employee emoluments	24,803	27,346
Auditor's remuneration:		
Audit of the financial statements	18	33
Other amounts payable to the auditor and its associates in respect of:		
Audits of financial statements of subsidiaries pursuant to legislation	74	66
Fees for taxation services	40	46
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or the Group	15	76
Other services pursuant to legislations	13	-

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.

9. Transactions with key management personnel

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

	2010	2009
	£'000	£'000
Short term benefits		
Salaries including bonuses	1,064	1,435
Social security costs	423	186
Healthcare	5	44
Total short term benefits	1,492	1,665
Long term benefits		
Share based payment charges	1,475	1,745
Redundancy payment	5	-
Post-employment benefits		
Defined contribution pension plan	36	33
Total remuneration	3,008	3,443

Further information in respect of Directors is given in the Directors' Remuneration table on page 20.

10. Staff numbers and costs

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

	2010	2009
Management and administration	59	102
Call centre operatives	201	181
Account management and production	223	214
Information strategists	79	113
Media planning and buying	21	16
	583	626

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£'000	£'000
Wages and salaries	19,289	21,448
Social security costs	2,081	2,402
Other pension costs	508	460
Share option charges – PSP Options (see note 11)	2,874	2,814
Share option charges – Employers NI (see note 11)	51	222
	24,803	27,346

11. 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:

	2010		2009	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
At 1 April	13,641,485	9.7p	13,718,899	7.1p
Granted during the year	9,639,693	-	1,534,620	37.3p
Lapsed during the year	(7,539,128)	10.6p	(1,612,034)	19.5p
Exercised during the year	(6,742,985)	-	-	-
At 31 March	8,999,065	4.3p	13,641,485	9.7p
Exercisable at end of year	4,211,375	9.2p	-	-

Share options outstanding at the end of the year have a range of exercise prices from a nominal £1 per tranche exercised to £0.765 per share and a weighted average remaining exercise period of 4.7 years.

Share options outstanding at the year end were as follows:

As at 31 March 2010

	Number	Exercise price	Period of exercise	
			From	To
	1,754,383	nil	31/03/2010	26/01/2015
	70,175	nil	31/03/2010	26/01/2012
	416,666	60p	31/03/2010	26/01/2012
	105,283	57p	31/03/2010	26/01/2012
	263,158	nil	31/03/2010	02/02/2012
	1,472,943	nil	12/07/2010	12/07/2012
	34,107	57p	12/07/2010	12/07/2012
	43,160	89p	12/07/2010	12/07/2012
	15,840	nil	13/08/2011	13/08/2013
	35,657	76.5p	13/08/2011	13/08/2013
	490,000	nil	31/03/2012	31/03/2014
	397,693	nil	31/03/2012	31/03/2014
	3,900,000	nil	05/02/2013	05/02/2015
	8,999,065			

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 - 60p	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			

Charge to the statement of comprehensive income

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.

For awards made prior to 31 March 2009 the Group commissioned an independent valuation from American Appraisal UK Limited, using a trinomial valuation model, and adopted their findings. For awards made since that date the Group has used the BlackScholes valuation model, a total charge of £2,874,000 (2009: £2,814,000) has been made in these financial statements.

The weighted average fair value of the options is 66.2p (2009: 72.8p).

The weighted average fair value was calculated using the BlackScholes model (2009: a trinomial model was used) with the following inputs:

	2010	2009
	£'000	£'000
Share price range at date of grant	52.6p - 125.0p	62.5p - 125.0p
Exercise price	0p - 0.765p	0p - 123.5p
Expected volatility	18% - 33%	35% - 40%
Dividend yield	0%	0%
Risk free rate	4.09% - 4.38%	4.53% - 5.71%
Option life	1 - 3 years	3 years

Expected volatility was determined by calculating the standard deviation of the share price multiplied by the square root of the relevant time period of the option grant to give an indication of the share price volatility. The risk free rate was calculated using the yield on long dated UK Government Treasury Gilts at each date of grant.

For previous periods 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 five year UK Government Gilts at each date of grant (as quoted by the Bank of England).

The financial statements include the following amounts:

	2010	2009
	£'000	£'000
Share based payment charge	2,874	2,814
Related national insurance costs	51	222
	2,925	3,036

12. Acquisitions

On 11 December 2009 the Company acquired the trade and assets of 20:20 London. The net assets acquired, consideration paid, and goodwill arising on this acquisition is detailed below:

	Acquirees' book value £'000	Fair value adjustments £'000	Acquisition amounts £'000
Acquirees' net assets at the acquisition date:			
Trade and other receivables	49	-	49
Net identifiable assets and liabilities	49	-	49
Goodwill on acquisition			2,083
			2,132
Cash consideration paid (including legal and professional fees of £132,000)			1,632
Contingent consideration payable in cash or cash and shares (note 32)			500
			2,132
Summary of net cash outflow from acquisitions:			
Cash paid			1,632
Cash acquired			-
Net cash outflow from acquisitions in the year			1,632

The acquired business contributed revenues of £402,000 and contributed net profit, before amortisation and share based charges, of £75,000 to the Group for the period from 11 December 2009 to 31 March 2010. Had the acquisition occurred on 1 April 2009, the contribution to group revenue would have been £1.0 million. This has been based on the management accounts and information of 20:20 London operating as an unincorporated business.

13. Property, plant and equipment

	Freehold land and buildings	Leasehold improvements	Motor vehicles	Office equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2008	1,150	270	6	1,482	2,908
Acquisitions of subsidiaries	-	39	-	194	233
Additions	-	-	-	283	283
Disposals	-	(7)	-	(3)	(10)
At 31 March 2009	1,150	302	6	1,956	3,414
Additions	-	6	12	283	301
Disposals	-	(80)	(6)	(291)	(377)
At 31 March 2010	1,150	228	12	1,948	3,338
Depreciation					
At 1 April 2008	22	61	5	605	693
Depreciation charge for the year	29	62	1	576	668
Depreciation on disposals	-	(1)	-	(3)	(4)
At 31 March 2009	51	122	6	1,178	1,357
Depreciation charge for the year	29	54	-	491	574
Depreciation on disposals	-	(53)	(6)	(286)	(345)
At 31 March 2010	80	123	-	1,383	1,586
Net book value					
At 31 March 2010	1,070	105	12	565	1,752
At 31 March 2009	1,099	180	-	778	2,057
At 1 April 2008	1,128	209	1	877	2,215

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

14. Goodwill

	Goodwill
	£'000
Cost and net book value	
At 1 April 2008	39,449
Acquisitions through business combinations	7,602
At 31 March 2009	47,051
Reduction in deferred contingent consideration	(294)
Impairment	(3,187)
Acquisitions through business combinations	2,083
At 31 March 2010	45,653

Goodwill is attributed to the following cash generating units within each pillar:

	2010	2009	2008
	£'000	£'000	£'000
20:20			
CheezeDMG	7,763	9,620	9,620
CyberDMG	5,156	5,151	-
GraphicoDMG	5,817	6,017	6,017
HyperlaunchDMG	1,432	2,007	2,007
InboxDMG	1,711	1,711	1,711
20:20 London	2,083	-	-
DMG			
DigforFireDMG	5,550	5,550	5,550
HSMDMG	4,209	4,209	4,209
GasboxDMG	1,598	2,182	-
JaywingDMG	10,334	10,604	10,335
	45,653	47,051	39,449

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 cash flows in perpetuity. Budgeted cash flows for 2010/2011 were used. Subsequent years were based on reducing rates of growth declining to a 2% growth rate by 2017.

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
2010/11	5.0%
2011/12	5.0%
2012/13	5.0%
2013/14	5.0%
2014/15	2.5%
2015/16	2.5%
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 12.9% (2009: 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 these tests a total impairment of £3.2 million (2009: £nil) was considered necessary.

The Directors have performed sensitivity analysis in relation to the WACC used which showed that further impairment would be required for WACCs above 12.9%. At a discount rate of 13.9% an additional impairment charge of £1.1 million would be required.

The Directors have also performed sensitivity analysis in relation to the year on year growth in EBITDA. If the growth rates were to be reduced by 1.0% (from 5.0% to 4.0%) the impairment charge would be increased by £0.9 million.

15. Other intangible assets

	Customer relationships, trademarks and development costs £'000
Cost	
At 1 April 2008	15,052
Additions during the year	105
Acquisitions through business combinations	4,550
At 31 March 2009	19,707
Additions during the year	694
At 31 March 2010	20,401
Amortisation	
At 1 April 2008	1,728
Amortisation charge for the year	1,863
At 31 March 2009	3,591
Impairment	600
Amortisation charge for the year	1,938
At 31 March 2010	6,129
Net book amount	
At 31 March 2010	14,272
At 1 April 2009	16,116
At 1 April 2008	13,324

The cost of customer relationships was 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%.

Goodwill and other intangible assets have been tested for impairment. The method, key assumptions and results of the impairment review are detailed in note 14. On the basis of this review it has been decided to impair the carrying value of these intangible assets.

16. Inventories

	2010	2009	2008
	£'000	£'000	£'000
Work in progress	212	196	790

There was no charge resulting from the write down of inventories (2009: £nil). No reversal of previous write downs was recognised as a reduction of expense in either 2010 or 2009. None of the inventories are pledged as security for liabilities.

17. Trade and other receivables

	2010	2009	2008
	£'000	£'000	£'000
Trade receivables	9,437	8,486	8,494
Prepayments and accrued income	1,999	1,365	633
Deferred tax	208	178	36
Other receivables	188	654	419
	11,832	10,683	9,582

The carrying amount of trade and other receivables approximates to their fair value.

Trade and other receivables comprising 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 £339,000 (2009: £542,000; 2008: nil) has been recorded accordingly.

The movement in the allowance for estimated irrecoverable amounts can be reconciled as follows:

	2010	2009
	£'000	£'000
Balance at 1 April	542	-
Amounts written off (uncollectible)	(50)	-
Impairment loss	81	542
Impairment loss reversed	(234)	-
Balance at 31 March	339	542

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:

	2010	2009	2008
	£'000	£'000	£'000
Not more than 3 months	2,817	3,009	4,060
More than 3 months but not more than 6 months	102	174	208
More than 6 months but not more than 1 year	6	58	18
More than 1 year	2	6	1
	2,927	3,247	4,287

18. Bank and overdraft, loans and borrowings

	2010	2009	2008	
	£'000	£'000	£'000	
Summary				
Bank overdraft	6,443	8,806	6,901	
Borrowings	8,213	9,303	4,919	
	14,656	18,109	11,820	
Borrowings are repayable as follows:				
Within one year				
Bank overdraft	6,443	8,806	6,901	
Borrowings	1,865	1,984	1,453	
Total payments due within one year	8,308	10,790	8,354	
Less future interest	(174)	(293)	(331)	
Total due within one year	8,134	10,497	8,023	
In more than one year but not more than two years	6,596	1,928	1,373	
In more than two years but not more than three years	-	6,021	1,299	
In more than three years but not more than four years	-	-	952	
In more than four years but not more than five years	-	-	112	
Over five years	-	-	645	
Total payments due in more than one year	6,596	7,949	4,381	
Less future interest	(74)	(337)	(584)	
Total due in more than one year	6,522	7,612	3,797	
Average interest rates at the balance sheet date were:	£'000	%	%	%
Overdraft	6,443	2.75	5.00	7.50
Term loan	1,813	1.96	2.96	7.30
Term loan	1,000	2.46	3.46	-
Revolver loan	5,400	2.33	3.46	-
Mortgage	-	-	-	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 2010 was £11.24 million (2009: £13.02m) and, taking into account cash balances within the Group companies, there was £3.99 million (2009: £6.92m) 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 2009	Cash Flow	Non-cash items	31 March 2010
	£'000	£'000	£'000	£'000
Cash and cash equivalents	12,227	(4,828)	-	7,399
Overdraft	(8,806)	2,363	-	(6,443)
	3,421	(2,465)	-	956
Borrowings	(9,303)	1,178	(88)	(8,213)
Net Debt	(5,882)	(1,287)	(88)	(7,257)

The non-cash movement relates to the pre-paid loan fees on the Group's term loans.

19. Financial derivatives

	2010	2009	2008
	£'000	£'000	£'000
Interest rate swap	416	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 2010 and had a fair value liability of £416,000 (2009: £481,000). The fair value was determined using level 2 determination techniques as per IFRS 7, in that all inputs are based on observable market prices such as long-term interest rates.

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

	2010	2009	2008
	£'000	£'000	£'000
Current			
Within 6 months	124	124	124
In 6 to 12 months	124	124	124
Non-current			
1 to 5 years	309	557	805

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

20. Trade and other payables

	2010	2009	2008
	£'000	£'000	£'000
Trade payables	2,785	3,900	4,496
Tax and social security	2,212	2,630	2,593
Other payables, accruals and deferred income	7,744	9,148	10,079
	12,741	15,678	17,168

The carrying amount of trade and other payables approximates to their fair values. All amounts are short term.

21. Provisions

	2010	2009	2008
	£'000	£'000	£'000
At 1 April	147	358	518
Additional provisions for restructuring	187	-	-
Utilised during the year	(147)	(211)	(160)
At 31 March	187	147	358
Total provisions are analysed as follows:			
Non-current	-	-	225
Current	187	147	133
	187	147	358

Provisions relate to the costs of restructuring a subsidiary company and leases in Group companies where the commercial benefit has either ceased or will cease before the normal expiry period.

22. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities:

	2010 £'000	2009 £'000	2008 £'000
Accelerated capital allowances on property, plant and equipment:			
At start of year	(17)	4	8
Arising on acquisition	-	(3)	-
Origination and reversal of temporary differences	(4)	(18)	(4)
At end of year	(21)	(17)	4
Other temporary differences:			
At start of year	4,500	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	(554)	(468)	(653)
At end of year	3,946	4,500	3,842
Total deferred tax:			
At start of year	4,483	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 6)	(558)	(486)	(657)
At end of year	3,925	4,483	3,846
Deferred tax is included within:			
Deferred tax liability	4,133	4,661	3,882
Deferred tax asset	(208)	(178)	(36)
	3,925	4,483	3,846

The majority of the other temporary differences relates to the liability arising on the valuation of intangible assets on acquisition.

23. Share capital

On 4 September 2009, 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 shares £'000	£1.00 redeemable preference shares £'000	45p deferred shares £'000	5p ordinary shares £'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
At 31 March 2010	-	-	45,000	10,000

Allotted, issued and fully paid

	50p ordinary shares	45p deferred shares	5p ordinary shares	
	Number	Number	Number	£'000
Issued share capital at 31 March 2008	65,309,782	-	-	32,655
Issue of ordinary shares during the year	2,318,738	-	-	1,159
Shares repurchased	(250,000)	-	-	(125)
Issued share capital at 31 March 2009	67,378,520	-	-	33,689
Conversion	(67,378,520)	67,378,520	67,378,520	-
Issue of ordinary shares during the year	-	-	6,742,985	337
At 31 March 2010	-	67,378,520	74,121,505	34,026

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.

The shares issued in the year were as a result of the exercise of share options by employees and Directors.

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.

24. Share premium

	2010	2009
	£'000	£'000
At start of year	6,608	5,954
Premium on issue of shares	-	654
	6,608	6,608

25. Hedging reserve

	2010	2009
	£'000	£'000
At start of year	481	195
Loss on cash flow hedges	(207)	(37)
Transfer to profit or loss	207	37
Change in fair value of cash flow hedge	(65)	286
	416	481

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

26. Shares to be issued

	2010	2009
	£'000	£'000
At start of year	-	536
Shares issued in respect of deferred consideration	-	(536)
At end of year	-	-

27. Capital redemption reserve

	2010	2009
	£'000	£'000
At start of year	125	-
Share buy back	-	125
At end of year	125	125

28. Share option reserve

	2010	2009
	£'000	£'000
At start of year	5,810	-
Utilised on exercise of options	(337)	-
Transfer from retained earnings	(5,054)	5,810
At end of year	419	5,810

The Board of Directors have approved the transfer of reserves from retained earnings to a designated share option reserve. The share option reserve is a distributable reserve.

29. Retained earnings

	2010	2009
	£'000	£'000
At start of year	2,028	3,749
Retained (loss)/profit for the year	(1,985)	1,440
Credit in respect of share options	2,874	2,814
Capital Redemption Reserve	-	(125)
Premium on redemption of shares	-	(53)
Amount arising on exercise of share options	-	13
Transfer from/(to) share option reserve	5,054	(5,810)
At end of year	7,971	2,028

30. Operating leases

The group's future minimum operating lease payments are as follows:

	Within 1 year	1 to 5 years	After 5 years	Total
	£'000	£'000	£'000	£'000
31 March 2010	840	1,984	2,251	5,075
31 March 2009	751	1,902	2,350	5,003
31 March 2008	671	2,558	3,072	6,301

The Group leases a number of office premises under operating leases. During the year £827,000 (2009: £644,293) was recognised as an expense in the Consolidated Statement of comprehensive income in respect of operating leases.

31. Capital commitments

The Group had no commitments to purchase property, plant and equipment at 31 March 2010 (2009: £nil).

32. 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 £9,000,000 (2009: £9,100,000) and the Directors have assessed the likely payments based on forecasts and have provided £4,225,000 (2009: £4,425,000), leaving £4,775,000 (2009: £4,675,000) as an unprovided liability.

The amounts provided for are payable as follows:

	2010	2009
	£'000	£'000
In one year or less	-	600
In more than one year but less than five years	4,225	3,825
	4,225	4,425

The amounts provided have not been discounted.

33. 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 Limited for an annual fee of £15,000 (2009: £15,000) each. At the year end £nil (2009: £8,625) was outstanding to Anne Street Partners Limited.

Andrew Gardner was a member of the operations board of Digital Marketing Group plc and was 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. Andrew Gardner resigned from these positions on 26 February 2010.

34. Accounting estimates and judgements

Accounting estimates

Impairment of goodwill

The carrying amount of goodwill is £45,653,000 (2009: £47,051,000). The Directors are confident that the carrying amount of goodwill is fairly stated, and have carried out an impairment review (see note 14).

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 15).

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 based remuneration calculated using the BlackScholes method, in previous years a trinomial pricing model was adopted. In considering an appropriate charge the Directors have used an internally generated calculation to derive an appropriate charge. Based on these calculations a charge of £2,874,000 has been made. In previous years the Directors commissioned an independent valuation from American Appraisal UK Limited and adopted their findings, in the year ended 31 March 2009 a charge of £2,814,000 was made.

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 £51,000 (2009: £222,000) in the year as an additional Share Based Payment charge. The future Employers NI liability has been discounted over the three year period using a discount rate of 10%.

Fair values on acquisition

The Directors have assessed the fair value of assets and liabilities on the acquisition of the subsidiary companies.

Deferred consideration

The Directors have provided an estimate of the amount payable in respect of deferred contingent consideration. See note 32.

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.

35. Financial risk management

The Group uses various financial instruments. These include loans, cash, issued 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 18 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 2010 and was valued with a net liability of £416,000 (2009: £481,000).

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.

	2010	2009	2008
	£'000	£'000	£'000
Financial assets:			
Floating interest rate:			
Cash	7,399	12,227	12,004
Zero interest rate:			
Trade receivables	9,437	8,486	8,494
	16,836	20,713	20,498
Financial liabilities:			
Floating interest rate:			
Overdrafts	6,443	8,806	6,901
Bank loans	8,213	9,303	4,919
Zero interest rate:			
Trade payables	2,790	3,900	4,496
	17,446	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 £9,500 lower, and if the interest rate on these liabilities had been 1% lower, profit before tax would have improved by £9,500.

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 2010 and a provision for £339,000 (2009: £542,000) has been provided accordingly. See note 17 for further information on financial assets that are past due.

Summary of financial assets and liabilities by category

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

	2010	2009	2008
	£'000	£'000	£'000
Financial assets			
Loans and receivables			
Trade and other receivables	9,625	9,140	8,913
Cash and cash equivalents	7,399	12,227	12,004
	17,024	21,367	20,917
Financial liabilities:			
Non current:			
Borrowings - financial liabilities measured at amortised cost	(6,522)	(7,612)	(3,797)
Financial Derivatives - hedging instrument carried at fair value	(416)	(481)	(195)
Current:			
Financial liabilities measured at amortised cost			
Borrowings	(8,134)	(10,497)	(8,023)
Trade and other payables	(12,741)	(13,048)	(14,575)
	(27,813)	(31,638)	(26,590)
Net financial assets and liabilities	(10,789)	(10,271)	(5,673)
Plant, property and equipment	1,752	2,057	2,215
Goodwill	45,653	47,051	39,449
Other intangible assets	14,272	16,116	13,324
Prepayments	1,999	1,365	633
Deferred tax	208	178	36
Inventories	212	196	790
Taxation payable	(254)	(4,105)	(3,835)
Provisions for deferred tax	(4,133)	(4,661)	(3,882)
Provisions for liabilities	(187)	(147)	(358)
	59,522	58,050	48,372
Total equity	48,733	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

		2010	2009
	Note	£'000	£'000
Turnover		499	314
Cost of sales		(499)	(39)
Gross profit		-	275
Administrative expenses		(2,418)	(3,389)
Impairment of carrying value of investments	12	(6,262)	-
Amortisation of capitalised goodwill		-	(132)
Total administrative expenses	2	(8,680)	(3,521)
Operating loss	3	(8,680)	(3,246)
Income from fixed asset investments	4	7,829	3,050
Interest receivable and similar income		2	85
Interest payable and similar charges	5	(570)	(733)
Loss on ordinary activities before taxation		(1,419)	(844)
Taxation on ordinary activities	6	951	606
Loss on ordinary activities after taxation	22	(468)	(238)

All of the activities of the Parent 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.

The accompanying notes to the parent company financial statements form an integral part of these financial statements.

Company balance sheet

		2010	2009
	Note	£'000	£'000
Fixed assets			
Tangible assets	10	3	6
Intangible assets	11	-	-
Investments	12	65,202	68,413
		65,205	68,419
Current assets			
Debtors	13	3,872	2,879
Current liabilities			
Creditors: amounts falling due within one year	14	(12,408)	(12,542)
Net current liabilities		(8,536)	(9,663)
Total assets less current liabilities		56,669	58,756
Creditors: amounts falling due after more than one year	15	(8,447)	(11,537)
Net assets		48,222	47,219
Capital and reserves			
Called up share capital	17	34,026	33,689
Share premium account	18	6,608	6,608
Share option reserve	20	419	5,810
Capital redemption reserve	21	125	125
Profit and loss account	22	7,044	987
Shareholders' funds	23	48,222	47,219

These financial statements were approved by the Board of Directors on 1 July 2010 and were signed on its behalf by:

Ben Langdon
Director

The accompanying notes to the parent company financial statements form an integral part of these financial statements.

Notes to the parent 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 Black Scholes model and charged to the profit and loss 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 statement of comprehensive income 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 statement of comprehensive income 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

	2010	2009
	£'000	£'000
Share based payment charge	1,471	1,592
Related national insurance costs	51	222
Administrative expenses	896	1,575
Impairment of carrying value of investments	6,262	-
Amortisation of capitalised goodwill	-	132
Total administrative expenses	8,680	3,521

3. Operating loss

	2010	2009
	£'000	£'000
Operating loss is stated after charging:		
Depreciation of owned fixed assets	3	4

4. Income from fixed asset investments

	2010	2009
	£'000	£'000
Dividends received from subsidiaries	7,829	3,050

During the year the Company has received dividends from its subsidiary companies.

5. Interest payable and similar charges

	2010	2009
	£'000	£'000
Bank interest payable	570	634
Inter-company interest payable	-	99
	570	733

6. Tax on ordinary activities

The tax credit represents:	2010	2009
	£'000	£'000
UK corporation tax at 28% (2009: 28%)	(963)	(595)
Adjustment in respect of prior period	16	2
Total current tax	(947)	(593)
Origination and reversal of timing differences	(4)	(13)
	(951)	(606)
The tax charge can be explained as follows:		
Loss before tax	(1,176)	(844)
Tax using the UK corporation tax rate of 28% (2009: 28%)	(329)	(236)
Effect of:		
Income not taxable	(1,002)	-
Schedule 23 deductions	(1,190)	(854)
Expenses not deductible for tax	(180)	484
Impairment of carrying value of investments	1,749	-
Capital allowances for the period in excess of depreciation	1	1
Other	(11)	10
Prior year adjustment	15	2
Current year expense	(947)	(593)

7. Auditor's remuneration

Details of remuneration paid to the auditor by the Group are shown in note 8 to the consolidated financial statements.

8. Directors and employees

	2010	2009
	£'000	£'000
Average number of staff employed by the Company	5	6
Aggregate emoluments (including those of Directors):		
Wages and salaries	562	707
Social security costs	69	80
Total emoluments	631	787
Gain on exercise of share options	2,136	-
	2,767	787

Further information in respect of Directors is given in the Directors' Remuneration table on page 20.

9. Dividends

The Directors do not recommend the payment of a dividend for the current year (2009: £nil).

10. Tangible fixed assets

	Fixtures & fittings
	£'000
Cost at 1 April 2009	13
Additions	-
Cost at 31 March 2010	13
Depreciation at 1 April 2009	7
Charge for the year	3
Depreciation at 31 March 2010	10
Net book value at 31 March 2010	3
Net book value at 31 March 2009	6

11. Intangible fixed assets

	Capitalised Goodwill
	£'000
Cost at 1 April 2009 and 31 March 2010	517
Amortisation at 1 April 2009	517
Charge for the year	-
Amortisation at 31 March 2010	517
Net book value at 31 March 2010	-
Net book value at 31 March 2009	-

12. Fixed asset investments

	Subsidiaries
	£'000
Cost at 1 April 2009	68,413
Additions	3,245
Adjustment to investments	(194)
Impairment	(6,262)
Cost at 31 March 2010	65,202

Reflecting the impairment to the carrying value of goodwill with the Group financial statements the Company has carried out a separate impairment review of the carrying amount of the investments in subsidiaries. This review has concluded that the carrying value of the Company's investments is impaired by £6.2 million (2009: £nil).

At 31 March 2010 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	
Alphanumeric Limited	Ordinary	100%	100%	Data services & consultancy
Alphanumeric Group Holdings Limited	Ordinary	100%	100%	Holding company
Alphanumeric Holdings Limited	Ordinary	-	100%	Holding company
Cheeze Limited	Ordinary	100%	100%	Online marketing & media
CyberDMG Limited	Ordinary	100%	100%	Online marketing & media
Dig for Fire Limited	Ordinary	-	100%	Dormant
Digital Marketing Group Services Limited	Ordinary	100%	100%	Dormant
Gasbox Limited	Ordinary	100%	100%	Direct marketing
Graphico New Media Limited	Ordinary	100%	100%	Online marketing & media
HSM Limited	Ordinary	100%	100%	Online marketing & media, direct marketing
Hyperlaunch New Media Limited	Ordinary	100%	100%	Online marketing & media
Inbox Limited	Ordinary	-	100%	Dormant
ISIS Direct Limited	Ordinary	-	100%	Dormant
Jaywing Limited	Ordinary	100%	100%	Dormant
Jaywing Central Limited	Ordinary	-	100%	Dormant
Junction Brand Communication Limited	Ordinary	-	100%	Dormant
Prodant Limited	Ordinary	-	100%	Data services & consultancy
Scope Creative Marketing Limited	Ordinary	100%	100%	Direct marketing
20:20 London Limited	Ordinary	100%	100%	Online marketing & media

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

13. Debtors

	2010	2009
	£'000	£'000
Trade debtors	24	85
Amounts due from Group undertakings	2,813	2,086
Prepayments and accrued income	43	76
Other taxation and social security	14	26
Corporation tax	963	594
Deferred tax	15	12
	3,872	2,879

14. Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Bank loans and overdrafts (note 16)	8,134	10,497
Trade creditors	53	81
Amounts owed to Group undertakings	913	95
Other taxation and social security	25	21
Other creditors	290	-
Accruals and deferred income	693	1,248
Deferred consideration payable on acquisition of subsidiary undertakings	2,300	600
	12,408	12,542

15. Creditors: amounts falling due after more than one year

	2010	2009
	£'000	£'000
Bank loans	6,522	7,612
Deferred consideration payable on acquisitions of subsidiary undertakings	1,925	3,925
	8,447	11,537

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

16. Borrowings and financial derivatives

	2010	2009
	£'000	£'000
Summary		
Bank overdraft	6,443	8,806
Bank loans	8,213	9,303
	14,656	18,109
Borrowings are repayable as follows:		
Within one year		
Bank overdraft	6,443	8,806
Bank loans	1,691	1,691
Total due within one year	8,134	10,497
Bank loans		
In more than one year but not more than two years	6,522	1,691
In more than two years but not more than three years	-	5,921
Total due in more than one year	6,522	7,612

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 2010 the interest rate swap's fair value was a liability of £416,000 (2009: £481,000).

17. Share capital

On 4 September 2009, 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 shares	£1.00 redeemable preference shares	45p deferred shares	5p ordinary 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
At 31 March 2010	-	-	45,000	10,000

Allotted, issued and fully paid

	50p ordinary shares	45p deferred shares	5p ordinary shares	
	Number	Number	Number	£'000
Issued share capital at 31 March 2008	65,309,782	-	-	32,655
Issue of ordinary shares during the year	2,318,738	-	-	1,159
Shares repurchased	(250,000)	-	-	(125)
Issued share capital at 31 March 2009	67,378,520	-	-	33,689
Conversion	(67,378,520)	67,378,520	67,378,520	-
Issue of ordinary shares during the year	-	-	6,742,985	337
At 31 March 2010	-	67,378,520	74,121,505	34,026

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.

The shares issued in the year were as a result of the exercise of share options by employees and Directors.

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.

18. Share premium account

	2010	2009
	£'000	£'000
At start of period	6,608	5,954
Premium on allotment of shares during period	-	654
At end of period	6,608	6,608

19. Shares to be issued

	2010	2009
	£'000	£'000
At start of period	-	536
Shares issued in respect of deferred consideration	-	(536)
At end of period	-	-

20. Share option reserve

	2010	2009
	£'000	£'000
At start of period	5,810	6,107
Transfer to share capital on exercise of options	(337)	-
Transfer to profit and loss account	(5,054)	(297)
At end of period	419	5,810

The share option reserve is a distributable reserve.

21. Capital redemption reserve

	2010	2009
	£'000	£'000
At start of period	125	-
Arising on share buy back	-	125
At end of period	125	125

22. Profit and loss account

	2010	2009
	£'000	£'000
At start of period	987	(499)
Credit in respect of share based payments	1,471	1,592
Transfer from share option reserve	5,054	297
Share buy back	-	(125)
Premium arising on redemption of shares	-	(53)
Amount arising on exercise of share options	-	13
Retained loss for the period	(468)	(238)
At end of period	7,044	987

23. Reconciliation of movements in shareholders' funds

	2010	2009
	£'000	£'000
At start of period	47,219	44,753
Shares issued during the period	-	1,159
Share buy back	-	(125)
Premium arising on redemption of shares	-	(53)
Deferred consideration on acquisition of subsidiary undertakings	-	(536)
Premium on shares allotted during the period, net of costs	-	654
Amount arising on exercise of share options	-	13
Credit in respect of share based payments	1,471	1,592
Retained loss for the period	(468)	(238)
At end of period	48,222	47,219

24. Share based payments

Share based payment charge is as follows:

	2010	2009
	£'000	£'000
Share based payment	1,471	1,592
Related national insurance costs	51	222
	1,522	1,814

Details of the share options issued and the basis of calculation of the share based payments, which all relate to share options granted, are given in the consolidated financial statements in note 11 to the consolidated financial statements.

25. 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 2010 the amount thus guaranteed by the Company was £nil (2009: £nil).

26. Related parties

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

Transactions with other related parties are disclosed in note 33 to the consolidated financial statements.

27. Financial risk management objectives and policies

Details of Group policies are set out in note 35 to the consolidated financial statements.

Shareholder information

Annual General Meeting

The 2010 Annual General Meeting will be held on Friday 3 September 2010 at Augustine Hall, 6 Yorkton Street, London, E2 8NH at 11.00am.

Results

Announcement of half year results to 30 September 2010 – November 2010. Preliminary announcement of the annual results for the year ending 31 March 2011 – early July 2011.

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 below

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.

- Copies of the executive Directors' service agreements and the non-executive Directors' letters of appointment;
- The memorandum and articles of association of the Company; and
- 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 2010.

Issued Share Capital

As at 1 July 2010 (being the last practicable date before the publication of this document) the Company's issued share capital comprised 74,121,505 ordinary shares of 5p each. Therefore, as at 1 July 2010 the total voting rights in the Company were 74,121,505. 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 Registrar also offer a range of shareholder information online at www.capitaregistrars.com

Website

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

