

dotDigital Group Plc

Interim Results for the six months ended 31 December 2009

dotDigital Group Plc (“dotDigital” or “the Group”) the digital marketing company admitted to the PLUS Market in February 2009, announces interim results for the six months to 31 December 2009.

Highlights

- **Revenues increased by 44%** (From £1,936k to £2,785k)
- **Profits after tax increased by 28%** (From £405k to £520k)
- **Profits after tax up 42% excluding PLUS costs and IFRS 2 charge relating to options**
- **Net cash balances increased by 95% to £2,081k** (Dec 2008: £1,066k)
- **Strong growth in customer numbers**
- **An expansion of products and services**
- **Opening of Offices in Central London**
- **National Business Awards Winner - Growth Strategy of the Year Award**

Peter Simmonds, CEO, Commented:

“Demand for digital marketing continues to remain strong and the board is confident that dotDigital is well placed to provide products and services that match clients’ requirements. We expect sales to new clients of our email marketing product to remain strong throughout 2010 and planned product enhancements due for release in the year will ensure we remain at the leading edge of the market.”

11 March 2010

Enquiries:

dotDigital Group Plc
Peter Simmonds, CEO

0845 337 9170

Alfred Henry Corporate Finance
Nick Michaels/Jon Isaacs

020 7251 3762

Haggie Financial LLP
Nicholas Nelson

020 7417 8989
Nicholas.nelson@haggie.co.uk

The Directors take responsibility for this statement

Chief Executive's Statement

Business Summary

dotDigital Group is a multi-award winning full service digital marketing agency with over 10 years experience of designing and building websites, providing email marketing and helping organisations of all shapes and sizes to succeed on the web. In the past 3 years the business has transformed itself from a niche website agency and email service provider, into one of the UK's leading digital agencies; an employer of over 70 staff with offices in London, Croydon and Manchester; and one of the top 5 email marketing brands in the UK.

Financial Summary

We are pleased to announce strong revenue growth (up 44% on previous interim period) despite the difficult economic climate and a highly competitive market. During the period we maintained a resolute commitment to the investment in staff, product development and marketing to meet what we expect to be a vibrant marketplace for our products and services in the next financial year and beyond. This investment has been funded entirely from cashflow leaving our bank balances intact. Indeed, cash on account has increased to a little over £2 million as at 31st December 2009. We have budgeted for a continued investment plan for the second half.

Profits after tax in the six month period grew by 28% from £405k to £520k. The 2009 profits have been reduced by corporate costs (non executive directors, PLUS market fees and PLUS advisors fees) of £33k and also a charge to the income statement of £18k under IFRS2 (Share based payments) for the deemed fair value of options granted to staff as part of our strategy of goal alignment. Excluding these two charges profits grew by 42% for the six months on a like for like basis.

Comparative earnings per share show a decline however the 2008 figures are impacted by the effect of the reverse acquisition and the calculation basis for weighted average number of shares in the prior period.

Review of Operations

Whilst email marketing continues to be the largest revenue stream in the Group, the second half of 2009 saw the launch of our search marketing business unit dotSEO (which offers search engine optimisation services and management of pay per click advertising campaigns) and the launch of our professional services business unit (which offers managed service email campaigns and digital strategy consulting). The ecommerce business unit, dotCommerce, launched in April 2009 has continued to strengthen with new customer wins, significant new product features and investment in technical and account management staff.

Sales and account management staff account for approximately one third of the total 74 employees and we will continue to invest in this area of the business to ensure our growth is maintained.

Our marketing activity continues to be focussed on driving new business for the whole Group and we are very encouraged by the level of new enquiries generated from both our online activities and offline activities such as trade shows.

During the period we have been continuing our strategy of growing our email marketing customer base (customer numbers grew from 2,282 as at June 09 to 2,860, an increase of 25% in the half year), implementing our investment strategy and broadening our product range into adjacent digital marketing products and services.

Each of our main business unit websites are now featuring strongly in the search engines for our chosen keywords and as a result business enquiries have continued to show a healthy upward trend. Also during the second half of 2009 we undertook a significant project to rebuild each of our business unit websites to develop a consistent group brand identity and maximise the lead generation activity by testing the most effective calls to action.

During the period we have been building the technical teams responsible for product development and innovation and have made investments in the IT infrastructure to ensure our business is both scalable and highly resilient. We have also recently engaged professional IT security expertise to conduct penetration testing on our email marketing platform with reassuringly positive results.

As part of our planned expansion we opened a new office location in Central London in August 2009 to accommodate our creative web design team and the newly formed dotSEO search marketing team.

To ensure we better understand our clients' needs and manage the client relationships as our business grows and becomes more complex, we have been implementing a sophisticated CRM solution across the business and have recently upgraded our accounting systems to improve management information and cope with a group reporting structure, increased transaction volumes and the need to continually drive operating efficiencies.

Outlook

Demand for digital marketing continues to remain strong and the board is confident that dotDigital is well placed to provide products and services that match clients' requirements. We expect sales to new clients of our email marketing product to remain strong throughout 2010 and planned product enhancements due for release in the year will ensure we remain at the leading edge of the market.

The strategy of developing sustainable relationships with clients is based on high levels of service and expertise which is creating value within the Group in terms of both client retention and the willingness of clients to buy other services from the dotDigital Group. As our marketing communications, CRM systems and staff become more focussed on assisting clients on all aspects of their digital marketing needs we expect to see revenue streams of the newly launched services continue to climb.

Acquisition strategy

Since admission to the PLUS market, the board have expressed its desire to acquire other businesses that would be complementary to our existing operations. The Company has reviewed several potential opportunities during 2009 however the Board is committed to finding suitable high quality businesses that fit our culture and values and that are earnings accretive and value enhancing. Our strict criteria has meant that the Board have reviewed and rejected several opportunities reviewed during 2009.

However plans are now well advanced to commit a significant proportion of the cash resources to an external investment during the second half period. Such investment will be based on our strict set of criteria with the aim of expanding into new profitable areas in a manner which will be immediately earnings enhancing.

Peter Simmonds
CEO & Finance Director
11 March 2010

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Consolidated Income Statement
for the six months ended 31 December 2009

	Six months to 31 December 2009 Unaudited £'000s	Six months to 31 December 2008 Unaudited £'000s	14 months to 30 June 2009 Audited £'000s
Revenue	2,785	1,936	4,718
Administrative expenses	(2,097)	(1,382)	(3,652)
Operating profit	<u>688</u>	<u>554</u>	<u>1,066</u>
Finance income	1	11	15
Finance costs	(9)	(7)	(1)
Profit before tax	<u>680</u>	<u>558</u>	<u>1,080</u>
Income tax charges	(160)	(153)	(185)
Profit for the period from continuing operations attributable to shareholders	<u><u>520</u></u>	<u><u>405</u></u>	<u><u>895</u></u>
Earnings per share:			
Basic (pence)	0.04	0.14	0.14
Diluted (pence)	0.04	0.14	0.13

dotDigital Group Plc

Consolidated Statement of Comprehensive Income
for the six months ended 31 December 2009

	Six months to 31 December 2009 Unaudited £'000s	Six months to 31 December 2008 Unaudited £'000s	14 months to 30 June 2009 Audited £'000s
Profit for the period	<u>520</u>	<u>405</u>	<u>895</u>
Total comprehensive income for the period	<u><u>520</u></u>	<u><u>405</u></u>	<u><u>895</u></u>
Total comprehensive income attributable to:			
Owners of the company	<u><u>520</u></u>	<u><u>405</u></u>	<u><u>895</u></u>

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Consolidated Statement of Financial Position as at 31 December 2009

	As at 31 December 2009 Unaudited £'000s	As at 31 December 2008 Unaudited £'000s	As at 30 June 2009 Audited £'000s
Assets			
Non-current assets			
Goodwill	609	-	609
Intangibles	324	108	260
Property, plant and equipment	221	134	119
	<u>1,154</u>	<u>242</u>	<u>988</u>
Current assets			
Trade and other receivables	872	556	655
Cash and cash equivalents	2,081	1,066	1,678
	<u>2,953</u>	<u>1,622</u>	<u>2,333</u>
Total assets	<u><u>4,107</u></u>	<u><u>1,864</u></u>	<u><u>3,321</u></u>
Equity			
Capital and reserves			
Called up share capital	1,293	-	1,293
Share premium	4,534	-	4,534
Retained earnings	2,072	1,163	1,552
Other reserves	23	-	5
Reverse acquisition reserve	(4,695)	-	(4,695)
Total equity	<u><u>3,227</u></u>	<u><u>1,163</u></u>	<u><u>2,689</u></u>
Liabilities			
Non-Current Liabilities			
Financial liabilities – borrowings and interest bearing loans	18	6	18
Current liabilities			
Trade and other payables	511	362	417
Financial liabilities – borrowings and interest bearing loans	6	-	12
Tax payable	345	333	185
	<u>862</u>	<u>695</u>	<u>614</u>
Total liabilities	<u>880</u>	<u>701</u>	<u>632</u>
Total equity and liabilities	<u><u>4,107</u></u>	<u><u>1,864</u></u>	<u><u>3,321</u></u>

dotDigital Group Plc

Consolidated Statement of Changes in Equity
For the six months ended 31 December 2009

	Share Capital £'000s	Share Premium £'000s	Retained Earnings £'000s	Other Reserves £'000s	Reverse Acquisition Reserve £'000s	Total £'000s
As at 1 July 2008	-	-	844	-	-	844
Profit after tax for the period	-	-	405	-	-	405
Dividend paid	-	-	(86)	-	-	(86)
As at 31 December 2008			1,163			1,163
As at 1 May 2008	292	534	776	-	(826)	777
Issue of new shares	1,000	4,000	-	-	-	5,000
Profit after tax for the period	-	-	895	-	-	895
Equity to be issued	-	-	(119)	-	-	(119)
Share based payments	-	-	-	5	-	5
Reverse acquisition	-	-	-	-	(3,869)	(3,869)
As at 30 June 2009	1,293	4,534	1,552	5	(4,695)	2,689
As at 1 July 2009	1,293	4,534	1,552	5	(4,695)	2,689
Profit after tax for the period	-	-	520	-	-	520
Share based payments	-	-	-	18	-	18
As at 31 December 2009	1,293	4,534	2,072	23	(4,695)	3,227

dotDigital Group Plc

Consolidated Statement of Cash Flow
For the six months ended 31 December 2009

	Note	As at 31 December 2009 Unaudited £'000	As at 31 December 2008 Unaudited £'000	As at 30 June 2009 Audited £'000
Operating activities	5	654	579	948
Corporation tax paid		-	-	(180)
Finance costs		(9)	(7)	(1)
		<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities		645	572	767
Investing activities				
Interest received		1	11	15
Purchase of intangibles		(104)	(115)	(296)
Purchases of plant and equipment		(133)	(36)	(62)
Purchase of goodwill		-	-	(39)
- Net cash acquired		-	-	765
		<hr/>	<hr/>	<hr/>
Net cash (outflow)/inflow from investing activities		(236)	(140)	383
Financing activities				
Loan repaid to related parties		-	-	(61)
New loans in the period		-	-	23
Loan repayments		(6)	-	-
Equity dividends paid		-	(86)	(119)
		<hr/>	<hr/>	<hr/>
Net cash from financing activities		(6)	(86)	(157)
Net cash inflow		403	346	993
Cash and cash equivalents at the beginning of the period		1,678	720	685
		<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the end of the period		2,081	1,066	1,678
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

dotDigital Group Plc

Notes to the Interim Financial Information

1. General Information

dotDigital Group PLC is a company incorporated in England and Wales and quoted on the PLUS Market.

The registered office address is Finsgate, 5-7 Cranwood Street, London EC1V 9EE.

The Group changed to its present name on 30 January 2009 as part of the restructuring of the group organisation.

2. Basis of Preparation

These consolidated interim financial information have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on the historical cost basis, using the accounting policies which are consistent with those set out in the Company's Annual Report and Accounts for the period ended 30 June 2009. This interim financial information for the six months to 31 December 2009, which complies with IAS 34 'Interim Financial Reporting', has been approved by the Board on 11 March 2010. The comparatives for the period ended 31 December 2008 are those of dotMailer Limited as per the requirement of IFRS3 ("Business Combination").

3. Significant Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 30 June 2009, as described in those annual financial statements.

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

Standards and Interpretations adopted with no material effect on financial statements.

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may effect the accounting for future transactions and arrangements.

Title	Issued	Effective date
IFRS Improvements re IFRS 5	May 08	Accounting periods beginning on or after 01 July 2009
IAS 27 Consolidated and Separate Financial statements	Jan 08	Accounting periods beginning on or after 01 July 2009
IFRS 3 Business Combinations	Jan 08	Accounting periods beginning on or after 01 July 2009
IAS 39 Financial Instruments: Recognition and management (amendment) -Eligible Hedged Items	Jul 08	Accounting periods beginning on or after 01 July 2009
IFRIC 17 Distributions of Non-cash Assets to Owners	Nov 08	Accounting periods beginning on or after 01 July 2009
IFRS 1 First- time Adoption of IFRS (revised)	Nov 08	Accounting periods beginning on or after 01 July 2009
IFRIC 18 Transfer of Assets to Owners	Jan 09	Accounting periods beginning on or after 01 July 2009

Standards and Interpretations issued but not effective on financial statements

The following new and revised Standards and Interpretations have not been adopted in these financial statements as they are not yet effective in the period being reported on.

Title	Issued	Effective date
IFRS Improvements regarding IAS 17 Leases	Apr 09	Accounting periods beginning on or after 01 January 2010
Clarification to the scope of IFRS 2 Share Based Payments	June 09	Accounting periods beginning on or after 01 January 2010

Standards and Interpretations issued but not yet EU approved

The following new and revised Standards and Interpretations have not been approved but may have an impact on future accounting.

Title	Issued	Effective date
Amendments to IFRS 1 Additional Exemptions for First-time Adopters	July 09	Accounting periods beginning on or after 01 January 2010
Amendments to IAS 32 Classification of Rights issues	Oct 09	Accounting periods beginning on or after 01 February 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	Nov 09	Accounting periods beginning on or after 01 July 2010
IFRIC 14 (Amendment) Prepayments of a minimum funding requirement	Nov 09	Accounting periods beginning on or after 01 January 2011
Revised IAS 24 Related Party Disclosures	Nov 09	Accounting periods beginning on or after 01 January 2011
IFRS 7 Improving Disclosures about Financial Instruments	Mar 09	Accounting periods beginning on or after 01 January 2010
IFRS 9 Financial Instruments	Nov 09	Accounting periods beginning on or after 01 January 2013

4. Earnings per Share

	Six months to 31 December 2009	Six months to 31 December 2008	14 months to 30 June 2009
Earnings per ordinary share			
Basic (pence)	0.04	0.14	0.14
Diluted (pence)	0.04	0.14	0.13

The profit per Ordinary Share is based on the Group's profit for the period of £520,000 (31 December 2008 - £405,000 profit; 30 June 2009 - £895,000) with a basic and diluted weighted average number of shares in issue as follows:

	Six months to 31 December 2009	Six months to 31 December 2008	Period ended 30 June 2009
Weighted average number of shares in issue			
Basic	1,292,500,000	292,500,000	643,318,750
Diluted	1,372,119,928	295,924,658	698,439,868

Please note the comments made on note 6.

5. Reconciliation of operating profit to net cash outflow from operating activities.

	As at 31 December 2009 £'000s	As at 31 December 2008 £'000s	As at 30 June 2009 £'000s
Operating profit for the period	680	558	1,080
Adjustments for :			
Depreciation and amortisation charges	70	36	117
Share options	18		5
Finance costs	9	7	1
Finance income	(1)	(11)	(15)
Increase in receivables	(216)	(94)	(200)
Increase/(decrease) in payables	94	83	(40)
	<hr/>	<hr/>	<hr/>
Net cash from operating activities	654	579	948
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

6. Called up Share Capital

The issued share capital as at 31 December 2009 was 1,292,500,000 Ordinary Shares of 0.01p each (30 June 2009 – 1,292,500,000 Ordinary Shares per the audited accounts).

The number of shares in issue as at 31 December 2008 was 92 Ordinary Shares of £1 each which predates the reverse acquisition of dotDigital Group PLC (previously known as West End Ventures PLC) and represents the sole trading element of the Group. Per the requirements of IFRS 3 "Earnings per share" the relevant equivalency of the 92 shares under the current issue have been utilised to calculate the Earnings per Share for this period. Further details of this can be found in the statutory financial statements for the period ended 30 June 2009.

7. Share based payments

The measurement requirements of IFRS 2 have been implemented in respect of share options that were granted after 7 November 2002. The expense is recognised for share based payment made during the period is £17,590 (2008: £Nil)

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

In addition to the options issued up to 30 June 2009, as outlined in the statutory financial statements, on 21 October 2009 the Board of Directors also granted 21,250,000 options to employees of the Group exercisable on or after 01 July 2010 until 01 February 2014. Vesting conditions of the options dictate that employees must remain in the employment of the Group for the whole period to qualify.

8.

The Group's primary reporting format is business segments and its secondary format is geographical segments. The Group only operates in a single business and geographical segment. The Group's single line of business is the provision of web based marketing services, whilst the geographical segment in which it operates is currently restricted to the UK. Accordingly no segmental information for business segment or geographical segment is required.

9.

The unaudited interim financial information for period ended 31 December 2009 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the period ended 30 June 2009 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and which contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

10.

Copies of this interim financial information document are available from the Company at its registered office at Finsgate, 5-7 Cranwood Street, London EC1V 9EE. The interim financial information document will also be available on the Company's website www.dotdigitalgroup.com.