

INTERIM RESULTS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2011



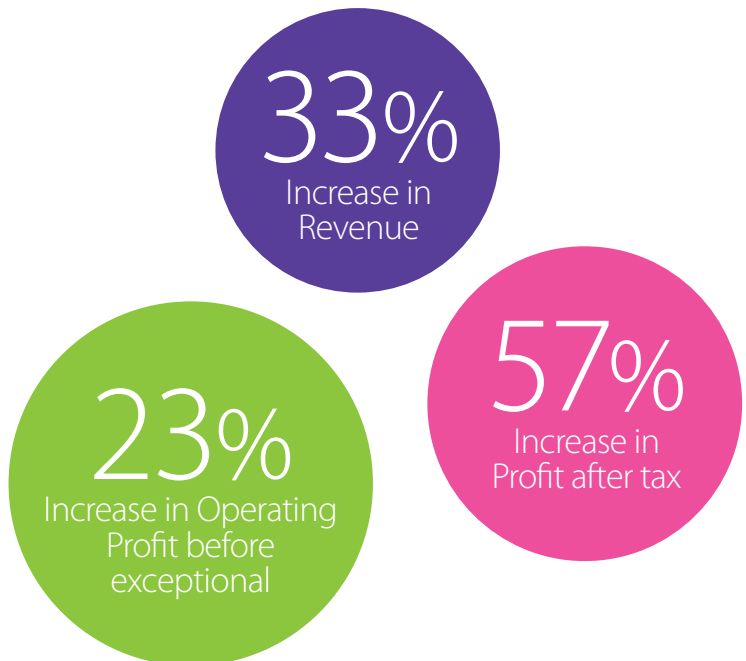
**dotDigital Group Plc (“dotDigital” or “the Group”)
announces interim results for the six months
to 31 December 2011.**

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KEY HIGHLIGHTS

- **Revenues increased by 33%** (from £4.1m to £5.5m)
- **Profit after tax increased by 57%** (from £0.8m to £1.2m)
- **Operating profit before exceptional increased by 23%**
- **831 new clients in the period**
- **An expansion of products & services**
- **Earnings per share before exceptional up 27% to 0.38p** (0.3p: 2010)
- **Net cash generated from operations of £1.2m**



CHIEF EXECUTIVE'S STATEMENT

"I am delighted to announce results for the first six months which show a 33% growth in revenues and a 23% growth in operating profit before exceptional items. This continued high growth in the current economic climate is the result of the hard work and commitment of our staff together with a clear focus on our growth strategy. We have continued to innovate new products and add innovations to our existing products which we believe will provide further revenue opportunities for the future. The companies admission to AIM in 2011 has been a success with a blue chip shareholder base established. The macro economic situation will undoubtedly present new challenges for 2012 but we look forward to the future with confidence in our people and our strategy."

BUSINESS SUMMARY

Founded in 1999, dotDigital Group has grown to become a leader in the provision of intuitive software as a service products for digital marketing professionals.

In addition the company helps its clients with their online marketing through a variety of services such as search engine optimisation, digital strategy advice, e-commerce and managed services.

KEY STATISTICS

- Business sector - SaaS
- Offices - London, Croydon, Manchester, Edinburgh, Northampton, Minsk
- Staff - over 170
- Profitable since 2000
- 2011/12 first half revenues £5.5m up 33%

FINANCIAL SUMMARY

We are pleased to announce continued strong profitable growth in the six months ending 31 December 2011. Revenues grew 33%; operating profit before tax and exceptional items grew 22% and profit after tax before exceptional items grew 37%.

The business has continued to be cash generative with net cash inflows from operations of £1.2m in the six months to December 2011 and the cash balance at the balance sheet date was £2.9m.

EXCEPTIONAL ITEM

Management has been focused on completing the integration of the business previously known as Netcallidus which was acquired in May 2010. The business has been rebranded as dotSearch, and all of the staff have now been fully integrated into the dotDigital Group. Work has been on going to harmonise operational processes and sales methodology across all of the teams involved in search marketing. In November 2011 the board announced the completion of the earn-out arrangements previously agreed with the vendors of Netcallidus.

This agreement resulted in a final payment of £170k, taking the total price paid for the acquisition to £1.3m.

In June 2009, in accordance with IFRS3, the acquisition was accounted for based on actual consideration in May 2009 plus estimated future deferred consideration which was based on forecasts in the vendors information memorandum.

A review of expected deferred consideration was carried out in June 2010 resulting in a credit to finance income of £1.1m.

Finalisation of the earn out agreement, following the exit of the vendors in November 2010, has resulted in a further credit to finance income of £1.1m and an adjustment to goodwill of £0.9m in the period under review.

Whilst the adjustments appear in separate parts of the Income Statement, as required by IFRS, the net impact of the adjustment is broadly neutral for the period under review.



Our website has consistently performed and the service we receive is exceptional. Over the last 6 months traffic is up 360% compared to last year and revenue has grown by over 513%. dotCommerce continue to provide a great quality, friendly service and have enabled us to seriously grow our online business in every aspect.

Eliza Wells
nipandfab.com

REVIEW OF OPERATIONS

The results for the period under review continue to benefit from a growing market for digital marketing services despite the overall economic situation and from consistent implementation of the award winning growth strategy initiated in previous years.

GROWTH BY SECTOR

SECTOR	GROWTH %
Email Marketing	40%
Managed Services	58%
Agency Services	-9%
Search Marketing	25%
Total Growth	33%

EMAIL MARKETING

Once again e-mail marketing was a very strong contributor to the overall growth of the business with recurring revenues continuing to grow strongly. Numbers of new clients for the e-mail marketing product dotMailer continued to rise with an increase of 831 new clients for the six months under review.

MANAGED SERVICES

Provision of managed services to dotMailer clients also shows very strong growth in the period as more large corporate clients have become dotMailer customers and the provision of campaign management, analytics and consultancy has become a key part of the offering to these clients.

AGENCY SERVICES

The decline in revenue from bespoke websites is as a result of previous decisions to concentrate resources on software as a service products and provision of services with strong recurring revenues. The strategic focus away from bespoke projects has been complimented by a change to the method of delivery of bespoke projects and despite a decline in revenue, this area of the business is now contributing more to the overall profit of the Group.

SEARCH MARKETING

Revenues from search marketing (search engine optimisation and pay per click management) grew by 25%.

Following significant changes to the algorithms used by the search engines during 2011, management has been very actively reviewing all of the tactical approaches used in the search engine optimisation process to ensure that the methodologies used are the most effective and successful for our clients. This review has resulted in some significant changes to staffing, use of expert content creators, and far wider collaboration with clients to build coherent social media strategies that will assist with search engine rankings. Management expects that following this review there will be further changes to the profile of clients that form the nucleus of the search marketing business.

NEW PRODUCTS

The online survey product, dotSurvey, was launched in free beta in late 2011. Customer feedback has been very positive and around 1000 clients have become active users.

It is planned to start charging for useage in April 2012 with a promotional offer to all existing dotMailer clients.

The marketing plan for full scale launch will be based upon early customer reactions to our pricing and feature set.

The simple SaaS version of the ecommerce application is planned to go to alpha testing in March/April 2012. Again this will be tested initially with dotMailer clients before developing a plan for broader marketing.

INVESTMENT IN PEOPLE

As part of the board's strategy to position the business for further sustained growth there has been a considerable investment in people during the second half of 2011 with a key focus on adding experience and depth to the senior management of the business.

The board has been strengthened with the appointment of Frank Beechinor-Collins as Chairman and Richard Kellett-Clarke as non-executive director.

As part of the strategic plan to position the business for sustained growth there has been considerable focus in the period on the strengthening of the senior operational management group.

The board had identified a number of key business areas where additional skills and experience would be an essential element of delivering on the growth strategy. New key hires have been made in the following areas:

- **Employee Engagement**
HR Director, HR Manager
- **Systems Integration & Scaling**
Senior Systems Architect,
Head of Product Integration
- **Business Development**
Director of Channel Development,
Director of Marketing Communications
- **Business Operations**
Head of Process Change, Director of Search
Operations, Head of SEO Strategies

With ambitious growth plans for future the board believes that hiring the best people and providing a culture where all staff are engaged in the business is vital to the continued success, albeit this will have a short impact on cost/income ratios.

As part of the strategy to ensure the business has the talent and culture to maintain growth the board took the decision to enter the "Times 100 Best Companies To Work For" competition.

I find dotSurvey really easy to use it's very responsive and it creates a professional look and feel. I can get it looking like our own page is around the survey so when people are landing on it they believe they're still on your website.

Oliver Cole
wantthelook.com



Although we were just outside the Top 100 this year we were delighted to receive a star rating and a good understanding of areas for improvement in coming years. As part of the maturing of the business, the board have committed to further investment in training, development and mentoring our people with the aim of attracting and retaining the best people.

OUTLOOK

Demand continues to be strong for the products and services provided by the business despite the macro-economic outlook for the UK. Digital marketing continues to provide businesses of all sizes with an effective and measurable way to promote their products and services.

Our markets however remain competitive and continued product innovation and high levels of client service remain vital to attract and retain customers.

With a client base that includes many SMEs we are also seeing an increased propensity for smaller businesses to look to cut costs in the current climate thus increasing the need for proactive account management activities.

Overall the board remains confident in the future growth although we remain conscious that many customers are facing difficult times and low business confidence will continue to impact customers' purchasing decisions throughout 2012.

As part of our strategy to widen the sources of new business we have strengthened the product integration team, built a number of new integrations with CRM systems and created a channel sales team to promote these tools both within the UK and abroad. The board expect this activity to start making a contribution to sales during 2012.

Product development has continued at a pace during 2011 and we launched our new 'drag and drop' visual editor for dotMailer which has been enthusiastically received by both existing and new clients. The board expects this to contribute to improved sales conversions over the coming year.

The development of the online survey tool known as dotSurvey has resulted in a product with around one thousand Beta users and some very positive customer feedback has been received. It is planned to move this product from Beta to live in April 2012.

The development of the SaaS version of dotCommerce has made significant progress and it is expected that this will be made available for Alpha testing by April 2012.

Peter Simmonds
CEO & Finance Director
17 February 2012

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Note	Six months to 31 December 2011 Unaudited £'000s	Six months to 31 December 2010 Unaudited £'000s	12 months to 30 June 2011 Audited £'000s
Revenue		5,486	4,123	8,952
Administrative expenses including exceptional		(5,146)	(3,088)	(6,647)
Operating profit before exceptional items		1,271	1,035	2,305
Exceptional item: Cost of listing on AIM		-	-	(120)
Exceptional item: Impairment of goodwill due to: Adjustment to deferred consideration		(931)	-	-
Operating profit		340	1,035	2,185
Finance income including exceptional	4	1,083	-	1,128
Finance costs		(22)	(10)	(1)
Profit before tax before exceptional items		1,253	1,025	2,185
Exceptional item: Financial income adjustment for contingent consideration	4	1,079	-	1,123
Profit before income tax		1,401	1,025	3,312
Income tax charges		(193)	(254)	(274)
Profit for the period from continuing operations attributable to shareholders		1,208	771	3,038
Earnings per share:				
Basic (pence)	5	0.44	0.30	1.16
Adjusted (pence) before exceptional	5	0.38	0.30	0.78
Diluted (pence)	5	0.43	0.28	1.10

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Six months to 31 December 2011 Unaudited £'000s	Six months to 31 December 2010 Unaudited £'000s	12 months to 30 June 2011 Audited £'000s
Profit for the period	1,208	771	3,038
Other comprehensive income	-	-	-
Total comprehensive income attributable to: Owners of the parent	1,208	771	3,038

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	As at 31 December 2011 Unaudited £'000s	As at 31 December 2010 Unaudited £'000s	As at 30 June 2011 Audited £'000s
Assets			
Non-current assets			
Goodwill	3,190	4,121	4,121
Intangible assets	1,338	676	990
Property, plant and equipment	295	182	238
	4,823	4,979	5,349
Current assets			
Trade and other receivables	2,132	1,643	1,658
Cash and cash equivalents	2,915	2,172	2,568
	5,047	3,815	4,226
Total assets	9,870	8,794	9,575
Equity attributable to the owners of the parent			
Called up share capital	1,375	1,293	1,375
Share premium	4,737	4,534	4,737
Unissued share capital	-	152	-
Reverse acquisition reserve	(4,695)	(4,695)	(4,695)
Other reserves	85	67	70
Retained earnings	6,942	3,467	5,734
Total equity	8,444	4,818	7,221
Liabilities			
Non-current liabilities			
Financial instruments	-	2,366	1,243
Financial liabilities – borrowings and interest bearing loans	-	6	-
	-	2,372	1,243
Current liabilities			
Trade and other payables	1,137	1,041	1,008
Financial liabilities – borrowings and interest bearing loans	-	6	6
Tax payable	289	557	97
	1,426	1,604	1,111
Total liabilities	1,426	3,976	2,354
Total equity and liabilities	9,870	8,794	9,575

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Share capital £'000s	Share premium £'000s	Retained earnings £'000s	Other reserves £'000s	Reverse acquisition reserve £'000s	Unissued share capital reserve £'000s	Total £'000s
As at 1 July 2010	1,293	4,534	2,696	29	(4,695)	152	4,009
Profit after tax for the period	-	-	771	-	-	-	771
Share based payments	-	-	-	38	-	-	38
As at 31 December 2010	1,293	4,534	3,467	67	(4,695)	152	4,818
As at 1 July 2010	1,293	4,534	2,696	29	(4,695)	152	4,009
Profit after tax for the year	-	-	3,038	-	-	-	3,038
Issue of share capital	67	66	-	-	-	-	133
Reclassification of equity	15	137	-	-	-	(152)	-
Share based payment	-	-	-	41	-	-	41
As at 30 June 2011	1,375	4,737	5,734	70	(4,695)	-	7,221
As at 1 July 2011	1,375	4,737	5,734	70	(4,695)	-	7,221
Profit after tax for the period	-	-	1,208	-	-	-	1,208
Share based payments	-	-	-	15	-	-	15
As at 31 December 2011	1,375	4,737	6,942	85	(4,695)	-	8,444

- Share capital is the amount subscribed for shares at nominal value.
- Share premium represents the excess of the amount subscribed for share capital over the nominal value net of the share issue expenses.
- Retained earnings represents the cumulative earnings of the Group attributable to equity shareholders.
- Unissued Share capital relate to the shares due to be issued in relation to the acquisition of Netcallidus Limited.
- 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 payments in accordance with International Financial Reporting Standards 2.

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Note	Six months to 31 December 2011 unaudited £'000s	Six months to 31 December 2010 unaudited £'000s	12 months to 30 June 2011 audited £'000s
Cash flow from operating activities	6	1,174	1,164	2,463
Cash generated from operations				
Interest paid		(22)	(10)	(2)
Tax paid		-	-	(478)
Net cash generated from operating activities		1,152	1,154	1,983
Cash flow from investing activities				
Purchase of intangible fixed assets		(520)	(198)	(657)
Purchase of tangible fixed assets		(120)	(56)	(161)
Interest received		4	-	5
Net cash used in investing activities		(636)	(254)	(813)
Cash flows from financing activities				
Loan repayments in period		(170)	(6)	(12)
Share issues		-	-	133
Net cash (consumed)/generated from financing activities		(170)	(6)	121
Increase in cash and cash equivalents		346	894	1,291
Cash and cash equivalents at beginning of period		2,569	1,278	1,278
Cash and cash equivalents at end of period		2,915	2,172	2,569

1. GENERAL INFORMATION

dotDigital Group Plc is a company incorporated in England and Wales and quoted on the AIM market.

2. BASIS OF PREPARATION

These consolidated interim financial accounts have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a historical basis, using the accounting policies which are consistent with those set out in the Group's annual report and accounts for the period ended 30 June 2011. The interim financial information for the six months to 31 December 2011, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 17 February 2012.

The unaudited interim financial information for the period ended 31 December 2011 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 June 2011 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2011, as described in those financial statements.

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

4. FINANCE INCOME

Finance income for the period includes the effect of the elimination of the financial instrument created in relation to the acquisition of Netcallidus Limited in 2010 as required by IFRS 3. The Directors of the Group have elected to apply this to the interim figures as a final settlement in regards to the consideration due to the previous owners of Netcallidus has been agreed and paid. The amount of the adjustment is £1,079,000.

5. EARNINGS PER SHARE

	Six months to 31 December 2011 Unaudited	Six months to 31 December 2010 Unaudited	12 months to 30 June 2011 Audited
Earnings per Ordinary Share			
Basic (pence)	0.44	0.30	1.16
Adjusted (pence)	0.38	0.30	0.78
Diluted (pence)	0.43	0.28	1.10

The profit per ordinary share is based on the Group's profit for the period of Basic: £1,208,000, Adjusted: £1,060,000 (31 December 2010 £771,000, 30 June 2011: Basic: £3,037,820, Adjusted: £2,034,854) Adjusted earnings represents earnings normalised for unique charges and income in the period:

	Six months to 31 December 2011 Unaudited	Six months to 31 December 2010 Unaudited	12 months to 30 June 2011 Audited
Profit attributable to shareholders	1,208	771	3,038
Cost relating to listing on AIM	-	-	120
Impairment of goodwill	931	-	-
Fair value adjustment to financial instruments	(1,079)	-	(1,123)
Profit figure utilised for adjusted EPS	1,060	771	2,035

Diluted weighted average number of shares in issue as follows:

	Six months to 31 December 2011 Unaudited	Six months to 31 December 2010 Unaudited	12 months to 30 June 2011 Audited
Weighted average number			
Basic	274,972,065	258,500,000	261,891,138
Adjusted	274,972,065	258,500,000	261,891,138
Diluted	279,154,323	275,707,317	284,159,360

6. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Six months to 31 December Unaudited 2011 £'000s	Six months to 31 December Unaudited 2010 £'000s	12 months to 30 June Audited 2011 £'000s
Profit before income tax	1,401	1,025	3,312
Adjustments for:			
Depreciation and amortisation	1,164	126	321
Share options	15	38	41
Finance costs	22	10	1
Finance income	(1,083)	-	(1,128)
Increase in receivables	(474)	(408)	(423)
Increase in payables	129	373	339
Net cash from operating activities	1,174	1,164	2,463

7. CALLED UP SHARE CAPITAL

The issued share capital as at 31 December 2011 was 274,972,065 Ordinary Shares of 0.5p per share (30 June 2011: 274,972,065 Ordinary Shares of 0.5p per share as per the audited accounts).

8. SHARE BASED PAYMENTS

The measurement requirements of IFRS2 have been implemented in respect of the share options that were granted after 7 November 2002. The expense recognised for share based payment made during the period is £14,634, (31 Dec 2010: 38,074, 30 Jun 2011: 40,677)

In addition to the options issued up to 30 June 2011, as outlined in the statutory financial statements, the Board of Directors also granted 8,192,000 options to employees of the Group exercisable on or after 1 October 2012 until 31 December 2015. Vesting conditions of the options dictate that the employee must remain part of the Group up to the date they choose to exercise their options to qualify.

9. SEGMENTAL REPORTING

The Group's primary reporting format is business segments and its secondary format is geographical segments. The Group only operates in a single business and geographic 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 the business segment or geographical segment is required.

NOTES TO INTERIM FINANCIAL INFORMATION CONTINUED

10. RELATED PARTY TRANSACTIONS

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

Key management remuneration

Key management includes, Directors, Associate Directors, Members of the Executive Committee and the Company Secretary. The remuneration paid for key management employee services are as follows:

	Six months to 31 December 2011 Unaudited £'000s	Six months to 31 December 2010 Unaudited £'000s	12 months to 30 June 2011 Audited £'000s
Remuneration and other short term benefits	303	285	842
Share based payments	5	2	8
	308	287	850
Directors & Non-Executive Directors			
Aggregate emoluments	263	282	779
Aggregate gains made on exercise of share options	-	-	483
Company contributions to pension scheme	18	14	34
	281	296	1,296

The following transactions were carried out with related parties

Purchase of services

Entities controlled by non-executive directors of the Group:

F Beechinor Collins - Consultancy for International expansion

& channel partner development

N Nelson:

Haggie Financial LLP - Financial PR

Nexus Financial LLP - Financial PR

Hansard Communications Ltd - Financial PR

	30	-	-
	-	5	5
	-	8	21
	15	-	3
	45	13	29

	As at 31 December 2011 Unaudited £'000s	As at 31 December 2010 Unaudited £'000s	As at 30 June 2011 Audited £'000s
Year end balances from sale/purchases of services			
Payables to related parties			
F Beechinor Collins - Consultancy for international expansion & channel partner development	10	-	-
N Nelson:			
Haggie Financial LLP - Financial PR	-	-	-
Nexus Financial LLP - Financial PR	-	3	-
Hansard Communications Ltd - Financial PR	-	-	2
	10	3	2

11. EVENTS SUBSEQUENT TO 31 DECEMBER 2011

As at the date of these statements and the date they were approved by the Board of Directors there were no such events to report.

12. COPIES OF INTERIM FINANCIAL STATEMENTS

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

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dotSurvey was really straightforward and intuitive. There's a clean and tidy interface that really impressed me. The ability to import the website look and feel. It encouraged clients fill in the survey knowing it was official. dotSurvey is a great addition to the dotDigital portfolio, and I'm really happy with the results I've got from it was official. dotSurvey is a great addition to the dotDigital portfolio, and I'm really happy with the results I've got from it!

Peter Lawther
Consumer Credit Counselling Service

COMPANY INFORMATION

DIRECTORS

S Bird
N C P Nelson (Resigned 5 January 2012)
P A Simmonds
I Taylor
G Fidura
R Kellett-Clarke (appointed 13 June 2011)
F Beechinor-Collins (appointed 5 May 2011)
D Pacy (resigned 13 December 2010)

SECRETARY

M Patel

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