dotDigitalGroup plc®

Annual Report and Accounts 2008/2009

Our mission

To provide fantastic digital tools and services that deliver results keeping our clients ahead of their competition.

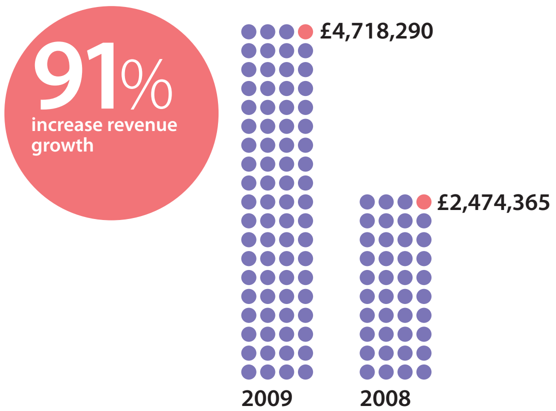
Contents

Key highlights

- **Revenue increased by 91% to £4.7m* (2008: £2.5m)**
- **Profit after tax increased by 58% to £0.9m* (2008: £0.6m)**
- **Strong balance sheet position, cash at year end increased by 145% to £1.7m (2008: £0.7m)**
- **Strong growth in customer numbers from 1,072 in 2008 to 2,282 in 2009. An increase of 113%***

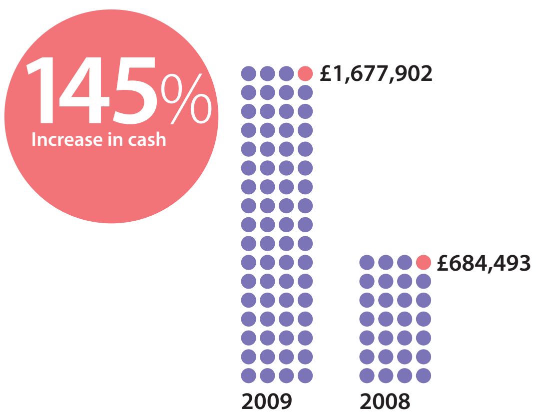
* For a 14 month period in comparison to a 12 month period

Revenue

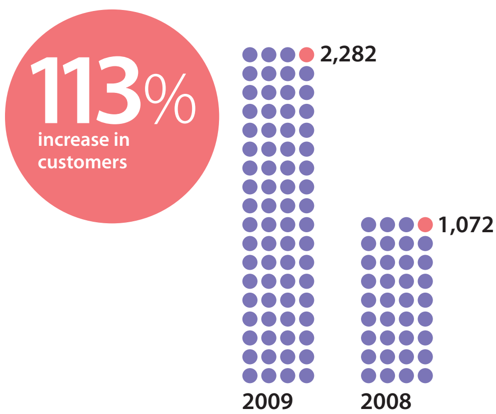


Profit after tax

Cash position



Customer numbers



Chairman's & Chief Executive's report

The Group enjoyed a period of strong growth driven by the success of its leading edge internet technology for digital marketing. Revenue grew by 91% substantially driven by growth in client numbers from 1,072 as at the end of April 2008 to 2,282 by the end of June 2009.

The business has shown itself to be resilient in the face of a difficult economic climate and has benefited from the shift in marketing spend from traditional offline media to online digital marketing.

The year under review saw the delivery of many of the goals set out in a three year plan which was initiated in 2006. We have seen the Group transform from a niche website design agency and email service provider, into: one of the UKs leading full service digital marketing agencies, a PLC on the PLUS market, an employer of 55 staff with offices in London, Croydon and Manchester and an email marketing product that is highly regarded in the marketing industry.

Financial overview

On 30 January 2009 dotDigital Group Plc (formerly known as West End Ventures Plc) acquired the entire issued share capital of dotMailer Limited via a share for share exchange.

To comply with international financial reporting standards, this report is presented as if dotMailer Limited had acquired dotDigital Group Plc which is the substance of the transaction even though the legal form of the transaction was that dotDigital Group Plc acquired dotMailer Limited.

During the 14 month period ended 30th June 2009 revenue grew to £4.7m up from £2.47m in the previous 12 months. Pre tax profit in the period grew to £1.1m up from £0.7m in the previous 12 months.

This growth in profit was in line with target and although the apparent profit percentage has declined the headline numbers do not take account of a change in the basis of remunerating Directors from mainly dividend based in 2007/08 to salary based in 2008/09.

As well as achieving high levels of organic growth in our email marketing business during 2008/09 we have been making a significant investment in product innovation and development. April 2009 saw the launch of our new package based e-commerce platform (known as dotCommerce) which has been extremely well received by prospective clients and is starting to deliver a new and important revenue stream for the business.

Delivery of three year plan

Since 2006 dotDigital has achieved year on year growth levels of 54%, 97% and 91%, within a fiercely competitive and close to saturated market place and in the face of a recessionary environment over the past 18 months.

Staff levels have increased fourfold, from 15 in 2006 to 55 by summer 2009 and the average monthly new business acquisition rate has more than doubled from 40 new client wins in per month in 2007 to 85 new client wins per month in 2009.

By setting and pursuing aggressive and stretching financial goals, and focussing single-mindedly on developing innovative products and delivering them alongside exceptional client support, we have:

- Seen outstanding organic growth
- Opened up important revenue channels through cross-sell and up-sell
- Built the brand and a team capable of growing, supporting and developing our ever expanding customer base

We have achieved this by pursuing a highly focussed, four-prong growth strategy which in the Directors' opinion, sets the Group apart from any known competition:

1. Outstanding client care and, we feel, over delivery on clients' expectations.
2. Product diversification having built a one-stop shop of products and services to cater for every digital need.
3. No compromise recruitment resulting in our attracting and retaining the very best talent needed to support our growing client base.
4. Insatiable sales and marketing leaving no stone unturned in our quest for a better more diverse service, strengthened thought-leadership profile, sales pipeline and no opportunity unconverted.

A 'full service' offering

Although a handful of other email service providers are able to offer some add-on digital marketing services, and other digital agencies offer various forms of email service, the Directors believe that dotDigital is uniquely placed to offer the full range of digital marketing services with high levels of specialism and expertise backed by over ten years operational experience.

Our business is split into four main brands and business units, each with high level expertise in four key areas:

dotMailer – In the Directors' opinion, a market leading email marketing platform with exceptional features and ease of use. It is delivered and supported by a team of dedicated and passionate professionals.

dotMailer®

dotCommerce – The Group's latest ecommerce solution considered by the Directors to provide a unique and compelling proposition to online sellers; a flexible bespoke build experience, for the cost of an off-the-shelf package.

dotCommerce

dotEditor – The content management system which drives clients' websites, enabling them to edit and manage their own, rich content.

dotEditor®

dotAgency – An in-house creative agency team specialising in website design, build, digital marketing strategy and search engine optimisation.

dotAgency

Chairman's & Chief Executive's report continued

91%
Increase in revenue in 2009

The Group has a clear vision to continue to develop a range of complementary digital marketing tools and consultancy services which can be fully integrated with existing services.

Moreover, we continually work to build deeper relationships with our clients and help them realise the full potential of digital marketing to achieve their own business objectives. Our clients benefit from this holistic approach which offers a trusted source and single point of contact for a full range of marketing needs.

dotDigital's clients

dotDigital has a range of high profile clients including a number of blue-chip companies and high profile organisations. However, at a time when many of the other email marketing agencies focus principally on large company business, we have resolutely maintained a principal focus on small and mid sized companies given the huge pool and diversity of potential clients and our ability to bring services to them quickly and efficiently. Moreover we take the view that our customer mix is ideal to provide the stability that is crucial to allow dotDigital to grow.

The argument for dotDigital rests on the ability to provide custom made products for the same price as the existing commoditised products being marketed by other digital agencies which the directors believe are inferior in terms of features and usability. These also fail to offer the high quality support often needed by less experienced marketers.

With this in mind, we develop every product and offering with the needs and requirements of the SME in mind.

By understanding the important business drivers and challenges which these companies experience, dotDigital is able to create affordable packages and solutions that work for companies of all sizes and that are scalable so that the product or service can grow with the customer. Because of this scalability, it means ultimately we can service any client from SME through to large multi-nationals.

Our customers choose to use our organisation because of these key factors, and because of our propositions of outstanding client support, a one-stop digital marketing shop and extremely easy to use yet very powerful products.

These products include, for example, highly innovative online survey builder and microsite builder tools that genuinely enable marketers and business managers with absolutely no experience or skills in website design, developing or coding, to create in minutes their own web pages, online surveys, competitions and data capture forms that look exactly like they are part of their business website. Tools like this offer genuine cost and resource savings of many thousands of pounds to businesses.

"dotCommerce have helped us build, launch and manage our new e-commerce business...The technology is straightforward to use, and the team has been amazing."
Somerset House

"Working with the dotAgency team has been a very rewarding experience... they are both knowledgeable and imaginative."
Fairtrade Foundation

"dotMailer design service excels, always giving us a clear and professional newsletter! Their self service send and reporting facility is simple and easy-to-use and the reporting results provide great feedback for analysing the success of our mail-outs."
Storm Models

Strategy for 2009/10

The Group has implemented plans to build on the existing successful strategies to sustain existing levels of growth. We plan to:

- Continue to build brand awareness and brand reputation within the marketplace using multi channel marketing, including social networking sites;
- Further develop a sales culture of referrals and word of mouth, based on delighted clients;
- Develop new products and services with strong recurring revenues, such as ecommerce solutions and SEO services;
- Expand the reach of our thought leadership message through social networking and web 2.0 including prolific blogging and twitter posts;
- Seeking earnings enhancing acquisitions in complimentary sectors such as:

  – SEO
  – Mobile/SMS
  – Word of Mouth Marketing
  – Survey tools
  – Analytics
  – Usability testing
  – Research
  – Social media marketing

The Directors also plan to reorganise the management of the business around smaller business units thus presenting a scalable business model with clear management focus whilst maintaining the entrepreneurial spirit and culture which has served the business well for the past ten yeas.

Outlook

The marketplace for our services remains robust as we move into the current financial year. The Group's customer base has continued to grow and the response to our broadened offering, introduced last year, encouraging.

We maintain a strong cash position and have an eye towards an expansion of our services through acquisition with a number of targets already under review.

Recognition of our brand is now widespread within the marketing sector and we believe that the coming year will present opportunities to expand and diversify profitably with only incremental increase in overhead cost. Accordingly, we look forward to the year with confidence.

Staff

The Board thanks all of the management and staff who have reacted to the challenge of rapid growth in a difficult economic climate with enthusiasm and enormous energy.

85
New client wins per month 2009

Chairman's & Chief Executive's report continued

112%
Increase in clients in 2009

Staff continued

dotDigital places much emphasis on the quality and cohesiveness of its staff. Building a team that supports the work of the key management team has been central to the successful growth achieved to date and is paramount in continuing this success in the future.

The Group has an innovative approach to staff development. The management team aims to give each employee the space in which to grow and the leadership ethos is very much about giving employees the opportunities to develop and become leaders themselves.

With this is mind, we aim to share the success of the Group with the staff and by being open and transparent, ensuring that every employee understands the overall growth strategy and is kept appraised as to our vision, objectives, targets, progress, successes and potential issues. The Directors are open about business objectives and senior managers actively engage their teams in understanding how their efforts contribute to these numbers.

All staff are eligible for a performance and profit related bonus scheme. Following the Group's recent admission as a public quoted company to PLUS Markets, all employees are included in an employee share issue scheme, enabling them to benefit from and share in the continued growth and success of the business.

The Directors strive to maintain the 'entrepreneurial spirit' that was fundamental in the early days of the Company. This is particularly important in the 'product development' aspect of the Company's growth strategy. Allowing developers to explore and execute their own ideas allows an organic approach to software development. Outside the technical teams this is encouraged as well, with brainstorming and development of 'ideas' being a crucial stage in planning any product, service or activity we undertake.

Board changes

In January this year, following the reverse acquisition of West End Ventures Plc by dotMailer Limited a number of Board changes took place to ensure the Company was well positioned to move forward strategically and operationally, and also to ensure the Group meets both the legal and practical requirements of good Corporate Governance.

The Executive Directors of dotMailer Limited (Peter Simmonds, Ian ("Tink") Taylor, Simon Bird and David Ivy) joined the Board of dotDigital Group Plc as Executive Directors. David Pacy was appointed Non Executive Chairman of the Group and Nicholas Nelson became a Non Executive Director. Shane Moloney resigned from the Board of West End Ventures at the date of the reverse acquisition.

We aim to share the success of the Company with the staff...

Chairman's & Chief Executive's report continued

Skip Fidura 40, Digital Director

It was with regret that we had to announce the resignation of Dave Ivy as a Director of the Company in September 2009. Dave, who was one of the co-founders of the Company and played an important role in its development, decided that his passion remains with early stage development of a business and with this in mind, wishes to pursue new early stage technology based projects outside the scope of digital marketing.

Dave's current role in developing the agency business will be taken on by Gordon ("Skip") Fidura. Skip was appointed to the Board earlier this year and has a wealth of digital marketing expertise and senior industry experience, most recently from OgilvyOne Worldwide in London.

Skip has been in marketing for over fourteen years, having worked in contact centres, direct marketing, customer analysis and digital marketing. Most recently Skip was Email Partner at OgilvyOne London and prior to that he was the Director of European Operations for Acxiom Digital. A frequent speaker at industry events in the UK, Europe and the US, Skip is also Vice-Chairman of the UK DMA Email Marketing Council, was listed by Revolution Magazine as one of the 50 most influential people in new media and has judged numerous industry awards including the 2009 DMAs.

Business description and philosophy

With our full range of platforms and services, dotDigital has the unquestioned ability to supply any business with a suite of integrated, scalable marketing tools that will enable them to use digital marketing to help meet their business objectives: from lead generation and relationship management through to website conversion, SEO, online merchandising, and post-sale follow-up.

Our deep and strong relationships with existing clients, built around outstanding client support, put us in a position of great strength to mine the potential of the existing client base. We have a unique opportunity widely to cross sell and up-sell our suite of products and services along with our strategic consultancy services (which in turn help to generate further product and service sales).

The unique, overarching characteristic of the Group's range of products is the fact that they are sophisticated and feature rich, but also extremely intuitive and easy to use. We pride ourselves on offering the equivalent of 'NASA technology, with a 'fisher-price®' interface'.

A commitment to exceptional client support

Certain competitors within the email service provision sector, provide either basic client support, i.e. online FAQs, email support, webinars; or they provide a premium priced 'managed service' level of support reserved only for very high spending corporate clients.

'Our deep and strong relationships with existing clients, built around outstanding client support, put us in a position of great strength...'

To help us differentiate we maintain a five tier client support structure for our email marketing clients that is dedicated to providing outstanding support, care and consultancy:

- A dedicated account management team to ensure that clients have a named, dedicated account support contact who understands their needs and their challenges and can help them on a consultative level with both every day queries and tactical and best practice guidance;

- Our account management team is incentivised to be proactive in their approach to clients, ensuring they contact their account contacts regularly to make sure they are happy with the service and to find out if there are further ways we can advise or help them.

- This enables us to very effectively cross-sell and up-sell clients across our full range of products and services, whilst providing a very positive experience for the client;

- A frontline technical support team working alongside the account management team, made up of our Technical Support Manager and Technical Support Executives. This team handles any technical queries clients may have, such as editing their email campaigns, dealing with spam filters and briefing bespoke email template designs;

- A backline development support team made up of highly experienced developers able to respond to client feedback and build enhancements, fixes and new features into the dotMailer email marketing system in response to this;

- A strategic consultancy team was created to provide higher level consultancy including guidance on overall email marketing strategy, overall digital marketing strategy, and successful integration of these into our clients' business models and marketing mix. This team is made up of Tink Taylor and Skip Fidura. Both are elected members of the Direct Marketing Association Email Marketing Council.

Dividend policy

It is the Directors' strategy to achieve capital growth on the strength of a consistently cash generative trading performance.

During the last financial year our cash reserves grew significantly as a result of a strong cash flow and the amalgamation of the funds within West End Ventures Plc at the date of the reverse acquisition. It is the intention of the Board to utilise this cash to invest in new revenue generating opportunities for the business and to seek earnings enhancing acquisitions.

Accordingly, the Directors believe that it is inappropriate to propose a dividend based on this commitment to investing in growth.

However, as soon as it becomes commercially prudent to join the dividend list and subject to the future availability of sufficient distributable reserves, then the Board will announce a sustainable dividend policy.

David Pacy
Chairman

Peter Simmonds
Chief Executive

Corporate social responsibility

The Group is committed to achieving a long-term successful and sustainable business as a leading provider of digital marketing solutions.

dotDigital's products are used by hundreds of charities worldwide who have enjoyed our special charity rates.

We believe in the importance of corporate social responsibility and sustainability within our business. A responsible approach to the environment, health and safety and fair treatment of our people, our customers, our suppliers, our local communities and other key stakeholders is embedded in our Group culture and values. In a nutshell, dotDigital recognises its obligations to all those with whom it has dealings and our good reputation is vital to instil confidence in all who do business with us.

The UK charity sector has always been a key focus for the business. dotDigital has a pre-determined pricing model for registered charities and has worked with some of the country's leading charities including Fairtrade, Wateraid and WRC. dotDigital is committed to providing the very highest possible services and quality products to charities at an affordable rate.

Environment

dotDigital has been quick to accentuate the environmentally friendly role of digital marketing in its thought leadership and media outreach. As the online answer to direct mail, email is quickly being seen as an environmentally-friendly alternative. dotDigital has worked with both the DMA and IAB to promote this message.

Community

dotDigital was conceived, founded and continues to operate in the Borough of Croydon. The Company continues to work closely with local communities and sees its role as a leading business in the area to encourage and promote corporate growth. In terms of recruitment, local talent is always a focus.

Workplace

dotDigital is also committed to talent development through its work experience and graduate recruitment schemes. The Company has complied with all applicable legislation and has not been subject to sanctions or fines for environmental, health and safety or other infringements.

Equal opportunities

dotDigital is committed to an equal opportunities policy as part of its ethical and social responsibility.

Fairtrade Foundation – Launched to coincide with Fairtrade Fortnight the Foundation's site has powerful functionality, intuitive navigation and brand-enhancing design.
www.fairtrade.org.uk

WaterAid – "Thank you so much. The new website is a truly outstanding piece of work that we are very happy with. Well done all of you".
www.wateraid.org/uk

women's resource centre – We set out to give WRC not only a very strong and distinctive online brand. We also created a highly effective information portal for all their users who need to find information quickly and easily.
www.wrc.org.uk

Our board of Directors

Peter Simmonds FCCA, aged 51,
Chief Executive and Finance Director

Peter Simmonds commenced his career in 1976 as a trainee accountant with Unilever Plc and has over 20 years of experience at senior management and board level, principally in the areas of banking, insurance, finance, I.T. and outsourcing. He has considerable business entrepreneurial experience having been involved in the start up or early stage of a number of companies in various industry sectors including consultancy services, vehicle leasing, computer software and internet solutions sectors.

Peter also has experience of business acquisition and post acquisition integration and management of businesses.

Simon Bird, aged 34,
Technical Director

Simon is a founding Director of dotDigital with a strong technical bias. His technical expertise stretches back to the beginning of his career when he was integral to the formation of a major internet access provider. Passionate about web software engineering, he strives to ensure the Group is always ahead of the technology game enabling dotDigital to build world class products for its customers.

Tink Taylor, aged 37,
Business Development Director

Tink Taylor a founding Director has many years experience in the field of interactive electronic communications. Tink has wide ranging experience in introducing the concept of digital marketing to companies large and small. He is an elected member of the Direct Marketing Association's Email Marketing Council and also a member of the Internet Advertising Bureaus E-communications Council. Tink is a judge for the Emails and Virals category at the DMA awards.

David Pacy aged 66,
Non Executive Chairman

David Pacy founded MetroVideo Group in 1979, which was sold to WPP Group Plc in 1986 in addition to subsequently setting up Stockroom Archive Management Limited which specialises in the storage and retrieval of film and video material.

David was also a Founder of DigiReels, one of the UK's earliest commercially available video on demand services, a joint venture between WPP Group Plc and Cable and Wireless Plc. He subsequently became a founder Director of ChillBean Limited, the digital asset management company hosting SohoSoho.tv, created specifically for the media world. David is a Director of Clockwork Capital a joint venture with WPP involved in equipment finance for the television industry.

Nicholas Nelson aged 44,
Non Executive Director

Nicholas Nelson commenced his career in 1985 as a trainee dealer on the floor of the London Stock Exchange accumulating approximately thirteen years experience as both dealer and investment manager. He has for the past ten years continued his City career, working in corporate communications during which time he has assisted on many PLUS and AIM floatations. He is currently Managing Partner of Haggie Nelson LLP, a City of London based financial public relations consultancy.

Corporate governance report

"We selected dotMailer's email marketing software as it combined an easy email design user interface with excellent data capture and reporting capabilities."
EDF Energy

The Board have decided to provide corporate governance disclosures in accordance with the principles and provisions of "The Combined Code: Principles of Good Governance and the Code of Best Practice" ("the Code"). As part of this process Turnbull guidelines set out in "Guidance for Directors on the Combined Code" have also been reviewed and are covered under "Internal control" below. An explanation of how dotDigital Group Plc (the "Group") has applied the principles and the extent to which the provisions in the Code have been complied with appears below.

Compliance statement

(a) Directors

The details of the Group's Board, together with the Audit and Remuneration Committees, are set out on pages 16 and 18 respectively.

The Board meets monthly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. The Board has a formal schedule of matters reserved for specific review and decision. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. At the period end there were four Executive Directors, one independent Non Executive Director and an independent Non Executive Chairman.

The current constitution of the Audit and Remuneration Committees are shown on pages 16 and 18 respectively.

Appointments to the Board are nominated by an Executive Director and then considered by the full Board.

(b) Director's remuneration

As set out on pages 18 and 19, the remuneration of the Executive Directors is determined by the Remuneration Committee whilst that of the Non Executives is determined by the whole Board. The Directors are conscious of the importance of the performance related incentives and bonuses are paid based on performance as deemed appropriate by the Remuneration Committee.

(c) Relations with shareholders

The Group encourages two-way communications with all its shareholders and responds quickly to all requests or queries received. All Shareholders have at least twenty one working days' notice of the Annual General Meeting at which all of the Directors and the Chairman are normally available for questions. Comments and questions are encouraged from the Shareholders at the meeting.

(d) Accountability and audit

(i) Financial reporting

Detailed reviews of the performance and financial position of the Group are included in the Chairman's and Chief Executive's statement.

The Board uses this and the Directors' report on pages 20 to 24 to present a balanced and understandable assessment of the Group's position and prospects. The Directors' responsibility for the financial statements is described on page 24.

(ii) Internal control

The Board confirms that it has established the procedures necessary to implement the guidance set out in "Internal Control: Guidance for Directors on the Combined Code". The process of risk identification, evaluation and management has been considered by the Board. It is the intention that this will continue to be kept under constant review and will be considered at each Board meeting in the future. The Board is continuing to take steps to embed internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management and the Board's attention.

The Directors acknowledge their responsibilities for the Group's system of internal financial control. Such a system can provide reasonable but not absolute assurance against material misstatement or loss. The Board confirms that the procedures necessary to comply with the provisions of the code, including the guidance of Turnbull, have been in place throughout the period ended 30 June 2009 and up to the date of the Directors' report. It has considered the major business risks and the control environment. Important control procedures, in addition to the day to day supervision of the business, include comparison of monthly management accounts to the budget.

(iii) Audit Committee and Auditors

The Audit Committee comprises Tink Taylor and David Pacy and is chaired by Nicholas Nelson. The Auditors of the Group may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of the Executive Director if required. The Audit Committee may examine any matters relating to the financial affairs of the Group, and to the Group's audit. This includes reviews of the annual accounts and announcements, accounting policies, compliance with accounting standards, the appointment and fees of auditors and such other related functions as the Board may require.

(iv) Going concern basis

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Audit Committee report

"I'd tried two other providers before I found dotCommerce. The flexible ecommerce site they delivered has helped Fastfix to become the UK's leading online supplier in our sector. Use them."
Fastfixdirect.co.uk

The role of the Audit Committee

The Audit Committee is a sub-committee of the Board whose responsibilities include:

- Reviewing the half-yearly and full year accounts and results announcements of the Company and any other formal announcements relating to the Company's financial performance and recommending them to the Board for approval;
- Reviewing the Group's systems for internal financial control and risk management;
- Monitoring and reviewing the effectiveness of the Group's internal accounting function and considering regular reports which arise;
- Considering the appointment of the external Auditors, overseeing the process for their selection and making recommendations to the Board in relation to their appointment to be put to Shareholders for approval at a general meeting;
- Monitoring and reviewing the effectiveness and independence of the external Auditors, agreeing the nature and scope of their audit, agreeing their remuneration, and considering their reports on the Group's accounts, reports to Shareholders and their evaluation of the systems of internal financial control and risk management.

Composition of the Audit Committee

The Audit Committee comprises the two independent Non Executive Directors, Nicholas Nelson and David Pacy and an Executive Director, Ian ("Tink") Taylor. The Chairman of the Audit Committee is Nicholas Nelson. The Committee meets separately with the external Auditors without management being present. The Company Secretary is secretary to the Audit Committee.

Main activities of the Audit Committee

At its meeting on the 15 October 2009 the Committee reviewed the Group's preliminary announcement of its results for the financial year 30 June 2009 and the draft report and accounts for that year. The Committee received reports from the external Auditors on the conduct of their audit, their review of the accounts, including accounting policies and areas of judgement, and their comments on risk management and control matters. The Group's corporate social responsibility reporting arrangements and procedures were also reviewed.

The external Auditors also presented their proposed fees and scope for the forthcoming year's audit. The Committee also reviewed the performance of both the internal accounting function and external Auditors. The review of the external Auditors was used to confirm the appropriateness of their reappointment and included assessment of their independence, qualification, expertise and resources, and effectiveness of their audit process.

The Audit Committee also reviewed the effectiveness of the Company's systems for internal financial control and risk management. The Committee reviewed the Group's credit control procedures and risks concerning IT controls.

Independence of external Auditors

Both the Board and the external Auditors have safeguards in place to avoid the possibility that the Auditors' objectivity and independence could be compromised. Our policy in respect of services provided by the external Auditors is as follows:

- Audit related services – the external Auditors are invited to provide services which, in their position as Auditors, they must or are best placed to undertake. This includes formalities relating to borrowings Shareholders' and other circulars, various other regulatory reports and work in respect of acquisitions and disposals;
- Tax consulting – in cases where they are best suited, we use the external Auditors. All other significant tax consulting work is put out to tender;
- General consulting – in recognition of public concern over the effect of consulting services in Auditors' independence, our policy is that the external Auditors are not invited to tender for general consulting work.

Internal management accounting

The Audit Committee reviewed the performance of the internal accounting function, the department's resource requirements and also approved the internal budgets for the year ending 30 June 2010 which appeared both prudent and realistic in the context of the Group's ambitions.

Approved by the Audit Committee
Signed on its behalf by:

Nicholas Nelson

Nicholas Nelson
Chairman of the Audit Committee

"dotMailer's customer orientation is key to our partnership: it is a two way communication that is constantly developing. We look for new solutions for DHL's requirements, that can also benefit other dotMailer customers."
DHL European Headquarters

Remuneration Committee report

The Remuneration Committee

The Remuneration Committee was established to keep under review the remuneration and terms of employment of Executive Directors and to recommend such remuneration and terms and changes thereof to the Board. The Committee's composition, responsibilities and operation comply with the Combined Code. In forming its remuneration policy, the Committee confirms that it has complied with the Combined Code. The Committee comprised of Nicholas Nelson (Chairman), David Pacy and Peter Simmonds. Peter Simmonds being an Executive Director cannot comment upon his own remuneration.

Remuneration policy

The Group's executive remuneration policy objectives are:

(a) To ensure that individual rewards and incentives are directly aligned with the performance of the Group and that of the interests of the Shareholders; and

(b) To maintain a competitive program which enables the Group to attract and retain high caliber Executives.

Directors' emoluments

	14 month period ended 30 June 2009				
Executive Director's	Salary/Fees	Benefits	Bonus	Pension	Total
P. Simmonds	102,667	13,356	25,000	3,667	144,690
I. Taylor	98,380	–	20,000	7,269	125,649
S. Bird	98,380	–	20,000	7,269	125,649
D. Ivy	98,380	–	20,000	7,269	125,649
	397,807	**13,356**	**85,000**	**25,474**	**521,637**

	12 month period ended 30 April 2008				
Executive Director's	Salary/Fees	Benefits	Bonus	Pension	Total
P. Simmonds	7,333	1,156	–	–	8,489
I. Taylor	18,000	–	–	4,035	22,035
S. Bird	18,000	–	–	4,035	22,035
D. Ivy	18,000	–	–	4,035	22,035
	61,333	**1,156**	**–**	**12,105**	**74,594**

Directors' interests

Executive Director	Number of Shares held as at 30.6.09	% holding
Frank Nominees Ltd *	65,300,000	5.05
I. Taylor	304,300,000	23.36
S. Bird	304,300,000	23.36
D. Ivy	304,300,000	23.36
	978,200,000	**75.13**

* Frank Nominees Limited acts as nominee for Alliance Trust Pensions Limited, which is the trustee of a SIPP established by Peter Anthony Simmonds. Frank Nominees is the vehicle used by Kleinwort Benson Limited to hold securities for clients, trusts, SIPP's etc. The beneficiary of the SIPP is Peter Anthony Simmonds.

Directors' interests in Share Options

Executive Director	Grant date	Number of Share Option granted	Option price (pence)	Date first exercisable	Expiry date
P. Simmonds	1.4.2008	41,667,667	0.24	1.6.08	31.12.2012

Service contracts

On 7 January 2009, the Executive Directors each entered into a service contract with the Group, the terms of which commenced upon Admission to PLUS Markets on the 2 February 2009. Each appointment runs for one year from that date and is terminable by six months' notice by either party to expire at the end of that year or at any time thereafter. The agreement contains restrictive covenants. Upon termination, no benefits (other than those accruing during the notice period) are due to the Director.

Directors' interests

The respective interests, all of which are beneficial, in the shares of the Company for the members of the Board at the year end and subsequent to that date are stated in the table opposite:

Directors' interests in Share Options

Under the Group's executive share option scheme the following Directors have the right to acquire Ordinary Shares.

The options that were originally granted on 1 April 2008 which were for Ordinary Shares in dotMailer Limited have been converted on 1 February 2009 upon the reverse acquisition of dotDigital Group PLC (formerly known as West End Ventures PLC) and are exercisable on or before 31 December 2012. See table opposite.

Employee Incentive Schemes

The Group has awarded share options under EMI, approved share option schemes to key employees who had completed their probation period at the date of the reverse acquisition. The Board considers the performance of staff in conjunction with the Group during the, bi-annual review process. Discretionary bonuses are awarded based on individual and Group performance.

Approved by the Remuneration Committee.
Signed on its behalf by:

Nicholas Nelson
Chairman of Remuneration Committee

"I first started using dotMailer seven years ago. I was tasked with identifying the most cost-effective, creative and efficient solution to our email marketing and chose dotMailer."
B Commercial Limited

"I'm so impressed with your commitment in helping to get us started, and with all the things dotMailer can do."
Strutt & Parker LLP

Report of the Directors'

The Directors present their report with the financial statements of the Company and the Group for the period 1 May 2008 to 30 June 2009.

Change of name

The Group passed a special resolution on 30 January 2009 changing its name from West End Ventures Plc to dotDigital Group Plc.

Principal activity

The principal activity of the Group in the period under review was that of digital marketing.

Business review and future developments

On 30 January 2009 the dotDigital Group Plc completed a reverse takeover of dotMailer Limited. dotMailer's core business was that of digital marketing consisting of a numerous brands that dealt with email marketing, web design, development, consultancy and content management systems.

Prior to the reverse takeover the dotDigital Group Plc was known as West End Ventures Plc who's principle activity was that of being an investment vehicle in the media industry.

During 2008/09 the business has shown itself being resilient in the face of the current economic climate and has benefited from traditional marketing spend being on offline media to online digital marketing.

During the period, the Group has shown significant growth with the success of its leading edge internet technology achieving an increase in revenue of 91% from £2.47m in 2008 to £4.72m in 2009 and a pre tax profit of £1.08m showing an increase of 45% to prior year.

Key performance indicators

The operations as a whole and the individual business units are managed and controlled using a variety of key performance indicators appropriate to the goals they have been set. Examples of key performance indicators include:

- New client wins;
- Sales targets by individual and business unit;
- Management of costs against budget;
- Customer satisfaction;
- Growth in headcount;
- Renewal and retention rate of customers;
- Product features released;
- Control of working capital.

Key risks and uncertainties

(i) Supplier, computer hardware and internet reliability related risks

The Group rents space for its servers located at hosting centers and purchases bandwidth from service providers in the UK to run the software and services it supplies. Although, it spreads the risk of computer hardware failure across multiple servers in multiple hosting centers and, to date, there have been no significant failures, there is no assurance of continuity of supply.

An event resulting in a hosting centre going off-line for any significant period of time or the termination of provision of services by one of those hosting centres for any reason may result in significant loss of revenues and therefore materially harm the Group's business, operating results and financial condition.

Similarly, events preventing or obstructing the servers from communicating over the internet, such as the future availability of a finite number of IP addresses, may restrict the capacity of the business.

(ii) ISP reputation related risks

A significant proportion of the Group's revenue is currently derived by charging a price per email for sending marketing emails on behalf of commercial marketing departments. The largest volume senders of emails tend to be companies sending to consumers. Consequently some of dotMailer's largest customers send large numbers of emails to consumers.

The EU anti-spam regulations and US CAN_SPAM laws place restrictions on what and when companies are allowed to send marketing emails to consumers. dotMailer rents the use of its software and servers for clients to upload their own email lists and send their email marketing campaigns. dotMailer does not own lists or provide third people's data and is therefore not directly liable for any breaches of the EU or US anti-spam regulations. However, where clients are considered by email recipients to be sending unwanted emails, there is an inherent

'During the period, the Group has shown significant growth with the success of its leading edge internet technology achieving a pre tax profit of £1.08m showing an increase of 45% to prior year.'

mechanism within most email clients to make a complaint against the sender. The level or number of complaints is recorded by the larger ISP's (Hotmail, Yahoo, AOL etc) against the IP address of the server sending the email; this complaint rate record establishes the reputation of each IP address. An IP address with a poor reputation may not get a high level of delivery of emails.

dotMailer closely audits the complaint rates for each of its clients and reacts quickly and accordingly to stop rogue campaigns. However, if too many new clients create and send campaigns which attracted high complaint rates, the reputation of dotMailer's sending IP addresses could be diminished. This diminished reputation could affect dotMailer's ability to win or retain new clients and therefore could significantly affect its planned growth in revenues.

dotMailer also faces risks from commercial and non-commercial anti spam services. There are a number of organisations who provide a service to individuals and companies to help them reduce spam in their inbox examples include Spamhaus and Spamcop. These organisations allow individuals to report an email as spam. This reporting can rapidly propagate the blacklisting of an IP address or domain used to send the reported email. This could impact on dotMailer's ability to deliver emails on behalf of other clients which could in turn impact on revenues.

It is also to be noted that as the ISP communities adopt ever tougher measures to deal with the problem of spam, there is a risk that genuine marketing emails could be falsely labelled as spam and do not get delivered to the intended recipients.

(iii) Hacking & information security

In the opinion of the Group's Directors, the technical team take sensible precautions against intrusions and loss of data. dotMailer employs a security manager to mitigate this risk. However, there always is a possible risk that a hacking attack could result in a denial of service or loss of data.

(iv) Competitive environment

Although, the Group's revenues have consistently grown year on year, it competes in a competitive sector. Some of its competitors and potential competitors may have advantages over it in terms of financial backing, business size, broader brand recognition and globally in terms of coverage of geographic markets. Their capacity to leverage their marketing expenditures across a broader range of potential customers, form relationships with brand owners or make acquisitions of complimentary products inherently increases the risk to the Group's business model.

(v) Hire and retain key personnel

The Group depends on the continued contributions of the Group's senior management and other key personnel. The loss of the services of any of these Executive Officers or other key employees could harm the Group's business.

The future success of the Group also depends on its ability to identify, attract and retain highly skilled technical, managerial and sales personnel.

The Group faces intense competition for qualified individuals from numerous technology and marketing companies

(vi) Development of products

The digital marketing industry is a fast paced and rapidly adopts developing technologies. In order to stay competitive the Group needs to deploy resources to research and development activity and to constantly innovate.

Whilst the Group will continue to strive to ensure it is able to deliver products and services that meet the needs of its target clients there is a risk that competitors may be first to the market with products that entice clients away from dotMailer.

The Group's growth will depend upon the development, commercialisation and marketing of new products. If this is not done successfully, then the growth of the Group may be impaired. There is also a risk that this activity may not result in leading edge or competitive products being brought to market in time to maintain a competitive advantage.

Report of the Directors' continued

"I am so pleased. It does everything I need it to and the results I am getting are brilliant. It's just fantastic."
Sophos Plc

Future outlook

The marketplace for our services has remained robust as we move into the current financial year. The Group's customer base has continued to grow and the response to our broadened offering, introduced last year, encouraging.

We maintain a strong cash position and have an eye towards an expansion of our services through acquisition with a number of targets already under review.

Recognition of our brand is now widespread within the marketing sector and we believe that the coming year will present opportunities to expand and diversify profitably with only incremental increase in overhead cost. Accordingly, we look forward to the year with confidence.

Dividends

The total distribution of dividends for the period ended 30 June 2009 was £118,800. These dividends were distributed prior to the reverse acquisition.

Directors

The Directors during the period under review were:

S. Bird	appointed 30.1.09
D. Ivy	appointed 30.1.09 (and resigned 10.9.09)
N. Nelson	–
D. Pacy	–
P. Simmonds	appointed 30.1.09
I. Taylor	appointed 30.1.09
S. Moloney	resigned 9.2.09
G. Fidura	appointed 1.7.09

Directors' interests

The Directors who served during the period and their beneficial interests in the shares of the Group as recorded in the register of Directors' interests at 30 June 2009 are as presented in Table A opposite.

The Directors who served during the period and their beneficial interests in share options in the Group, as recorded in the register of Directors' interests as at 30 June 2009 are presented in Table B opposite.

Substantial interests

On 10 October 2009, the following parties outlined in Table C, had notified the Group of a beneficial interest that represents 5% or more of the Group's issued share capital at that date.

Group's policy on payment of creditors

The Group does not have a formal code that it follows with regard to payments to suppliers. It agrees payments terms with its suppliers at the time it enters in to binding purchasing contracts for the supply of goods and services. The Company seeks to abide by these payment terms whenever if is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions. The average days credit for the year is 25 (2008: 18 days).

Table A

Directors	As at 30.6.09 Number	Shareholding %	As at 30.6.08 Number	Shareholding %
S. Bird	304,300,000	23.36	–	–
D. Ivy	304,300,000	23.36	–	–
I. Taylor	304,300,000	23.36	–	–
P. Simmonds*	65,300,000	5.01	–	–
N. Nelson**	27,625,000	2.12	27,625,000	9.13
D. Pacy	37,500,000	2.88	37,500,000	12.40
S. Moloney***	5,500,000	0.43	12.500,000	4.13

* Peter Simmonds is beneficially entitled to 65,300,000 Ordinary Shares which are owned by Alliance Trust Pension Limited.

** Nicholas Nelson is beneficially entitled to 2,625,000 Ordinary Shares which are owned by The Thames Investment Club.

Table B

Executive Director	As at 30.6.09 Number	Shareholding %	As at 30.6.08 Number	Shareholding %
P. Simmonds	41,666,667	3.10*	–	–

* Percentage shareholding represents the percentage of the shares issued should be no more than the existing shares and those exercisable at the balance sheet date.

Table C

Shareholders	Number of Shares	% holding
Frank Nominees Ltd*	65,300,000	5.01
I. Taylor	304,300,000	23.36
S. Bird	304,300,000	23.36
D. Ivy	304,300,000	23.36
Pershings Nominees Limited	64,796,429	5.00

* Frank Nominees Limited acts as nominee for Alliance Trust Pensions Limited, which is the trustee of a SIPP established by Peter Anthony Simmonds. Frank Nominees is the vehicle used by Kleinwort Benson Limited to hold securities for clients, trusts, SIPP's etc. The beneficially of the SIPP is Peter Anthony Simmonds.

Report of the Directors' continued

Publication of accounts on Company website

Financial statements are published on the Company's website. The maintenance and integrity of the website is the responsibility of the Directors. The Directors' responsibility also extends to the financial statements contained therein.

Indemnity of Officers

The Group may purchase and maintain, for any Director or Officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action bought against its Directors and Officers.

Financial instruments

Details of the Group's risk management objectives and policies together with its exposure to financial risk are set out in note 21 to the financial statements.

The purpose of the policies is to ensure that adequate cost effective funding is available to the Group and exposure to financial risk – interest rate, liquidity and credit risk – is minimised.

Going concern

After making appropriate enquiries, the Directors consider that the Company and 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.

Auditors

The Auditors, Jeffreys Henry LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors' 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 have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group 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 judgements and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- State whether the Group and parent Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards to the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement as to disclosure of information to Auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's Auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's Auditors are aware of that information.

On behalf of the Board:

Peter Simmonds
Director
15 October 2009

Independent Auditors' Report

We have audited the Group and Company financial statements of dotDigital Group Plc for the period ended 30 June 2009 which comprise of the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, statement of changes in equity, consolidated cash flows and the related notes on pages 28 to 55. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union, and as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Sections 495 and 496 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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page 24, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 30 June 2009 and of the Group's profit for the period then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union;
- The parent Company financial statements have been properly prepared in accordance with IFRSs as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS regulation.

Opinion on other matter prescribed by the Companies Act 2006

- The information given in the Report of the Directors' 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 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.

Sanjay Parmar
Senior Statutory Auditor
For and behalf of Jeffreys Henry LLP

Finsgate, 5-7 Cranwood Street
London
EC1V 9EE
15 October 2009

Consolidated income statement
for the period 1 May 2008 to 30 June 2009

	Note	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Continuing operations			
Revenue	2	4,718,290	2,474,365
Administrative expenses	5	(3,652,199)	(1,748,228)
Operating profit		**1,066,091**	**726,137**
Finance costs	4	(864)	(3,332)
Finance income	4	15,088	24,578
Profit from continuing operations before income tax	5	1,080,315	747,383
Income tax	6	(184,808)	(180,383)
Profit after income tax		**895,507**	**567,000**
Profit attributable to:			
Owners of the parent		**895,507**	**567,000**
Earnings per share expressed in pence per share:	9		
Basic		0.14	0.19
Diluted		0.13	0.19

Consolidated statement of comprehensive income
for the period 1 May 2008 to 30 June 2009

	Note	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Profit for the period		**895,507**	**567,000**
Other comprehensive income		–	–
Total comprehensive income for the period		**895,507**	**567,000**
Total comprehensive income attributable to:			
Owners of the parent		895,507	567,000
Non-controlling interests		–	–

Consolidated statement of financial position
30 June 2009

	Note	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Assets			
Non-current assets			
Goodwill	10	608,503	–
Intangible assets	11	259,675	12,282
Property, plant and equipment	12	119,052	125,861
		987,230	**138,143**
Current assets			
Trade and other receivables	14	655,304	444,668
Cash and cash equivalents	15	1,677,902	684,493
		2,333,206	**1,129,161**
Total assets		**3,320,436**	**1,267,304**
Equity			
Shareholders' equity			
Called up share capital	16	1,292,500	292,500
Share premium	17	4,533,754	533,754
Reverse acquisition reserve	17	(4,695,465)	(826,162)
Other reserves	17	5,302	–
Retained earnings	17	1,552,372	775,665
Total equity		**2,688,463**	**775,757**
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings			
Interest bearing loans and borrowings	19	18,228	–
Current liabilities			
Trade and other payables	18	416,811	304,225
Financial liabilities – borrowings			
Interest bearing loans and borrowings	19	12,152	6,939
Tax payable		184,782	180,383
		613,745	491,547
Total liabilities		**631,973**	**491,547**
Total equity and liabilities		**3,320,436**	**1,267,304**

The financial statements were approved by the Board of Directors on 15 October 2009 and were signed on its behalf by:

Peter Simmonds
Director

Company registration number – 06289659 (England and Wales)

Company statement of financial position continued
30 June 2009

	Note	30.6.09 £	30.6.08 £
Assets			
Non-current assets			
Investments	13	5,183,488	–
		5,183,488	–
Current assets			
Trade and other receivables	14	2,712	10,803
Cash and cash equivalents	15	564,531	821,557
		567,243	832,360
Total assets		**5,750,731**	**832,360**
Equity			
Shareholders' equity			
Called up share capital	16	1,292,500	292,500
Share premium	17	4,533,754	533,754
Other reserves	17	5,302	–
Retained losses	17	(148,728)	(85,372)
Total equity		**5,682,828**	**740,882**
Liabilities			
Current liabilities			
Trade and other payables	18	67,903	91,478
Total liabilities		**67,903**	**91,478**
Total equity and liabilities		**5,750,731**	**832,360**

The financial statements were approved by the Board of Directors on 15 October 2009 and were signed on its behalf by:

Peter Simmonds
Director

Company registration number – 06289659 (England and Wales)

Consolidated statement of changes in equity
for the period 1 May 2008 to 30 June 2009

	Share capital £	Called up retained earnings £	Share premium £
Balance at 1 May 2007	–	546,465	–
Changes in equity			
Issue of share capital	292,500	–	533,754
Dividends	–	(337,800)	–
Total comprehensive income	–	567,000	–
Reverse acquisition	–	–	–
Balance at 30 April 2008	292,500	775,665	533,754
Changes in equity			
Issue of share capital	1,000,000	–	4,000,000
Dividends	–	(118,800)	–
Total comprehensive income	–	895,507	–
Balance at 30 June 2009	**1,292,500**	**1,552,372**	**4,533,754**

	Reverse acquisition reserve £	Other reserves £	Total equity £
Balance at 1 May 2007	–	–	546,465
Changes in equity			
Issue of share capital	–	–	826,254
Dividends	–	–	(337,800)
Total comprehensive income	–	–	567,000
Reverse acquisition	(826,162)	–	(826,162)
Balance at 30 April 2008	(826,162)	–	775,757
Changes in equity			
Issue of share capital	–	–	5,000,000
Dividends	–	–	(118,800)
Total comprehensive income	–	–	895,507
Reverse acquisition	(3,869,303)	–	(3,869,303)
Share option adjustment	–	5,302	5,302
Balance at 30 June 2009	**(4,695,465)**	**5,302**	**2,688,463**

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of the respective shares net of share issue expenses.

Retained earnings represents the cumulative earnings of the Group attributable to equity Shareholders.

The reverse acquisition reserve relate to the adjustment required by accounting for the reverse acquisition in accordance with International Financial Reporting Standard 3.

Other reserves relate to the charge for share-based payment in accordance with the International Financial Reporting Standard 2.

Company statement of changes in equity
for the period 1 May 2008 to 30 June 2009

	Called up share capital £	Retained losses £	Share premium £	Other reserves £	Total equity £
Balance at 1 July 2007	–	–	–	–	–
Changes in equity					
Issue of share capital	292,500	–	533,754	–	826,254
Total comprehensive income	–	(85,372)	–	–	(85,372)
Balance at 30 June 2008	292,500	(85,372)	533,754	–	740,882
Changes in equity					
Issue of share capital	1,000,000	–	4,000,000	–	5,000,000
Total comprehensive income	–	(63,356)	–	–	(63,356)
Share option adjustment	–	–	–	5,302	5,302
Balance at 30 June 2009	**1,292,500**	**(148,728)**	**4,533,754**	**5,302**	**5,682,828**

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of the respective shares net of share issue expenses.

Retained losses represents the cumulative losses of the Company attributable to equity Shareholders.

Other reserves relate to the charge for share-based payment in accordance with the International Financial Reporting Standard.

Consolidated statement of cash flows
for the period 1 May 2008 to 30 June 2009

	Note	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Cash flows from operating activities			
Cash generated from operations	26	948,297	729,605
Interest paid		(864)	(3,332)
Tax paid		(180,435)	(67,598)
Net cash from operating activities		**766,998**	**658,675**
Cash flows from investing activities			
Purchase of goodwill		(39,183)	–
Purchase of intangible fixed assets		(295,670)	–
Purchase of tangible fixed assets		(62,371)	(76,182)
Interest received		15,088	24,578
Funds acquired from acquisition		765,105	–
Net cash from investing activities		**382,969**	**(51,604)**
Cash flows from financing activities			
New loans in year		23,441	1,253
Amount introduced by directors		–	64,167
Amount repaid to directors		(61,199)	–
Equity dividends paid		(118,800)	(337,800)
Net cash from financing activities		**(156,558)**	**(272,380)**
Increase in cash and cash equivalents		**993,409**	**334,691**
Cash and cash equivalents at beginning of period	27	684,493	349,802
Cash and cash equivalents at end of period	27	**1,677,902**	**684,493**

Notes to the consolidated financial statements
for the period 1 May 2008 to 30 June 2009

General information

dotDigital Group Plc ("dotDigital") is a Company incorporated in England and Wales and quoted on the PLUS Markets. The address of the registered office is disclosed on page 56 of the financial statements. The principal activity of the Group is described on page 20. The Company changed to its present name on 30 January 2009 upon the successful reverse acquisition of dotMailer Limited.

1. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Group has applied all accounting standards and interpretations issued by the International Accountancy Standards Board and International Accounting Interpretations Committee effective at the time of preparing the financial statements.

The financial statements are presented in Sterling (£), rounded to the nearest pound.

Issued International Financial Reporting Standards (IFRS's) and interpretations (IFRICS) not relevant to Company operations.

The following interpretations to published standards is mandatory for accounting periods beginning on or after 1 May 2008 but are not relevant to the Group's operations:

- IFRS 1, IAS 27 (Amendment)– Consolidated and separate financial statements (effective from 1 July 2009). The amendment allows first time adopters of IFRS to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in, jointly controlled subsidiaries entities and associates in the separate financial statements of the investor. This is not relevant for the Group as it has already adopted IFRS.

- IFRS 7 'Financial instruments: Disclosures' and the complementary amendment to IAS 1 'Presentation of financial statements – Capital disclosures'. IFRS 7 introduces new disclosure relating to financial instruments. The standard does not have any impact on the classification and valuation of the Group's financial instruments.

- IAS 32 'Financial instruments: Presentation' and IAS 1 'Presentation of financial statements. Puttable financial instruments and obligations arising on liquidation'. Amendments to the standards improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities for accounting periods on or after 1 January 2009.

- IAS 39 'Financial instruments: Recognition and measurement' provide additional guidance on what can be designated as a hedge item for accounting periods beginning on or after 1 July 2009.

- IFRIC 9 'Reassement of embedded derivatives' and IAS 39 'Financial instruments: Recognition and measurement'. Amendments clarify the accounting treatment of embedded derivatives for entities that make use of the reclassification amendment issued by the IASB in October 2008 for accounting periods beginning on or after 30 June 2009.

- IFRIC 11 'Group and treasury share transactions' (effective from annual periods beginning on or after March 2007). The interpretation provides guidance on whether share based transactions involving treasury shares or involving Group entities (for example, options over parent's shares) should be accounted for as equity-settled or cash-settled share based payment transactions in the parent and Group accounts.

- IFRIC 16 'Hedges of a net investment in a foreign operation'. This clarifies the following:

  a) whether risk arises from foreign currency exposure to the functional currencies of a foreign operation, or from foreign currency exposure to functional currency of a foreign operation.

  b) how an entity should determine the amounts to be reclassified from equity to profit and loss for both the hedging instrument and the hedged item when an entity disposes the investment.

- IFRIC 17 'Distributions of non cash assets to owners'. Standardises practice in the measurement of distributions of non cash assets to owners for accounting periods beginning on or after 1 July 2009.

- IFRIC 18 'Transfers of assets from customers'. This clarifies the requirements of IFRS's for the agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to network or to provide the customer with on going access to a supply of goods or services. This applies to transfers of assets from customers received on or after 1 July 2009.

Issued International Financial Reporting Standards (IFRS's) and interpretations (IFRICS) that are not yet effective.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue, mandatory for the Company's accounting periods beginning on or after 1 May 2009 but not early adopted:

- IFRS 2 (Amendment) 'Share based payments' (effective from 1 May 2009). The amendment considers vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only.

Other features of a share based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

- IFRIC 12 'Service concession arrangements'. IFRS12 applies to contractual agreements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services for example under PFI contracts.

- IFRIC 13 'Customer loyalty programmes'. This clarify that where goods are sold together with a customer loyalty incentive the arrangement is a multiple element arrangement and the consideration receivable from the customer should be allocated between the components of the arrangement in proportion to their fair values.

- IFRIC 14, IAS 19 'the limit on defined asset, minimum funding requirements and their integration'. This provides guidance on assessing the limit in IAS 19 'Employee benefits' on the amount of the defined benefit plan surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

- IFRIC 15 'Agreements for the construction of real estates'. The interpretation clarifies which standard should be applied to particular transactions pertaining to construction of real estates.

- IFRS 8 (Revised) 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes.

  The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

- IAS 23 (Revised) 'Borrowing costs' (effective 1 May 2009). The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

Issued International Financial Reporting Standards (IFRS's) and interpretations (IFRICS) relevant to Company operations.

The following interpretations to published standards is mandatory for accounting periods beginning on or after 1 May 2008 but have been adopted early.

- IAS 1 (Revised) 'Presentation of financial statements'. Key changes include, the requirement to aggregate information in the financial statements on the basis of shared characteristics, the introduction of a Statement of Comprehensive Income and changes in titles of some of the financial statements.

  a) Preparers of financial statements will have the option of presenting income and expense and components of other comprehensive income either in a single statement or in two separate statements (a separate income statement followed by a statement of comprehensive income).

  b) The new titles for the financial statements (for example 'statement of financial position' instead of balance sheet) will be used in the accounting standards but are not mandatory for use in financial statements.

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

c) The expected impact is still being assessed in detail by management as the IASB is involved in discussions to examine more fundamental questions about the presentation of information in financial statements.

Basis of consolidation

On 30 January 2009 the Company acquired via a share for share exchange the entire issued share capital of dotMailer Limited, whose principle activity is that of web and email based marketing.

Under IFRS 3 'Business combinations' the dotMailer Limited share exchange has been accounted for as a reverse acquisition.

Although these consolidated financial statements have been issued in the name of the legal parent, the Company it represents in substance is a continuation of the financial information of the legal subsidiary, dotMailer Limited. The following accounting treatment has been applied in respect of the reverse acquisition:

- The assets and liabilities of the legal subsidiary, dotMailer Limited are recognised and measured in the consolidated financial statements at their pre combination carrying amounts, without restatement to their fair value;

- The retained reserves recognised in the consolidated financial statements reflect the retained reserves of dotMailer Limited to 30 April 2008. However, in accordance with IFRS 3 'Business combinations' the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent dotDigital Group Plc, including the equity instruments issued under the share exchange to effect the business combination;

- A reverse acquisition reserve has been created to enable the presentation of a consolidated balance sheet which combines the equity structure of the legal parent with the non statutory reserves of the legal subsidiary;

- Comparative numbers are based upon the consolidated financial statements of the legal subsidiary, dotMailer Limited for the year ended 30 April 2008 apart from the equity structure which reflects that of the parent; and

- dotMailer Limited reported under IFRS for the year ended 30 April 2008 and such no reconciliation is provided between UK GAAP and IFRS;

- The following accounting treatment has been applied in respect of the acquisition of dotDigital Group Plc;

- The assets and liabilities of dotDigital Group Plc are recognised and measured in the consolidated financial statements at their fair value at the date of acquisition;

- The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less then the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries

A subsidiary is an entity whose operating and financing policies are controlled by the Group. Subsidiaries are consolidated from the date on which control was transferred to the Group.

Subsidiaries cease to be consolidated from the date the Group no longer has control. Intercompany transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation.

As a result of applying reverse acquisition accounting, the consolidated IFRS financial information of dotDigital Group Plc is a continuation of the financial information of dotMailer Limited. The retained earnings shown on the consolidated balance sheet are those for dotMailer Limited and a reverse acquisition reserve of £4,695,465 has been created.

Revenue recognition

In making their judgement, the Board of Directors have considered the detailed criteria for the recognition of revenue from the sale of products and services outlined in IAS 18 Revenue, and in particular where the Company has transferred to the customer the significant risk and rewards of the ownership of the products or service. The Board of Directors are satisfied that recognition of all such revenue in the current year is appropriate, and that the significant risks and rewards attached to such services have been transferred to the buyer.

Goodwill

Goodwill represents the excess of the fair value of the consideration over the fair values of the identifiable net tangible and intangible assets acquired.

Under IFRS 3 "Business Combinations" goodwill arising on acquisitions is not subject to amortisation but is subject to annual impairment testing. Any impairment is recognised immediately in the income statement and not subsequently reversed.

Intangible assets (other than goodwill)

Intangible assets are recorded as separately identifiable assets and recognised at historical cost less any accumulated amortisation. These assets are amortised over their useful economic lives (five years), with the charge included in administrative expenses in the income statement.

Intangible assets are reviewed for impairment annually.

a) Domain names

Acquired domain names are shown at historical cost. Domain names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of domain names over their estimated useful lives.

Domain names 25% on cost

(b) Software

Acquired software and websites are shown at historical cost. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of software and website over their estimated useful lives.

Computer software 25% on cost

(c) Product development

Product development expenditure is capitalised when it is considered that there is a commercially and technically viable product, the related expenditure is separately identifiable and there is reasonable expectation that the related expenditure will be exceeded by future revenues. Following initial recognition, product developments are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of these intangible assets are assessed to have finite life. Amortisation is charged on assets with finite lives, this expense is taken to the income statement. Useful lives are also reviewed on an annual basis.

Amortisation is provided at the following annual rates commencing from the date the asset are developed to a stage at which the Company can receive economic benefits from the asset.

Development costs 20% on cost

Property, plant and equipment

Tangible non-current assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- 25% on cost
Fixtures and fittings	- 25% on cost
Computer equipment	- 25% on cost

The asset's residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable value.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses) or gains in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Trade receivables

Trade receivables are recognised initially at the lower of their original invoiced value and recoverable amount. A provision is made when it is likely that the balance will not be recovered in full.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised at their fair value net of transaction costs incurred. They are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability of at least 12 months after the balance sheet date.

Borrowing costs are recognised in the income statement in the period in which they are incurred.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference will be utilised.

Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when they related deferred income asset is realised or deferred income tax liability is settled.

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available of use or resale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible;
- It can be demonstrated how the intangible asset will generate possible future economic benefits;
- Adequate technical, financial and other resource to complete the development and to use or sell the intangible asset are available and;
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which they are ready for use on a straight line basis over its useful life.

Share capital

Ordinary Shares are classified as equity in the balance sheet and are recorded at the proceeds received net of the direct issue costs.

Operating leases

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Functional currency translation

i) Functional and presentation currency
Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which is mainly Pounds Sterling (£). The financial statements are presented in Pounds Sterling (£), which is the Company's presentation currency.

ii) Transactions and balances
Foreign currency transactions are translated into the presentational currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Employee benefit costs

The Group operates a defined contribution pension scheme. Contributions payable by the Group's pension scheme are charged to the income statement in the period in which they relate.

Segment reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Pension contributions

The Group operates a defined contribution pension scheme. Contributions payable to the Group's pension scheme are charged to the income statement in the period to which they relate.

Use of estimates and judgements

The Group makes judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The estimates and underlying assumptions are reviewed on a ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below:

(a) Impairment of goodwill
The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary.

(b) Impairment of intangibles (other than goodwill)

Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

(c) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.

(d) Amortisation of intangibles

Amortisation is provided so as to write down the assets to their residual values over their estimated useful lives as set out above. The selection of these residual values and estimated lives requires the exercise of management judgement.

(e) Depreciation of property, plant and equipment

Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out above. The selection of these residual values and estimated lives requires the exercise of management judgement.

(f) Share-based compensation

The fair value of options and warrants are determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Share based payments

For equity settled share based payment transactions the Company in accordance with IFRS 2 "Share Based Payments" measuring their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. The fair value of those equity instruments is measured at the grant date using the trinomial method. The expense is apportioned over the vesting period of the financial instrument and is based on the number which are expected to vest and the fair value of those financial instruments at the date of grant. If the equity instruments granted vested immediately, the expense is recognised in full.

The assumptions on the expected life of share options, volatility of shares and risk free yield to maturity and expected dividend yield on shares are used in the fair value calculation of the share options outstanding at the balance sheet date (see note 25).

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

2. Segmental reporting

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

The Group only operates in a single business and geographical segment. The Group's single line of business is the provision of web based marketing services, whilst the geographical segment in which it operates is currently restricted to the UK.

Accordingly no segmental information for business segment or geographical segment is required.

3. Employees and Directors

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Directors' fees	16,665	–
Wages and salaries	2,028,398	919,758
Social security costs	220,437	94,891
Other pension costs	63,843	13,773
	2,329,343	**1,028,422**

Information regarding directors' emoluments are as follows:

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Directors' fees	16,665	–
Salaries	482,807	61,333
Other benefits	13,356	1,156
Pension costs	25,474	12,105
	538,302	**74,594**

The number of Directors for whom retirement benefits are accruing under the money purchased pension schemes amounted to 4 (2008 – 3).

The average monthly number of employees during the period was as follows:

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Directors (Executive & Non Executive)	6	4
Sales	12	10
Web designers and developers	12	15
Administration	25	9
	55	**38**

A subsidiary Company operates a defined contribution pension scheme.

Information regarding the highest paid Director for the period ended 30 June 2009 is as follows:

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Remuneration	127,667	7,333
Pension contributions	3,667	–
Other benefits	13,356	1,156
Emoluments	**144,690**	**8,489**

4. Net finance income

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Finance income:		
Deposit account interest	15,088	24,578
Finance costs:		
Bank loan interest	192	–
Loan	672	3,332
	864	3,332
Net finance income	**14,224**	**21,246**

5. Profit before income tax

Costs by nature

Profit from continuing operations has been arrived at after charging/(crediting):-

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Staff related costs (including Directors emoluments)	2,452,525	948,077
Operating leases: Land and buildings	169,242	73,263
Operating leases: Other	12,183	–
Audit remuneration	16,000	5,100
Amortisation of intangibles	48,276	–
Depreciation charge	69,180	43,463
Legal and professional fees	138,381	113,665
Computer expenditure	136,657	63,600
Research costs	20,842	178,900
Marketing costs	275,932	161,825
Other costs	312,981	160,335
Total administration expenses	**3,652,199**	**1,748,228**

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

5. Profit before income tax continued

Audit remuneration
During the year period the Group obtained the following services from the Group's Auditor at costs detailed below:

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Fees payable to Company's Auditor for the audit of parent Company and consolidated financial statements	5,000	–
Fees payable to the Company's Auditor and its associates for other services		
– The audit of Company's subsidiaries pursuant to legislation	11,000	5,100
– Other services	–	1,200
	16,000	**6,300**

6. Income tax

Analysis of the tax charge

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Current tax:		
Tax	184,808	180,383
Total tax charge in income statement	**184,808**	**180,383**

Factors affecting the tax charge
The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Profit on ordinary activities before tax	**1,080,315**	**747,383**
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2008: 30%)	302,488	224,215
Effects of:		
Expenses not deductible	5,095	7,608
Research and development enhanced claim	(118,947)	(26,850)
Effect of profits within marginal rate of tax	(3,546)	(21,312)
Capital allowances in excess of depreciation	(282)	(3,278)
	(117,681)	(43,832)
Total income tax	**184,808**	**180,383**

7. Loss of parent Company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent Company is not presented as part of these financial statements. The parent Company's loss for the financial year was £(63,356) (2008: £(85,372)).

8. Dividends

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Ordinary Shares of £0.01 each		
Interim	**118,800**	**337,800**

Reserves distributed during the period were paid before the reverse acquisition was undertaken, specific payment dates are outlined in the Directors' report.

9. Earnings per share

Earnings per share data is based on the consolidated profit using reverse accounting principals and the weighted average number of shares in issue of the parent Company. Basic earnings per share are calculated by dividing the earnings attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential Ordinary Shares.

Reconciliations are set out below.

	30.6.09		
	Earnings £	Weighted average number of shares	Per share amount pence
Basic EPS			
Earnings attributable to Ordinary Shareholders	895,507	643,318,750	0.14
Effect of dilutive securities			
Options & Warrants	–	55,121,118	–
Diluted EPS			
Adjusted earnings	**895,507**	**698,439,868**	**0.13**

	30.4.08		
	Earnings £	Weighted average number of shares	Per share amount pence
Basic EPS			
Earnings attributable to Ordinary Shareholders	567,000	292,500,000	0.19
Effect of dilutive securities			
Options	–	3,424,658	
Diluted EPS			
Adjusted earnings	**567,000**	**295,924,658**	**0.19**

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

10. Goodwill

Group

	£
Cost	
Additions	608,503
At 30 June 2009	608,503
Net book value	
At 30 June 2009	**608,503**

Group

On 30 January 2009, the controlling interest in the parent Company was exchanged for the entire share capital of dotMailer Limited, a company registered in England and Wales, under the rules of a reverse acquisition as prescribed by IFRS 3 "Business Combinations". Under this standard and for accounting purposes the subsidiary dotMailer Limited (the legal parent), has been deemed to have acquired the parent, dotDigital Group Plc (the legal subsidiary). The net assets of dotDigital Plc have been recognised at their pre combination carrying amounts and the goodwill arising has been recognised.

The net assets of the acquired and the goodwill are as follows:

	£
Purchased consideration:	
Fair value of the shares issued	1,130,696
Costs attributable to business combination	181,488
Total consideration	1,312,184
Fair value of net assets acquired	703,681
Goodwill acquired	**608,503**

The fair value of assets and liabilities as of 30 January 2009 arising from the acquisition are as follows:

	Book and fair value £
Fixed asset investment	142,305
Trade and other receivables	10,803
Deposits, cash and cash equivalents	740,856
VAT repayable	24,141
Trade and other payables	(214,424)
Net assets	**703,681**

Goodwill is allocated to the Group's single cash generating unit identified, that being dotMailer Limited.

The recoverable amount of a cash generating unit is determined based on value in use calculations. These calculations use pre tax cash flow projections based on financial budgets approved by management covering the five year period to 30 June 2014.

Group

The key assumptions use to prepare the financial budgets are as follows:

dotMailer Limited		
Revenue growth rates:	2010	45.00%
	2011	37.00%
	2012	25.00%
	2013	25.00%
	2014	25.00%
Pre tax discount rate:	All years	8.33%
Income tax rate:	All years	28.00%

The key assumptions used to prepare the financial budgets are based on a combination of historical experience and current industry knowledge and trends.

The cash flow forecasts used in the value in use calculations have not been extended beyond the five year period covered by management's financial budgets.

11. Intangible assets

Group

	Computer softwares £	Development costs £	Domain name £	Totals £
Cost				
At 1 May 2008	6,407	–	5,875	12,282
Additions	50,649	242,060	2,961	295,670
At 30 June 2009	**57,056**	**242,060**	**8,836**	**307,952**
Amortisation				
Amortisation for period	12,407	33,624	2,246	48,277
At 30 June 2009	12,407	33,624	2,246	48,277
Net book value				
At 30 June 2009	**44,649**	**208,436**	**6,590**	**259,675**

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

11. Intangible assets continued

	Computer software £	Domain name £	Total £
Cost			
Reclassification from property, plant and equipment	6,407	5,875	12,282
At 30 April 2008	6,407	5,875	12,282
Net book value			
At 30 April 2008	6,407	5,875	12,282

Group

Development cost additions represents resources the Group have invested in the development of unique computer programming with the intention of re sale once complete.

During the 14 month period ended 30 June 2009, certain software which had previously been classified as property, plant and equipment was transferred to intangible assets in compliance with IAS 38 'Intangible assets'. The reclassification of software as intangible assets have been accounted for retrospectively. Accordingly, certain comparative figures have been reclassified as disclosed in note 29.

12. Property, plant and equipment

Group

	Short leasehold £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 May 2008	8,398	93,760	167,210	269,368
Additions	3,477	27,230	31,664	62,371
At 30 June 2009	**11,875**	**120,990**	**198,874**	**331,739**
Depreciation				
At 1 May 2008	3,738	40,852	98,917	143,507
Charge for period	2,422	26,603	40,155	69,180
At 30 June 2009	6,160	67,455	139,072	212,687
Net book value				
At 30 June 2009	**5,715**	**53,535**	**59,802**	**119,052**

	Short leasehold £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At 1 May 2007	8,398	78,125	118,945	205,468
Additions	–	15,635	60,547	76,182
Reclassification to intangibles	–	–	(12,282)	(12,282)
At 30 April 2008	8,398	93,760	167,210	269,368
Depreciation				
At 1 May 2007	1,662	22,373	76,009	100,044
Charge for year	2,076	18,479	22,908	43,463
At 30 April 2008	3,738	40,852	98,917	143,507
Net book value				
At 30 April 2008	**4,660**	**52,908**	**68,293**	**125,861**

13. Investments

	Company Shares in Group undertakings £
Cost	
Additions	5,183,488
At 30 June 2009	5,183,488
Net book value	
At 30 June 2009	**5,183,488**

Included in the above is the following investment undertaken:

On 30 January 2009 the Company acquired via a share for share exchange the entire issued share capital of dotMailer Limited, a company registered in England and Wales. Details of the purchase consideration and fair values of the assets acquired are outlined below and been calculated using the Group's accounting policies.

	Consideration value £
Value of equity released in exchange for the entire equity of dotMailer Limited	5,000,000
Costs directly attributable to the business combination	181,488
	5,181,488

The fair value of assets and liabilities as of 30 January 2009 arising from the acquisition are set out in note 10.

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

The Group or the Company's investments at the balance sheet date in the share capital of companies include the following:

13. Investments continued

Subsidiary

dotMailer Limited
Nature of business: Web and email based marketing

	%
Class of shares:	holding
Ordinary	100.00
Ordinary	100.00

	30.6.09 £	30.4.08 £
Aggregate capital and reserves	1,594,418	775,757
Profit for the period/year	937,461	567,000

dotAgency Limited
Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00
Ordinary	100.00

	30.6.09 £	30.4.08 £
Aggregate capital and reserves	1,000	–
Profit for the period/year	–	–

The Company subscribed to 1,000 shares of £1 each on 25 September 2008 with a paid up share capital of £1,000

dotCommerce Limited
Nature of business: Dormant

	%
Class of shares:	holding
Ordinary	100.00
Ordinary	100.00

	30.6.09 £	30.4.08 £
Aggregate capital and reserves	1,000	–
Profit for the period/year	–	–

The Company subscribed to 1,000 shares of £1 each on 19 June 2009 with a paid up share capital of £1,000.

14. Trade and other receivables

	Group		Company	
	30.6.09 £	30.4.08 £	30.6.09 £	30.6.08 £
Current:				
Trade receivables	591,199	424,471	–	–
Other receivables	4,098	168	–	–
VAT	–	–	650	–
Prepayments and accrued income	60,007	20,029	2,062	10,803
	655,304	**444,668**	**2,712**	**10,803**

15. Cash and cash equivalents

	Group		Company	
	30.6.09 £	30.4.08 £	30.6.09 £	30.6.08 £
Bank accounts	1,677,902	684,493	564,531	821,557

16. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	30.6.09 £	30.6.08 £
1,292,500,000	Ordinary	£0.001	1,292,500	292,500
			1,292,500	**292,500**

1,000,000,000 Ordinary Shares of £0.001 each were allotted as fully paid at a premium of £0.005 per share during the period.

As part of the reverse acquisition undertaken in the period, the 92 Ordinary Shares, with a nominal value of £1 each, in existence in dotMailer Limited at the beginning of the period were exchanged for 1,000,000,000 newly issued Ordinary Shares in the parent, dotDigital Group Plc, which hold a nominal value of £0.001 per share. The deemed premium paid on the exchange was £4,000,000 which equates to £0.004 per share.

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

17. Reserves

Group

	Retained earnings £	Share premium £	Reverse acquisition reserve £	Other reserves £	Total £
At 1 May 2008	775,665	533,754	(826,162)	–	483,257
Profit for the period	895,507				895,507
Dividends	(118,800)				(118,800)
Reverse acquisition	–	4,000,000	(3,869,303)	–	130,697
Share option fair value adjustment	–	–	–	5,302	5,302
At 30 June 2009	**1,552,372**	**4,533,754**	**(4,695,465)**	**5,302**	**1,395,963**

Company

	Retained losses £	Share premium £	Other reserves £	Total £
At 1 July 2008	(85,372)	533,754	–	448,382
Deficit for the period	(63,356)			(63,356)
Reverse acquisition	–	4,000,000	–	4,000,000
Share option fair value adjustment	–	–	5,302	5,302
At 30 June 2009	**(148,728)**	**4,533,754**	**5,302**	**4,390,328**

18. Trade and other payables

	Group		Company	
	30.6.09 £	30.4.08 £	30.6.09 £	30.6.08 £
Current:				
Trade payables	114,813	35,126	35,543	79,698
Amounts owed to group undertakings	–	–	23,638	–
Social security and other taxes	139,878	39,381	–	–
Other payables	8,069	1,042	–	–
Accruals and deferred income	68,210	59,232	8,722	11,780
Directors' current accounts	3,304	64,503	–	–
VAT	82,537	104,941	–	–
	416,811	**304,225**	**67,903**	**91,478**

19. Financial liabilities – borrowings

	Group 30.6.09 £	Group 30.4.08 £
Current:		
Bank loans	12,152	6,939

	Group 30.6.09 £	Group 30.4.08 £
Non-current:		
Bank loans – 1-5 years	18,228	–

Terms and debt repayment schedule.

Group

	1 year or less £	1-2 years £	2-5 years £	Total £
Bank loans	12,152	12,152	6,076	**30,380**

The above loans are unsecured.

20. Leasing agreements

The non-cancellable operating leases are as follows:

Group

	30.6.09 Land and buildings £	30.6.09 Others £	30.6.09 Total £
Within one year	109,207	22,833	132,040
Between one and five years	167,745	27,960	195,705
	276,952	**50,793**	**327,745**

	30.4.08 Land and buildings £	30.4.08 Others £	30.4.08 Total £
Within one year	109,207	3,862	113,069
Between one and five years	276,608	965	277,573
	385,815	4,827	390,642

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

21. Financial instruments

The Group's activities exposes it to a number of financial risks that include credit risk, liquidity risk and cash flow interest rate risk. These risks, and the Group's policies for managing them have been applied consistently throughout the year, are set out below:

Interest rate risk
The Group's interest rate risk arises from interest bearing assets and liabilities. The Group has in place a policy of maximising finance income by ensuring that cash balances earn a market rate of interest; offsetting where possible, cash balances and by forecasting and financing its working capital requirements.

Liquidity risk
The Group's working capital requirements are managed through regular monitoring of the overall cash position and regularly updated cash flow forecasts to ensure there are sufficient funds available for its operations.

Credit risk
Credit risk arises principally from the Group's trade receivables which comprise of amounts due from customers. Prior to accepting new customers a credit check is obtained. As at 30 June 2009 there were no significant debts pass their due period which had not been provided for.

The credit risk on liquid funds is low as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Details as to maximum fair values the Groups financial assets and liabilities can be found in the consolidated statement of financial position (see page 29).

22. Capital commitments

The Company has no capital commitments as at the period end.

23. Transactions with Directors

The following transactions were carried out with the Directors of the Company:-

	30.06.09 £	30.04.08 £
Loans from Directors:-		
Beginning of the period	64,503	336
Loans advanced in the year	–	64,167
Loans repaid in the year	61,199	–
End of period	**3,304**	**64,503**

The above loans are provided to the Company on a interest free basis and repayable within 12 months of the balance sheet date.

24. Ultimate controlling party

As at the year end there was no ultimate controlling party.

25. Share-based payment transactions

The measurement requirements of IFRS 2 have been implemented in respect of share options that were granted after 7 November 2002. The expense is recognised for share based payments made during the year is £5,302 (2008: £Nil)

As at 1 February 2009 unexercised share options in dotMailer Limited were exchanged for the equivalent share options in the Group at the prevailing share exchange coefficient at the time of the Group's formation. The ultimate beneficiary of the options is Mr Peter Simmonds.

Also on 1 February 2009 the Board of Directors also granted 7,600,000 options to employees of the Group exercisable on or after 1 July 2010 until 1 February 2019. Vesting conditions of the options dictate that employees must remain in the employment of the Group for the whole period to qualify.

Movement in issued share options during the year

The table illustrates the number and weighted average exercise price (WAEP) of, and movements in share options during the period

	2009 No of options	WAEP	2008 No of options	WAEP
Outstanding at the beginning of the period	25,000,000	0.10p	25,000,000	0.10p
Granted during the year	7,600,000	1.00p	Nil	
Forfeited/cancelled during the period	Nil		Nil	
Exchanged for options in subsidiary	41,666,667	0.24p	Nil	
Outstanding at the end of the period	74,266,667		25,000,000	0.10p
Exercisable at the end of the period	Nil	0.27p	Nil	

Of the 74,266,667 options outstanding at the end of the year 25,000,000 (2008: 25,000,000) represent share warrants exercisable on or before 27 June 2012.

The fair value of the options granted in the year have been calculated using the Black Scholes model assuming the inputs shown below:

– Grant date	01 February 2009
– Number of options granted	7,600,000
– Share price at grant date	1.00p
– Exercise price at grant date	1.00p
– Risk free rate	2.55%
– Option life	10 years
– Expected volatility	51%
– Expected dividend yield	0%
– Fair value of option	0.34p

In accordance with IFRS 2 'Share based payments' the Group incurred a £5,302 charge representing the fair value of share options granted and therefore not expected to be repeated in coming financial periods.

Notes to the consolidated financial statements continued
for the period 1 May 2008 to 30 June 2009

26. Reconciliation of profit before income tax to cash generated from operations

	Period 1.5.08 to 30.6.09 £	Year ended 30.4.08 £
Profit before income tax	1,080,315	747,383
Depreciation and amortisation charges	117,456	43,463
Share options	5,302	–
Finance costs	864	3,332
Finance income	(15,088)	(24,578)
	1,188,849	769,600
Increase in trade and other receivables	(199,833)	(193,774)
(Decrease)/Increase in trade and other payables	(40,719)	153,779
Cash generated from operations	**948,297**	**729,605**

27. Cash and cash equivalents

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

Period ended 30 June 2009

	30.6.09 £	1.5.08 £
Cash and cash equivalents	**1,677,902**	**684,493**

Year ended 30 April 2008

	30.4.08 £	1.5.07 £
Cash and cash equivalents	684,493	362,147
Bank overdrafts	–	(12,345)

28. Research & development

During the period the Group have incurred £20,842 (2008: £179,000) in research costs and £242,060 (2008: £Nil) in development investments. All resources utilised in research and development has been categorised as outline in the accounting policy governing this area.

29. Comparative restatement

Certain comparative figures have been reclassified in accordance with IAS 38 'Intangible assets', as mentioned in note 11. The reclassification is summarised as follows:

	As previously stated from IAS 38 30.04.2008 £	Reclassification arising as restated 30.04.2008 £	30.04.2008 £
Statement of financial position:			
Intangible assets	–	12,282	12,282
Property, plant & equipment	138,143	(12,282)	125,861

There were no effects on the Income Statement for the 14 month period ended 30 June 2009.

30. Related party transactions

The following transactions were carried out with related parties during the period:

Purchase of services	Supplier	30.6.09 £	30.4.08 £
Accountancy and tax support	Shipleys LLP	25,000	23,000
Financial public relations	Haggie Financial LLP	6,064	10,000

S Moloney, a former Director, is also a Principal of Shipleys LLP. At the period end, there was no outstanding fee owed to Shipleys LLP.

N Nelson, a Director, is a partner of Haggie Financial LLP. At the period end, £2,278 of fees was owed by the Company to Haggie Financial LLP.

Company information
for the period 1 May 2008 to 30 June 2009

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