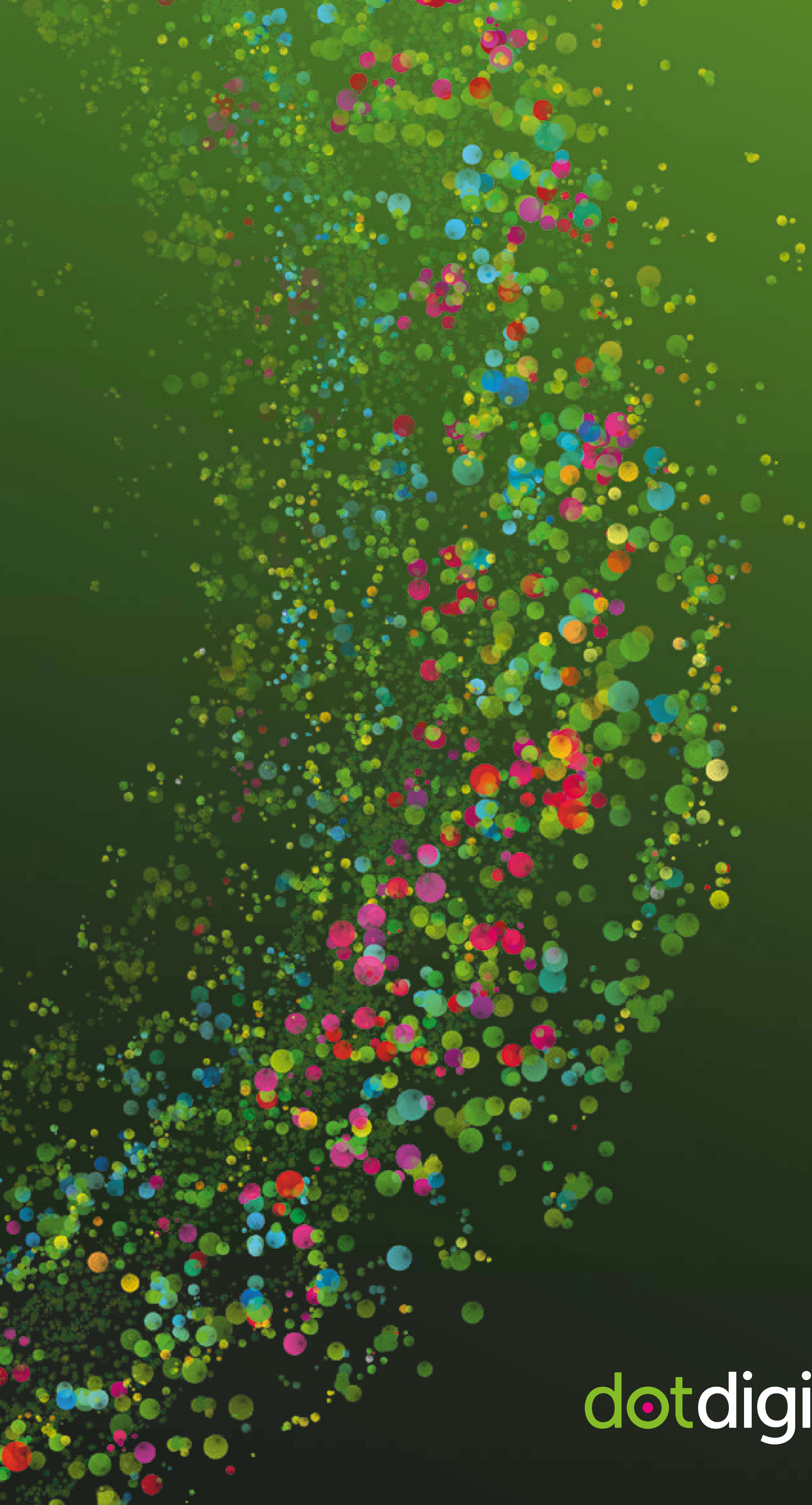


Annual Report
2013/2014

dotdigital GROUP PLC

15 years of dotdigital

1999

- Ellipsis Media set up as web design and development agency
- Opened first office

2000

- Hired first employee

2001

- Built an email broadcast tool for the BBC as part of a wide-ranging digital project

2002

- Launched dotmailer as a standalone product for the mass market

2003/05

- Developed sales people and infrastructure

2006

- Ground up re-write of dotMailer v4 launched and proved to be a game changer for marketers, and subsequently our business

2008

- Won award for Deloitte Fast 500 Tech Co in EMEA
- Ellipsis changed name to dotmailer
- Opened first London office

PLUS MARKET LISTED
SHARE PRICE 3.75p
MARKET CAP £10m

REVENUE £2.5m
EBITDA £0.8m

2009

- Won the National E
  Awards Growth Str
  of the year
- Deloitte Fast 500
  Tech Co's in EMEA
- Integrated dotmaile
  with Dynamics
- Launched Easy Ed
  SMS Mobile featur
  services departme
- First employee sha

REVENUE £4.8m
EBITDA £1.1m

Business
rategy

er

itor,
e and
nt
re options

2011

- Admission to AIM
- Launched social media management
- Translated the platform into eight languages
- Won Croydon 'best medium-sized business' award for the second year running

REVENUE £9.0m
EBITDA £2.6m

2013

- Integrated dotmailer with Magento
- Started accelerated investment strategy
- Opened New York office

REVENUE £13.8m
EBITDA £4.1m

Deloitte.
Technology Fast500

- Deloitte Fast Track 500 Tech in EMEA
- Opened office in Manchester Edinburgh and Belarus
- Integrated dotmailer with Saleslogix
- Won Croydon business awards for 'best medium-sized business'
- Annual sent volume reaches a billion emails

REVENUE £6.0m
EBITDA £1.5m

2010

- Integrated dotmailer with Salesforce
- Launched multiple automation features including Segments, Surveys and Triggers
- Won the 'Ruban d'Honneur' Awards at the European Business Awards for 'best mid-sized business'

REVENUE £12.0m
EBITDA £3.4m

2012

dotmailer
IMAGINATION...DELIVERED

- Rebranded company and updated dotmailer interface
- Celebrated 15 years of business by opening a new London Bridge office
- 53 new staff join the business, taking total number employed to 179. Company's first ever employee is voted 'employee of the year' by staff

AS OF 30/06/2014
SHARE PRICE 33.13p
MARKET CAP £94m

2014

Corporate statement

dotdigital group's flagship product is dotmailer, the UK's number one email marketing automation platform.

We understand what marketers need from a technology platform and bring together features and usability in a way that no one else does. Supported by world-class strategic and creative services we make it easy for our customers to achieve dramatic results that grow their business.

Contents

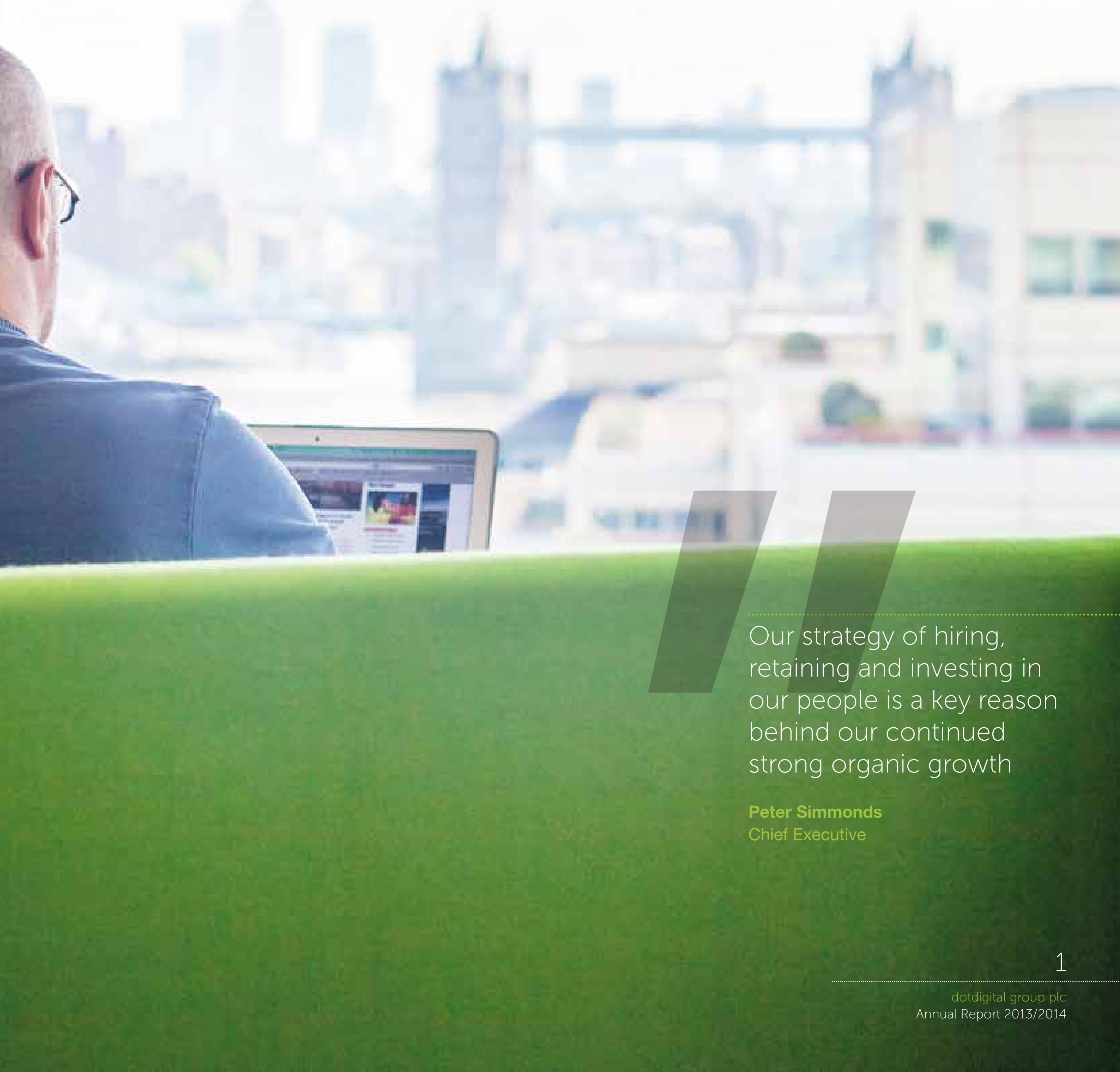
Key highlights

Revenues in SaaS products up 33% (from £12.2m to £16.2m)

EBITDA increase by 13% to £4.7m

Net cash generated from operating activities of £5.2m

Strong cash position of £9.3m as at 30 June 2014



> Our strategy of hiring, retaining and investing in our people is a key reason behind our continued strong organic growth

Peter Simmonds
Chief Executive

Chairman's statement

Frank Beechinor-Collins
Non-Executive Chairman

Again, we are delighted to report that 2013/14 has been another successful year for dotdigital group plc.

In the past year we have aligned our direct sales activities so that we now primarily focus on what we define as the mid-market for our Software-as-a-Service (SaaS) email platform, dotmailer. As a result, we have made good progress in signing larger clients with higher monthly spends who have a greater propensity to purchase ancillary services. A considerable amount of our sales effort this past year has also focused on exploiting the Magento sales channel. Magento is part of eBay Enterprise and has established itself as the world's leading ecommerce platform and users of Magento tend to be high volume email senders and match the profile of our mid-market target customers.

Our North American operation has continued to grow and during this past year we have signed our largest US clients to date. Through a strong presence at the major trade shows in the US, there is growing recognition of the dotmailer brand, in particular in the Magento market.

The dotmailer professional services division has also developed considerably in the past year, largely due to more effective account management and our focus on selling into larger customers.

Our decision during the last financial year to exit our Agency business has been vindicated as the focus of management's efforts on our core SaaS email business has ensured that dotdigital has continued to grow.

The marketing and technical teams have been busy for the past six months developing the new brand identity for dotmailer as well as releasing the latest version of our dotmailer platform. This work has been well received by customers and partners alike and again demonstrates the business and our ability to sustain our technical competitive advantage in the email marketing industry.

Our policy on acquisitions remains unchanged. Organic growth continues to be our focus but, from time to time, consider acquisition opportunities should they allow us to accelerate growth in a market or provide us with a technical advantage.

The dotmailer services business has also developed considerably in the past year, largely due to more effective account management and our focus on selling into larger customers.

Governance

The Board puts strong emphasis on ensuring its effectiveness and the effectiveness of governance processes across the entire organisation. Monthly meetings are held with the Board and the Non-Executives are provided with detailed management information in advance of these meetings.

The remuneration, audit and risk committees meet regularly, ensuring the Non-Executive Board members are fully aware of potential issues in the business. The business holds a regular strategy review and these reviews include active involvement by the Non-Executive Board.

An evolving Board

We continue to review our organisational structure to ensure we have the requisite skills to sustain growth and develop the business.

The business has continued to flourish under our CEO Peter Simmonds. As the business grows we have acknowledged that we need to broaden the skills and experience of the operational Board. To this end we have hired a number of executives from outside the business to ensure that we have the management capacity to achieve our objectives.

In addition to the new executive appointments Milan Patel was promoted from Financial Controller to Chief Financial Officer this year and joined the Board.

All of the above underlines our commitment to effective succession planning.

Our responsibility as a corporate citizen

dotdigital prides itself on creating a close working family of employees and we recognise diversity and equal opportunity as a way to treat employees and support them to reach their full potential. We have many examples of senior and long-standing employees who joined dotdigital in junior positions and have moved up through the business, growing with us.

By aligning our goals with those of our clients, we consistently deliver products and services that ensure mutual benefit and ultimately make both parties more successful. To this end we foster strong relationships within the business community, working closely with partners and suppliers.

The dotdigital group is committed to working with local communities in the areas where we operate. We encourage and support employees volunteering in the areas of vocational skills and developing employability amongst young people. Through our charitable giving we support a number of national and international charities and these donations are evaluated by our employee-led dotcharity committee.

The Group maintains its commitment to its environmental responsibilities with emphasis on the Reduce, Reuse, Recycle philosophy across all offices, minimising our impact on the environment.

Outlook

The outlook for dotdigital over the coming years is very promising with interesting opportunities both in the UK and overseas.

On behalf of all our stakeholders, I would like to thank the team at dotdigital for their fantastic contribution to another successful year. I would also like to say a special thank you to the Executive Management team for its continued commitment, hard work and passion in developing the business.

Frank Beechinor-Collins
Non-Executive Chairman

The dotmailer platform

Market-leading provider of email marketing software

dotmailer
IMAGINATION...DELIVERED

dotdigital has grown to become the leading UK supplier in the provision of intuitive SaaS products for digital marketing professionals. The flagship product, dotmailer, is a powerful email and cross-channel marketing automation platform with easy to use tools that enable large corporations and SME marketers to efficiently create, manage, execute and evaluate effective targeted campaigns.

Alongside SaaS technology, the Group also provides expert email marketing consultancy and services for businesses seeking to maximise customer acquisition, conversion and retention. The Company is headquartered in London and employed 179 staff at the end of June 2014.

Email is one of the most established online marketing channels and has year-on-year consistently been in the top performing digital channels for return on investment (ROI), as it can be used effectively to acquire, convert, retain and grow customers. The Direct Marketing Association (DMA) Email Marketing Council's 2013 National Client Email report underscores this, where respondents to a poll indicating an average ROI of £24.93 for every £1 spent in 2013 on email marketing.

dotmailer is a well-established product and over the past seven years, we have seen strong evidence of the scalability of the Group's platform with monthly send volumes growing from under 5m sends per month to currently over 400m sends per month. The Company has carried out significant development work on the dotmailer platform over the years, providing continuous innovation and functionality to its users. This includes a highly compelling visual drag and drop email template editor, drag and drop segmentation and query builder, drag and drop campaign automation, translation of the user interface into eight languages and responsive template toolkits that optimise display content and layout on mobile devices (smartphones and tablets). The Company also has pre-built integrations with best-in-class Customer Relationship Management (CRM) products and ecommerce platforms such as Salesforce, Microsoft Dynamics, SalesLogix and Magento.

dotmailer has a broad customer base, with the five largest clients accounting for approximately 5% of total revenues (the top 20 clients account for less than 10% of total revenue). To some extent, this reflects some of the Group's historical success in the SME space but increasingly, the Group is gaining solid traction in the mid-to-large corporate market

Example wins in this area include Randstad, Shortlist Media Limited, Science in Sport, Hertz, Land Securities Group, Thorntons, Elemis, Ladbrokes International, Addison Lee and McLaren. See page 10 for a sample list of clients.

> Email is one of the most established online marketing channels and has consistently year on year been in the top performing digital channels for return on investment (ROI), as it can be used effectively to acquire, convert, retain and grow customers.

ODEON
Case study

ODEON Cinemas is the number one cinema operator in Europe and the largest in the world outside of the Americas. Over the past five years ODEON has built up a loyalty programme for regular cinemagoers, called ODEON Première Club (OPC), which now has a membership of 2+ million.

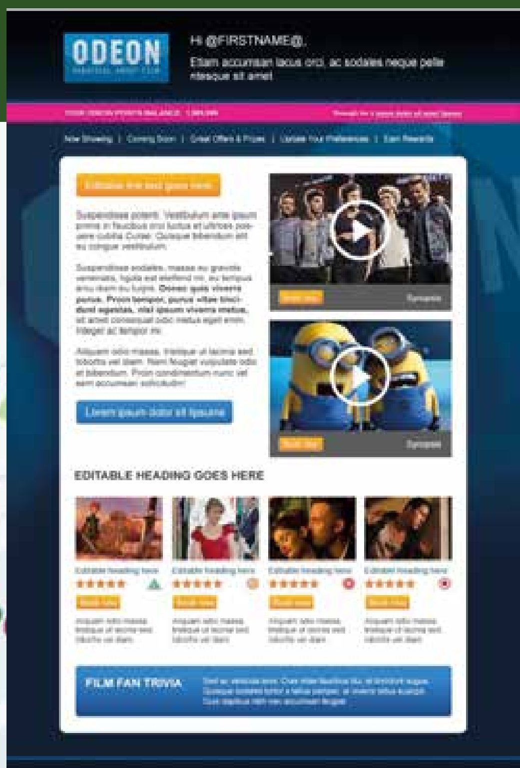
ODEON needed to turn transactional and behavioural patterns into targeted customer segments for data-driven email marketing. But this was proving difficult with multiple touch points and long turnaround times.

So ODEON chose dotmailer and our Customer Insight Module and the results have been impressive. Two statistics standout; 21.6 membership increase and 19,000 extra bookings from the loyalty club. However perhaps the most impressive statistic is the time saved and resultant efficiency gains. It used to take ODEON four days to run profiles and import the relevant data to their existing email platform using an external agency. Now this process is automated within dotmailer it takes just six minutes to build a list.

2+
million members

21.6%
membership increase

19,000
bookings



Marketing automation the dotmailer way

The dotmailer platform does everything marketers need and want to do, helping them deliver their imagination

Marketing automation involves a range of people and suppliers working together over a period of time to set up, monitor and improve the rules and data that automate marketing. Businesses typically increase the level of automation over time as other parts of the business also mature. dotmailer makes it easy for marketers to start on the marketing automation journey, and then quickly scale the features and functions used as confidence grows and ROI becomes clear.

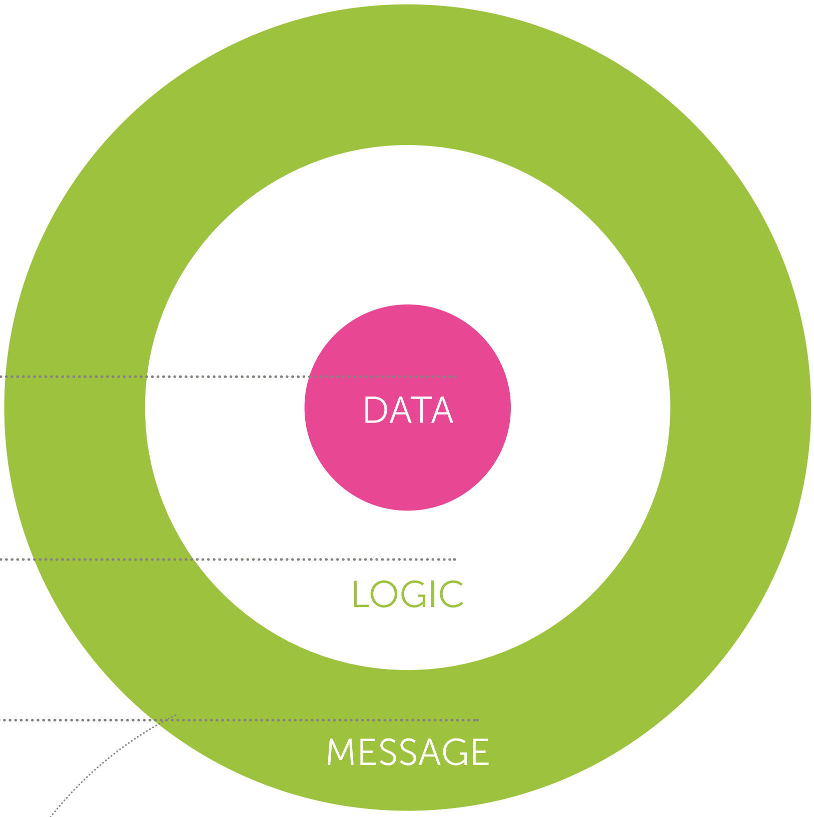
How dotmailer works

Data is at the heart of everything we do:
- Data import
- Customer Insight Module (CIM)
- Application Program Interface (API)
- Customer Relationship Management software (CRM)

Then the clever automation logic:
- Segment & Triggers
- Insight & Behavourial
- Transactional data
- Lifecycle campaigns

And finally the delivery of the message:
- Email
- Mobile
- Social
- API
- CRM
- Ecommerce platform

and many others



dotmailer is built to integrate with other best-of-breed systems.

...to form a best-of-breed digital marketing cloud so our customers experience:
- Deeper expertise
- Faster innovation
- Greater extendability
- Better value

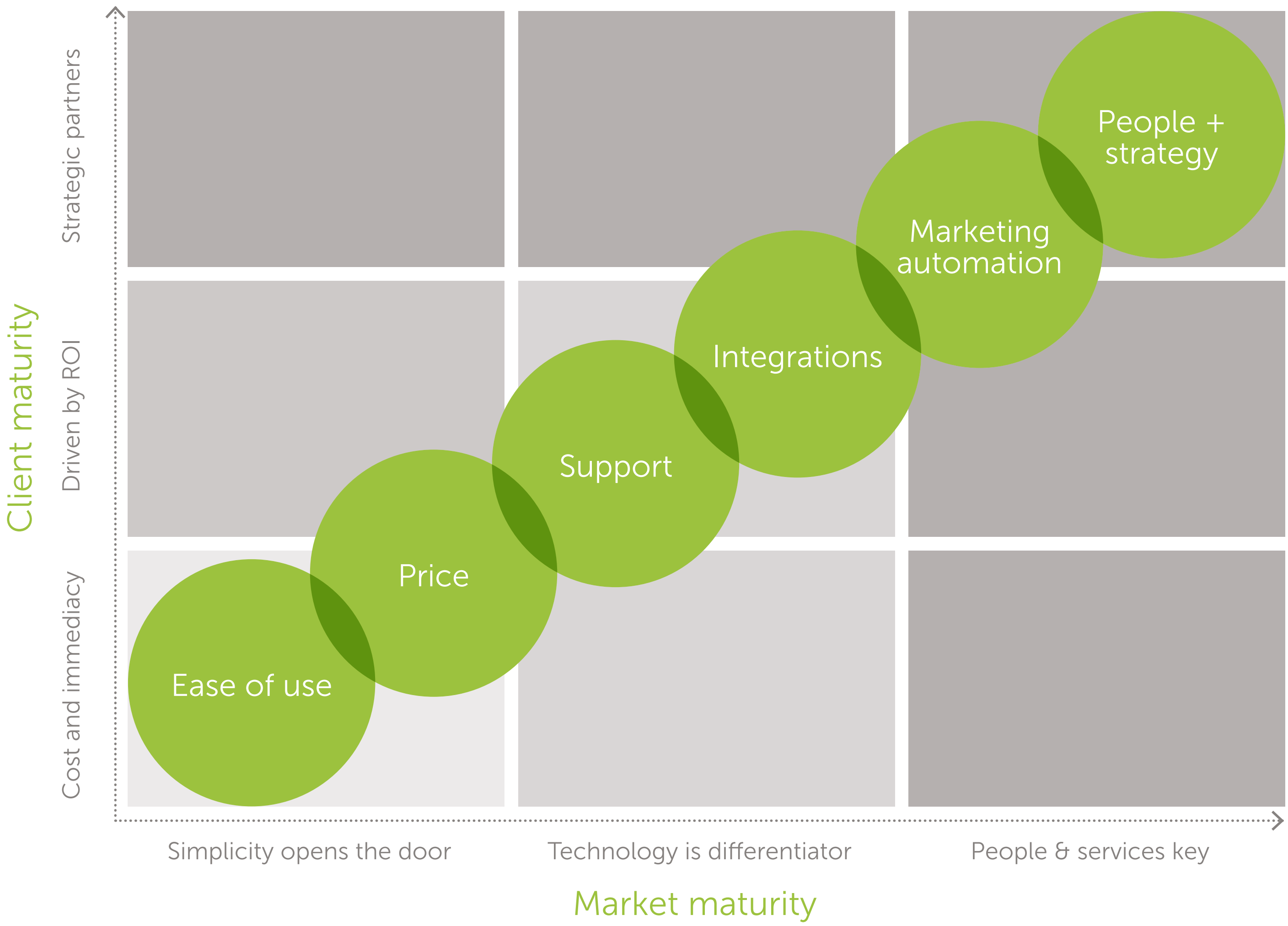
Sustainable differentiation strategy

From experience we know the areas that give us competitive advantage change over time as markets mature and clients get smarter.

Our product strategy is devised to allows us to maintain our competitive advantage in all areas, for all clients.

For simplicity we have created persona's to help communicate the changing requirements of our customers. These are represented by the shaded boxes in the diagram:

- Start up Sally
- Mid size Martin
- Enterprise Edward



Our values

On your marks. Get set. Grow.

Your success is our success. That's why we grow our own people to be the best they can, so they can help your business to be the best it can. We don't do the status quo. Now, off we grow.

It's our business to know your business.

We run a business. You run a business. Bottom lines are top of mind for us. That's why everything we do for you – and ourselves – is considered, thought through and viable.

No nonsense.

Straight. Honest. Open. Truthful (even if it hurts). We don't do business speak. We prefer common sense. That's what the best and most successful relationships are based on.

Two peas. Same pod.

We attract staff and clients that sing from the same hymn sheet as us. It's an ethos that binds us together. Truth is, we're more like family and friends than a company.

We're an unlimited Company.

We never sit still. Good enough isn't good enough for us. We're always thinking, always doing, always creating. Why? We love what we do. We care about how we do it. We think you will too.

Our strategy

Over the past five years as a public company we have enhanced shareholder value by focusing on profitable growth and product innovation.

The three-year strategic plan launched in October 2013 is focused on continuing to deliver strong topline growth through:

Product innovation

In 2013/14 we delivered significant new product features including:

- Program Builder allows users to create complex email marketing automation programmes in minutes, based on either customer behaviour, date, event or segmentation rule.
- Order insight empowers customers to quickly analyse their transactional and customer base to identify the best targets by frequency, value, and product category.
- Web insight allows customers to build segments and triggers from decisions and actions made on their site website

Expanding geographically

In 2013/14, 10% of our revenues etc outside the UK, compared to 3% in the previous year. We expect the percentage to increase through 2014/2015.

Developing strategic partnerships

In 2013/14 we expanded the numbers of strategic partners by 118% with particular focus on system integrators in the CRM and ecommerce sectors, generalist marketing agencies and specialist email marketing agencies globally.

We expect an increasing proportion of our business to originate through these channels in the coming years.

Identifying new customer niches

Our product team are constantly looking for new market opportunities that can be satisfied by the dotmailer offering – for example during 2013 we focused a team of developers and relationship managers on building revenues within the mid-market ecommerce sector.

To date this initiative has created contracted revenues in excess of £1.2m with significant potential for further growth. Our strategy is to continue to identify niches where tight technical integrations and product innovations combine with the core dotmailer features to create a clearly differentiated solution for professional marketers.

Our clients

dotmailer is the trusted email marketing partner of huge success stories. Here are just a few of the companies we work closely with.

dotmailer allows us to do things we have only dreamed of before.

Amberley Sherman,
Marketing Manager, Cazenove + Lloyd

Our people

The dotmailer platform is built and designed to be flexible and work seamlessly with other platforms out there. As a company, we like to think we're the same.

I've been in IT Support for several years and the service dotmailer provide is second-to-none. Offering a wide range of resources, excellent account management and a fast, efficient and responsive helpdesk – the service dotmailer offer is fantastic and constantly evolving to give more back to their clients.

Molly Pugh,
Head of Support,
William Reed Business Media










Key performance indicators

We use our key performance indicators (KPI's) to measure our business. These indicators provide us with the visibility of both our strategic and financial performance. Employee remuneration is specifically linked to these KPI's.

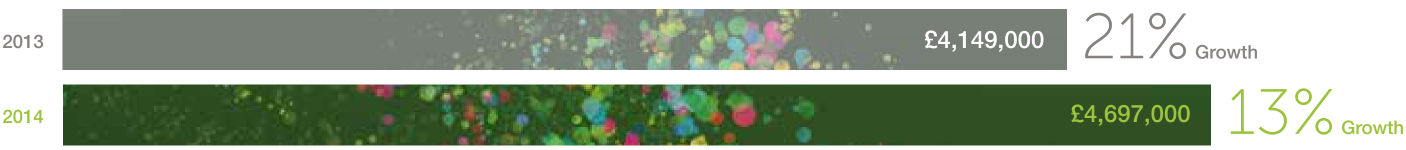
Financial

Revenue growth from continuing operation

We aim to deliver double-digit organic revenue growth.

Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) before exceptional items

We aim to have a positive EBITDA growth.



Cash position

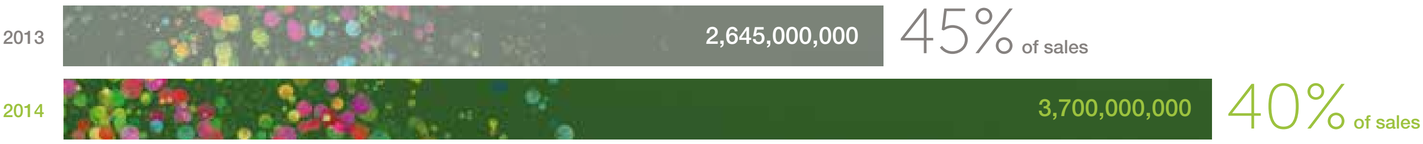
We aim to have a strong cash position.

> An extremely powerful platform which is very simple to use offering great results.
>
> **Roy Rowlands,**
> Business Development Director, Cognitive Publishing Ltd

Strategic

Volume of emails sent

We aim to keep increasing the amount of emails sent through the system.



Recurring revenue as a %

We aim to have recurring revenues of over 70%.

Percentage of revenue from customers outside of the UK

We aim to expand internationally.

Risks, mitigations and impact

Risk area	Impact	Mitigation of risk
Supplier, computer hardware and internet reliability-related risks	An event resulting in a hosting centre going offline for any significant period of time or the termination of provision of services by one of the Group's 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 IPv4 addresses, may restrict the capacity of the business.	The design of the platform along with the system's architecture has multiple levels of resilience built in to cater for single points of failure. The Group continuously evaluates its key suppliers as part of its risk management process and diversifies these where possible, to improve resiliency. There is continued investment into dotmailer's currently owned IP addresses, maintaining these to be reputable for sending email globally, and utilising them to maximum effect. The Group continues to monitor its IPv4 capacity and seeks opportunities to expand its pool or utilise newer technologies to limit exposure to this risk.
Internet Service Providers (ISPs) reputation – related risks	As a large proportion of the Group's revenue is derived by charging a price per email for sending marketing emails on behalf of their customers the impact of not being able to deliver these for any reason is significant. If abuse complaints from providers are not dealt with properly or if bad customer data generates multiple complaints through ISPs or third party Spam blacklists, these can impact the platform's overall ability to deliver emails.	dotmailer provides a number of services as part of the core product to filter known or bad data that may not comply to EU or US anti-spam regulations. It also provides a number of consultancy services to its customers to better improve their data and compliance to legislation. The Group continues to work closely with ISPs and third party Spam lists by proactively dealing with abuse complaints generated by customer emails and whilst dotmailer acts as the data processor on behalf of its customers, and is not directly liable for breach of the EU or US anti-spam regulations, it does take these breaches seriously, terminating customer service agreements if necessary. Continued investment into the automatic processing of abuse complaints generated by customers, monitoring of delivery rates to ISPs and the regular reviewing of dotmailer's reputation on Spam lists continues to reduce the risk in this area.
Hacking & information security	There is a possible risk that a hacking attempt could result in a denial of service or loss of data.	The Group's technical team takes measured actions across multiple levels to secure the dotmailer platform and its customers' data. Continued investment into the latest technology for threat detection, remediation and encryption, coupled with its security policies and regular penetration tests, greatly reduces the Group's exposure to this risk.
Competitive environment	The sector the Group operates in is competitive. The impact of competitors having more features, increased financial backing, better brand recognition and better global coverage increases the risk to the Group's business model.	The Group continues to grow revenues year-on-year and reinvests to deliver new product features, best-in-class customer support and service offerings, enhanced brand recognition, improved service delivery and markets globally to attract new customers.
International Expansion	As the business expands into new geographic territories there is a risk that policies and practices that have worked successfully in the UK market will not provide the high level of service and assurance that would have been delivered in the UK market.	Hiring senior people with experience of developing successful international business models, hiring quality local people in important territories and utilising the services of expert advisers. Introducing management information and business intelligence and conducting audits and risk appraisals.

Risk area	Impact	Mitigation of risk
Hire and retain key personnel	The loss of the services of 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, ecommerce and marketing companies.	Investment into talent acquisition hiring programmes and continuous learning and development has enabled the Group to hire and retain highly skilled individuals. Enhanced employee benefits, a competitive package, a modern and flexible working environment utilising the latest technologies has continued to mitigate this risk.
Development of products	There is a possible risk that without continued investment into new products, enhancement of old products and into new sectors then the growth of the Group will be impaired.	Continued investment into and development of the Group's product offerings has enabled good growth. Responding to existing and prospective customers' needs through enhanced service and tailored offerings continues to distinguish dotmailer from its competitors. Innovation and increased development of software connectors, enabling partnerships with third parties, has expanded the customer reach of the Group. Offering the flexibility to integrate and connect best-of-breed products with dotmailer continues to enable the Group's customers to grow at their pace without constraints.
Data privacy	Such laws and regulations require or may require the Group and its clients to implement privacy and security policies, permit consumers to access, correct or delete personal information stored or maintained by such companies, inform individuals of security incidents that affect their personal information, and, in some cases, obtain consent to use personal information for certain purposes. Other possible legislation could, if enacted, impose additional requirements and prohibit the use of certain technologies, such as those that track individuals' activities on web pages or record when individuals click on a link contained in an email message. Such laws and regulations could restrict the Group's clients' ability to collect and use email addresses, web browsing data and personal information, which may reduce demand for its products.	dotmailer's features assist customers to be compliant in current legislation and in most cases automates these compliance processes. It researches the impact of new legislation and its effect on its customers and publishes industry-wide white papers and blogs. The Group's executive actively contributes to the digital marketing space to advocate best practice and make sure its customers' needs are represented.
Evolving technology and customer requirements	Failure to respond to evolving technological channels and customer requirements or to introduce competitive enhancements and new features may make the dotmailer solution less competitive. The introduction of new solutions by competitors potentially makes the Group's solutions less attractive or easy to sell. Failure to anticipate client requirements and successfully develop new solutions or features may impact growth and retention of existing clients.	Investment in development of new solutions and enhancements to the platform means that the Group remains a credible provider of multi-channel marketing SaaS solutions. SaaS development requires implementation of rapidly changing technologies, adhering to standards and regulations, anticipating client requirements and frequent product enhancements. Continued emphasis in recruiting and retaining expert technical and marketing professionals has enabled the Group to innovate within its sector.

Chief Executive's report

Peter Simmonds
Chief Executive

I am pleased to announce that the Group delivered revenue growth, EBITDA, profits and cash position ahead of market guidance.

This performance is a result of continued strong organic growth in the high margin and long-term recurring revenues generated by our core email marketing product, dotmailer.

Financial highlights

Within the dotmailer core email marketing product division, revenues for the 12-month period grew by 33% compared to the same period in 2013, resulting in closing cash at the end of the period of £9.3m (2013: £6.1m).

A summary of revenues by division for the full year to 30 June 2014 is detailed below:

	Revenue £m		
	12m to 30.06.14	12m to 30.06.13	% Change
dotmailer	£16.2m	£12.2m	33%
Discontinued *	£0.2m	£1.6m	-88%
Total Group	£16.4m	£13.8m	19%

* In March 2013 the Board announced its plans to wind down the Group's Search Marketing and Web Design Division, 'dotAgency', whilst continuing to service its existing clients for the remaining duration of their agreements. These agreements have now come to an end culminating in the successful closure of this division.

Review of 2013/14

Revenue performance was driven by strong growth of 33% across the dotmailer core product, ahead of plan.

This strong organic growth was underpinned by a combination of successful new client wins, particularly in the corporate and mid-market sector, growth in recurring revenue from existing clients and improved client retention through having a larger proportion of clients under contracts of 12-36 months. Notable client wins during the year included Land Securities Group, Thorntons, Ladbrokes International, Children with Cancer and National Express Bus.

Revenues from the US region performed strongly, increasing from $0.4m to $1.4m, an increase of over 200% compared to the same period in 2013. The New York sales office continues to focus on sector niches and higher value corporate clients that it has identified are the most attractive for the dotmailer product platform.

Penetration into Latin America has also materialised in the form of working with Panama's COPA Airlines, the third largest carrier in South America, demonstrating how the dotmailer platform is travelling from our US base into Central America and beyond. The US pipeline continues to grow with the belief it will be beneficial to allocate more investment in headcount and marketing activities over the coming year to capitalise on this territory.

> dotdigital has grown to become a leader in the provision of intuitive Software-as-a-Service (SaaS) products for digital marketing professionals.

The Email Creative and Managed Services offering (part of the wider dotmailer division) has had a very strong performance with an increase in revenue of 126% to £1.8m over the comparable period. We are confident that continued revenue growth can be unlocked from these new services by generating ROI for our clients and helping time-poor marketers to outsource their creative and campaign management/strategy to email marketing experts such as dotdigital.

Ebay's Magento Connector

dotdigital fully launched the Magento connector earlier in the year allowing ecommerce customers that use the Magento platform to synchronise their data between the dotmailer and Magento platforms. The client sign-up of the new Magento Connector has been strong with the average monthly recurring revenue spend for customers of over £700 per month. The product has been well received as evidenced by feedback gained from both clients and Magento implementation partners. Over 100 clients are now using this platform with most recent wins including 7dayshop.com, Elemis, Fraser Hart, Gorgeous shop, Vax, Heals, Trunki and Fuji Film in the UK.

The US Region has also demonstrated how invaluable the Magento relationship has become over a short period of time with 14 new clients won since the beginning of the year. Vizio, one of the largest consumer electronics companies in the US and listed in the top ten biggest brands in the world using Magento, is one of the most recent additions for dotdigital. New Magento partners in the US also include, Blue acorn, Pod1, Classy llama, SLI Systems, Celebros and Peer1.

A clear endorsement of the success of the Magento relationship was recently demonstrated when dotdigital was awarded 'Gold Partnership Status' directly by Magento, only one in four email service providers in the world to have been granted this prestigious status. Marketing efforts have also been continuous with dotdigital sponsoring Magento's premier eCommerce 'Imagine 2014' event held in Las Vegas earlier this year and the 'MagentoLive' event held in London in July of this year.

Cash generation

The business continues to be highly cash generative with cash at the end of the period standing at £9.3m, an increase of 53% on the prior year (2013: £6.1m) after capital expenditure and product development of £2.0m. The Company continues to be debt free. Highly efficient cash collection processes, combined with over 45% of clients paying retainers by direct debit, contributed to the Company's strong cash position at the year end.

Dividend policy

I am pleased to report that the Board has conducted a review of the business plans for the next three years including evaluating the cash needs for increased investment in both organic growth and capital expenditure and has decided that an increase in dividend can be proposed this year.

Therefore subject to approval at the AGM on 16 December 2014 the Board proposes that the Company will pay a dividend of 0.2 pence per share, payable at the end of January 2015.

Brand positioning

The Company has successfully implemented a dotmailer re-branding initiative which incorporates a refresh of the dotmailer platform, release of powerful new features and the launch of a new marketing website. dotdigital also celebrated its 15-year anniversary and to commemorate this auspicious landmark the Company hosted a "15th Birthday Network Party" for over 200 clients, partners and institutional investors at dotdigital's new offices at No.1 London Bridge.

> I see dotmailer as an integral part of my communications team, delivering a quality service that goes far beyond sending out emails.
>
> **Lori Folts,**
> Head of Marketing Communications, DHL Express

Chief Executive's report continued

People

As part of the long-term strategy to build a high-performing team capable of sustaining our growth we have made a number of strategically important hires into the senior management team during the year.

These have included:

- HR Director
- Marketing Director
- IT Director
- Customer experience Director (starts mid October)
- Executive Vice-President US Operations

In addition, we appointed Milan Patel into the role of CFO in March this year when he joined the main board.

I am confident that the skills and experience of the Executive team put us in a strong position to deliver on the strategy approved by the Board.

In addition to the senior hires appointed during the year, we also embarked on a period of accelerated investment in sales, marketing and product development.

The goal we set ourselves was to recruit a further 30 sales and account manager staff and to strengthen marketing and product development.

The hiring process has continued through the autumn of 2013 and throughout 2014.

Over that period we have hired a net additional 29 sales and account management staff, 5 additional staff into our marketing team, 5 into managed service and design and a further 13 into the product development and systems team.

This has been a significant undertaking and I have now tasked the senior team with ensuring that the new staff are fully integrated into the business and performing to full capacity. We will also be reviewing our structure to ensure we have the correct management processes to support the enlarged team.

Market size

The consulting firm Econsultancy estimate the total UK market for email marketing platforms and services to be worth around £500m. This, however, includes creative resources in agencies and client side resources. Our own estimate of the UK addressable market for email marketing automation providers is in the region of £180m with dotmailer enjoying a market share of 9% in a market with around 30 providers.

Over the past seven years, revenues have grown 548% from £2.5m to £16.2m (year to June 2014). This equates to a seven-year CAGR of 37%, which is higher than the market growth in that time, reflecting market share gains.

Over the past seven years, revenues have grown 548% from £2.5m to £16.2m (year to June 2014). This equates to a seven-year CAGR of 37%, which is higher than the market growth in that time, reflecting market share gains.

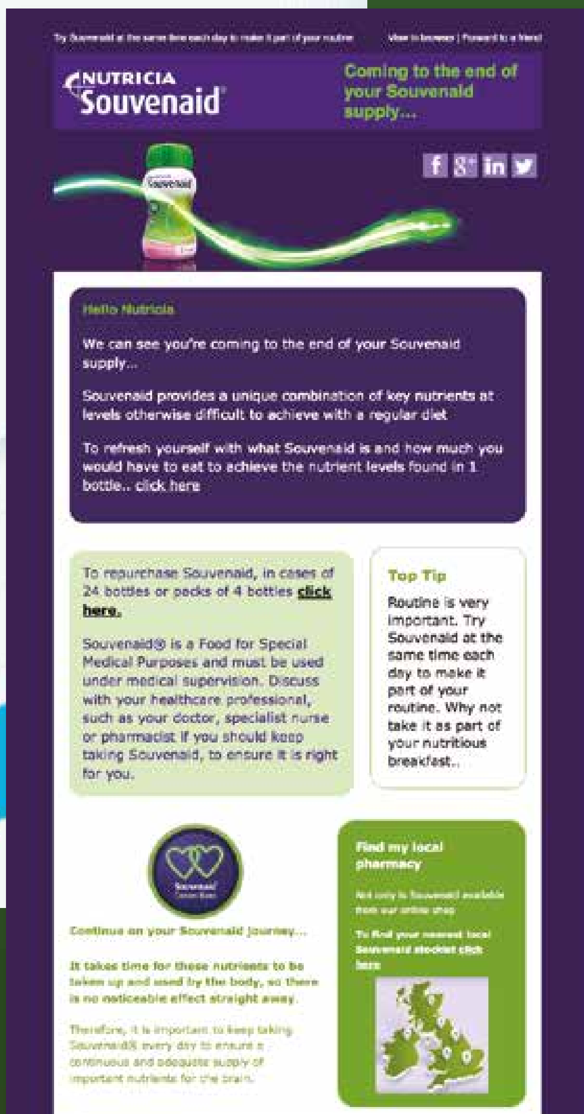
Whilst the Group has always enjoyed a high degree of repeat revenue, much work has been done in the last two years to shift its revenues to contractual, recurring revenues (which reduces churn), with the sales team incentivised on total contracted value of deals. The initiative has positively impacted the stickiness of customers, the ration of clients on long-term contracts albeit at the expense of a small erosion in margin as a result of incentives to sign multi year deals.

Danone (Nutricia) Medical Case study

The team at Nutricia chose a combination of Salesforce and dotmailer to deliver an integrated mailing solution. The dotmailer platform's ease of use has allowed Nutricia to take their online marketing activities in-house, allowing their existing team to produce campaigns quickly and effectively without having to learn their way around complex applications.

> The key to its success is that the whole process happens seamlessly within the system, with no manual intervention. The campaign results have been impressive enjoying an average open rate of 48%.

Lloyd Ress,
Danone Nutricia



Automation features have been used to create and roll out multiple content approaches and messages to different audiences based upon where they are in the customer journey lifecycle. dotmailer is also used to gather customer engagement and purchasing information and feed back into the system to refine both targeting and content for future activity.

City & Guilds Case study

City & Guilds are implementing a four-year marketing automation roll-out programme with dotmailer, so they can spend more time on creative work that has a greater impact with their customers.

The project is two thirds of the way through and City & Guilds are enjoying significant and tangible benefits. Unique email opens frequently beat 50% with click through rates as high as 77%. The automation programme has helped web traffic rise by 20% and the rate of new contacts has increased by 25%. Above all else sales targets have been beaten by 9%.

Using dotmalier's advanced features City & Guilds are personalising messages based upon how and when people react to the emails. When this campaign was benchmarked against the results of a standard single email campaign the results were telling – on every single indicator the impact and response was several times that of a simple email, with the triggered campaign delivering a return on investment of 15:1.

> "When we saw dotmailer, we were totally blown away. The biggest attraction was its ease of use – it enabled us to move from a big effort to build a single email, to using that time to craft automated and targeted journeys across multiple emails. Also the flexibility and reporting, as well as the ability to segment all our different email recipients, was way ahead of anything else we saw. The decision was a no-brainer.

Steve Smith
eCRM Manager,
City & Guilds

Chief Executive's report continued

Growth strategy

During the year we evaluated a number of potential acquisition opportunities in the email marketing space. However, as in prior years none of the businesses evaluated were judged to be likely to create long-term shareholder value when execution and integration risks were factored in.

Therefore our focus remains on organic growth by selectively investing in sales and account management staff to concentrate on key relationships and markets whilst at the same time investing in the dotmailer platform to maintain it's technical lead, ease of use, and integration.

The focus on fast growing medium-sized businesses and corporate clients has driven average monthly spend per client up by 32% and the average contracted monthly spend of new clients added during the year was £410. This, combined with a focus on longer term contracts, (78% of clients are now on 12-24 month contracts) and client retention is importantly leading to significantly higher client lifetime values.

In September 2013, the Board agreed to invest around £3.5m to accelerate our organic growth by hiring a further 30 sales, account management executives and increasing marketing spend. This increase in headcount and additional marketing spend largely happened in the second half of the year and it is now starting to be possible to review the return on investment from this decision.

Based on the early results there are clear indications that the potential for significant further growth exists from greater investment in the US market and from forming strategic partnerships globally.

Building on the leading position of the dotmailer brand in the mid-market will be a key priority for 2015 and the Board believe that there are significant future growth opportunities from hiring additional sales personnel and account management staff in the US and further building the team developing strategic partnerships globally.

Outlook

The dotmailer email marketing/marketing automation platform continues to perform very strongly in its chosen markets and in quarter one of the new financial year has delivered total revenues in line with plan.

The strategy to focus on mid-sized businesses with higher lifetime values and lower attrition has demonstrably contributed to higher services revenues and higher average monthly contract values, strong retention and we continue to see strong demand within this niche both in the UK and US. We are ever mindful of the need to constantly innovate and enhance the features of the dotmailer platform to meet the needs of today's ever more demanding digital marketer. Our product management and development team are planning over 3-, 12- and 36-month time horizons to ensure the platform continues to deliver competitive advantage.

Chief Executive's report continued

The marketing initiatives to build our US presence are now starting to deliver a strong pipeline of new clients, particularly in the mid-size online retail space which continues to be a core focus for 2015 and as the customer base continues to grow we will need to invest further into local account management and managed services.

The Board intend to conduct a review of the progress and opportunities in the US and South America in the coming months with a view to potentially investing further.

The focus on developing strategic partnerships is now resulting in a steadily growing pipeline of orders from partners in the UK, US and RoW. In particular, we have seen the growth in numbers of Magento partners in the US now referring business, and we have recently signed a major partner in Australia, where we have already seen the first orders flowing from this partnership.

In early October, we launched a white label partnership to test the market, selling email marketing into South America using a local language version of dotmailer. This will be the basis of further expansion into this large and growing market.

As part of the rebranding initiative some significant features have been added to the dotmailer platform which the board believes will open up new sales opportunities and provide enhanced revenue possibilities from existing clients.

Demand for email marketing and marketing automation continues to be strong both in the UK and internationally and whilst the sector continues to be competitive the Board believes that the dotmailer platform is well placed to continue to generate strong organic growth in revenues over the coming year.

> The marketing initiatives to build our US presence are now starting to deliver a strong pipeline of new clients particularly in the mid-size online retail space which continues to be a core focus for 2015.

Cabbages & Roses Case study

Upmarket fashion and homewares retailer Cabbages & Roses does over two-thirds of its business online and considers effective customer communication to be one of its key differentiators.

The company sought an email platform that could be integrated fully with its Magento ecommerce website solution, and would be effective, easy to use and reliable. They selected dotmailer and are delighted with the result.

"We found that after just a year, the ROI on web sales compared to the campaign costs is over 5,500%.

Holly Leigh-Harvey,
Operations Director, Cabbages & Roses

Corporate social responsibility report

This year dotdigital further developed its social responsibility activities to ensure we fully developed and utilised our human capital for the benefit of our employees, partners, clients, suppliers and the wider community.

As a company listed on AIM, dotdigital is not required to produce a corporate social responsibility report. However, the Directors believe that in the interest of transparency a brief commentary should be included.

Helping our clients win

By aligning our goals with those of our clients we consistently deliver products and services that ensure mutual benefit and ultimately make both parties more successful.

We care what our clients think of dotmailer and value their feedback. We collect this feedback naturally though our close partnerships and account management and also in more structured ways such as surveys and net promoter scoring. We we know the key is to act on what they tell us so our products and services constantly evolve to ensure we adapt to meet their needs and use our experience and vision to lead for the future and stay ahead of the curve.

Our thought leadership and best practice delivery of marketing automation ensures we always strive to be the best and our clients share in this success. Through close association with industry bodies such the DMA, we ensure the best interests of our business and our client's business are considered and represented.

Working within our business community

dotdigital fosters strong partnerships within the business community, working together with partners and suppliers. As the global reach of our business continues to extend we're delighted to grow our community partnerships worldwide, building on the strong foundations created in the UK. We believe that investing knowledge and time into partnerships is a key to developing strong community ties, innovation and mutual business growth.

The Group works closely with its ever growing partner network through support and collaboration. Regular partner meet-ups allow networking and the development of sound business relationships. In the last year we've been building technology partnerships by working with business community groups and more recently regularly hosting tech community events and meet-ups.

As a part of the Group's strong commitment to our local business community, we aim to source local suppliers wherever possible. dotdigital aims to work with suppliers with similar ethical standards and values. At dotdigital we understand the importance of fair and equal treatment, and particularly drive towards transparent and fair payment terms and processes.

Partnership with our community

The dotdigital Group is committed to working with our local community. A key focus in the last year has been our work with young people in the Croydon area though a number of initiatives.

Employees have been volunteering with Code Club, an initiative to teach programming in primary schools via after school clubs. Volunteers worked with four primary schools in the Croydon area, teaching 9-11 year olds the fundamentals of programming, allowing them to develop problem solving, planning and collaboration skills alongside computational thinking. In addition, the Group has participated in consultation with Croydon Council Youth Development Programme, focusing on youth employability and life skills development. dotdigital sponsored the TEDxYouth@Croydon event, a platform for young people in Croydon to be inspired by their peers following the 'ideas worth spreading' philosophy of the global TED community.

TEDx Youth@Croydon
x = independently organized TED event

dotdigital, and in particular Simon Bird, has also taken an active role in the Croydon Tech City community, working to make Croydon a go-to location for technology organisations and in particular start-ups and driving the growth of Croydon as a UK technology hub.

The Group's commitment to charitable organisations has continued with the creation of a dotcharity committee responsible for fundraising initiatives and events. This year there have been a number of charities supported including the British Heart Foundation, Save the Children and the British Red Cross.

As part of dotdigital's work with our community, the Group sustains its environmental responsibilities with emphasis on the Reduce, Reuse, Recycle philosophy across all offices. Our datacentres set industry standards in energy efficiency and the very nature of our products and services are low-impact on the environment.

Being a great employer

dotdigital prides itself on creating a close working family of employees – dotfamily. We recognise diversity and equal opportunity as a way to treat employees as individuals with individual needs, and support and develop employees to reach their full potential. We have many examples of senior and long-standing employees who joined dotdigital in junior positions and have moved up through the business, growing with us.

We select and hire new employees for our team purely on the basis of; experience, skills, aptitude and potential without reference to irrelevant factors such as race, religion, age, gender or nationality. We are proud of the diversity of dotdigital and through culture, leadership and policy ensure all employees experience a working environment free from discrimination and harassment.

This year we reviewed and re-launched our employee benefit programme to ensure our employees were provided with an attractive, relevant and cost-effective suite of benefits. This programme also ensured we remained an attractive employer to support our recruitment activities as part of our continued growth plans. Key benefits include; pension provision, health care insurance, child care vouchers, cycle to work scheme and season ticket loans.

Between our landmark offices in East Croydon and our newest office location on the Thames at London Bridge, we provide modern, creative and collaborative environments for our employees, partners and clients. This promotes a high-quality, collaborative, team working space that ensures we continue to provide best of breed products and services.

Strategic report

The strategic report was approved by a duly authorised committee of the Board of Directors on 13 October 2014 and signed on its behalf by:

Milan Patel
Company Secretary
13 October 2014

British Red Cross

British Heart Foundation

Save the Children

Board of Directors
Executive Directors

Peter Simmonds FCCA
Chief Executive

Peter Simmonds commenced his career in 1976 as a trainee accountant with Unilever Plc and has over 30 years of experience at senior management and board level, principally in the areas of banking, insurance, finance, IT, outsourcing and software. As well as large company experience he has considerable entrepreneurial experience having been involved at start-up or early stage of a number of companies in various industry sectors including consultancy services, vehicle leasing, software and internet solutions. As well as being an experienced finance professional Peter has considerable experience of acquisitions, disposals, post-acquisition integration, change management and creating cultures and structures to facilitate entrepreneurship and growth.

Simon Bird
President & Co-Founder

Simon Bird has developed an in-depth technical knowledge of the internet and its applications. Prior to co-founding dotdigital Group he assisted in the development of a major internet access provider. He has provided services to a number of well-known companies and organisations in helping create websites, intranets, extranets, content management systems and other online solutions.

"Tink" Ian Taylor
President & Co-Founder

Tink Taylor has 20 years' experiencein the field of digital communications. With vast experience of introducing digital marketing to companies large and small, he has been pivotal in the development of digital marketing since its outset in both the UK and now the US. Serving as a key and influential member of the UK Direct Marketing Association's Email Marketing Council and also the Internet Advertising Bureau since 2006, Tink has been judging the Email, Mobile and Agency categories at the UK DMA's awards for over half a decade whilst also chairing the Email Marketing category. In 2014, Tink was elected as Advisory Committee Member of the Board of the US Direct Marketing Association's Email Experience Council. He constantly strives to help individual organisations, and the industry as a whole to develop and progress.

Milan Patel ACCA ACSI
Chief Financial Officer & Company Secretary

Milan joined the Company in 2007 and was appointed Group Company Secretary in 2009. Milan is a member of the Association of Chartered Certified Accountants, an associate member of the Chartered Institute of Securities and Investments and holds a BA (Hons) degree in accounting and finance. Milan has over eight years' experience in accounting and finance within the technology and logistics industry. He has been responsible for the financial and legal aspects of the reverse acquisition of West End Ventures PLC, the acquisition of Netcallidus, admission to Plus and the introduction to AIM. He is also responsible for the Group's functions in financial management and reporting, regulatory compliance, legal and corporate governance.

Non-Executive Directors

Frank Beechinor-Collins
Non-Executive Chairman

Frank Beechinor-Collins, was for 11 years, CEO of One Click HR, an AIM-listed IT/Human Resources business of which he was a co-founder. The company operated in the UK and North America and had around 200 employees. Frank oversaw the successful sale of the business to ADP, a $4bn NYSE-listed company, for $25m. In notable addition, Frank was for five years, Operations Director of GMCS, part of Grand Metropolitan, a UK-based training services provider, with several thousand employees. Frank brings a great deal of corporate experience to the Board, gained over 25 years of working for and running public and private companies. Frank has a strong track record in M&A and brings with him a quality network of contacts in the fields of managed services and software as a service.

Richard Kellett-Clarke, FCA
Non-Executive Director

Richard Kellett-Clarke brings to the Board over 25 years of management experience in the turn round and strategic repositioning and recovery of creative businesses in CMCG, media, electronics and software industries. He was a founder of AFX NEWS Limited, now part of Thomson Reuters, and Sealed Media, now owned by Oracle. He has held numerous CFO roles in subsidiaries of large Plc's as well as the role of IT Director at Financial Times Information. He was part of the team as CFO which brought Pickwick Group Plc to the main market and Brady Plc to AIM. He is currently the CEO of Idox Plc, an AIM-listed specialist software and services business.

Simone Barratt
Non-Executive Director

Simone Barratt has over 15 years' experience of ecommerce and online marketing. She has grown businesses to multi $m from incorporation. She has international expansion experience in Europe and the AsiaPac. She was appointed Global President of e-Dialog Inc, an Ebay company in 2011 with Income Statement responsibility for just under $100m business across USA, EMEA and APAC and 450 employees.

Corporate governance report

The Board has sought to comply with a number of the provisions of the Code in so far as it considers them to be appropriate for a company of their size and nature. They make no statement of compliance with the Code overall and do not 'explain' in detail any aspect of the Code with which they do not comply.

Compliance statement

(a) Directors

The details of the Group's Board, together with the audit and remuneration committees, are set out on pages 26–29 and 31–33.

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 year end there were four Executive Directors, two independent Non-Executive Directors and an independent Non-Executive Chairman.

The current constitution of the remuneration committee and the audit committee is shown on pages 31, 32 and 33.

Appointments to the Board are nominated by an Executive Director and then considered by the full Board. The service contracts of the Executive Directors are less than one year and determinable by six months notice.

(b) Directors' remuneration

As set out on page 32 and 33 and 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 performance-related incentives and bonuses are paid based on performance as deemed appropriate by the remuneration committee. The remuneration committee use both financial and non-financial benchmarks to determine the Executive Director bonuses.

(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 21 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 Chief Executive's statement. The Board uses this and the Directors' report on pages 34–35 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 35.

(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 their 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 year ended 30 June 2014 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 Frank Beechinor-Collins and is chaired by Richard Kellett-Clarke. 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 judgment, 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

The Audit Committee is a sub-committee of the Board. The responsibilities of the committee 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 Frank Beechinor-Collins and Richard Kellett-Clarke. The Chairman of the Audit Committee is Richard Kellett-Clarke. The Committee meets separately with the external auditors without management being present. The Secretary to the committee is Milan Patel, the Company Secretary.

Main activities of the Audit Committee

At its meeting on the 30 September 2014 the Committee reviewed the Group's preliminary announcement of its results for the financial year 30 June 2014 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 judgment, and their comments on risk management and control matters.

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 on 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 ended 30 June 2014. The Committee concluded that these budgets were both prudent and realistic in the context of the Group's ambitions.

Remuneration committee report

The Remuneration Committee

The Company discloses the following information on Directors' remuneration mindful of Rule 19 of the AIM Rules and the fact that as the Company is quoted on AIM, it is not required to comply with the Main Market UK Listing Rules or those aspects of the Companies Act to listed companies regarding the disclosure of Directors' remuneration.

The Committee comprised Richard Kellett-Clarke (Chairman) and Frank Beechinor-Collins.

The Secretary to the committee is Milan Patel, Chief Financial Officer and Company Secretary.

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;

(b) To maintain a competitive programme which enables the Group to attract and retain high-calibre executives; and

(c) To determine the terms of employment and remuneration for executive directors.

Key elements of remuneration for Executive Directors

The Committee considers the key elements in total to ensure there is the right balance between reward for short-term success and long-term growth. For executive directors, this is summarised as follows:

Base pay

Reviewed against:

- Salary levels in comparable sized companies listed on AIM;
- Market conditions and Company performance;
- Level of pay awards in rest of the business;
- Role and responsibility of the individual Director.

Benefits

Reviewed against:

- Aligned to total reward structure for all employees;
- Provided on a market competitive basis.

Annual bonus scheme

Reviewed against:

- Group PBT with an individual performance element linked to object delivery;
- Drive profitability and strategic change across the Group;
- Delivery of the overall business strategy.

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.

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 grant. 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

Richard Kellett-Clarke
Chairman of Remuneration Committee

	12-month period to 30.06.14						
Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Total £'000	Share based payment £'000	Number of outstanding options
P Simmonds	140	7	90	14	251	-	-
I Taylor	120	7	65	12	204	-	-
S Bird	120	7	65	12	204	-	-
G Fidura (resigned 11 March 2014)	53	4	-	2	59	-	2,137,932
M Patel (appointed 11 March 2014)	36	3	65	2	111	5	2,087,397
	469	28	285	42	829	5	

Non-Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Total £'000	Number of outstanding options
	12-month period to 30.06.14					
F Beechinor-Collins	35	-	-	-	35	-
R Kellett-Clarke	30	-	-	-	30	-
S Barratt	30	-	-	-	30	-
	95	-	-	-	95	

Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Total £'000	Number of outstanding options
	12-month period to 30.06.13					
P Simmonds	120	11	50	11	192	-
I Taylor	111	7	50	11	179	-
S Bird	111	7	50	11	179	-
G Fidura	80	4	-	2	86	2,137,932
	422	29	150	35	636	

Non-Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Total £'000	Number of outstanding options
F Beechinor-Collins	35	-	-	-	35	-
R Kellett-Clarke	30	-	-	-	30	-
S Barratt	23	-	-	-	23	-
	88	-	-	-	88	

Director 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 below:

	No of shares held	% Holding
P Simmonds*	9,573,841	3.39
I Taylor	40,267,667	14.24
S Bird	32,267,667	11.41
F Beechinor-Collins	299,194	0.11
S Barratt	215,000	0.08
M Patel	382,078	0.14
	83,005,447	29.37

* 2.18% of P Simmonds holdings/voting rights has been held by Frank Nominees Limited who acts as the 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, SIPPs etc. The beneficiary of the SIPP is Peter Anthony Simmonds.

Directors' interest in share options

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

Executive Director	Grant date	No. share options granted	Option price (pence)	Date first exercisable	Expiry date
M Patel	22/02/09	60,000	5.000	01/02/2010	01/02/2019
	22/10/09	200,000	5.000	01/07/2010	01/02/2019
	11/11/10	400,000	5.125	01/05/2012	31/12/2015
	13/10/11	400,000	7.250	01/05/2013	01/02/2016
	15/10/13	1,027,397	18.250	01/11/2015	31/10/2018

Report of the Directors

The Directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2014.

Dividends

The Board propose a dividend payment of £566,000 (2013: £279,000) 0.2p per ordinary share (2013: 0.1p per ordinary share) to be distributed to shareholders in respect to the Group's reported performance.

The Board's dividend policy will be reviewed annually in line with ensuring there is adequate cash within the business to maintain high growth strategy.

Directors

The Directors shown below have held office during the period from 1 July 2013 to the date of this report.

- I Taylor
- S Bird
- P Simmonds
- R Kellett-Clarke
- F Beechinor-Collins
- S J Barratt
- G Fidura (resigned 11 March 2014)
- M Patel (appointed 11 March 2014)

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 2014 are as follows:-

	30 June 2014		30 June 2013	
Directors	Number of shares held	Percentage shareholding %	Number of shares held	Percentage shareholding %
I Taylor	40,267,667	14.24	49,876,667	17.98
S Bird	32,267,667	11.41	41,879,667	15.09
P Simmonds	9,573,841*	3.39	16,073,841*	5.79
F Beechinor-Collins	229,194**	0.11	674,194**	0.24
S Barratt	215,000	0.08	215,000	0.08
R Kellett-Clarke	-	-	-	-
M Patel	382,078	0.14	-	-
G Fidura	-	-	-	-

* Frank Nominees Limited holds 2.18% in respect of P Simmonds holding/voting rights act as nominee for Trust Alliance Pensions Limited. Frank Nominees is a vehicle used by Kleinwort Benson Limited to hold securities for clients, trusts, SIPPs etc. The beneficiary of the SIPP is Peter Anthony Simmonds.

** The 229,194 share shown as being held by Mr Beechinor-Collins are owned by Curra Trust, a trust established for the benefit of his children and in which he has no beneficial interest.

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 2014 are as follows:-

Executive Directors	30.6.14 Number of options held	30.6.13 Number of options held
M Patel	2,087,397	1,060,000

Substantial interests

On 8 October 2014, the following parties had notified the Group of a beneficial interest that represents 3% or more of the Group's issued share capital at that date:

Shareholder	Number of shares held	Percentage shareholding %
I Taylor	40,276,667	14.24
S Bird	32,276,667	11.41
Lion Trust Asset Management	24,817,058	8.75
Investec Asset Management	24,519,000	8.65
Old Mutual Global Investors	21,629,329	7.75
River and Mercantile Asset Management	11,000,000	3.88
Unicorn Asset Management	9,849,072	3.47
Franklin Templeton	9,700,000	3.42
Peter Simmonds	9,573,841	3.39

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 purchases Directors and officers insurance against their costs in defending themselves in legal proceedings taken against them in that capacity, and in respect of damages resulting from the unsuccessful defence of any proceedings.

Financial instruments

Details of the Group's risk management objectives and policies together with its exposure to financial risk are set out in Note 22 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.

Product development

In the markets in which the Group operates, effective development is vital to maintaining competitive advantage and securing future income streams.

Going concern

After making appropriate enquires, 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 preparing the financial statements.

Events after the reporting period

There are no events after the date of this report or the date the financial statements were approved by the Board of Directors which impact on the figures as presented.

Listing

The Group's ordinary shares have been traded on London Alternative Investment Market (AIM) since 29 March 2011. N+1 Singer are the Group's nominated advisors and together with Finncap are the joint brokers. The closing mid-market share price at 30 June 2014 was 33.12p (2013: 14.875p).

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 by 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;
- 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 materials departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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. 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.

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

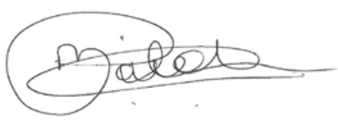
Statement as to disclosure of information to auditors

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.

Auditors

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

On behalf of the Board



M Patel
Director
13 October 2014

Report of the independent auditors

We have audited the financial statements of dotdigital group plc for the year ended 30 June 2014, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes of equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 35, the Directors are responsible for the preparation of the group 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 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. In addition, we read all the financial and non-financial information in the Chairman's report, Strategic report, Corporate Governance report, Audit Committee report, Remuneration Committee report, and Directors report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's affairs as at 30 June 2014 and of its profit for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors and Strategic Report for the financial year for which the group financial statements are prepared is consistent with the Group 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 Group, or returns adequate for our audit have not been received from branches not visited by us; or
- The Group 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.

Jonathan Isaacs
Senior Statutory Auditor

For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate 5-7 Cranwood Street
London EC1V 9EE

13 October 2014

Financial statements

Contents

Consolidated income statement
For the year ended 30 June 2014

	Notes	30.6.14 £'000	30.6.13 £'000
Continuing operations			
Revenue		16,213	12,197
Cost of sales		(1,533)	(887)
Gross profit		**14,680**	**11,310**
Administrative expenses	7	(11,059)	(7,338)
Operating profit		**3,621**	**3,972**
Finance income	6	20	13
Profit before income tax	7	**3,641**	**3,985**
Income tax expense	8	(181)	(220)
Profit for the year from continuing operations		**3,460**	**3,765**
Discontinued operations			
Loss for the year from discontinued operations	4	(41)	(3,023)
Profit for the year		**3,419**	**742**
Attributable to the owners of the parent:			
Profit for the year from continuing operations	4	3,460	3,765
Loss for the year from discontinuing operations		(41)	(3,023)
Profit for the year attributable to the owners of the parent		**3,419**	**742**
Earnings per share from continuing operations (pence per share)			
Basic	11	1.24	1.36
Diluted	11	1.19	1.32
Earnings per share from continuing and discontinued operations (pence per share)			
Basic	11	1.22	0.27
Diluted	11	1.18	0.26
Adjusted earnings per share from continuing and discontinued operations (pence per share)			
Adjusted excluding exceptional items	11	1.22	1.11
Adjusted diluted	11	1.18	1.07

Consolidated statement of comprehensive income
For the year ended 30 June 2014

	Notes	30.6.14 £'000	30.6.13 £'000
Profit for the year		**3,419**	742
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations		(4)	(2)
Total comprehensive income attributable to:			
Owners of the parent		**3,415**	740
Total comprehensive income for the year			
Comprehensive income from continuing operations		3,456	3,763
Comprehensive income from discontinued operations		(41)	(3,023)

Consolidated statement of financial position
For the year ended 30 June 2014

	Notes	30.6.14 £'000	30.6.13 £'000
Assets			
Non-current assets			
Goodwill	12	609	609
Intangible assets	13	2,991	2,449
Property, plant and machinery	14	827	472
		4,427	**3,530**
Current assets			
Trade and other receivables	16	3,662	2,893
Cash and cash equivalents	17	9,306	6,072
		12,968	8,965
Total assets		**17,395**	**12,495**
Equity attributable to the owners of the parent			
Called up share capital	18	1,414	1,387
Share premium	19	5,147	4,863
Reverse acquisition reserve	19	(4,695)	(4,695)
Other reserves	19	82	13
Retranslation reserve	19	(6)	(2)
Retained earnings	19	12,211	9,071
Total equity		**14,153**	**10,637**
Liabilities			
Non-current liabilities			
Deferred tax	23	58	14
Current liabilities			
Trade and other payables	20	2,984	1,681
Current tax payable		200	163
		3,184	1,844
Total liabilities		**3,242**	**1,858**
Total equity and liabilities		**17,395**	**12,495**

The financial statements were approved and authorised for issue by the Board of Directors on 13 October 2014 and were signed on its behalf by

M Patel
Director

Company registration number: 06289659 (England and Wales)

Company statement of financial position
For the year ended 30 June 2014

	Notes	30.6.14 £'000	30.6.13 £'000
Assets			
Non-current assets			
Investments	15	5,186	5,186
		5,186	**5,186**
Current assets			
Trade and other receivables	16	3,845	5,423
Cash and cash equivalents	17	109	70
		3,954	5,493
Total assets		**9,140**	**10,679**
Equity attributable to the owners of the parent			
Called up share capital	18	1,414	1,387
Share premium	19	5,147	4,863
Other reserves	19	82	13
Retained earnings	19	2,423	3,065
Total equity		**9,066**	**9,328**
Liabilities			
Current liabilities			
Trade and other payables	20	74	1,351
		74	**1,351**
Total liabilities		**74**	**1,351**
Total equity and liabilities		**9,140**	**10,679**

The financial statements were approved and authorised for issue by the Board of Directors on 13 October 2014 and were signed on its behalf by

M Patel
Director

Company registration number: 06289659 (England and Wales)

Consolidated statement of changes in equity
For the year ended 30 June 2014

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance as at 1 July 2012	**1,377**	**8,202**	**4,755**
Issue of share capital	10	–	108
Reclassification of reserves	–	127	–
Transactions with owners	10	127	108
Profit for the year	–	742	–
Other comprehensive income	–	–	–
Total comprehensive income	–	742	–
Balance as at 30 June 2013	**1,387**	**9,071**	**4,863**
Issue of share capital	27	–	284
Dividends	–	(279)	–
Transactions with owners	27	(279)	284
Profit for the year	–	3,419	–
Other comprehensive income	–	–	–
Total comprehensive income	–	3,419	–
Balance as at 30 June 2014	**1,414**	**12,211**	**5,147**

	Retranslation reserve £'000	Reserve acquisition reserve £'000	Other reserves £'000	Total equity £'000
Balance as at 1 July 2012	**–**	**(4,695)**	**127**	**9,766**
Issue of share capital	–	–	–	118
Reclassification of reserves	–	–	(127)	–
Share based payments	–	–	13	13
Transactions with owners	–	–	(114)	131
Profit for the year	–	–	–	742
Other comprehensive income	(2)	–	–	(2)
Total comprehensive income	(2)	–	–	740
Balance as at 30 June 2013	**(2)**	**(4,695)**	**13**	**10,637**
Issue of share capital	–	–	–	311
Dividends	–	–	–	(279)
Share based payments	–	–	69	69
Transactions with owners	–	–	69	101
Profit for the year	–	–	–	3,419
Other comprehensive income	(4)	–	–	(4)
Total comprehensive income	(4)	–	–	3,415
Balance as at 30 June 2014	**(6)**	**(4,695)**	**82**	**14,153**

- Share capital is the amount subscribed for shares at nominal value.
- Retained earnings represents the cumulative earnings of the Group attributable to equity shareholders.
- Share premium represents the excess of the amount subscribed for share capital over the nominal value of the net share issue expenses.
- Retranslation reserve relates to the retranslation of a foreign subsidiary into the functional currency of the Group.
- The reverse acquisition reserve relates to the adjustment required to account the reverse acquisition in accordance with International Financial Reporting Standards.
- Other reserves relate to the charge for the share based payment in accordance with International Financial Reporting Standard 2.

Company statement of changes in equity
For the year ended 30 June 2014

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance as at 1 July 2012	**1,377**	**129**	**4,755**
Issue of share capital	10	–	108
Reclassification of reserves	–	127	–
Transactions with owners	10	127	108
Profit for the year	–	2,809	–
Other compressive income	–	–	–
Total comprehensive income	–	2,809	–
Balance as at 30 June 2013	**1,387**	**3,065**	**4,863**
Issue of share capital	27	–	284
Dividends	–	(279)	–
Transactions with owners	27	(279)	284
Loss for the year	–	(363)	–
Other comprehensive income	–	–	–
Total comprehensive income	–	(363)	–
Balance as at 30 June 2014	**1,414**	**2,423**	**5,147**

	Other reserves £'000	Total equity £'000
Balance as at 1 July 2012	**127**	**6,388**
Issue of share capital	–	118
Reclassification of reserves	(127)	–
Share based payments	13	13
Transactions with owners	(114)	131
Profit for the year	–	2,809
Other comprehensive income	–	–
Total comprehensive income	–	2,809
Balance as at 30 June 2013	**13**	**9,328**
Issue of share capital		311
Dividends	–	(279)
Share based payments	69	69
Transactions with owners	69	101
Loss for the year	–	(363)
Other comprehensive income	–	–
Total comprehensive income	–	(363)
Balance as at 30 June 2014	**82**	**9,066**

- Share capital is the amount subscribed for shares at nominal value.
- Retained earnings represents the cumulative earnings of the Group attributable to equity shareholders.
- Share premium represents the excess of the amount subscribed for share capital over the nominal value of the net share issue expenses.
- Other reserves relate to the charge for the share based payment in accordance with International Financial Reporting Standard 2.

Consolidated statement of cash flows
For the year ended 30 June 2014

	Notes	30.6.14 £'000	30.6.13 £'000
Cash flows from operating activities			
Cash generated from operations	28	5,297	3,817
Tax paid		(100)	(253)
Net cash generated from operating activities		**5,197**	**3,564**
Cash flows from investing activities			
Purchase of intangible fixed assets		(1,408)	(1,352)
Purchase of tangible fixed assets		(607)	(292)
Interest received		20	13
Net cash flows used in investing activities		**(1,995)**	**(1,631)**
Cash flows from financing activities			
Equity dividends paid		(279)	–
Share issue		311	118
Net cash flows from financing activities		**32**	**118**
Increase in cash and cash equivalents		**3,234**	**2,051**
Cash and cash equivalents at beginning of year	29	6,072	4,021
Cash and cash equivalents at end of year	29	**9,306**	**6,072**
Increase in cash and cash equivalents from continuing operations		3,268	2,076
Increase in cash and cash equivalents from discontinuing operations		(34)	(25)
Increase in cash and cash equivalents		**3,234**	**2,051**

The above does not include the effect of foreign exchange rate changes on cash and cash equivalents due to its immaterial nature.

Company statement of cash flows
For the year ended 30 June 2014

	Notes	30.6.14 £'000	30.6.13 £'000
Cash flows from operating activities			
Cash generated from operations	28	7	(273)
		7	**(273)**
Net cash generated from operating activities			
Cash flows from financing activates			
Loan from Group companies		–	142
Equity dividends paid		(279)	–
Share issue		311	118
Net cash flows from financing activities		**32**	**260**
Increase in cash and cash equivalents		**39**	**(13)**
Cash and cash equivalents at beginning of year	29	70	83
Cash and cash equivalents at end of year	29	**109**	**70**

Notes to the consolidated financial statements
For the year ended 30 June 2014

1. General information

dotdigital group plc ("dotdigital") is a company incorporated in England and Wales and quoted on the AIM Market. The address of the registered office is disclosed on the inside back cover of the financial statements. The principal activity of the Group is described on page 4.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's as adopted by the EU) and those parts of Companies Act 2006 that applies 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.

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 July 2013 that would be expected to have a material impact on the Group.

Standards, interpretations and amendments to published standards that are not yet effective.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2013 and have not been early adopted:

Reference	Title	Summary	Application date of standard	Application date of Group
Amendments to IFRS 2, IFRS 3	Amendments resulting from Annual Improvements 2010-12 Cycle	IFRS 2: clarifies definition of vesting conditions IFRS 3: clarifies contingent consideration in a business combination	1 July 2014	1 July 2014
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	Clarifies that the treatment of contributions when they are independent of the number of years of service	Periods commencing on or after 1 July 2014	1 January 2015
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2015	1 January 2015
IAS 36	Impairment of assets	Limited scope amendments to disclosure requirements	Periods commencing on or after 1 January 2014	1 January 2014
IAS 39	Hedge accounting and novation of derivatives	Provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria	Periods commencing on or after 1 January 2014	1 January 2014
IFRS 21	Accounting for levies imposed by governments	Clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy	Periods commencing on or after 1 January 2014	1 January 2014
IFRS 10, IFRS 12, IAS 27	Exception from consolidation for 'investment entities'	Amendments have been made to define an 'investment entity' and to introduce an exception from consolidation and the required disclosures	Periods commencing on or after 1 January 2014	1 January 2014
IAS 32	Financial instruments: Presentation	Clarifies the requirements for offsetting of financial assets and financial liabilities	Periods commencing on or after 1 January 2014	1 January 2014
IFRS 14	Regulatory deferral accounts	Aims to enhance the comparability of financial reporting by entities subject to rate-regulations	Periods commencing on or after 1 January 2016	1 January 2016
IFRS 15	Revenue from contracts with customers	Specifies how and when to recognise revenue from contracts as well as requiring more information and relevant disclosures	Periods commencing on or after 1 January 2017	1 January 2017
IFRIC 21	Levies	Provides guidance on when to recognise a liability for government levies	Periods commencing on or after 1 January 2014	1 January 2014

The Directors anticipate that the adoption of these standards and the interpretations in future periods will have no material impact on the financial statements of the Group.

The financial statements are presented in sterling (£), rounded to nearest thousand pound.

Basis of consolidation
In the period ended 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 for the beginning of the prior period reflect the retained reserves of dotmailer Limited to 30 April 2008. However, in accordance with IFRS3 'Business combinations' the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent dotdigital, 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 prepared on the same basis.

The following accounting treatment has been applied in respect of the acquisition of dotdigital:

- The assets and liabilities of dotdigital 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 than 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 since 30 January 2009, the consolidated IFRS financial information of dotdigital Group Plc is a continuation of the financial information of dotmailer Limited.

Revenue recognition
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax returns, rebates and discounts after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured and it is probable that the future economic benefits will flow to the entity. The Group bases it's estimates on historical results, taking in to consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group sells web based marketing services to other businesses and services are either provided on a usage basis or fixed price bespoke contract. Revenue from contracts are recognised under percentage of completion method based on a percentage of services performed to date as a percentage of the total services to be performed.

Going concern
The directors, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Financial statements. Further detail is contained in the strategic review.

Operating profit
Operating profit is stated after charging operating expenses but before finance costs.

Exceptional items
Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as costs arising from the impairment of investments and closure of divisions. Such items are disclosed separately within the financial statements.

Dividends
Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders while interim dividends distributions are recognised in the period in which the dividends are declared and paid.

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.

Investments in subsidiaries
Investments are held as non-current assets at cost less any provision for impairment. Where the recoverable amount of the investment is less then the carrying amount, impairment is recognised.

Intangible assets
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 4-5 years, with the charge included in administrative expenses in the income statement.

Intangible assets are reviewed for impairment annually. Impairment is measured by determining the recoverable amount of an asset or cash generating unit (CGU) which is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest Group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

- *Domain names*

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

- *Software*

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

- *Product development*

  Product development expenditure is capitalised when it is considered that there is a commercially and viable technically product, the related expenditure is separable identifiable and there is a 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 a finite life of five years. Amortisation is charged on assets with finite lives and until economic benefit can be received and recognised, this expense is taken to the income statement and useful lives are reviewed on an annual basis. Amortisation is charged from the point when the assets is available for use.

  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.

  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.

- *Impairment of non financial assets (excluding goodwill)*

  At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Property, plant and equipment
Tangible non current assets are stated at historical cost less accumulated 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 are 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 rates in order to write off each asset over its estimated useful life and are based on the cost of assets less residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Short leasehold:	over the term of the lease
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 reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater then 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.

Capital risk management
The Group manages it's capital to ensure it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash equivalents and equity attributable to the owners of the parent as disclosed in the Statement of Changes in Equity.

Taxation
The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, extent to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income for directly in equity, respectively.

Current tax
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 taxation
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.

Operating leases
Rent payable under operating leases is not recognised in the Group's statement of financial position. Such costs are expensed on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total expense, over the term of the lease.

Financial instruments
Financial assets and financial liabilities are recognised on the statement of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that is directly attributable to the acquisition or issue of financial assets and financial liabilities (other than

financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

- *Financial assets*

  The Group's accounting policies for financial assets are set out below.

  Management determine the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, revaluate this designation at every reporting date.

  All financial assets are recognised on a trade date when, and only when, the Group becomes a party to the contractual provisions of an instrument. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except for those finance assets classified as at fair value through profit or loss ('FVTPL'), which are initially measured at fair value.

  Financial assets are classified into the following specified categories: financial assets at FVTPL, 'held-to-maturity' investments, 'available for sale' (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

  Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

  At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

  Loans and receivables (including trade receivables, prepayments, deposits and other receivables, cash and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. At each reporting date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

  An impairment loss is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

- *Cash and cash equivalents*

  Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

- *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. Terms on receivables range from 30 to 90 days.

- *Financial liabilities and equity*

  Financial liabilities and equity are recognised on the Group's statement of financial position when the Group becomes a party to a contractual provision of an instrument. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of transaction costs.

  The Group's financial liabilities include trade payables and accrued liabilities.

- *Trade payables*

  Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Terms on accounts payables range from 10 to 90 days.

Foreign currency risk

Currency risk is the risk that the holding of foreign currencies will affect the Group's position as a result of a change in foreign currency exchange rates. The Group has no significant foreign currency risk as most of the Group's financial assets and liabilities are denominated in functional currencies of relevant group entities. Accordingly, no quantitative market risk disclosures or sensitivity analysis for currency risk have been prepared.

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) All resulting exchange differences are recognised in other comprehensive income.

Equity

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

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

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

The reverse acquisition reserve relates to the adjustment required by accounting for the reverse acquisition in accordance with IFRS3 'Business combinations'.

Other reserves relate to the charge for share based payments in accordance with IFRS2 'Share based payments'.

Share based payments

For equity settled share based payment transactions the Group, in accordance with IFRS 2 "Share Based Payments" measures 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 is 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.

Functional currency translation

- *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 (functional currency), which is mainly pounds sterling (£) and it this currency the financial statements are presented in.

- *Transaction and balances*

  Foreign currency transactions are translated in to the functional 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 the 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

Operating segments are reported in a manner consistent with the internal reporting provide to the chief operating decision-maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments as identified by the board of directors.

Critical accounting estimates and judgements
The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- *Judgements*

(a) Capitalisation of development costs
Our business model is underpinned by our email and cross-channel marketing automation platform, dotMailer. Internal activities are continually undertaken to enhance and maintain the product in a bid to stay ahead of our competition. Management review the work of developers during the period and make the following judgements:

- Internal work relating to product development is reviewed against IAS 38 criteria and will be capitalised if management feel the criteria have been met.
- Internal work relating to the maintenance of existing products is expensed to the income statement and accounted for in payroll costs.

- *Estimates and assumptions*

(a) Impairment testing of goodwill
The Directors have carried out a detailed impairment review in respect of goodwill. The Group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted using a pre-tax discount rate of 10%. The cash flow projections are based on the assumption that the Group can realise projected sales. A prudent approach has been applied with no residual value being factored.

Further detail on the estimates and assumptions we make in our annual impairment testing of goodwill are included in Note 12 to the Financial Statements. At the period end, based on these assumptions there was no indication of impairment to carrying value of goodwill.

(b) Share-based compensation
Key management believe that there will not be only one acceptable choice for estimating the fair value of share-based payment arrangements. The judgments and estimates that management apply in determination of the share-based compensation are summarise below:

- Selection of a valuation model
- Making assumptions used in determining the variables used in a valuation model
  i. expected life,
  ii. expected volatility,
  iii. expected dividend yield
  iv. interest rate

Further detail on the estimates and assumptions we make in our share-based compensation are included in Note 27 to the Financial Statements. The charge made to income statement for the period is also disclosed here.

(c) Depreciation and amortisation
The Group depreciates short leasehold, fixture and fittings, computer equipment and amortises computer software, internally generated development costs and domain names on a straight-line method over the estimated useful lives. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's short leasehold, fixture and fittings, computer equipment, computer software, internally generated development costs and domain names.

(d) Bad debt provision
We perform ongoing credit evaluations of our customers and grant credit based upon past payment history, financial condition, and anticipated industry conditions. Customer payments are regularly monitored and a provision for doubtful accounts is established based upon specific situations and overall industry conditions. Hence the provision is maintained for potential credit losses based upon management's assessment of the expected collectability of all accounts receivable. In making this assessment, management takes into consideration (i) any circumstances of which we are aware regarding a customer's inability to meet its financial obligations; and (ii) our judgements as to potential prevailing economic conditions in the industry and their potential impact on the Company's customers.

3. Segmental reporting
The Group's single line of business is the provision of web based marketing services.

More than 90% of the Group's revenue arises in the UK and all of the Group's non-current assets are held there.

There are no customers who account for more than 10% of revenue (2013: none)

4. Discontinued operations

Discontinued operations refers to the closure of the Service Division.

Analysis of continuing and discontinued operations is as follows:

Year ended 30 June 2014	Continuing operations 30.6.14 £'000	Discontinued operations 30.6.14 £'000
Revenue	16,213	199
Cost of sales	(1,533)	(122)
Gross profit	14,680	77
Administrative expenses	(11,059)	(118)
Operating profit/(loss) before exceptional items	3,621	(41)
Finance income	20	–
Income tax	(181)	–
Profit/(loss) for the year attributable to owners of the parent	**3,460**	**(41)**

Year ended 30 June 2013	Continuing operations 30.6.13 £'000	Discontinued operations 30.6.13 £'000
Revenue	12,197	1,651
Cost of sales	(887)	(1,033)
Gross profit	11,310	618
Administrative expenses	(7,338)	(1,315)
Operating profit/(loss) before exceptional items	3,972	(697)
Exceptional item: Impairment to goodwill	–	(2,326)
Finance income including exceptional items	13	–
Income tax	(220)	–
Profit/(loss) for the year attributable to owners of the parent	**3,765**	**(3,023)**

5. Employees and Directors

	30.6.14 £'000	30.6.13 £'000
Wages and salaries	6,024	4,222
Social security costs	679	475
Other pension costs	147	97
	6,850	**4,794**

The average monthly number of employees during the year are as follows:

	30.6.14	30.6.13
Directors	7	7
Sales	80	60
Web designers, SEO and developers	41	46
Administration	44	41
	172	**154**

Remuneration of key management personel is included in note 25.

6. Net finance income

	30.6.14 £'000	30.6.13 £'000
Finance income:		
Deposit account interest	20	13
	20	**13**

7. Operating profit before exceptional items

Costs by nature

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

	30.6.14 £'000	30.6.13 £'000
Direct marketing	1,033	474
Outsourcing	471	376
Other costs	29	37
Total cost of sales	**1,533**	**887**

	30.6.14 £'000	30.6.13 £'000
Staff related costs (inc Directors emoluments)	6,850	4,794
Operating leases: Land and buildings	586	353
Operating lease: Other	68	63
Audit remuneration	36	38
Amortisation of intangibles	866	655
Depreciation charge	251	219
Legal, professional and consultancy fees	480	323
Computer expenditure	584	282
Bad debts	302	138
Foreign exchange losses/(gains)	67	(3)
Travelling	250	187
Office running	160	153
Other costs	559	136
Total administration costs	**11,059**	**7,338**

During the year the Group obtained the following services from the Group's auditor at costs detailed below:

	30.6.14 £'000	30.6.13 £'000
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements	7	7
Fees payable to the Company's auditor for other services:	26	26
– The audit of Company subsidiaries		
– Non audit fees: All other services	3	5
	36	**38**

8. Income tax expense

Analysis of the tax charge from continuing operations:

	30.6.14 £'000	30.6.13 £'000
Current tax on profits for the year	166	231
Deferred tax on origination and reversal of timing differences	44	(11)
	210	**220**
Over provision in previous year	(29)	–
	181	**220**

Tax charge from continuing operations	181	220
Tax charge from discontinued operations	–	–
	181	**220**

	30.6.14 £'000	30.6.13 £'000
Current tax on profits for the year	**3,600**	**962**
Profit on ordinary activities before tax		
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 22.50% (2013: 23.75%)	810	228
Effects of:		
Expenses not deductible	281	52
Research and development enhanced claim	(661)	(716)
Effect of profits within marginal rate	–	(18)
Expenditure permitted on exercising options	(247)	(45)
Deferred tax movement	44	–
Overseas tax losses	25	–
Exceptional item: impairment of goodwill	–	552
Capital allowances in excess of depreciation	(42)	167
Total income tax	**210**	**220**

Deferred tax was calculated using the rate 20.75% (2013: 25.5%). There is unused tax carried forward losses of £125,000 (2013: £117,000), no deferred tax asset has been recognised in respect of these.

9. Profit/(loss) of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented as part of these financial statements. The Parent Company's loss for the financial year was £363,022 (2013: £2,808,521 – profit).

10. Dividends

Amounts recognised as distributions to equity holders in the period

	30.6.14 £'000	30.6.13 £'000
Final dividend for year end 30 June 2013 of 0.1p per share	**279**	–
Proposed dividend for the year end 30 June 2014 of 0.2p (2013: 0.1p) per share	**566**	279

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

11. Earnings per share

Earnings per share data is based on the consolidated profit using 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 as follows

	30.06.14		
From continuing and discontinued operations	Earnings £'000	Weighted average number of shares	Per share amount pence
Basic EPS			
Profit for the year attributable to the owners of the parent	3,419	279,107,898	1.22
Options and Warrants	–	11,272,536	–
Diluted EPS			
Profit for the year attributable to the owners of the parent	**3,419**	**290,380,434**	**1.18**

	30.06.14		
From continuing operations	Earnings £'000	Weighted average number of shares	Per share amount pence
Basic EPS			
Profit for the year attributable to the owners of the parent	3,460	279,107,898	1.24
Options and Warrants	–	11,272,536	–
Diluted EPS			
Profit for the year attributable to the owners of the parent	**3,460**	**290,380,434**	**1.19**

From continuing operations	30.6.14 £'000	30.6.13 £'000
Profit for the year attributable to the owners of the parent	3,419	742
Adjustments to exclude loss from discontinued operations	41	3,023
Profit for the year from continuing operations for the purpose of basic earnings per share excluding discontinued operations	**3,460**	**3,765**

From discontinued operations	30.6.14 Per share (p)	30.6.13 Per share (p)
Basic EPS	(0.01)	(1.10)
Diluted EPS	(0.01)	(1.10)

There was no difference in the weighted average number of shares used for the calculation of basic and diluted earnings per share as the effect of all notiently dilutive share outstanding was anti-dilutive.

Weighted average number of shares	Shares	Shares
Basic EPS	279,107,898	275,839,565
Diluted EPS	290,380,434	285,687,852

The denominators and numerators used are the same to those detailed above for both basic and diluted earnings per share from continuing and discontinued operations.

From continuing and discontinued operations	Earnings £'000	30.06.13 Weighted average number of shares	Per share amount pence
Basic EPS			
Profit for the year attributable to the owners of the parent	742	275,839,565	0.27
Diluted EPS			
Profit for the year attributable to the owners of the parent	742	285,687,852	0.26

From continuing operations	Earnings £'000	30.06.13 Weighted average number of shares	Per share amount pence
Basic EPS			
Profit for the year attributable to the owners of parent	3,765	275,839,565	1.36
Diluted EPS			
Profit for the year attributable to the owners of parent	3,765	285,687,852	1.32
Adjusted EPS			
Effect of exceptional items:			
– Impairment of goodwill	2,326	–	–
Adjusted earnings	3,068	275,839,565	1.11
Effect of dilutive shares			
Options and Warrants	–	9,848,287	–
Adjusted diluted EPS			
Adjusted profit for the year	**3,068**	**285,687,852**	**1.07**

Adjusted earnings per share represents the performance of the company had the exceptional item listed above not occurred in the year and is only presented for guidance purposes.

12. Goodwill

Group

	30.6.14 £'000	30.6.13 £'000
Cost		
At 1 July		
And 30 July	4,121	4,121
Amortisation		
At 1 July	3,512	1,186
Impairment	–	2,326
At 30 June	3,512	3,512
Net book value	**609**	**609**

Goodwill arising on business combinations is not amortised but is reviewed for impairment on an annual basis, or more frequently if there are indications that goodwill may be impaired. Goodwill acquired in a business combination is allocated, at acquisition, to cash generating units (CGUs) that are expected to benefit from that business combination.

The carrying amount of goodwill relates wholly to the group's single trading activity and business segment. This has been tested for impairment during the current financial year by comparison with the recoverable amount of the CGU.

12. Goodwill continued

Recoverable amounts for CGUs are based on the higher of value in use and fair value less costs to sell. The recoverable amounts of the CGUs have been determined from value in use calculations. These calculations use pre-tax cash flow projection based on financial budgets approved by management covering a five year period. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimate discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGUs. Changes in income and expenditure are based on past experience and expectations of the future changes in the market. The pre-tax discount rate used to calculate the value in use are 10% (2013 – 10%). The valuations indicate sufficient headroom such that a reasonably possible change in key assumptions would not result in an impairment in goodwill.

13. Intangible assets

Group

	Computer softwares £'000	Internally generated development costs £'000	Domain names £'000	Totals £'000
Cost				
At 1 July 2013	211	3,668	16	3,895
Additions	63	1,345	–	1,408
At 30 June 2014	**274**	**5,013**	**16**	**5,303**
Amortisation				
At 1 July 2013	155	1,278	13	1,446
Amortisation for the year	40	824	2	866
At 30 June 2014	**195**	**2,102**	**15**	**2,312**
Net book value				
At 30 June 2014	**79**	**2,911**	**1**	**2,991**

	Computer softwares £'000	Internally generated development costs £'000	Domain names £'000	Totals £'000
Cost				
At 1 July 2012	199	2,328	16	2,543
Additions	12	1,340	–	1,352
At 30 June 2013	**211**	**3,668**	**16**	**3,895**
Amortisation				
At 1 July 2012	112	668	11	791
Amortisation for the year	43	610	2	655
At 30 June 2013	**155**	**1,278**	**13**	**1,446**
Net book value				
At 30 June 2013	**56**	**2,390**	**3**	**2,449**

Development cost additions represents resources the Group have invested in the development of new innovative and ground breaking technology products for marketing professionals. This platform allows them to create, send and automate marketing campaigns. Following development of the products the group intends to licence the use of the platform.

14. Property, plant and equipment

Group

	Short Leasehold £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
Cost				
At 1 July 2013	107	155	620	882
Additions	181	154	272	607
Disposals	–	(1)	(4)	(5)
At 30 June 2014	**288**	**308**	**888**	**1,484**
Depreciation				
At 1 July 2013	25	64	321	410
Depreciation for the year	22	49	180	251
Eliminated on disposal	–	(1)	(3)	(4)
At 30 June 2014	**47**	**112**	**498**	**657**
Net book value				
At 30 June 2014	**241**	**196**	**390**	**827**
At 1 July 2013	82	91	299	472

	Short Leasehold £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment £'000	Totals £'000
Cost					
At 1 July 2012	12	3	192	716	923
Additions	95	–	85	112	292
Disposals	–	(3)	(122)	(208)	(333)
At 30 June 2013	**107**	**–**	**155**	**620**	**882**
Depreciation					
At 1 July 2012	11	2	144	361	518
Depreciation for the year	14	–	42	163	219
Eliminated on disposal	–	(2)	(122)	(203)	(327)
At 30 June 2013	**25**	**–**	**64**	**321**	**410**
Net book value					
At 30 June 2013	**82**	**–**	**91**	**299**	**472**

15. Investments

Company

	Shares in Group undertakings 30.6.14 £'000	Shares in Group undertakings 30.6.13 £'000
Cost		
At 1 July	8,705	8,704
Inter group transfer	–	1
And 30 July	**8,705**	**8,705**
Amortisation		
At 1 July	3,519	1,193
Impairment	–	2,326
At 30 June	**3,519**	**3,519**
Net book value		
At 30 June	**5,186**	**5,186**

15. Investments

Company

In the previous reporting period the Board took the decision in the year to wind down the operations of dotAgency Limited resulting in the full impairment of the remaining investment arising from the acquisition of Netcallidus Limited now known as dotAgency Limited.

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

Subsidiaries

dotmailer Limited

Class of shares:	Proportion of voting power held %
Ordinary	100.00
Ordinary A	100.00

dotsurvey (previously known as dotagency) Limited

Class of shares:	Proportion of voting power held %
Ordinary	100.00

dotsearch Europe Limited

Class of shares:	Proportion of voting power held %
Ordinary	100.00

dotcommerce Limited

Class of shares:	Proportion of voting power held %
Ordinary	100.00

doteditor Limited

Class of shares:	Proportion of voting power held %
Ordinary	100.00

dotSEO Limited

Class of shares:	Proportion of voting power held %
Ordinary	100.00

dotagency Limited

Class of shares:	Proportion of voting power held %
Ordinary, B, C & D	100.00

dotmailer Inc

Incorporated: US

Class of shares:	Proportion of voting power held %
Ordinary	100.00

All the above subsidiaries have been included within the consolidated accounts.

16. Trade and other receivables

	Group		Company	
	30.6.14 £'000	30.6.13 £'000	30.6.14 £'000	30.6.13 £'000
Current:				
Trade receivables	3,119	2,572	–	–
Less: Provision for impairment of trade receivables	(336)	(249)	–	–
Trade receivables – net	2,783	2,323	–	–
Other receivables	35	56	–	–
Amounts owed by Group undertakings	–	–	3,821	5,400
VAT	–	–	12	9
Prepayments and accrued income	844	514	12	14
	3,662	**2,893**	**3,845**	**5,423**

Further details on the above can be found in Note 22.

17. Cash and cash equivalents

	Group		Company	
	30.6.14 £'000	30.6.13 £'000	30.6.14 £'000	30.6.13 £'000
Bank accounts	9,306	6,072	109	70
	9,306	**6,072**	**109**	**70**

Further details on the above can be found in Note 22.

18. Called up share capital

Allotted, issued, fully paid number	Nominal value	30.6.14 £'000	30.6.13 £'000
282,782,065 (2013: 277,472,065)	£0.005	1,414	1,387
		1,414	**1,387**

During the reporting period the company undertook the following transactions involving the issuing and reclassifying issued share capital:

On 28 November 2013 a number of employees exercised their share options increasing the issued share capital by 840,000 shares.

On 18 December 2013 a number of employees exercised their share options increasing the issued share capital by 860,000 shares.

On 1 April 2014 a number of employees exercised their share options increasing the issued share capital by 2,190,000 shares

On 2 June 2014 a number of employees exercised their share options increasing the issued share capital by 1,420,000 shares

19. Reserves

Group

	Retained earnings £'000	Share premium £'000	Reverse acquisition reserve £'000
As at 1 July 2013	9,071	4,863	(4,695)
Issue of share capital	–	284	–
Dividends	(279)	–	–
Profit for the year	3,419	–	–
Balance as at 30 June 2014	**12,211**	**5,147**	**(4,695)**

	Retranslation reserve £'000	Other reserves £'000	Totals £'000
As at 1 July 2013	(2)	13	9,250
Issue of share capital	–	–	284
Dividends	–	–	(279)
Profit for the year	–	–	3,419
Other comprehensive income: Currency translation	(4)	–	(4)
Share based payment	–	69	69
Balance as at 30 June 2014	**(6)**	**82**	**12,739**

	Retained earnings £'000	Share premium £'000	Reverse acquisition reserve £'000
As at 1 July 2012	8,202	4,755	(4,695)
Issue of share capital	–	108	–
Reclassification of reserves	127	–	–
Profit for the year	742	–	–
Balance as at 30 June 2013	**9,071**	**4,863**	**(4,695)**

	Retranslation reserve £'000	Other reserves £'000	Totals £'000
As at 1 July 2012	–	127	8,389
Issue of share capital	–	–	108
Reclassification of reserves	–	(127)	–
Profit for the year	–	–	742
Currency translation	(2)	–	(2)
Share based payment	–	13	13
Balance as at 30 June 2013	**(2)**	**13**	**9,250**

Company

	Retained earnings £'000	Share premium £'000	Share based payments £'000	Totals £'000
As at 1 July 2013	3,065	4,863	13	7,941
Issue of share capital	–	284	–	284
Reclassification of reserves	(279)	–	–	(279)
Loss for the year	(363)	–	–	(363)
Share based payment	–	–	69	69
At 30 June 2014	**2,423**	**5,147**	**82**	**7,652**

	Retained earnings £'000	Share premium £'000	Share based payments £'000	Totals £'000
As at 1 July 2012	129	4,755	127	5,011
Issue of share capital	–	108	–	108
Reclassification of reserves	127	–	(127)	–
Loss for the year	2,809	–	–	2,809
Share based payment	–	–	13	13
At 30 June 2013	**3,065**	**4,863**	**13**	**7,941**

20. Trade and other payables

	Group		Company	
	30.6.14 £'000	30.6.13 £'000	30.6.14 £'000	30.6.13 £'000
Current				
Trade payables	819	367	2	22
Amounts owed to group undertakings	–	–	–	1,298
Social security and other taxes	549	369	–	–
Other payables	391	171	12	–
VAT	559	504	–	–
Accruals and deferred income	666	270	60	31
	2,984	1,681	**74**	1,351

Further details on liquidity and interest rate risk can be found in Note 22.

21. Leasing agreements

Minimum lease payments under non cancellable operating leases fall due as follows:

	30.06.14		
	Land and Buildings £'000	Others £'000	Totals £'000
Within one year	311	34	345
Between two to five years	2,147	19	2,166
	2,458	**53**	**2,511**

	30.06.13		
	Land and Buildings £'000	Others £'000	Totals £'000
Within one year	312	21	333
Between two to five years	806	12	818
	1,118	**33**	**1,151**

Operating leases represent rental payable by the Group for its office properties. Leases are negotiated for an average term of five years and rentals are fixed on average of two years with an option to extend for a further five years at the prevailing market rate at the time.

22. Financial instruments and risk management

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

The Group hold no financial or non other financial instruments other than those utilised in the working operations of the Group and that listed in this note. It is the Group's policy not to trade in derivative contracts.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

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

Financial instruments by category

The following table sets out the financial instruments as at the reporting date:

	Group		Company	
	30.6.14 £'000	30.6.13 £'00	30.6.14 £'000	30.6.13 £'00
Financial assets				
Trade and other receivables	3,662	2,893	24	23
Bank balances	9,306	6,072	109	70
	12,968	**8,965**	**133**	**93**
Financial liabilities				
Trade payables	819	367	2	22
Accrued liabilities and other payables	2,165	1,314	72	31
	2,984	**1,681**	**74**	**53**

The fair value of the Financial assets and Financial liabilities equal to their carrying values. All financial assets are categorised as loans and receivables and all financial liabilities are categorised as financial liabilities at amortised cost.

General objectives, policies and processes
The Board has overall responsibility for the determination of the Group's risk management objectives and policies whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's risk committee. The Board receives monthly reports from the Risk Committee through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies 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. As at the reporting date the Group was not exposed to any movement in interest rates as it has not external borrowings and therefore not exposed to interest rate risk. No sensitivity analysis has been prepared.

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.

Liquidity risk
The Group's working capital requirements are managed through regular monitoring of the overall position and regularly updated cash flow forecasts to ensure there are funds available for its operations. Management forecasts indicate no new borrowing facilities will be required in the upcoming financial period.

Trade and other payables of £1,876,000 (2013: £808,000) are expected to mature in less than a year.

Credit risk
Credit risk arises principally from the Group's trade receivables, as there are no trade receivables within the company, which comprise amounts due from customers. Prior to accepting new customers a credit check is obtained. As at 30 June 2014 there were no significant debts pass their due period which had not been provided for. The maturity of the Group's trade receivables is as follows:

	30.6.14 £'000	30.6.13 £'000
0-30 days	1,817	1,808
30-60 days	702	65
More than 60 days	600	699
	3,119	**2,572**

The maturity of the Group's provision for impairment is as follows:

	30.6.14 £'000	30.6.13 £'000
0-30 days	–	3
30-60 days	82	23
More than 60 days	253	223
	336	**249**

The movement in the provision for the impairment is as follows:

	30.6.14 £'000	30.6.13 £'000
As at 1 July 2013	249	211
Provision for impairment	300	148
Receivable written off in the year	(163)	(110)
Unused amount reversed	(50)	–
As at 30 June 2014	**336**	**249**

22. Financial instruments and risk management

The Group minimises its credit risk by profiling all new customers and monitoring existing client of the Group for changes in their initial profile. The level of trade receivables older then the average collection period consisted of a value of £678,260 of which £336,242 was provided for. The Group felt that the remainder would be collected post year end as they were with long standing relationships, the risk of default is considered to be low and write offs due to bad debts are extremely low. The Group has no significant concentration of credit risk, with the exposure spread over a large number of customers.

The credit risk on liquid funds is low as the counterparts are banks with high credit ratings assigned by international credit ratings. The majority of the company's cash holdings are held at NatWest Bank who has an A credit rating.

The carrying value of both financial assets and liabilities approximates to fair value.

Capital policy

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide optimal returns for shareholders and to maintain an efficient capital structure to reduce the cost of capital.

In doing so, the Group's strategy is to maintain a capital structure commensurate with a strong credit rating and to retain appropriate levels of liquidity headroom to ensure financial stability and flexibility. To achieve this, the Group monitors key credit metrics, risk and fixed charge cover to maintain this position. In addition the Group ensures a combination of appropriate short-term and long-term liquidity headroom.

During the year the Group had a short-term loan balance of £nil (2013: £nil) and amounts payable over one year are nil. The Group had a strong cash reserve to utilise for any short-term capital requirements that were needed by the Group.

The Group has continued to look for a further long-term investments or acquisitions and therefore to maintain or re-align the capital structure, the Group may adjust when dividends are paid to shareholders, return capital to shareholders, issue new shares or borrow from lenders.

23. Deferred tax

	30.6.14 £'000	30.6.13 £'000
As at 1 July	14	25
Current year provision	44	–
Release of provision	–	(11)
	58	**14**

The above is comprised of temporary differences in respect of capital allowances in excess of depreciation amounting to £58,000, temporary differences in respect of development costs amounting to £600,000 and a deferred tax asset of £600,000 in respect of share options.

24. Capital commitments

The Company and Group had capital committed of £191,000 at the year end towards the fit out of the new London Bridge office.

25. Related party disclosures

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Group

The following transactions were carried out with related parties.

Sale of services			30.6.14 £'000	30.6.13 £'000
Cadence performance	Entity under common directorship	Email marketing services	2	1
			2	**1**

Sales of services are based on the price lists in force and at terms that would be available to third parties.

Purchase of services			30.6.14 £'000	30.6.13 £'000
F-Beechinor-Collins*	Entity under common directorship	Consultancy services	–	6
Barratts of Old Ltd	Entity under common directorship	Consultancy services	41	12
			41	**18**

* Consultancy services to assist with the international expansion and development of channel sales strategy.

Key management compensation

Key management include Directors and the Company Secretary. The compensation paid for key management for employee services are shown below.

	30.6.14 £'000	30.6.13 £'000
Remuneration and other short-term employee benefits	966	893
Share-based payment	15	–
Pension cost	42	38
	1,023	**931**

Directors

	30.6.14 £'000	30.6.13 £'000
Aggregate emoluments	877	601
Company contributions to money purchase pension scheme	42	35
Share based payment	5	–
	924	**636**

Information in relation to the highest paid Director is as follows:

	30.6.14 £'000	30.6.13 £'000
Salaries	230	170
Other benefits	7	7
Pension costs	14	11
	251	**188**

The highest paid director did not exercise any share options.

Company

The following transactions were carried out with related parties.

Year end balances arising from sales/purchase of services			30.6.14 £'000	30.6.13 £'000
dotmailer Limited	Subsidiary	Payables	(1,864)	(1,303)
dotagency Limited	Subsidiary	Receivables	9	9
			(1,855)	**(1,294)**

The receivables and payables are unrestricted in nature and bear no interest.
No provisions are held against receivables from related parties.

Loans to related parties

		30.6.14 £'000	30.6.13 £'000
dotmailer Limited	Subsidiary		
As at 1 July		5,400	–
Loans advanced		324	5,400
Loans repaid		(43)	–
		5,681	**5,400**

Key management compensation

Key management are Non-Executive Directors. The compensation paid for key management for employee services are shown below.

	30.6.14 £'000	30.6.13 £'000
Remuneration and other short-term employee benefits	95	88
	95	**88**

Directors

	30.6.14 £'000	30.6.13 £'000
Aggregate emoluments	95	88
	95	**88**

26. Ultimate controlling party

There is no ultimate controlling party of the Group. dotdigital group plc acts as the Parent Company to dotmailer Limited, dotagency Limited, dotsearch Europe Limited, dotmailer Inc, dotsurvey Limited (Dormant), dotseo Limited (Dormant), dotcommerce Limited (Dormant) and doteditor Limited (Dormant).

27. 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 recognised for share based payment made during the year is £69,469 (2013: £13,190)

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. The options outstanding at 30 June 2014 had a WAEP of 8.63p (2013: 6.34p), a weighted average contracted life of 2.8 years and their exercise prices ranged from 1p to 18.25p. All share options are settled in form of equity issued.

	30.06.14 No of options	WAEP	30.6.13 No of options	WAEP
Financial assets				
Outstanding at the beginning of the period	16,117,930	7.54p	17,909,930	7.25p
Granted during the year	3,655,860	18.25p	1,500,000	13.00p
Forfeited/cancelled during the period	540,000	12.57p	1,182,222	8.36p
Exchanged for shares	5,310,000	5.86p	2,109,778	5.61p
Outstanding at the end of the period	13,923,790	8.82p	16,117,930	7.54p
Exercisable at the end of the period	9,517,930	4.09p	14,867,930	5.94p

The weighted average share price at the date of the exercise for share options exercised during the period was 30.58p (2013: 14.56p)

The inputs into the Black-Scholes model are as follows:

	18 October 2013	9 November 2012
Number of options granted	3,554,794	1,500,000
Share price at grant date	17.82p	12.95p
Exercise price	18.25p	13.00p
Option life in years	5 years	6 years
Risk free rate	1.40%	2.05%
Expected volatility	30%	30%
Expected dividend yield	0.4%	0%
Fair value of option/warrant	3.81p	2.72p

Expected volatility was determined by calculating the historical volatility of the Group's share price from the date it listed to the grant date of the share option. The expected life used in the model is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

28. Group reconciliation of profit before corporation tax to cash generated from operations

	Group		Company	
	30.6.14 £'000	30.6.13 £'00	30.6.14 £'000	30.6.13 £'00
Current				
Profit before tax from all operations	3,600	962	(363)	2,809
Currency revaluation	(4)	(2)	–	–
Exceptional item: Impairment of goodwill	–	2,326	–	2,326
Depreciation	1,117	831	–	–
Loss on disposal of fixed assets	1	50	–	–
Share based payments	69	13	69	13
Finance income	(20)	(13)	–	–
	4,763	4,167	(294)	5,148
Decrease/(increase) in trade receivables	(769)	(696)	1,578	(5,410)
Increase/(decrease) in trade payables	1,303	346	(1,277)	(11)
Cash generated from operations	**5,297**	**3,817**	**7**	**(273)**

29. Group cash and cash equivalents

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

	Group £'000	Company £'000
As at 1 July 2012	4,021	83
As at 31 July 2013	6,072	70
As at 30 June 2014	**9,306**	**109**

Net cash flows from discontinued operations	30.06.14 £'000	30.06.13 £'000
Net cash generated from operating activities	**(95)**	**(148)**
Net cash generated from investing activities	**–**	**1**
Net cash used in financing activities	**–**	**–**

30. Project development

During the period the Group incurred £1,344,414 (2013: £1,339,730) in development investments. All resources utilised in development has been capitalised as outline in the accounting policy governing this area.

31. Post balance sheet events

There are no post balance sheet events which impact the Group's financial statements.

Company information
For the year ended 30 June 2014

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F Beechinor-Collins
S J Barratt
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