INTERIM RESULTS

For the six months ended 31 December 2016

"CONTINUED STRONG PROFITABLE GROWTH"

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Six month key highlights

- Revenue from operations up 17% to £15.0m from £12.9m;
- Profit before tax up 30% to £4.3m from £3.3m;
- Monthly recurring revenue from dotmailer's Software as a Service ("SaaS") based usage charges up 22% to £12.2m;
- Recurring revenues have increased from 78% to 81% of Group revenues;
- Recurring revenue charges from market automation functionality has increased by 71%;
- Earnings per share has increased by 20% to 1.24 pence from 1.04 pence; and
- Strong net cash position of £18.9m as at 31 December 2016.

dotmailer platform

- Over 200 new clients signed in the period including Tombola, Pact, CNBC, Jack Wills, Icelolly, V&A, The Conran Shop and Carpetright; and
- Average monthly recurring spend across all clients has grown by 24% from £525 to £650.

dotmailer's Magento Connector

- Chosen by Magento as the only Platinum Technology Partner for Marketing Automation globally;
- Over 350 active clients now using dotmailer's Magento connector;
- Average recurring spend from clients of £1,400 per month compared to £1,200 in the previous period; and
- Annualised revenues of more than £5.6m now generated from clients using the connector.

International initiatives

- Revenue from the US region grew by 11% to US$2.3m after team restructuring, price changes, indirect channel offering and broadening the sales proposition;
- 139% growth in revenue from APAC to AUS$0.5m, with strong pipeline; and
- 50% growth in revenue from EMEA countries outside of the UK.

INTERIM RESULTS OVERVIEW

As announced in the trading update on 17 January 2017, dotdigital delivered strong profitable growth slightly ahead of management expectations.

dotmailer: Email Marketing and Marketing Automation Software – SaaS Products

The performance from the SaaS product based email marketing platform continues to grow with revenue increasing by 17% for the six-month period to £15.0m (H1 2016: £12.9m) with strong recurring revenue continuing to form a significant part of this total.

Profit before tax grew by 30% to £4.3m (H1 2016: £3.3m) after further investment in building out both the US and Australia. We continued investment into the hybrid cloud infrastructure to both the US and Europe regions. This will assist with future organic growth of the business and provide a scalable solution to the international markets with in region data processing and storage.

Our focus on winning higher value clients, adding additional value to our existing clients through incremental advanced functionality bolt ons, growth in recurring spend from existing clients and improved levels of client retention driven by clients signing up to longer term contracts has led to strong organic growth. Average monthly billing from all clients increased by 24% to £650 (H1 2016: £525).

Revenues from the US region have continued to grow and the US division is now well established with 16 employees and is profitable at the divisional level. The New York sales office maintains its focus on sector niches such as Magento, Salesforce and Microsoft Dynamics connectors. Over the period, the US team was further strengthened to support both channel partnerships and direct sales as well as having a more competitive and focussed proposition in market. It is anticipated that further investment will be made within Sales, Channel and Customer Success teams plus increased spend in Marketing.

We continue to build strong relationships in APAC. We have now successfully created a direct sales and marketing team based in Australia to further enhance growth plus take advantage of the opportunities not only within Australia but the broader Asia Pacific region. Revenue has grown 139% to AUS$0.5m with a strong pipeline in place.

Finally, during the interim period, we successfully opened a development hub in South Africa to complement our teams in the UK and Belarus. As the market in the UK for talented product developers becomes far more competitive, we will continue to look abroad, including in South Africa, to ensure we are able to continue to attract talented employees with a high level of technical knowledge and commercial acumen.

Further Product Innovation

The dotmailer platform continues to evolve to provide higher levels of marketing automation for our eCommerce, B2C and B2B clients by way of our product releases in July and December 2016 including some exciting new capabilities including:

- Team management enhancements for decentralised marketing teams;
- Salesforce connector now new version ready (Lightning);

- PayPal integration for in-email purchase;
- Microsoft Dynamics and Salesforce connectors in the cloud infrastructure for US and Europe;
- Mobile first optimisation of Campaigns;
- Oro CRM connector;
- Further enhancements to Magento 2 connector; and
- Transactional email sending capability.

We continue to see an increase of 71% in incremental recurring revenues by the adoption of our marketing automation and advanced feature add-ons from our clients. This has helped in maintaining strong margins and increasing the proportion of recurring revenues within Group revenue now stands at 81%.

Financial Summary

Balance Sheet & Cash Position

dotdigital continues with its strong cash generation from operations with the interim end net cash balance growing to £18.9m after a total capital expenditure of £1.1m comprising product development of £0.9m and hardware/software upgrades of £0.2m. The Group continues to maintain a healthy balance sheet with gross assets of £33m and no debt.

Dividend Policy

A dividend of 0.43p per ordinary share (an increase of 19% on the prior period) along with a special dividend of 0.41p per ordinary share, was proposed by the Company at the time of its Final Results in October last year, demonstrating a commitment from the Board to deliver value by focusing on total shareholder return. This dividend was approved by shareholders at the Annual General Meeting on 20 December 2016 and paid on 31 January 2017. The Group's dividend policy continues to be that a full review of dividends will be held at the time of the year end, therefore the Board is not proposing an interim dividend.

Current Trading & Outlook

The core business continues to perform strongly and the strategy to continue to invest in the business is delivering pleasing results.

The Group's organic growth strategy continues to be focussed around three main areas:

1. Geographic expansion;
2. Developing strategic partnerships; and
3. Product innovation and features;

In the six months to 31 December 2016, key performance highlights against these areas were:

Geographic Expansion

US

Growth of our US region revenue, which grew by 11% from US$2.1m to US$2.3m started off more slowly than was originally anticipated, however, after a number of changes to structure, product bundles and pricing, sales volumes and pipeline are now moving back in line with expectations.

During the six-month period to 31 December 2016, the Board has carried out a team restructuring to closer reflect the market conditions with a higher emphasis on customer success which has led to increased life time value of clients and reduced cost of acquisition of new clients. The pricing in the US was also changed to closer reflect the competitors operating in the local market, making us more aligned to the requirements of our prospects and customers.

In addition, as part of the overall changes made we have broadened out the proposition in the US to start targeting both the ecommerce and CRM markets through the connectors already built but also the anticipated connectors.

APAC

The operations in Australia (which acts as the hub for broader APAC) has now been established. We continue to build relationships with the key partners that help underpin our indirect channel sales strategy. We have signed our first key partner in Singapore which we expect will help raise brand awareness and result in new client referrals.

A strong sales pipeline has now started to build from these partnerships with revenue from the APAC region growing by 139% to AUS$0.52m from AUS$0.22m. Although this is a promising start, it highlights the length of time it takes to build valuable relationships with the partner channel and sales continue to build albeit somewhat slower than our original expectations.

As we go into the second half of the year, we have introduced a direct sales team which will sell into the Australian market, and as our pipeline continues to grow we expect this to increase sales conversion.

To improve customer experience and respond to partner feedback, we have also built out a Customer Success and Support team within the region because of the significant time zone difference to existing Customer Success and Support teams.

Overall, whilst our business in APAC is still in its early days of growth, we are optimistic about the opportunities within this diverse region and continue to focus on working with our Magento customers and CRM integrations.

EMEA

Revenue from the EMEA region grew by 13% from £11.4m to £12.8m, as a result of new client wins and an increased appetite of our existing customers to purchase more product functionality on an incremental basis.

Within the UK, we successfully carried out the restructuring of our direct sales department from the leadership level downwards. In addition, the Board reviewed pricing and product bundles. As a result of these changes we have already seen a 25% increase in the number of new customers signed compared to the same period last year and an increased pipeline of prospects.

To improve our customer's experience, at the start of this financial year we refocused our Account Management team on long term customer success which has led to higher levels of customer satisfaction and retention, with Net Promoter Scores ("NPS") reaching an all-time high.

As the brand awareness continues to build further into the EMEA market, we are excited to be entering the Nordics region through the partnerships with Magento system integrators and a focused direct sales team. Additionally, through the traction, we have built within South Africa we are launching a self-service model in H2 2017 to take advantage of this opportunity.

Following a review of organic growth opportunities, dotdigital now has a clear and focussed strategy on the key target territories within the EMEA market. This will deliver continued growth in H2 2017 and into 2018.

Developing Strategic Partnerships

The Magento partnership still forms a significant part of our organic growth strategy and we will further invest in the development of the connector and deepening our relationship. We continue to be the only global premier Marketing Automation partner and have over 350 clients using the connector, producing annualised revenues of more than £5.6m. Take up of Magento 2 was slower than expected in 2016 but a good pipeline has been building in Q2 with further growth anticipated in the second half of the year, discussions continue with Magento to promote dotmailer to new Magento users to maximise conversion.

dotmailer has recently partnered with PayPal, the world's largest internet payment provider who has over 7 million ecommerce business users globally. Our integration with PayPal offers our customers the ability to offer a one click purchase in their email campaigns. This is a unique proposition in the market hence it is expected to add value to our mid-market customers. This is in Beta testing and is expected to be launched in March 2017.

As part of the strategy to diversify our connectors within in the Ecommerce and CRM platform space we have formed a strategic partnership with ORO, a new US based global leader in CRM solutions for multi-channel business to business ("B2B"). Currently this integration is in Beta testing with the full launch due later in 2017.

Product Innovation and Features

Key product features released in July and December 2016 included new connectors and integrations that are in Beta testing, further development of our self-service proposition, mobile first enhancement to campaigns, further scalability development for Salesforce and Microsoft Dynamics connectors and transactional email sending capability.

Deployment [is underway] of a new dotmailer platform instance into the US and Europe utilising the latest hybrid-cloud technology, enabling customers a performant hosting environment and data storage that will cater for in-region data privacy requirements. This will allow faster low latency use of the platform in these regions.

A new Support centre and training hub has been implemented to enhance customer experience and drive feature adoption.

Recently the product development team had its annual 'Hackathon', where new ideas and technologies are rapidly developed in a short time frame. New and exciting innovations are being carried out in artificial intelligence and machine learning technology. As we go into the second half of the year we will continue to develop and invest in Artificial Intelligence.

dotdigital's agile product team develop to 4 cycles per annum of formalised and managed releases. Input for prioritisation comes from various sources such as:

- Externally from client and prospects needs and requests;
- Internally from a continuous focus on efficiencies to support dotdigital's growth and scale;
- Commercially from the identification of additional opportunities for technology adoption which, in turn drives recurring revenues;
- Strategically to exploit any potential strategic partnerships/initiatives that will drive value for the business; and
- Connectors that add value and aid diversification to the mid-market proposition in both ecommerce and CRM platforms.

Outlook Summary

The strategy of focussing on fast growing midsize/small enterprise businesses, our connectors and adding value to these clients with our advanced functionality to enhance their marketing strategies has driven average monthly spend up by 24%. This combined with a focus on contracted recurring revenue spend and an improved customer experience has led to improved retention and hence overall higher lifetime customer values, and we expect our CAC/LTV ratio to continue to improve.

The second half of the year sees a clear and focussed strategy in both established and new markets, with a clearly defined product roadmap and diversification of our connectors in both the ecommerce and CRM space.

The Direct Marketing Association's ("DMA") latest research on marketers and brand views on the state of email marketing in the UK suggests that 63% of marketers consider email marketing to be very important for their corporate strategy. Email marketing remains the highest Return on investment ("ROI") of all digital marketing channels with over 50% of marketers having an ROI across all brands of £30 for £1 spent. Over 97% of all email marketers expect their budgets to increase or stay the same next year with 53% of these expecting an increase or significant increase. dotmailer is well placed to benefit from this, and recent concerns over placement of digital adverts on unsuitable websites makes email look one of the safest digital channels.

The Board continues to proactively look at the effects of the GDPR changes that are expected to be adopted and implemented by the European Union countries (including the UK) in May 2018. We continue to carry out gap analysis on any development work that may be required to comply with the new regulation; any work required will be prioritised. James Koons, our Chief Privacy Officer, was recently invited to the round table in Brussels to comment on the new legislative changes and Skip Fidura, our Consultancy director, who also sits on the Board of the Direct Marketing Association is also assisting in the lobbying with the Information Commissioner on the interpretation of this legislation for marketing technology companies.

The growth strategy of the business continues to be primarily focussed on organic growth, however the Board continues to investigate potential acquisition targets. Our strict assessment criteria of creating genuine long term shareholder value with acceptable levels of execution risk remains key to this process. The search has focussed on three key areas:

1. Expanding geographic coverage;
2. Consolidation of smaller email service providers; and
3. Adjacent technologies which add to the multichannel marketing and customer engagement capabilities of the dotmailer platform.

Based on dotdigital's strong performance at the half year to 31 December 2016, the continued demand for marketing automation, the newly released product features and connectors and our investment strategy for further expansion into international markets, the Board remains confident of continuing to deliver strong growth, underlying profitability and increasing shareholder value the remainder of this financial year in line with market expectation.

dotdigital Group Plc

Consolidated Income Statement
For the six months ended 31 December 2016

	note	6 months to 31 Dec 2016 Unaudited £'000s	6 months to 31 Dec 2015 Unaudited £'000s	12 months to 30 June 2016 Audited £'000s
Continuing operations				
Revenue	*4*	14,983	12,851	26,926
Cost of sales		(1,955)	(1,358)	(3,395)
Gross profit	*4*	13,028	11,493	23,531
Administrative expenses		(8,760)	(8,204)	(17,367)
Operating profit		**4,268**	**3,289**	**6,164**
Finance income		14	24	51
Profit before income tax		**4,282**	**3,313**	**6,215**
Income tax expense		(627)	(319)	(847)
Profit for the period attributable to the owners of the parent		**3,655**	**2,994**	**5,368**
Earnings per share from continuing operations				
(pence per share)				
Basic	*6*	1.24	1.04	1.83
Diluted	*6*	1.23	1.03	1.83

dotdigital Group Plc

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2016

	note	6 months to 31 Dec 2016 Unaudited £'000s	6 months to 31 Dec 2015 Unaudited £'000s	12 months to 30 June 2016 Audited £'000s
Profit for the period		3,655	2,994	5,368
Other comprehensive income				
Items that may be subsequently reclassified to profit and loss:				
Exchange differences on translating foreign operations		(28)	(26)	11
Total comprehensive income attributable to:				
Owners of the parent	*4*	**3,627**	**2,968**	**5,379**

dotdigital Group Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2016

	Note	As at 31 Dec 2016 Unaudited £'000s	As at 31 Dec 2015 Unaudited £'000s	As at 30 June 2016 Audited £'000s
Assets				
Non-current assets				
Goodwill		609	609	609
Intangible assets		3,712	3,608	3,684
Property, plant and equipment		1,267	1,144	1,142
		5,588	5,361	5,435
Current assets				
Trade and other receivables		8,504	5,213	6,206
Cash and cash equivalents		18,928	14,813	17,313
		27,432	20,026	23,519
Total assets	*4*	**33,020**	**25,387**	**28,954**
Equity attributable to the owners of the parent				
Called up share capital	*8*	1,478	1,471	1,473
Share premium		6,138	6,045	6,138
Reverse acquisition reserve		(4,695)	(4,695)	(4,695)
Other reserves		231	26	174
Retranslation reserve		(20)	(29)	8
Retained earnings		24,293	19,291	20,611
Total equity		**27,425**	**22,109**	**23,709**

dotdigital Group Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2016

	note	As at 31 Dec 2016 Unaudited £'000s	As at 31 Dec 2015 Unaudited £'000s	As at 30 June 2016 Audited £'000s
Liabilities				
Non-current liabilities				
Deferred tax		687	582	716
		687	582	716
Current liabilities				
Trade and other payables		4,230	2,575	4,151
Current tax payable		678	121	378
		4,908	2,696	4,529
Total liabilities		**5,595**	**3,278**	**5,245**
Total equity and liabilities		**33,020**	**25,387**	**28,954**

dotdigital Group Plc

Consolidated Statement of Changes in Equity
For the six months ended 31 December 2016

	Share capital	Share premium	Retained earnings	Other reserves	Reverse acquisition reserve	Re-translation Reserve	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 July 2015	1,435	5,382	16,297	(25)	(4,695)	(3)	18,391
Profit for the period	-	-	2,994	-	-	-	2,994
Dividends	-	-	-	-	-	-	-
Issue of share capital	36	663	-	-	-	-	699
Retranslation reserve	-	-	-	-	-	(26)	(26)
Share based payments	-	-	-	51	-	-	51
As at 31 December 2015	**1,471**	**6,045**	**19,291**	**26**	**(4,695)**	**(29)**	**22,109**
As at 1 January 2016	1,471	6,045	19,291	26	(4,695)	(29)	22,109
Profit for the period	-	-	2,374	-	-	-	2,374
Dividends	-	-	(1,054)	-	-	-	(1,054)
Issue of share capital	2	93	-	-	-	-	95
Retranslation reserve	-	-	-	-	-	37	37
Share based payments	-	-	-	148	-	-	148
As at 30 June 2016	**1,473**	**6,138**	**20,611**	**174**	**(4,695)**	**8**	**23,709**
As at 1 July 2016	1,473	6,138	20,611	174	(4,695)	8	23,709
Profit for the period	-	-	3,655	-	-	-	3,655
Dividends	-	-	-	-	-	-	-
Retranslation reserve	-	-	-	-	-	(28)	(28)
Issue of share capital	5	-	-	-	-	-	5
Reserve transfer	-	-	27	(27)	-	-	-
Share based payments	-	-	-	84	-	-	84
As at 31 December 2016	**1,478**	**6,138**	**24,293**	**231**	**(4,695)**	**(20)**	**27,425**

- 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.
- 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 Standard 2.
- Retranslation reserve relates to the retranslation of a foreign subsidiary into the functional currency of the Group.

dotdigital Group Plc

Consolidated Statement of Cash Flows
For the six months ended 31 December 2016

	note	6 months to 31 Dec 2016 Unaudited £'000s	6 months to 31 Dec 2015 Unaudited £'000s	12 months to 30 June 2016 Audited £'000s
Cash flow from operating activities	*7*	**3,113**	**3,539**	**7,997**
Tax paid		(420)	(197)	(335)
Net cash generated from operating activities		**2,693**	**3,342**	**7,662**
Cash flow from investing activities				
Purchase of intangible fixed assets		(964)	(812)	(1,570)
Purchase of tangible fixed assets		(128)	(280)	(502)
Interest received		14	24	51
Net cash used in investing activities		**(1,078)**	**(1,068)**	**(2,021)**
Cash flows from financing activities				
Equity dividends paid		-	-	(1,054)
Share issue		-	607	794
Net cash generated from financing activities		**-**	**607**	**(260)**
Increase in cash and cash equivalents		1,615	2,881	5,381
Cash and cash equivalents at beginning of period		17,313	11,932	11,932
Cash and cash equivalents at end of period.		**18,928**	**14,813**	**17,313**

1. GENERAL INFORMATION

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

2. BASIS OF INFORMATION

These consolidated interim financial 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 year ended 30 June 2016. The interim financial information for the six months to 31 December 2016, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 21 February 2017.

The unaudited interim financial information for the period ended 31 December 2016 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 2016 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 2016, 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. SEGMENTAL REPORTING

The Group's single line of business is the provision of web based marketing services. The chief operating decision maker considers the Group's only reportable segment to be by geographical location this being UK, US and rest of the world("RoW") operations are shown below:

	6 months to 31 December 2016			
	UK Operations	US Operations	RoW Operations	Total
	£'000s	£'000s	£'000s	£'000s
Income statement				
Revenue	11,747	1,839	1,397	14,983
Gross profit	10,273	1,554	1,201	13,028
Profit before income tax	2,852	512	918	4,282
Total comprehensive income attributable to the owners of the parent	2,360	356	911	3,627

4. SEGMENTAL REPORTING (cont…)

	UK Operations £'000s	US Operations £'000s	RoW Operations £'000s	Total £'000s
Financial position				
Total assets	31,119	1,483	418	33,020
Net current assets	21,109	1,099	316	22,524

	6 months to 31 December 2015			
	UK Operations £'000s	US Operations £'000s	RoW Operations £'000s	Total £'000s
Income statement				
Revenue	10,757	1,355	739	12,851
Gross profit	9,680	1,330	483	11,493
Profit before income tax	2,775	329	209	3,313
Total comprehensive income attributable to the owners of the parent	2,456	329	183	2,968
Financial position				
Total assets	24,198	1,189	-	25,387
Net current assets	17,038	292	-	17,330

4. SEGMENTAL REPORTING (cont…)

	12 months to 30 June 2016			
	UK Operations £'000s	US Operations £'000s	RoW Operations £'000s	Total £'000s
Income statement				
Revenue	22,056	3,022	1,848	26,926
Gross profit	19,298	2,565	1,668	23,531
Profit before income tax	4,244	504	1,467	6,215
Total comprehensive income attributable to the owners of the parent	3,398	539	1,442	5,379
Financial position				
Total assets	27,410	1,014	530	28,954
Net current assets	17,791	756	443	18,990

5. DIVIDENDS

The proposed dividend of £2,477,272 for the year ended 30 June 2016 of 0.84p per share was paid on 31 January 2017.

6. EARNINGS PER SHARE

	6 months to 31 Dec 2016 Unaudited	6 months to 31 Dec 2015 Unaudited	12 months to 30 June 2016 Audited
Continuing operations			
Earnings per Ordinary share:			
Basic (pence)	1.24	1.04	1.83
Diluted (pence)	1.23	1.03	1.83

	6 months to 31 Dec 2016 Unaudited £'000s	6 months to 31 Dec 2015 Unaudited £'000s	12 months to 30 June 2016 Audited £'000s
Profit for the period from continuing operations for the purpose of basic earnings per share excluding discontinued operations	**3,655**	**2,994**	**5,368**

Weighted average number of shares in issue as follows:

	6 months to 31 Dec 2016 Unaudited	6 months to 31 Dec 2015 Unaudited	12 months to 30 June 2016 Audited
Weighted average number			
Basic	294,981,963	288,046,571	293,095,257
Diluted	296,251,618	290,951,657	294,072,812

7. RECONCILIATION OF PROFIT BEFORE CORPORATION TAX TO NET CASH GENERATED FROM OPERATIONS

	6 months to 31 Dec 2016 Unaudited £'000s	6 months to 31 Dec 2015 Unaudited £'000s	12 months to 30 June 2016 Audited £'000s
Profit before income tax from all operations	**4,282**	**3,313**	**6,215**
Adjustments for:			
Depreciation and amortisation	1,003	879	1,787
Share based payments	84	51	199
Unpaid share capital	5	-	-
Finance income	(14)	(24)	(51)
Currency revaluation	(28)	(26)	11
Decrease/(Increase) in trade and other receivables	(2,298)	114	(878)
Increase/(Decrease) in trade and other payables	79	(768)	714
Net cash from operations	**3,113**	**3,539**	**7,997**

8. CALLED UP SHARE CAPITAL

During the period ended 31 December 2016, 788,696 Ordinary Shares of £0.005 per share (31 December 2015: 7,182,724 Ordinary Shares of £0.005 per share, 30 June 2016: 7,782,724 Ordinary Shares of £0.005 per share) were issued.

The issued share capital as at 31 December 2016 was 295,573,485 Ordinary Shares of £0.005 per share (31 December 2015: 294,184,789 Ordinary Shares of £0.005 per share, 30 June 2016: 294,784,789 Ordinary Shares of £0.005 per share as per the audited accounts).

9. RETAINED EARNINGS

In the 6 months to December 2014, 285,000 £0.005 Ordinary Shares with an aggregate nominal value of £1,425 were purchased and are held in treasury. A further 375,000 £0.005 Ordinary Shares with an aggregate value of£1,875 were purchased in the 6 months to 30 June 2015 and are held in treasury. As a result, 660,000 Ordinary shares are now held in treasury and distributable reserves have been reduced by £212,475, being the consideration paid for these shares.

10. RELATED PARTY NOTE

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 include Directors and non-executive Directors

The remuneration paid for key management for employee services are as follows:

	6 months to 31 Dec 2016 Unaudited £'000s	6 months to 31 Dec 2015 Unaudited £'000s	12 months to 30 June 2016 Audited £'000s
Remuneration and other short term benefits	301	368	858
Ex-gratia payment	-	-	137
Share based payments	-	9	114
Pension cost	24	22	46
	325	**399**	**1,155**

10. RELATED PARTY NOTE (CONTINUED)

	6 months to 31 Dec 2016 Unaudited £'000s	6 months to 31 Dec 2015 Unaudited £'000s	12 months to 30 June 2016 Audited £'000s
The following transactions were carried out with related parties			
Sale of services			
Entities controlled by non - executive director of the Group:			
Cloudcall - Email marketing services	10	-	-
Cadence Performance Ltd - Email marketing services	1	2	2
	11	**2**	**2**
Year end balances arising from the sale of services			
Entities controlled by non-executive directors of the Group:			
Cloudcall - Email marketing services	1	-	-
	1	**-**	**-**

11. SUBSEQUENT EVENTS TO 31 DECEMBER 2016

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.

Copies of this interim statement are available form the Company at its registered office at, No 1 London Bridge London, SE1 9BG. The interim financial information document will also be available on the Company's website www.dotdigitalgroup.com.