

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action to be taken you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000, as amended, if you are in the United Kingdom or, if not, another appropriately authorised independent financial adviser.**

If you have sold or transferred all of your Ordinary Shares in dotDigital Group plc, please send this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold part only of your holding of Ordinary Shares in dotDigital Group plc, you should retain this document.

Application will be made for the entire issued ordinary share capital of dotDigital Group plc to be admitted to trading on the AIM market of London Stock Exchange plc ("AIM"). It is expected that Admission will become effective, and dealings in the Ordinary Shares will commence, on 28 March 2011.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies published by London Stock Exchange plc (the "AIM Rules"), to have a nominated adviser. The nominated adviser is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. London Stock Exchange plc has not itself examined or approved the contents of this document.**

The Directors, whose names appear on page 4 of this document, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

A copy of this document, which is drawn up as an admission document in accordance with the AIM Rules, has been issued in connection with the application for admission to trading on AIM of the issued ordinary share capital of dotDigital Group plc. This document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly, this document does not constitute a prospectus for the purposes of FSMA and the Prospectus Rules and has not been pre-approved by the FSA pursuant to section 85 of FSMA. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Zeus Capital Limited, 3 Ralli Courts, West Riverside, Manchester M3 5FT and the registered office of the Company, dotDigital Group plc, Finsgate, 5-7 Cranwood Street, London, EC1V 9EE from the date of this document until one month from the date of Admission in accordance with the AIM Rules.

The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document should be read as a whole. Your attention is drawn to the letter from the Chief Executive which is set out in Part I of this document, the Risk Factors set out in Part II of this document and the information in Parts III and IV of this document.

---

## **DOTDIGITAL GROUP PLC**

*(Incorporated and registered in England and Wales with registered number 06289659)*

### **Withdrawal of the Ordinary Shares from trading on PLUS**

**and**

### **Admission of the Ordinary Shares to trading on AIM**

### **Nominated Adviser and Broker - Zeus Capital Limited**

---

#### **SHARE CAPITAL AT THE DATE OF THIS DOCUMENT AND AT ADMISSION**

<b>Current and as expected at Admission</b>	<i>Issued and fully paid</i>	
	<i>Number</i>	<i>Amount</i>
<i>Ordinary shares of 0.5p</i>	266,638,732	£1,333,193

Zeus Capital Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to dotDigital Group plc and is acting for no-one else in connection with the Admission and will not be responsible to anyone other than dotDigital Group plc for providing the protections afforded to clients of Zeus Capital Limited nor for providing advice in connection with the Admission or any other matter referred to herein. Zeus Capital Limited has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Zeus Capital Limited for the accuracy of any information or opinions contained in this document or for the omission of any information.

Apart from the responsibilities and liabilities, if any, which may be imposed on Zeus Capital Limited by the Financial Services and Markets Act 2000, Zeus Capital Limited accepts no responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with dotDigital Group plc or the Admission. Zeus Capital Limited accordingly disclaims all and any liability (whether arising in tort, delict, under contract or otherwise) (save as referred to above), which it might otherwise have in respect of this document or such statement.

This document does not constitute an offer to sell or an invitation to subscribe for, or solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer, invitation or solicitation. In particular, this document must not be taken, transmitted, distributed or sent, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or transmitted, distributed or sent to, or by, any national, resident or citizen of such countries. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly, in, or into, the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or in any other country, territory or possession where to do so may contravene local securities laws or regulations. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America, any province or territory of Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa and they may not be offered or sold, directly or indirectly, within the United States of America or Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to or for the account or benefit of any national, citizen or resident of the United States of America, Canada, Australia, Japan, the Republic of Ireland or the Republic of South Africa or to any US person (within the definition of Regulation S made under the United States Securities Act 1933 (as amended)).

The distribution of this document outside the UK may be restricted by law. No action has been taken by dotDigital Group plc or Zeus Capital Limited that would permit a public offer of shares in dotDigital Group plc or possession of this document where action for that purpose is required. Persons outside the UK who come into possession of this document should inform themselves about the distribution of this document in their particular jurisdiction. Failure to comply with those restrictions may constitute a violation of the securities laws of such jurisdictions.

#### **FORWARD-LOOKING STATEMENTS**

Certain statements contained herein constitute forward-looking statements. The forward-looking statements contained herein include statements about the expected effects of the Admission, the expected timing of the Admission and other statements other than in relation to historical facts. Forward-looking statements including, without limitation, statements typically containing words such as “intends”, “anticipates”, “targets”, “estimates”, “believes”, “should”, “plans”, “will”, “expects” and similar expressions or statements that are not historical facts are intended to identify those expressions or statements as forward-looking statements. The statements are based on the current expectations of dotDigital plc and are naturally subject to uncertainty and changes in circumstances. By their nature, forward-looking statements involve risk and uncertainty and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. There are also a number of other factors that could cause actual results or developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, local and global political and economic conditions, interest rate fluctuations (including those from any potential credit rating decline) and legal or regulatory developments and changes. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements.

Neither dotDigital Group plc nor Zeus Capital Limited nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied by any forward-looking statements contained herein will actually occur. Other than in accordance with their legal or regulatory obligations (including under the AIM Rules, the Disclosure and Transparency Rules of the Financial Services Authority and the City Code on Takeovers and Mergers), neither dotDigital Group plc nor Zeus Capital Limited is under any obligation and each of them expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

## CONTENTS

	<b>Page</b>
Directors, Secretary and Advisers	4
Definitions	5
Expected Timetable of Principal Events	7
Key Statistics	7
<b>Part I</b> Letter from the Chief Executive	8
<b>Part II</b> Risk Factors	16
<b>Part III</b> Section A: Accountant's Report on dotDigital Group plc	20
Section B: Interim Results for dotDigital Group plc	56
<b>Part IV</b> Additional Information	65

## **DIRECTORS, SECRETARY AND ADVISERS**

Directors	Peter Anthony Simmonds FCCA (Chief Executive and Finance Director) Simon Christopher Bird (Chief Technical Officer) Ian Rhys Taylor (Chief Operating Officer) Gordon Nelson Fidura (Client Services Director) Nicholas Christian Paul Nelson (Non-Executive Director)
Company Secretary and Group Financial Controller	Milan Patel, ACCA, ACSI
Registered Office	Finsgate 5-7 Cranwood Street London EC1V 9EE
Nominated Adviser and Broker	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT
Reporting Accountants and Auditors	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Solicitors to the Company	BPE Solicitors LLP St James House St James Square Cheltenham GL50 3PR
Registrars	Share Registrars Limited Suite E First Floor 9 Lion and Lamb Yard Farnham Surrey GU9 7LL
Financial PR	Hansard Communications Limited 14 Kinnerton Place South London SW1X 8EH

## DEFINITIONS

In this Document, where the context permits, the terms set out below shall have the following meanings:

“the Act”	Companies Act 2006
“Active User”	a user of the dotMailer email marketing platform that used the system and was labelled for use in the current month
“Admission”	admission of the Ordinary Shares to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules
“Admission Document” or “Document”	this document dated 14 March 2011
“AIM”	a market operated by London Stock Exchange plc
“AIM Rules”	the AIM Rules for Companies published by London Stock Exchange plc from time to time (including, without limitation, any guidance notes or statements of practise) which govern the rules and responsibilities of companies whose share are admitted to trading to AIM
“City Code” or “Takeover Code”	the City Code on Takeovers and Mergers
“Company”	dotDigital Group plc
“Corporate Governance Code”	the UK Corporate Governance Code published in May 2010 by the Financial Reporting Council
“CREST”	the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument, administered by Euroclear UK & Ireland Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time
“Directors” or “Board”	the directors of the Company at the date of this Document, whose names are set out on page 4 of this Document
“dotMailer”	dotMailer Limited, a company incorporated in England and Wales with registered number 03762341
“FSA”	Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group” or “dotDigital”	the Company and its subsidiaries
“ISP”	internet service provider
“London Stock Exchange”	London Stock Exchange plc
“Netcallidus”	Netcallidus Limited, a company incorporated in England and Wales with registered number 06751886
“Official List”	the Official List of the UK Listing Authority

“Options”	the options to subscribe for Ordinary Shares which have been granted by the Company to the Optionholders
“Optionholders”	the employees of the Company (including Directors) and other third parties who hold Options
“Ordinary Shares”	ordinary shares of 0.5 p each in the share capital of the Company
“Panel”	the Panel on Takeovers and Mergers, the regulatory body that administers the City Code
“Plan”	the Enterprise Management Incentive Share Option Plan established by the Company, further details of which are set out in paragraph 7 of Part IV of this Document.
“PLUS”	the PLUS-quoted market operated by PLUS Markets plc
“RIS”	Regulatory Information Service
“Shareholders”	holders of Ordinary Shares
“Prospectus Rules”	the Prospectus Rules made by the FSA pursuant to sections 734(A)(1) and 3 of FSMA, as defined in section 417(1) of FSMA
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FSA, acting in its capacity as the competent authority for the purposes of Part 8 of FSMA
“Zeus Capital”	Zeus Capital Limited, a company incorporated in England and Wales with registered Number 04417845

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2011

Admission Document publication date	14 March 2011
Withdrawal of Ordinary Shares from trading on PLUS	4.30 p.m. on 25 March 2011
Admission to AIM and commencement of dealings in the Ordinary Shares	8.00 a.m. on 28 March 2011

### Notes:

1. References to time in this document are to London time. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.
2. The timing of events in the above timetable is indicative only.

## KEY STATISTICS

### Share Capital

Total number of Ordinary Shares	266,638,732
---------------------------------	-------------

### Upon Admission

Total number of Ordinary Shares in issue immediately following Admission	266,638,732
Market capitalisation of the Company following Admission*	£18,998,009
ISIN	GB00B3W40C23
EPIC	DOTD

\*Based on the middle market price of 7.125 p per Ordinary Share quoted on PLUS at the close of business on 11 March 2011, being the latest practicable date prior to publication of this Document.

## PART I – LETTER FROM THE CHIEF EXECUTIVE

# dotDigital Group plc

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 06289659)*

Directors:

Peter Simmonds (Chief Executive and Finance Director)  
Simon Christopher Bird (Chief Technical Officer)  
Ian Taylor (Chief Operating Officer)  
Gordon Nelson Fidura (Client Services Director)  
Nicholas Christian Paul Nelson (Non-Exec Director)

Registered Office:

Finsgate  
5-7 Cranwood Street  
London  
EC1V 9EE

14 March 2011

*To the holders of Ordinary Shares and, for information only, to Optionholders*

Dear Shareholders,

### **1. Introduction**

The Company specialises in the development of digital marketing technology and the provision of digital marketing services to over 3,500 clients. The technology and services are principally focused on the areas of email marketing, search engine optimisation, ecommerce and website design and managed services.

The Company was originally admitted to trading on PLUS in September 2007 and dotMailer was acquired in February 2009 through a reverse takeover. At the time of the reverse, the management of dotMailer viewed the PLUS listing as providing not only an opportunity to widen and strengthen the shareholder base and to implement certain disciplines required by a public company but also a strengthened negotiating position when exploring acquisition targets. On 18 May 2010, the Company successfully acquired a search engine marketing company, Netcallidus, which included a share element in the consideration.

With its position as a public company established, the Directors believe that additional advantages can be achieved through a move to AIM; notably in the areas of shareholder liquidity, visibility of the business within its industry and more general acceptance of its shares as the Company seeks additional acquisitions.

Under the AIM Rules, prior to Admission the Company is required to publish this Admission Document which provides Shareholders with details concerning the withdrawal of the Ordinary Shares from trading on PLUS upon the close of business on 25 March 2011 and the admission of the Ordinary Shares to trading on AIM at 8.00am on 28 March 2011.

Shareholders are asked to read the whole of this Document and not just rely on the information contained in this letter. Particular consideration should be given to the “Risk Factors” set out in Part II of this Document. Your attention is also drawn to the information set out in Parts III and IV of this Document.



## **2. Information on the Company**

### **Overview**

The Group's business was incorporated in 1999 by two of the current Directors, Ian Taylor and Simon Bird, to provide bespoke website design and development services through Ellipsis Media Limited ("Ellipsis").

In April 2008, following the increasing focus towards email marketing, Ellipsis underwent a rebranding and become known as dotMailer. dotMailer was acquired in January 2009 (through the reverse takeover) by West End Ventures plc which changed its name to dotDigital Group plc at the time of such acquisition.

Today, the Group is a digital marketing technology and services specialist with over 3,500 clients, generating revenues from:

- email marketing;
- search engine optimisation;
- ecommerce;
- website design; and
- managed services.

Since the mainstream introduction of email and other internet based communication, there has been a growing trend amongst companies to advertise, market and sell their products and services via the internet. In some cases, this internet based marketing and commerce is displacing traditional routes to market and it has become the norm for trading companies to have an internet presence.

The Directors believe that the market for the Company's products remains buoyant and strong brand awareness, combined with customer testimonials and increased marketing activity, has positioned the Company to continue to increase its client base. The Directors believe in building and maintaining a strong brand presence combined with direct contact with its present and future customers. Accordingly, the Company invests in a presence at internet trade shows and believes in the importance of maintaining a personal approach via a network of branch offices within the UK.

The Group has offices in Croydon, London Bridge, Manchester, Northampton, Edinburgh and Minsk and employs a total of 135 staff as at the date of this Document.

### **Products and services**

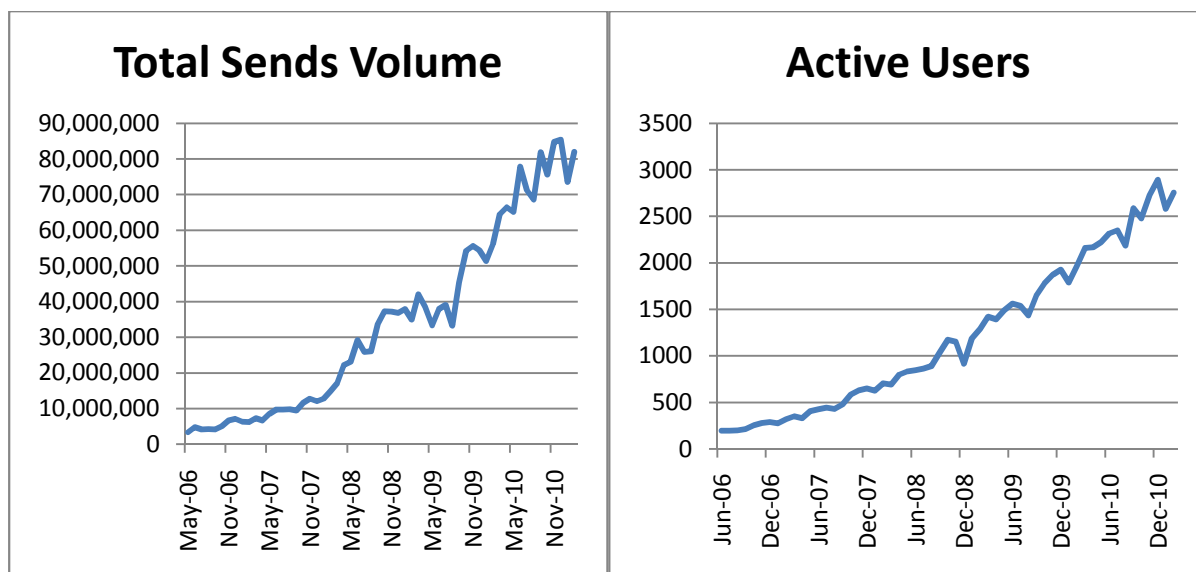
The Company's products and services are delivered through:

#### ***dotMailer***

dotMailer is an internet based self service platform, which enables organisations to create and send email based communications to their clients and prospects. Clients are then able to analyse the effectiveness of those communications. The service has been adopted by a wide range of companies and other corporate bodies across industry including; The Capita Group plc, DHL International GmbH, Kodak Limited, Fortis, Nationwide Building Society and Jimmy Choo Limited.

dotMailer's customers also include other marketing and advertising agencies which sub-contract their email marketing functions to dotMailer. In addition, services are also provided to a number of charities.

The diagrams set out below show the growth in total sends volume, being the total number of emails sent by the Group on a monthly basis and the growth in Active Users, being companies and organisations that have used the dotMailer platform since June 2006.



### *dotCommerce*

dotCommerce provides flexible ecommerce solutions for online businesses. Online shopping has become a readily accepted method of buying goods and services. The Directors believe that significant capacity still exists in the growth of the online shopping industry and in the improvement and usability of the many existing e-commerce websites currently in use.

The Directors believe that, through a combination of the Company’s technology, its proactive sales team, cross selling to existing dotMailer clients and search engine marketing, dotCommerce will continue to grow its market share.

### *dotSEO and Netcallidus*

dotSEO was established by the Company in 2009 and recruited a search optimisation team to deliver SEO services to new and existing clients. The Company took the view that its ecommerce customers, having invested in online shopping sites, would require that these sites moved up the Google search rankings.

The Company subsequently acquired Netcallidus on 17 May 2010 in order to expand the dotSEO offering.

Netcallidus is a Northamptonshire based digital marketing agency which provides search engine marketing services to SME’s throughout the UK. Netcallidus has provided the Group with the opportunity to cross sell additional search engine marketing services to the existing dotDigital client base.

It is the Directors’ intention to integrate the dotSEO and Netcallidus businesses to create a new brand, dotSearch, which will become the Group’s search engine optimisation offering.

### *dotAgency*

dotAgency provides bespoke website solutions to the Group’s existing clients.

### **Product Development**

The Directors remain committed to the delivery of products with recurring revenues and scalability.

The Group is currently focused on developing new features and enhanced usability for its email marketing product, dotMailer. The new version of dotMailer, launched in beta version in February 2011, has been well received at a recent trade show.

Future product development will also include a new survey tool and a Software as a Service (“Saas”) version of dotCommerce.

## IT Infrastructure

The Group's IT infrastructure is important in both providing reliable services and products to customers and also providing the platform for the Company's product development.

In order to ensure the Company is positioned to service future growth opportunities the Directors intend to further develop and improve its IT infrastructure. The IT plan includes:

- Ensuring future scalability through the use of latest blade server technology;
- Reducing environmental impact by selecting low power consumption hardware;
- Increasing resilience by eliminating single points of failure and implementing mirroring technology; and
- Extensive security audits, including external penetration.

### 3. The Digital Marketing Market

Digital marketing is a fast growing area of the advertising market, as spend increasingly migrates towards internet marketing and away from traditional forms such as radio, television and newspapers. This increase is driven by the rapid escalation of the internet, which has resulted in people spending more time online.

Recent market research shows that in 2009, whilst the overall UK spend on advertising declined, online advertising increased to £3.5bn, with the proportion of online advertising of total advertising having grown from 5% to 20% over the last four years.

The Group is currently focused on the following three areas in this market; email marketing, ecommerce and search marketing.

Email marketing involves the transmission of marketing messages, including newsletters, press releases and other material, issued by commercial organisations to those who have given consent to receive such messages. Responses can be directed to clients' interactive websites, where automated systems handle enquiries and orders and analyse the responses.

According to a report published in 2010 by E-consultancy.com Limited, the UK market for email marketing was worth £292 million in 2009 and was estimated to grow 15% to a value of £336 million by the end of 2010. The report states that: *"...companies are investing in email more than they ever have, because they increasingly understand the economic sense of marketing to customers and prospects within their own databases. As the industry matures, marketers have been able to justify greater investment, with email marketing becoming an integral part of the broader marketing mix."*

dotCommerce provides businesses with an ecommerce platform that facilitates the selling of products or services over the internet.

Ecommerce is growing as a greater proportion of people's money is spent online. It is predicted that £1 in every £10 will be spent online by 2012 with £1 in every £5 spent online by 2020 and this in turn will increase demand of software to support this activity.

The Directors believe that, through a combination of the Company's technology and its proactive sales team, the Group will continue to grow its market share in the provision of ecommerce solutions.

Search marketing is a form of internet marketing that seeks to promote websites by increasing their visibility in search engine result pages through the use of search engine optimisation, paid placement, contextual advertising, and paid inclusion.

The proportion of companies planning to increase search engine optimisation spend over the next 12 months has increased from 55% in 2009 to 60% in 2010 as internet rankings become an increasingly important part of a company's marketing strategy.

The Directors believe that the proposed launch of its new brand, dotSearch, will enable the Group to take advantage of this growing segment of the market and also provide an additional service to its existing clients.

The Directors also recognise that the mobile and social networking segments of the digital marketing market are experiencing significant growth and will continue to assess these areas and the revenue opportunities that they present to the Group.

#### **4. Competition**

The digital marketing industry remains a relatively new, fragmented and competitive market place with many companies offering a variety of products and services to improve digital marketing for a wide range of organisations.

The Directors believe that whilst its competitors offer a range of competing products within digital marketing, there are few companies which offer the same suite of products and services that the Group currently provides to its clients.

In each of the areas where the Group operates, the Directors have striven to ensure the Group's products are competitive and provide differential benefits for the target client segments.

#### **5. Summary Financial Information**

The following table shows a summary of the results of the Company for the respective financial periods shown below. This information has been extracted from the financial information on the Company in Part III of this Document.

	<b>Six Months Ended 31 December 2010 £000</b>	<b>Year Ended 30 June 2010 £000</b>	<b>14 Month period ended 30 June 2009 £000</b>
Turnover	4,123	6,014	4,718
Operating Profit	1,035	1,376	1,067
Profit/(Loss) on ordinary activities after taxation	771	1,144	896
Earnings per share (pence)	0.06	0.09	0.14
Earnings per share (pence) post consolidation	0.3	0.45	0.7

#### **6. Business Strategy**

##### *Organic growth strategy*

The Company continues to focus on its own marketing, including search engine optimisation, trade show attendance and social media. Through the implementation of a comprehensive CRM system, the Company has seen high levels of organic growth with client numbers increasing at the rate of on average 100 new clients per month. The Company now has over 3,500 clients.

Training of the sales and account management teams has been taking place resulting in cross selling of other adjacent digital marketing services to the client base which in the opinion of the Directors could result in a significant source of revenue.

### *Acquisition strategy*

The Company intends to identify further acquisition targets which fit with the Board's acquisition criteria of companies with a high proportion of recurring revenue, strong technology and IP and a client base that closely matches the dotMailer profile in order to benefit from cross selling opportunities.

## **7. Current Trading and Future Prospects**

Earlier today, the Company announced its Interim Results for the six months ended 31 December 2010. The Company recorded a 48% growth in revenues up to £4.1 million (2009: £2.8 million) and a 48% growth in profit after tax up to £0.77 million (2009: £0.52 million). The Company continued to be cash generative with net cash inflows from operations of £1.2 million and a cash balance of £2.2 million as at 31 December 2010.

The Interim Results for the six months ended 31 December 2010 are contained in Part III of this Document.

### *Future Prospects*

The Board believes it will continue to deliver growth over the next 18 months by:

- Completing the integration of Netcallidus;
- Evaluating the commercial benefits of international expansion;
- Increasing the resources focused on the Company's own search engine optimisation and business marketing;
- Further expanding the technical development resources focused on the delivery of new products and services which are complementary and adjacent to our existing offerings;
- Continuing to add innovative new features to our existing products;
- Launching an online survey tool known as dotSurvey;
- Launching new features and improving user interface for dotMailer; and
- Beginning development of a SaaS version of dotCommerce with a preliminary launch target in 2012.

## **8. The Board**

The Board comprises the following Directors:

### **Peter Anthony Simmonds FCCA, aged 52 - Chief Executive and Finance Director**

Peter Simmonds commenced his career in 1976 as a trainee accountant with Unilever Plc and has over 25 years of experience at senior management and board level, principally in the areas of banking, insurance, finance, I.T. and outsourcing. He has considerable business entrepreneurial experience having been involved at start up or early stage in a number of companies in various industry sectors including consultancy services, vehicle leasing, computer software and internet solutions sectors.

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

### **Simon Christopher Bird, aged 35 – Chief Technical Officer**

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

**Ian Rhys Taylor, aged 38 – Chief Operating Officer**

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

**Gordon Nelson Fidura, aged 42 – Client Services Director**

Gordon (Skip) Fidura brings to dotDigital extensive global experience and expertise in digital and direct marketing. A Director with Warehouse Marketing Limited since 2006, Skip is also Vice Chairman of the email Marketing Council, part of the Direct Marketing Association in the UK. Prior to joining dotDigital in January 2009 as a senior manager, Skip launched the email Marketing & Digital Dialogue consultancy within OgilvyOne Worldwide in London. Here he grew the consultancy team whilst successfully developing the agency's email and digital practice. Skip has also held senior management roles within Acxiom Digital Impact, a leading global digital marketing solutions agency, becoming Director of European Operations after helping establish the first overseas office in the UK.

**Nicholas Christian Paul Nelson, aged 46, Non-executive Director**

Nicholas is Managing Director designate of Hansard Communications Limited, a financial public relations consultancy. He has worked in corporate communications for ten years prior to which he spent his early career in both market making and stockbroking. Accordingly he has a close working knowledge of the stock market and has assisted on several PLUS and AIM flotations.

*Future Board appointments*

The Board is committed to identifying and appointing an experienced non-executive Chairman in order to assist the Company with its future corporate strategy. A selection process has commenced and the Board look forward to updating Shareholders once a suitable candidate has been appointed.

**9. Share Options**

The Board recognises that the Group's employees are critical to the overall delivery of its business strategy. Every employee that has passed their probationary period is entitled to participate in the Company's employee share option scheme. As at the date of this document the total number of share options outstanding (including Directors) was 20,203,333 representing approximately 7.6 per cent. of the Company.

**10. Corporate Governance and Internal Controls**

The Directors acknowledge the importance of the principles set out in the Corporate Governance Code. Although the Corporate Governance Code is not compulsory for AIM quoted companies, the Directors have applied the principles as far as practicable and appropriate for a relatively small public company as follows:

Your Board currently comprises four executive directors and one non-executive director, although as described above the Board is actively seeking a new non-executive Chairman following the retirement of David Pacy, the former Chairman, in December 2010. Your Board meets regularly to consider strategy, performance, approval of major capital projects and the framework of internal controls. In addition, the executive Directors meet on a weekly basis for operational meetings. 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 and group financial controller, who is responsible for ensuring that the Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. Subject to the terms of the executive Directors' service contracts, Directors are subject to retirement by rotation and re-election by the Shareholders at Annual General Meetings, as required by the Articles of Association, and any Director appointed by the Board shall hold office only until the next Annual General Meeting and shall then be eligible for election.

The Directors have established Audit and Remuneration Committees.

The Audit Committee has Nicholas Nelson as Chairman, and has primary responsibility for monitoring the quality of internal controls ensuring that the financial performance of the Company is properly measured and reported on and reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders. The Audit committee meets at least twice a year. Ian Taylor is the other member of the Audit Committee.

The Remuneration Committee has Nicholas Nelson as Chairman, and will review the performance of the executive directors and determine their terms and conditions of service, including their remuneration and the grant of options, having due regard to the interests of Shareholders. The Remuneration Committee meets no less than once every year. Peter Simmonds is the other member of the Remuneration Committee.

Following the appointment of a non-executive Chairman, the Board will assess the members of the Audit and Remuneration committees and make changes where necessary.

The Directors comply with Rule 21 of the AIM Rules relating to Directors' dealings and there are procedures in place to ensure compliance by the Company's applicable employees. The Company has a share dealing code which is appropriate for an AIM quoted company.

#### **11. Dividend Policy**

It is the Board's intention to achieve capital growth on the strength of continuing to grow the business, investment in new products and identifying further earning enhancing acquisitions. Although the business is cash flow positive the Directors believe that it is inappropriate to propose a dividend during this phase of planned high growth.

#### **12. Orderly Market Arrangements**

The Directors, who hold 132,305,000 Ordinary Shares, representing approximately 49.62 per cent. of the issued share capital of the Company, have entered into orderly market arrangements where they have agreed not to dispose of any Ordinary Shares during the next 12 months without the prior consent of the Company's Nominated Adviser.

#### **13. Risk Factors**

Your attention is drawn to the risk factors set out in Part II of this Document and to the section entitled "Forward Looking Statements" on page 19 of this Document. In addition to all other information set out in this Document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

#### **14. Additional information**

You should read the whole of this Document and not just rely on the information contained in this letter. Your attention is drawn to the information set out in Parts II to IV (inclusive) of this Document.

Yours faithfully

**Peter Simmonds**  
*Chief Executive*

## **PART II**

### **RISK FACTORS**

Before making any investment decision, prospective investors should carefully consider all the information contained in this Document including, in particular, the risk factors described below. Ordinary Shares may not be a suitable investment for all of its recipients. If you are in any doubt about the Ordinary Shares and their suitability for you as an investment, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

In addition to the usual risks associated with an investment in a company, the Board considers that the factors and risks described below are the most significant in relation to an investment in the Company and should be carefully considered, together with all the information contained in this Document, prior to making any investment decision in respect of the Ordinary Shares. The list below is not exhaustive, nor is it an explanation of all the risk factors involved in investing in the Company and nor are the risks set out in any order of priority.

It should be noted that the risks described below are not the only risks faced by the Group and there may be additional risks that the Board currently consider not to be material or of which they are currently not aware.

If any of the events described in the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment. The information set out below is not set out in any order of priority. The Group's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it operates or intends to operate as well as overall global financial conditions.

#### **Risks Specific to the Group**

The following sets out some of the risks relating to Group's business. If any of the following risks occur, the Group's business, financial condition or results of operations could be seriously affected.

#### **Supplier, computer hardware and internet reliability related risks**

The Group rents space for its servers located at hosting centers and purchases bandwidth from service providers in the UK to run the software and services it supplies. Although, it spreads the risk of computer hardware failure across multiple servers in multiple hosting centers and, to date, there have been no significant failures, there is no assurance of continuity of supply. An event resulting in a hosting centre going off-line for any significant period of time or the termination of provision of services by one of those hosting centers for any reason may result in damage to the dotDigital brand and significant loss of revenues which may materially harm the Group's business, operating results and financial condition.

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

#### **ISP reputation related risks**

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

The EU anti-spam regulations and US CAN\_SPAM laws place restrictions on what and when companies are allowed to send marketing emails to consumers. The Group rents the use of its software and servers for clients to upload their own email lists and send their email marketing campaigns. The Group does not own lists or provide third parties' data and is therefore not directly liable for any breaches of the EU or US anti-spam regulations. However, where clients are considered by email recipients to be sending unwanted emails, there is an inherent mechanism within most email clients' to make a complaint against the sender. The level or number of complaints is recorded by the larger ISP's (Hotmail, Yahoo, AOL etc) against the IP address of the server



sending the email; this complaint rate record establishes the reputation of each IP address. An IP address with a poor reputation may not get a high level of delivery of emails.

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

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

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

### **Hacking and Information Security**

Although in opinion of the Directors, sensible precautions such as external penetration testing are in place, and a security manager is employed to mitigate this risk, there is a possible risk that a hacking attack could result in a denial of service, loss of data or unauthorised intrusion or access to systems.

### **Competitive environment**

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

If the Group is unable to compete effectively or it is not as successful as its competitors in its target markets, sales growth could fall short of expectations, margins could decline and it could lose market share, any of which could materially harm its business, operating results and financial condition.

### **Competition**

The Group faces competition from other companies operating within the sector. Increasing competition from existing players and new entrants into the marketplace could lead to erosion of profitability and lower profit margins.

### **Winning new clients and retaining existing clients**

The ability of the Group to continue to deliver growth in revenues is dependent on the availability of key sales and client services staff to help convert new leads and retaining existing clients.

### **Retention of Key Personnel**

The Group depends on the continued contributions of the Group's senior management and other key personnel. The loss of the services of any of these executive officers or other key employees could have a material adverse effect on the Company.

The future success of the Group also depends on its ability to identify, attract and retain highly skilled technical, managerial and sales personnel. The Group faces intense competition for qualified individuals from numerous technology and marketing companies.

## **Clients**

Although the Group's revenue is not heavily dependent on a small number of large clients, the loss of one or more of the larger clients could have a material adverse effect on the Group's profits.

## **Development of products**

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

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

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

Emerging new technologies, e.g. increased features and use of mobile devices, could reduce the dependence of clients on existing services and the revenue from email as a marketing communication medium may decline.

The online search marketing industry is characterised by rapidly changing technology, evolving industry standards, changes to the algorithms by search engines such as Google and rapid emergence of new competitors. The Group's future success will depend on its ability to modify and improve its products and services to respond in a timely and cost effective manner to these constantly changing demands.

## **Economic risk**

The uncertainty of the recovery of the UK economy makes it difficult to forecast accurately the outlook for the current financial year. The online marketing sector continues to outperform traditional advertising and in particular the email marketing and search marketing markets continue to grow significantly above the level of the overall economy. However, if consumer behavior changes and search marketing results are not delivered effectively through the Internet, then there is a risk to future revenues.

## **Political**

The Group faces political risk in Belarus due to the Belarusian Political situation. This could impact on the operation of the Branch Office in Belarus, where work is carried out for Group clients.

## **Overall risk**

It is the director's opinion at this time and for the foreseeable future that there are no risks that could endanger the going concern status of the company. The directors believe that whilst there are individual risks that pose a threat to future growth, none of the risks taken either individually or collectively pose a threat to the continuance of the company.

## **General Risk Factors**

### **Economic, political, judicial, administrative, taxation or other regulatory matters**

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters.

Current and potential investors are strongly recommended to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decision in respect of Ordinary Shares.

## **Forward looking Statements**

All statements other than statements of historical fact included in this Document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to Shareholder returns, dividends or any statements preceded by, followed by or that include the words "targets", "estimates", "envisages", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group's control that could cause the actual results and performance to be materially different from future results and performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future.

These forward looking statements speak only as of the date of this Document. The Group expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained herein to reflect any change in the Group's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

## **Areas of Investment Risk**

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to the Group.

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the UK Listing Authority. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others which are extraneous. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

## **Taxation**

The attention of potential investors is drawn to paragraph 18 of Part IV of this Document headed "Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life.

Any change in the Company's tax status or in taxation legislation or its interpretation could affect the value of the investments held in the Company or the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this Document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change.

**Prospective investors are strongly recommended to consult an investment adviser authorised under FSMA.**

**PART III**

**SECTION A**

**ACCOUNTANT'S REPORT ON DOTDIGITAL GROUP PLC**



Chartered Accountants  
Finsgate 5-7 Cranwood Street  
London EC1V 9EE  
Telephone 020 7309 2222  
Fax 020 7309 2309  
Email [jh@jeffreyshenry.com](mailto:jh@jeffreyshenry.com)  
Website [www.jeffreyshenry.com](http://www.jeffreyshenry.com)

Registered Auditors  
Business Advisors  
Tax Specialists  
Financial Services  
Corporate Recovery  
Accounting Outsourcing  
Corporate Finance

14 March 2011

The Directors  
dotDigital Group Plc  
No. 1 Croydon  
12-16 Adiscombe Road  
East Croydon  
CRO OXT

And

The Directors  
Zeus Capital Limited  
3 Ralli Courts  
West Riverside  
Manchester  
M3 5FT

Dear Sirs,

**dotDigital Group Plc and Subsidiaries (“dotDigital” or “Group”)**

**Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document (the “Admission Document”), dated 14 March 2011 of dotDigital Group Plc (“dotDigital”) on the basis of the accounting policies set out in section 1. This report is required by item 20.1 of Annex 1 of the AIM Rules and for no other purpose. It does not constitute audited statutory accounts.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

## **Basis of preparation**

The financial information set out below is based on the audited consolidated financial statements (“financial statements”) of dotDigital for the year ended 30 April 2008, the fourteen months period to 30 June 2009 and the year ended 30 June 2010 and have been prepared on the basis set out in note 1 below after making such adjustments, as we considered necessary.

## **Responsibilities**

The directors of dotDigital are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with IFRS. It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

## **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

## **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 14 March 2011, a true and fair view of the state of affairs of the Group as at 30 April 2008, 30 June 2009 and 30 June 2010 and of its consolidated comprehensive income statements, consolidated statement of cash flows and consolidated statements of changes in equity for the periods then ended, and has been prepared in accordance with IFRS in a form that is consistent with the accounting policies set out in note 1.

## **Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

The financial information included herein comprises:

- a statement of accounting policies;
- consolidated comprehensive income statements, consolidated statements of financial position, consolidated statements of changes in equity, consolidated statement of cashflows;
- notes to the financial information.

Yours faithfully,

**Jeffreys Henry LLP**

## 1. Accounting policies

### 1.1 General Information

dotDigital Group Plc (“dotDigital”) is a company incorporated in England and Wales and quoted on the PLUS Markets. The address of the registered office is No. 1 Croydon, 12-16 Adiscombe Road, East Croydon, CRO OXT.

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

### 1.2 Basis of preparation

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

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

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

#### **Issued International Financial Reporting Standards (IFRS’s) and interpretations (IFRICs) relevant to the Group’s operations.**

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 July 2009:

- **IAS 1 (Revised) ‘Presentation of financial statements’ (effective from 1 January 2010).** Key changes include the requirement to aggregate information in the financial statements on the basis of shared characteristics, the introduction of a statement of comprehensive income and changes in titles of some of the financial statements.
  - a) Preparers of financial statements will have the option of presenting income and expense and components of other comprehensive income either in a single statement or in two separate statements (a separate income statement followed by a statement of comprehensive income).
  - b) The new titles for the financial statements (for example ‘statement of financial position’ instead of balance sheet) will be used in the accounting standards but are not mandatory for use in financial statements.
  - c) The expected impact is still being assessed in detail by management as the IASB is involved in discussions to examine more fundamental questions about the presentation of information in financial statements.
- **IFRS 3 (Revised), ‘Business combinations’ (effective from 1 July 2009).** The revised standard continues to apply the acquisition method to business combinations, with some significant change. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 July 2009.

The revised standard was applied to the acquisition of the entire interest in Netcallidus Limited on 17 May 2010. This acquisition will occur in stages. The revised standard requires goodwill to be determined only at the acquisition date rather than at the relevant stages consideration is calculated with any gain or loss recorded in the income statement. Contingent

consideration of £3,518,980 has been recognised at fair value on 17 May 2010 and acquisition related costs of £66,163 have been recognised in the consolidated income statement.

**Issued International Financial Reporting Standards (IFRS's) and interpretations (IFRICs) not relevant to Group operations.**

The following interpretations to published standards is mandatory for accounting periods beginning on or after 1 July 2009 but are not relevant to the Group's operations:

- IFRS 2 (Amendment) 'Share based payments' (effective from 1 May 2009).
- IFRS5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).
- IFRS 7 'Financial instruments: Disclosures' and the complementary amendment to IAS1 'Presentation of financial statements – Capital disclosures' (effective 1 January 2010)
- IAS 23 (Revised)'Borrowing costs' (effective 1 May 2009).
- IAS 27 Consolidated and separate financial statements (Amendment) (effective 1 July 2009).
- IAS 32 'Financialinstruments: Presentation' and IAS 1 'Presentation of financial statements Puttable financial instruments and obligations arising on liquidation'
- IAS 39 'Financialinstrument: Recognition and measurement' and IAS 7 'Financial Instruments' – Disclosures regarding reclassification of financial instruments
- IFRIC 13 'Customer loyalty programmes'
- IFRIC 15 'Agreements for the construction of real estates'.
- IFRIC 16 'Hedges of a net investment in a foreign operation'.
- IFRIC 17 'Distributions of non cash assets to owners'.
- IFRIC 18 'Transfer of assets from customers'.

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

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

- IFRS 9 'Financial instruments' (effective from 1January 2013 with early adoption from 2009)
- IFRIC 19 'Extinguishing financial liabilities' (effective from 1 July 2010)
- IASB's 2009 annual improvement project.
- IAS24 (Amendment) 'Related Party transactions'.
- IFRIC 14 (Amendment) 'Prepayment of minimum funding requirement'.

### **1.3 Basis of consolidation & comparatives**

Under IFRS 3 'Business combinations' the acquisition of dotMailer Limited on 30 January 2009 by way of a share exchange has been accounted for as a reverse acquisition. Although the 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 Plc, including the equity instruments issued under the share exchange to effect the business combination;
- A reverse acquisition reserve has been created to enable the presentation of a consolidated balance sheet which combines the equity structure of the legal parent with the non statutory reserves of the legal subsidiary;
- Comparative numbers at 30 April 2008 are based upon the consolidated financial statements of the legal subsidiary, dotMailer Limited apart from the equity structure which reflects that of the parent.

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

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

#### **1.4 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 in the prior period, the consolidated IFRS financial information of dotDigital Group Plc is a continuation of the financial information of dotMailer Limited.

#### **1.5 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, it is probable that the future economic benefits will flow to the entity. The Group bases its estimates on historical results, taking into 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. Revenues from contracts are recognised under the percentage of completion method based on the percentage of services performed to date as a percentage of the total services to be performed.



## 1.6 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.

## 1.7 Intangible assets (other than goodwill)

Intangible assets are recorded as separately identifiable assets and recognised at historical cost less any accumulated amortisation. These assets are amortised over their useful economic lives (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.

## 1.7 Intangible assets (other than goodwill)

- **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 separably 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, this expense is taken to the income statement and useful lives are reviewed on an annual basis. Amortisation is provided commencing from the date the asset is developed to a stage at which the Company can receive economic benefits from the asset

## 1.8 Property, plant and equipment

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

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits 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 is 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	25% on cost
Fixtures and fitting	25% on cost
Computer equipment	25% on cost

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

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

## **1.9 Borrowings**

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

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

## **1.10 Taxation**

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

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

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

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

## **1.11 Research and development**

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

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

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

## 1.12 Operating leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset,

Other leases are operating leases and are not recognised in the Company's statement of financial position 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.

## 1.13 Use of estimates and judgments

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

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

- (a) **Impairment of goodwill**  
The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary.
- (b) **Impairment of intangibles (other than goodwill)**  
Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.
- (c) **Impairment of property, plant and equipment**  
Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of management's assumptions and estimates.
- (d) **Amortisation of intangibles**  
Amortisation is provided so as to write down the assets to their residual values over their estimated useful lives as set out above. The selection of these residual values and estimated lives requires the exercise of management judgment.
- (e) **Depreciation of property, plant and equipment**  
Depreciation is provided so as to write down the assets to their residual values over their estimated useful lives as set out above. The selection of these residual values and estimated lives requires the exercise of management judgment.
- (f) **Share-based compensation**  
The fair value of options and warrants are determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises

the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

**(g) Contingent Consideration**

The future consideration payable to the vendors of Netcallidus in respect to contingent consideration (earnouts) is based on the Directors' best estimates of future obligations which are dependent on the future anticipated profits after tax. It is assumed that the operating improves profits in line with Directors' estimates. When earnouts are to be settled by both cash and equity consideration, the fair value of the consideration is obtained by discounting the amounts expected to be payable in the future to their present value. The Directors' best estimate the future mid-market price of the share to be issued in Ordinary Shares. Reviews of the fair values are undertaken at each period end with any resulting adjustments being made through the Group's Income Statement.

**1.14 Contingent consideration**

Contingent consideration is measured at fair value at the time of the acquisition. If the amount of the contingent consideration changes as a result of a post acquisition event (such as meeting profits target) the accounting for the change in consideration depends on whether the additional consideration is in cash or equity. If it is in equity the original amount is not recalculated but if the change is in cash or other assets the change is recorded in the income statement.

**1.15 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.

**1.16 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'.

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

The assumptions on the expected life of share options, volatility of shares and risk free yield to maturity and expected dividend yield on shares are used in the fair value calculation of the share options outstanding at the year end.

**1.17 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.

### **1.18 Functional currency translation**

- **Functional and presentation currency**

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (functional currency), which is mainly pounds sterling (£) and it is this currency the financial statements are presented in.

- **Transactions and balances**

Foreign currency transactions are translated in to the presentation 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.

### **1.19 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.

### **1.20 Segment reporting**

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

### **1.21 Pension contributions**

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.

## 1. Consolidated Statement of Comprehensive Income

	Notes	Year ended 30 June 2010 £'000	Fourteen months to 30 June 2009 £'000	Year ended 30 April 2008 £'000
<b>Continuing operations</b>				
Revenue	6.1	6,014	4,718	2,474
Administrative expenses	6.4	(4,638)	(3,651)	(1,748)
<b>Profit from operations</b>		<b>1,376</b>	<b>1,067</b>	<b>726</b>
Finance costs	6.3	(2)	(1)	(3)
Finance income	6.3	3	15	24
<b>Profit before income tax</b>	6.4	<b>1,377</b>	<b>1,081</b>	<b>747</b>
Income tax charges	6.5	(233)	(185)	(180)
<b>Profit for the period</b>		<b>1,144</b>	<b>896</b>	<b>567</b>
Profit attributable to: Owners of the parent		1,144	896	567
Earnings per share expressed in pence per share:	6.8			
Basic		0.09 pence	0.14 pence	0.19 pence
Diluted		0.08 pence	0.13 pence	0.19 pence

## 2. Consolidated Statement of Financial Position

	Notes	As at 30 June 2010 £'000	As at 30 June 2009 £'000	As at 30 April 2008 £'000
<b>Assets</b>				
<i>Non-current assets</i>				
Goodwill	<b>6.9</b>	4,121	609	-
Intangible assets	<b>6.10</b>	559	260	12
Property, plant and equipment	<b>6.11</b>	173	119	126
		4,853	988	138
<i>Current assets</i>				
Trade and other receivables	<b>6.12</b>	1,234	654	445
Cash and cash equivalents	<b>6.13</b>	1,278	1,678	684
		2,512	2,332	1,129
<b>Total assets</b>		<b>7,365</b>	<b>3,320</b>	<b>1,267</b>

### 3. Consolidated Statement of Financial Position (Continued)

	Notes	As at 30 June 2010	As at 30 June 2009	As at 30 April 2008
		£'000	£'000	£'000
<b>Equity attributable to the owners of the parent</b>				
Called up share capital	6.14	1,293	1,293	293
Share premium		4,534	4,534	534
Reverse acquisition reserve	6.15	(4,696)	(4,696)	(827)
Other reserves	6.15	29	5	-
Unissued share capital		153	-	-
Retained earnings	6.15	2,696	1,552	776
<b>Total equity</b>		<u>4,009</u>	<u>2,688</u>	<u>776</u>
<b>Liabilities</b>				
<i>Non Current liabilities</i>				
Financial instruments	6.19	2,367	-	-
Interest bearing loans and borrowings	6.17	6	18	-
		<u>2,373</u>	<u>18</u>	<u>-</u>
<i>Current liabilities</i>				
Trade and other payables	6.16	669	417	304
Interest bearing loans and borrowings	6.17	12	12	7
Tax payable		302	185	180
		<u>983</u>	<u>614</u>	<u>491</u>
<b>Total liabilities</b>		<u>3,356</u>	<u>632</u>	<u>491</u>
<b>Total equity and liabilities</b>		<u><u>7,365</u></u>	<u><u>3,320</u></u>	<u><u>1,267</u></u>



#### 4. Consolidated Statements of Changes in Equity

	Share capital £'000	Retained earnings £'000	Share premium £'000	Unissued share capital £'000	Reverse acquisition reserve £'000	Other reserves £'000	Total £'000
<b>Balance at 1 May 2007</b>	-	546	-	-	-	-	546
Issue of share capital	293	-	534	-	-	-	826
Dividends	-	(337)	-	-	-	-	(337)
Total comprehensive Income	-	567	-	-	-	-	567
Reverse acquisition	-	-	-	-	(827)	-	(826)
<b>Balance at 30 April 2008</b>	<b>293</b>	<b>776</b>	<b>534</b>	-	<b>(827)</b>	-	<b>776</b>
Issue of share capital	1,000	-	4,000	-	-	-	5,000
Dividends	-	(119)	-	-	-	-	(119)
Total comprehensive Income	-	896	-	-	-	-	896
Reverse acquisition	-	-	-	-	(3,869)	-	(3,869)
Share option adjustment	-	-	-	-	-	5	5
<b>Balance at 30 June 2009</b>	<b>1,293</b>	<b>1,552</b>	<b>4,534</b>	-	<b>(4,696)</b>	<b>5</b>	<b>2,688</b>
Total comprehensive Income	-	1,144	-	-	-	-	1,144
Share option adjustment	-	-	-	-	-	24	24
Equity on acquisition	-	-	-	153	-	-	153
<b>Balance at 30 June 2010</b>	<b>1,293</b>	<b>2,696</b>	<b>4,534</b>	<b>153</b>	<b>(4,696)</b>	<b>29</b>	<b>4,009</b>

#### **4. Consolidated Statements of Changes in Equity**

- Share capital is the amount subscribed for shares at nominal value.
- Share premium represents the excess of the amount subscribed for share capital over the nominal value of the net of share issue expenses.
- Retained earnings represent the cumulative earnings of the Group attributable to equity shareholders.
- Unissued share capital relates to the shares due to be issued in relation to the acquisition of Netcallidus.
- The reverse acquisition reserve relates to the adjustment required to account the reverse acquisition in accordance with International Financial Reporting Standard.
- Other reserves relate to the charge for share based payment in accordance with International Financial Reporting Standard 2.

## 5. Consolidated Statement of cash flows

	Notes	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
		£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
Cash generated from operations	6.25	1,276	948	730
Interest paid		(2)	(1)	(3)
Tax paid		(182)	(180)	(68)
		<hr/>	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>1,092</b>	<b>767</b>	<b>659</b>
<b>Cash flows from investing activities</b>				
Purchase of goodwill		(1,000)	(39)	-
Purchase of intangibles fixed assets		(406)	(296)	-
Purchase of tangibles fixed assets		(115)	(62)	(76)
Interest received		3	15	24
Funds acquired from acquisition		41	765	-
		<hr/>	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>		<b>(1,477)</b>	<b>383</b>	<b>(52)</b>
<b>Cash flows from financing activities</b>				
New loans in year		-	23	1
Loan repayment in period		(12)	-	-
Amount introduced by directors		-	-	65
Amount repaid to Directors		(3)	(61)	-
Equity dividends paid		-	(119)	(338)
		<hr/>	<hr/>	<hr/>
<b>Net cash generated from financing activities</b>		<b>(15)</b>	<b>(157)</b>	<b>(272)</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(400)</b>	<b>993</b>	<b>335</b>
<b>Cash and cash equivalents at beginning of period</b>	6.26	<b>1,678</b>	<b>685</b>	<b>350</b>
		<hr/>	<hr/>	<hr/>
<b>Cash and cash equivalents at end of period</b>	6.26	<b>1,278</b>	<b>1,678</b>	<b>685</b>
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 6. Notes to financial information

### 6.1 Segmental reporting

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

### 6.2 Employees and Directors

	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
Wages and salaries	2,640	2,057	919
Social security costs	271	221	95
Other pension costs	23	38	14
	<u>2,934</u>	<u>2,316</u>	<u>1,028</u>
	<u><u>2,934</u></u>	<u><u>2,316</u></u>	<u><u>1,028</u></u>

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

	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
Directors	6	6	4
Sales	21	12	10
Web designers and developers	31	12	15
Administration	16	25	9
	<u>74</u>	<u>55</u>	<u>38</u>
	<u><u>74</u></u>	<u><u>55</u></u>	<u><u>38</u></u>

Information regarding Directors' emoluments is as follows:

	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
Directors' fees	38	17	-
Salaries	487	483	62
Other benefits	8	13	1
Pension costs	37	25	12
	<u>570</u>	<u>538</u>	<u>75</u>
	<u><u>570</u></u>	<u><u>538</u></u>	<u><u>75</u></u>

The number of Directors for whom retirement benefits are accruing under the money purchased pension schemes amounted to 3 (2009: 4, 2008:3).

Information regarding the highest paid Director for the period is as follows:

	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
Salaries	131	128	7
Other benefits	1	4	-
Pension costs	9	13	1
Payment in lieu of holiday	4	-	-
	<u>145</u>	<u>145</u>	<u>8</u>
	<u><u>145</u></u>	<u><u>145</u></u>	<u><u>8</u></u>
<b>6.3 Net finance income</b>			
	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
Finance income:			
Deposit account interest	3	15	24
Finance costs:			
Bank loan interest	-	-	-
Loan	(2)	(1)	(3)
	<u>1</u>	<u>14</u>	<u>21</u>
	<u><u>1</u></u>	<u><u>14</u></u>	<u><u>21</u></u>
<b>6.4 Profit before income tax</b>			
Cost by nature	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
Staff related costs (inc Directors emoluments)	3,085	2,451	948
Operating leases: Land and building	227	169	73
Operating leases: Other	20	13	-
Audit remuneration	24	20	5
Amortisation of intangibles	106	48	-
Depreciation charge	67	69	43
Legal, professional and consultancy fees	285	154	114
Computer expenditure	200	137	64
Research costs	13	21	179
Marketing costs	240	276	162
Bad debts	55	65	-
Other costs	316	228	160
	<u>4,638</u>	<u>3,651</u>	<u>1,748</u>
<b>Total administration expenses</b>	<u><u>4,638</u></u>	<u><u>3,651</u></u>	<u><u>1,748</u></u>

## Audit remuneration

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

	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	14	5	-
Fees payable to the Company's auditor and its associates for other services			
– The audit of Company's subsidiaries pursuant to legislation	11	15	5
– Other services	-	-	1
	<u>25</u>	<u>20</u>	<u>6</u>

## Acquisitions

On 17 May 2010 the Company acquired the entire share capital of Netcallidus Limited therefore only 6 weeks of Netcallidus Limited has been consolidated into the Group's consolidated Income Statement for the year ended 30 June 2010.

The total consolidated in the Income Statement for the 6 weeks period was:

	£'000
Revenue	110
Profit after tax	<u>39</u>

If the acquisition of Netcallidus had happened at the beginning of the financial year 1 July 2009 the management estimate that their contribution to the Consolidated Income Statement would have been:

	£'000
Revenue	672
Profit after tax	<u>231</u>

In determining the above values the management have assumed that the fair value adjustments, determined provisionally, that arose on the date of the acquisition would have been the same if the acquisition had occurred on 1 July 2009.

## 6.5 Income tax

### Analysis of the tax charge

	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
Current tax:			
Tax	233	185	180
Total tax charge in income statement	<u>233</u>	<u>185</u>	<u>180</u>

### Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
<b>Profit on ordinary activities before tax</b>	<b>1,377</b>	<b>1,080</b>	<b>747</b>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%, 2008 - 30%)	385	303	224
Effects of:			
Expense non deductible	24	5	7
Research and development enhanced claim	(165)	(119)	(27)
Effects of profits within marginal rate	-	(4)	(21)
Capital allowances in excess of depreciation	(11)	-	(3)
<b>Total income tax</b>	<b><u>233</u></b>	<b><u>185</u></b>	<b><u>180</u></b>

## 6.6 Loss of Parent Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company was not presented as part of these financial information. The parent Company's loss for the financial year was £ 180,477 (2009 - £ (63,356), 2008 - £ (85,372)).

## 6.7 Dividends

	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
Ordinary Shares of £0.01 each	-	119	337

Reserves distributed during the period to 30 June 2009 were paid before the reverse acquisition was undertaken.

## 6.8 Earnings per share

Earnings per share data is based on the consolidated profit 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 are calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential Ordinary Shares.

Reconciliations are as follows.

	Year ended 30 June 2010		
	Earnings £'000	Weighted average number of shares ( '000)	Per share amount pence
<b>Basic EPS</b>			
Earnings attributable to owners of the Parent	1,144	1,292,500	0.09
<b>Effects of dilutive shares</b>			
Options & Warrants	-	89,433	-
<b>Diluted EPS</b>			
Adjusted earnings	1,144	1,381,933	0.08

	Fourteen months to 30 June 2009		
	Earnings £'000	Weighted average number of shares ( '000)	Per share amount pence
<b>Basic EPS</b>			
Earnings attributable to owners of the Parent	896	643,319	0.14
<b>Effects of dilutive shares</b>			
Options & Warrants	-	55,121	-
<b>Diluted EPS</b>			
Adjusted earnings	896	698,440	0.13



**Year ended 30 April 2008**

	Earnings £'000	Weighted average number of shares (‘000)	Per share amount pence
<b>Basic EPS</b>			
Earnings attributable to owners of the Parent	567	292,500	0.19
<b>Effects of dilutive shares</b>			
Options & Warrants	-	3,425	-
<b>Diluted EPS</b>			
Adjusted earnings	567	295,925	0.19
	567	295,925	0.19

**6.9 Goodwill**

	<b>£'000</b>
<b>Cost</b>	
At 1 July 2008	-
Additions	609
	609
<b>Net book value</b>	
<b>At 30 June 2009</b>	<b>609</b>
At 1 July 2009	609
Additions	3,512
	4,121
<b>Net book value</b>	<b>4,121</b>
<b>At 30 June 2010</b>	<b>4,121</b>

**dotMailer**

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

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

	<b>£'000</b>
<b>Purchased consideration:</b>	
Fair value of the shares issued	1,131
Costs attributable to business combination	182
	1,313
Total consideration	1,313
Fair value of net assets acquired	704
	609
<b>Goodwill acquired</b>	<b>609</b>

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

	<b>Book and fair value £'000</b>
Fixed asset investment	142
Trade and other receivables	11
Deposits, cash and cash equivalents	741
VAT repayable	24
Trade and other payables	(214)
<b>Total consideration</b>	<b>704</b>

### **Netcallidus**

On 17 May 2010 the group acquired the entire share capital of Netcallidus Limited a company registered in England and Wales for an initial consideration of £1,152,660 and an additional contingent consideration of £2,366,320 totalling £3,518,980. The company's principal activity is the provision of internet and website services. Obtaining control of Netcallidus Limited allows the group to market to a new the customer base while providing additional expertise to further develop and market it's SEO products.

The following summarises the major classes of consideration transferred and the recognised amounts of assets and liabilities assumed at the acquisition date:

<b>Consideration transferred:</b>	<b>Note</b>	<b>£000's</b>
Cash		1,000
Equity instruments (14,200,930 shares)		153
		1,153
Contingent consideration:		
Cash		641
Equity instruments (160,456,559 shares)		1,725
		3,519

The number of shares be issued in respect of the consideration transferred is based on the expected list price of 1.075p per share which is the mid market price at the year end. The number of shares to be issued as contingent consideration is based on the expected present value of the group's share price.

### **Impairment test for goodwill for the year ended 30 June 2010**

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

#### **dotMailer Limited**

The recoverable amount of a cash generating unit is determined based on value in use calculations. These calculations use pre tax cash flow projections based on financial budgets approved by management covering the five year period to 30 June 2015.

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

Revenue growth rates:	2011	26%
	2012	25%
	2013	20%
	2014	20%
	2015	20%
Pre tax discount rate:	All years	4%
Income tax rate:	All years	28%

The key assumptions used to prepare the financial budgets are based on a combination of historical experience and current industry knowledge and trends. Goodwill is allocated to the Group's single cash generating units identified, that being dotMailer Limited.

#### **Netcallidus Limited**

Revenue growth rates:	2011	167%
	2012	84%
	2013	30%
	2014	30%
	2015	30%
Pre tax discount rate:	All years	4%
Income tax rate:	All years	28%

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

The cash flow forecasts used in the value in use calculations have not been extended beyond the five year period covered by management's financial budget. Based on the above the Directors are of the opinion that the carrying value of goodwill has not been impaired.

## 6.10 Intangibles assets

Group	Computer software £'000	Development costs £'000	Domain names £'000	Total £'000
<b>Cost</b>				
<b>At 1 May 2007</b>	-	-	-	-
Reclassification from property, plant and equipment	6	-	6	12
<b>At 30 April 2008</b>	6	-	6	12
Additions	51	242	3	296
<b>At 30 June 2009</b>	57	242	9	308
Additions	68	338	-	406
<b>At 30 June 2010</b>	125	580	9	714
<b>Depreciation</b>				
<b>At 1 May 2007</b>	-	-	-	-
Depreciation for period	-	-	-	-
<b>At 30 April 2008</b>	-	-	-	-
Depreciation for period	12	34	2	48
<b>At 30 June 2009</b>	12	34	2	48
Depreciation for period	21	84	2	107
<b>At 30 June 2010</b>	33	118	4	155
<b>Net book value</b>				
<b>At 30 April 2008</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>12</b>
<b>At 30 June 2009</b>	<b>45</b>	<b>208</b>	<b>7</b>	<b>260</b>
<b>At 30 June 2010</b>	<b>92</b>	<b>462</b>	<b>5</b>	<b>559</b>

Development cost additions represents resources the Group has invested in the development of unique computer programming with the intention of resale once complete.

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

## 6.11 Property, plant and equipment

Group	Short leasehold	Plant and machinery	Fixtures and fittings	Computer equipment	Totals
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
<b>At 1 May 2007</b>	8	-	78	119	205
Additions	-	-	16	60	76
Reclassification to intangibles	-	-	-	(12)	(12)
<b>At 30 April 2008</b>	8	-	94	167	269
Additions	4	-	27	32	63
<b>At 30 June 2009</b>	12	-	121	199	332
Additions	-	6	24	91	121
<b>At 30 June 2010</b>	12	6	145	290	453
<b>Amortisation</b>					
<b>At 1 May 2007</b>	2	-	22	76	100
Amortisation for period	2	-	19	23	44
<b>At 30 April 2008</b>	4	-	41	99	144
Amortisation for period	2	-	27	40	69
<b>At 30 June 2009</b>	6	-	68	139	213
Amortisation for period	3	2	26	36	67
<b>At 30 June 2010</b>	9	2	94	175	280
<b>Net book value</b>					
<b>At 30 April 2008</b>	<b>5</b>	<b>-</b>	<b>53</b>	<b>68</b>	<b>126</b>
<b>At 30 June 2009</b>	<b>6</b>	<b>-</b>	<b>53</b>	<b>60</b>	<b>119</b>
<b>At 30 June 2010</b>	<b>3</b>	<b>4</b>	<b>51</b>	<b>115</b>	<b>173</b>

## 6.12 Trade and other receivables

	As at 30 June 2010	As at 30 June 2009	As at 30 April 2008
	£'000	£'000	£'000
Current:			
Trade receivables	1,108	591	425
Other receivables	11	4	-
Prepayment and accrued income	115	59	20
	<u>1,234</u>	<u>654</u>	<u>445</u>

## 6.13 Cash and cash equivalents

	As at 30 June 2010	As at 30 June 2009	As at 30 April 2008
	£'000	£'000	£'000
Bank accounts	<u>1,278</u>	<u>1,678</u>	<u>684</u>

## 6.14 Called up share capital

Allotted, issued and fully paid	Class	Nominal Value	As at 30 June 2010'000	As at 30 June 2009'000	As at 30 April 2008'000
1,292,500,000	Ordinary	£0.001	<u>1,293</u>	<u>1,293</u>	<u>293</u>

The total authorised share capital of the Company on incorporation was £1,000 ordinary shares of £1 each.

On 22 June 2007, the date of Incorporation, the Company allotted 1 Ordinary share of £1 each.

On 25 June 2007 the authorised share capital was increased to £2,500,000 comprising 2,500,000 ordinary share of £1 each and on the same date sub-divided into 2,500,000,000 ordinary shares of 0.1p each.

On 27 June 2007, the Company allotted 50,000,000 ordinary shares of 0.1p each for a consideration of £50,000.

On 9 July 2007, the Company allotted 25,000,000 ordinary shares of 0.1p each for a consideration of £25,000.

On 20 July 2007, the Company allotted a further 42,500,000 ordinary shares of 0.1p each for a consideration of £85,000.

On 10 September, 175,000,000 shares were issued at 0.4p for a gross consideration of £700,000 and a net consideration of £650,000.

As part of the reverse acquisition undertaken on 30 January 2009, the 92 Ordinary Shares, with a nominal value of £1 each, in existence in dotMailer Limited at the beginning of the period were exchanged for 1,000,000,000 newly issued Ordinary Shares in the parent, dotDigital Group Plc, which hold a nominal value of £0.001 per share. The deemed premium paid on the exchange was £4,000,000 which equates to £0.004 per share.

1,000,000,000 Ordinary Shares of £0.001 each were allotted as fully paid at a premium of £0.005 per share during the period ending 30 June 2009.

The holders of Ordinary Shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

#### 6.15 Reserves

	<b>Retained Earnings</b>	<b>Reverse Acquisition reserve</b>	<b>Other reserves</b>
<b>As at 1 May 2008</b>	775	(826)	-
Total comprehensive income	896	-	-
Dividends	(119)	-	-
Reverse acquisition	-	(3,869)	-
Share option fair value adjustment	-	-	5
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2009</b>	1,552	(4,695)	5
Total comprehensive income	1,144	-	-
Equity on acquisition	-	-	-
Share option fair value	-	-	24
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2010</b>	2,696	(4,695)	29
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 6.16 Trade and other payables

	<b>As at 30 June 2010</b>	<b>As at 30 June 2009</b>	<b>As at 30 April 2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current:			
Trade payables	134	115	35
Social security and other taxes	172	140	39
Other payables	18	8	1
Accruals and deferred income	113	68	59
Directors' current accounts	-	3	65
VAT	232	83	105
	<hr/>	<hr/>	<hr/>
	669	417	304
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 6.17 Financial liabilities – borrowings

	As at 30 June 2010	As at 30 June 2009	As at 30 April 2008
	£'000	£'000	£'000
Current:			
Bank loans	12	12	7
	<u>          </u>	<u>          </u>	<u>          </u>
Non Current:			
Bank loans – 1-5 years	6	18	-
	<u>          </u>	<u>          </u>	<u>          </u>

## Terms and debt repayment schedule

	1 year or less	1 - 2 years	2 – 5 years	Total
	£'000	£'000	£'000	£'000
Current:				
Bank loans as at 30 June 2010	12	6	-	18
Bank loans as at 30 June 2009	12	12	6	30
Bank loans as at 30 April 2008	7	7	-	7
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 6.18 Leasing agreements

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

	As at 30 June 2010		
	Land and Buildings	Others	Total
	£'000	£'000	£'000
Within one year	160	30	191
Between two to five years	150	27	177
	<u>          </u>	<u>          </u>	<u>          </u>
	<b>310</b>	<b>57</b>	<b>368</b>
	<u>          </u>	<u>          </u>	<u>          </u>
	As at 30 June 2009		
	Land and Buildings	Others	Total
	£'000	£'000	£'000
Within one year	109	23	132
Between two to five years	168	28	196
	<u>          </u>	<u>          </u>	<u>          </u>
	<b>277</b>	<b>51</b>	<b>328</b>
	<u>          </u>	<u>          </u>	<u>          </u>



	<b>As at 30 April 2008</b>		
	<b>Land and Buildings</b>	<b>Others</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Within one year	109	4	113
Between two to five years	277	1	278
	<hr/>	<hr/>	<hr/>
	<b>386</b>	<b>5</b>	<b>391</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## **6.19 Financial instruments**

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

The Group holds no financial or other non financial instruments other than those utilised in the working operations of the Group and that listed in this note.

### *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 end of the reporting periods the Group was not exposed to any movement in interest rates in regard to loans and achieved less than 1% interest on cash holdings.

During the 2010 year, the Group entered in to an agreement to purchase the entire share capital of Netcallidus Limited. The contingent consideration arrangement requires the Group to pay the former owners of Netcallidus Limited an estimated additional consideration of £2,366,320 in a combination of cash and equity in the Group.

The final payment will be based on 3 times the Profit after Tax in the year ended 30 June 2012 less any amounts previously paid. The management's estimates are based on the business plan prepared by the Directors of Netcallidus and reviewed by the Board of dotDigital. An interim payment will be made on finalising the AT figures based on 4 times Profit after tax in the year ended 30 June 2011 less any amounts that have previously been paid.

The Board has assessed a range of outcomes of future profit or the years 2011 and 2012. Based on this analysis they have arrived at an estimated future deferred consideration as shown in the table below.

This consideration will be paid on 40% cash and 60% equity combination. The shares will be issued at the mid-market price quoted on the relevant exchange on the date of the sign off by the Board of Netcallidus' financial statements. The notional and fair values of the expected payments to the former owners are outline below in their composite elements. In all cases the post tax discount factor utilised is 4%.

**Year ended 30 June 2010:**

	Nominal value		Discounted fair value		Total £'000
	Cash	Shares	Cash	Shares	
	£'000	£'000	£'000	£'000	
<b>Within one year</b>	267	400	257	385	642
<b>Between two to five years</b>	746	1,119	690	1,035	1,725
			<b>947</b>	<b>1,420</b>	<b>2,367</b>
			<b>947</b>	<b>1,420</b>	<b>2,367</b>

The term “shares” indicates the value of ordinary share capital to be issued should targets be met and discount factors not change. Any changes resulting in revaluations of the consideration due in following reporting period will be charged to the income statement. The Group had no such agreement in the previous periods.

**Liquidity risk**

The Group’s working capital requirements are managed through regular monitoring of the overall cash position and regularly updated cash flow forecasts to ensure there are sufficient funds available for its operations. Management forecasts indicate no new borrowing facilities will be required in the 2011 financial period.

As described above Group entered in to an agreement to purchase the entire share capital of Netcallidus Limited. The contingent deferred consideration arrangement requires the Group to pay the former owners of Netcallidus Limited further payments of cash and shares in October 2011 and October 2012.

The final payment in October 2012 will be based on 3 times the Profit after Tax in the year ended 30 June 2012 less any amounts previously paid. The management’s estimates of deferred consideration are based on a range of scenarios prepared by the Directors of Netcallidus and reviewed by the Board of dotDigital.

An interim payment will be made in October 2011. The two tranches of deferred consideration will be paid in the ratio 40% cash and 60% equity. The shares will be issued at the mid-market price quoted on the relevant exchange on the date of the sign off by the Board of Netcallidus’ financial statements.

In arriving at and negotiating the structure of the acquisition the Board were mindful of the need to ensure the proposed deferred consideration did not create liquidity risk for the Group. The structure of the deferred consideration element is such that under all the scenarios which could be envisaged the cash flows generated by the profit steam of the Netcallidus business will be sufficient to fund the cash element of the deferred consideration.

**Credit risk**

Credit risk arises principally from the Group’s trade receivables which comprise amounts due from customers. Prior to accepting new customers a credit check is obtained. As at 30 June 2010 there were no significant debts pass their due period which had not been provided for. The maturity of the Groups trade receivables is as follows:

	As at 30 June 2010	As at 30 June 2009
	£'000	£'000
0 – 30 days	748	501
30 – 60 days	251	77
More than 60 days	109	13
	<b>1,108</b>	<b>591</b>
	<b>1,108</b>	<b>591</b>

The Group minimises its risk by credit profiling all new customers and monitoring existing clients of the Group for changes in their initial profit as at 30 June 2010. The level of trade receivables passed due the average collection period consisted of a value of £108,936 of which £53,000 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 counterparties are banks with high credit ratings assigned by international credit rating agencies. Details as to maximum fair values the Groups financial assets and liabilities can be found in the consolidated statement of financial position.

### 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, risks and fixed charge cover to maintain this position. In addition the Group ensures a combination of appropriate short-term and long-term liquidity headroom.

As at 30 June 2010 the Group had a short-term loan balance of £12,152 and amounts payable greater than one year of £6,319. 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 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.

### 6.20 Capital commitments

The Group has no capital commitments as at the end of the reporting periods.

### 6.21 Transactions with Directors

<b>Loans from Directors</b>	<b>Year ended 30 June 2010</b>	<b>Fourteen months to 30 June 2009</b>	<b>Year ended 30 April 2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Beginning of the period	3	64	-
Loans advanced in the period	-	-	64
Loans repaid in the period	(3)	(61)	-
	<u>-</u>	<u>3</u>	<u>64</u>
	<u>-</u>	<u>3</u>	<u>64</u>

The above loans are provided to the Group on an interest free basis.

### 6.22 Related party disclosures

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

<b>Purchase of services</b>	<b>Suppliers</b>	<b>Year ended 30 June 2010 £'000</b>	<b>Fourteen months to 30 June 2009 £'000</b>	<b>Year ended 30 April 2008 £'000</b>
Accountancy and tax support	Shipleys LLP	-	25	23
Financial public relations	Haggie Financial LLP	21	6	10

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

N Nelson, a Director, was a partner of Haggie Financial LLP. At the period ends there was no outstanding fee owed to Haggie Financial LLP.

<b>Purchase of services</b>	<b>Customers</b>	<b>Year ended 30 June 2010 £'000</b>	<b>Fourteen months to 30 June 2009 £'000</b>	<b>Year ended 30 April 2008 £'000</b>
Website	The Stockroom Limited	5	-	-
Email marketing services	Chilibeau Limited	4	-	-

D Pacy, a Director, is a Director of the Stockroom Limited and Chillibeau Limited. The above transactions were made with dotMailer Limited. At the end of the reporting period, the amounts outstanding to dotMailer due from The Stockroom Limited were £4,796 and £586 respectively.

### 6.23 Ultimate controlling party

As at the end of 30 June 2010 there was no one ultimate controlling party.

### 6.24 Share-based payment transactions

The measurement requirements of IFRS 2 have been implemented in respect of share options that were granted after 7 November 2002. The expense is recognised for share based payments made during the year is £24,191 (2009: £5,302, 2008: £Nil)

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

Also on 20 October 2009 the Board of Directors also granted 21,250,000 options to employees of the Group exercisable on or after 1 July 2010 until 1 February 2019. Vesting conditions of the options dictate that employees must remain in the employment of the Group for the whole period to qualify. Of the options issued in the year 4,000,000 options were issued to G Fidura a Director in the Group.

#### *Movement in issued share options during the yearended 30 June 2010*

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

	<b>As at 30 June 2010</b>		<b>As at 30 June 2009</b>	
	<b>No of options</b>	<b>WAEP</b>	<b>No of options</b>	<b>WAEP</b>
Outstanding at the beginning of the period	74,226,667	0.27p	25,000,000	0.10p
Granted during the year	21,250,000	1.00p	7,600,000	1.00p
Forfeited/cancelled during the period	1,550,000	1.00p	-	-
Exchanged for options in subsidiary	-	-	41,666,667	0.24p
Outstanding at the end of the period	93,926,667	0.42p	74,226,667	0.27p
Exercisable at the end of the period	-	-	-	-

Of the 93,926,667 options outstanding at the end of the year 25,000,000 (2009: 25,000,000, 2008:25,000,000) represent share warrants exercisable on or before 27 June 2012.

The fair value of the options granted in the year ended 30 June 2010 has been calculated using the Black Scholes model assuming the inputs shown below:

Grant date	20 October 2009
Number of options granted	21,250,000
Share price at grant date	1.00p
Exercise price at grant date	1.00p
Risk free rate	2.55%
Option life	8.67
Expected volatility	12%
Expected dividend yield	0%
Fair value of option	0.7p

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

#### Movement in issued share options during the period ended 30 June 2009

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

	As at 30 June 2009		As at 30 April 2008	
	No of options	WAEP	No of options	WAEP
Outstanding at the beginning of the period	25,000,000	0.10p	25,000,000	0.10p
Granted during the year	7,600,000	1.00p	-	-
Forfeited/cancelled during the period	-	-	-	-
Exchanged for options in subsidiary	41,666,667	0.24p	-	-
Outstanding at the end of the period	74,226,667	0.27p	25,000,000	0.10p
Exercisable at the end of the period	-	-	-	-

The fair value of the options granted in the period ended 30 June 2009 has been calculated using the Black Scholes model assuming the inputs shown below:

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

In accordance with IFRS 2 'Share based payments' the Group incurred a £5,302 charge in the year to 30 June 2010 representing the fair value of share options granted and therefore not expected to be repeated in coming financial periods.

## 6.25 Reconciliation of profit before income tax

	Year ended 30 June 2010	Fourteen months to 30 June 2009	Year ended 30 April 2008
	£'000	£'000	£'000
Profit before income tax	1,377	1,080	747
Depreciation charges	170	118	44
Share options	24	5	-
Finance costs	2	1	3
Finance income	(3)	(15)	(24)
	<u>1,570</u>	<u>1,189</u>	<u>770</u>
(Increase) in trade and other receivables	(491)	(200)	(194)
Increase/(decrease) in trade and other payables	197	(41)	154
	<u>1,276</u>	<u>948</u>	<u>730</u>

## 6.26 Cash and cash equivalents

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

Year ended 30 June 2010	As at 30 June 2010	As at 1 July 2009
	£'000	£'000
Cash and cash equivalents	<u>1,278</u>	<u>1,678</u>
Fourteen months to 30 June 2009	As at 30 June 2009	As at 1 May 2008
	£'000	£'000
Cash and cash equivalents	<u>1,678</u>	<u>685</u>
Year ended 30 April 2008	As at 30 April 2008	As at 1 May 2007
	£'000	£'000
Cash and cash equivalents	685	362
Bank overdrafts	-	(12)
	<u>685</u>	<u>350</u>

## **6.27 Research & development**

During the period ended 30 June 2010 the Group incurred £13,000 (2009: £21,000, 2008: £179,000) in research costs and £337,000 (2009: £242,000, 2008: £Nil) in development. All resources utilised in research and development has been categorised as outlined in the accounting policy governing this area.

## **6.28 Auditors**

The 30 June 2010 and 2009 financial statements were audited by Jeffrey's Henry LLP. The 30 April 2008 accounts were audited by Lees, Chartered Accountants, 61 Croydon Road, Caterham, Surrey, CR3 6QB.

**PART III**  
**SECTION B**  
**INTERIM RESULTS FOR DOTDIGITAL GROUP PLC**

**Consolidated Income Statement for the six months ended 31 December 2010**

	<b>Six months to 31 December 2010 Unaudited £'000s</b>	<b>Six months to 31 December 2009 Unaudited £'000s</b>	<b>12 months to 30 June 2010 Audited £'000s</b>
<b>Revenue</b>	4,123	2,785	6,014
Administrative expenses	(3,088)	(2,097)	(4,638)
<b>Operating profit</b>	<u>1,035</u>	<u>688</u>	<u>1,376</u>
Finance income	0	1	3
Finance costs	(10)	(9)	(2)
<b>Profit before tax</b>	<u>1,025</u>	<u>680</u>	<u>1,377</u>
Income tax charges	(254)	(160)	(233)
<b>Profit for the period from continuing operations attributable to shareholders</b>	<u><u>771</u></u>	<u><u>520</u></u>	<u><u>1,144</u></u>
<b>Earnings per share:</b>			
Basic (pence)	0.06	0.04	0.09
Diluted (pence)	0.06	0.04	0.08



**Consolidated Statement of Comprehensive Income for the six months ended 31 December 2010**

	<b>Six months to 31 December 2010 Unaudited £'000s</b>	<b>Six months to December 2009 Unaudited £'000s</b>	<b>12 months to 30 June 2010 Audited £'000s</b>
Profit for the period	771	520	1,144
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income for the period</b>	<b>771</b>	<b>520</b>	<b>1,144</b>
	<hr/>	<hr/>	<hr/>
<b>Total comprehensive income attributable to :</b>			
Owners of the company	771	520	1,144
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Consolidated Statement of Financial Position as at 31 December 2010**

	As at 31 December 2010 Unaudited £'000s	As at 31 December 2001 Unaudited £'000s	As at 30 June 2010 Audited £'000s
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	4,121	609	4,121
Intangibles	676	324	559
Property, plant and equipment	182	221	173
	<u>4,979</u>	<u>1,154</u>	<u>4,853</u>
<b>Current assets</b>			
Trade and other receivables	1,643	872	1,234
Cash and cash equivalents	2,172	2,081	1,278
	<u>3,815</u>	<u>2,953</u>	<u>2,512</u>
<b>Total assets</b>	<u><u>8,794</u></u>	<u><u>4,107</u></u>	<u><u>7,365</u></u>
<b>Equity</b>			
<b>Capital and reserves</b>			
Called up share capital	1,293	1,293	1,293
Share premium	4,534	4,534	4,534
Retained earnings	3,467	2,072	2,696
Other reserves	67	23	29
Unissued share capital	152	-	152
Reverse acquisition reserve	(4,695)	(4,695)	(4,695)
Total equity	<u><u>4,818</u></u>	<u><u>3,227</u></u>	<u><u>4,009</u></u>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Financial instruments	2,366	-	2,366
Financial liabilities – borrowings and Interest bearing loans	6	18	6
	<u>6</u>	<u>18</u>	<u>6</u>
<b>Current liabilities</b>			
Trade and other payables	1,041	511	669
Financial liabilities – borrowings and Interest bearing loans	6	6	12
Tax payable	557	345	303
	<u>1,604</u>	<u>862</u>	<u>984</u>
Total liabilities	<u><u>3,976</u></u>	<u><u>880</u></u>	<u><u>3,356</u></u>
<b>Total equity and liabilities</b>	<u><u>8,794</u></u>	<u><u>4,107</u></u>	<u><u>7,365</u></u>

## Consolidated Statement of Changes in Equity for the six months ended 31 December 2010

	Share Capital £'000s	Share Premium £'000s	Retained Earnings £'000s	Other Reserves £'000s	Reverse Acquisition Reserve £'000s	Unissued share capital Reserve £'000s	Total £'000s
<b>As at 1 July 2009</b>	1,293	4,534	1,552	5	(4,695)	-	2,689
Profit after tax for the period	-	-	520	-	-	-	520
Share based payments	-	-	-	18	-	-	18
<b>As at 31 December 2009</b>	1,293	4,534	2,072	23	(4,695)	-	3,227
<b>As at 1 July 2009</b>	1,293	4,534	1,552	5	(4,695)	-	2,689
Issue of new shares	-	-	-	-	-	-	-
Profit after tax for the period	-	-	1,144	-	-	-	1,144
Equity to be issued	-	-	-	-	-	-	-
Share based payments	-	-	-	24	-	-	24
Equity on acquisition	-	-	-	-	-	152	152
<b>As at 30 June 2010</b>	1,293	4,534	2,696	29	(4,695)	152	4,009
<b>As at 1 July 2010</b>	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
<b>As at 31 December 2010</b>	1,293	4,534	3,467	67	(4,695)	152	4,818

## Consolidated Statement of Cash Flow for the six months ended 31 December 2010

	Note	Six months to 31 December 2010 Unaudited £'000	Six months to 31 December 2009 Unaudited £'000	12 months to 30 June 2010 Audited £'000
<b>Operating activities</b>	<b>5</b>	1,164	654	1,276
Corporation tax paid		-	-	(183)
Finance costs		(10)	(9)	(1)
Net cash inflow from operating activities		<u>1,154</u>	<u>645</u>	<u>1,092</u>
<b>Investing activities</b>				
Interest received		-	1	3
Purchase of intangibles		(198)	(104)	(406)
Purchases of plant and equipment		(56)	(133)	(115)
Purchase of goodwill		-	-	(1,000)
- Net cash acquired		-	-	41
Net cash outflow from investing activities		<u>(254)</u>	<u>(236)</u>	<u>(1,477)</u>
<b>Financing activities</b>				
Loan repaid to related parties		-	-	(3)
Loan repayments		(6)	(6)	(12)
Net cash from financing activities		<u>(6)</u>	<u>(6)</u>	<u>(15)</u>
Net cash inflow/(outflow)		894	403	(400)
Cash and cash equivalents at the beginning of the period		<u>1,278</u>	<u>1,678</u>	<u>1,678</u>
Cash and cash equivalents at the end of the period		<u><u>2,172</u></u>	<u><u>2,081</u></u>	<u><u>1,278</u></u>

## 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.

### 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 2010. This interim financial information for the six months to 31 December 2010, which complies with IAS 34 ‘Interim Financial Reporting’, has been approved by the Board on 01 March 2011.

The unaudited interim financial information for period ended 31 December 2010 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 2010 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.

### 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 2010, 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.

<u>Title</u>	<u>Issued</u>	<u>Effective date</u>
IFRIC 19 Extinguishing Financial Liabilities With Equity Instruments	Nov 09	Accounting periods beginning on or after 01 July 2010

#### *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.

<u>Title</u>	<u>Issued</u>	<u>Effective date</u>
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
IAS 32 (Amendment) Financial Instruments: Presentation – Classification of Rights Issue 2010	Oct 09	Accounting periods beginning on or after 01 February 2011

***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.

<u>Title</u>	<u>Issued</u>	<u>Effective date</u>
IFRS 9 Financial Instruments	Nov 09	Accounting periods beginning On or after 01 January 2013

**4. Earnings per Share**

	<b>Six months to 31 December 2010</b>	<b>Six months to 31 December 2009</b>	<b>12 months to 30 June 2010</b>
Earnings per ordinary share			
Basic (pence)	0.06	0.04	0.09
Diluted (pence)	0.06	0.04	0.08

The profit per ordinary share is based on the Group's profit for the period of £771,000 (31 December 2009 - £520,000 Profit; 30 June 2010 - £1,144,000) with a basic and diluted weighted average number of shares in issue as follows:

	<b>Six months to 31 December 2010</b>	<b>Six months to 31 December 2009</b>	<b>Period ended 30 June 2010</b>
Weighted average number of shares in issue			
Basic	1,292,500,000	1,292,500,000	1,292,500,500
Diluted	1,378,536,584	1,372,119,928	1,381,933,450

Please note the comments made on note 6 and 9.

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

	Six months to 31 December 2010 £'000s	Six months 31 December 2009 £'000s	12 months to 30 June 2010 £'000s
<b>Operating profit for the period</b>	1,025	680	1,377
Adjustments for :			
Depreciation and amortisation charges	126	70	170
Share options	38	18	24
Finance costs	10	9	2
Finance income	-	(1)	(3)
Increase in receivables	(408)	(216)	(491)
Increase in payables	373	94	197
Net cash from operating activities	<u>1,164</u>	<u>654</u>	<u>1,276</u>

## 6. Called up Share Capital

The issued share capital as at 31 December 2010 was 1,292,500,000 Ordinary shares of 0.1p each (30 June 2009 – 1,292,500,000 Ordinary shares of 0.1p each per the audited accounts). See note 9.

## 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 £38,074 (2009: £17,590)

In addition to the options issued up to 30 June 2010, as outlined in the statutory financial statements, on 11 November 2010 the Board of Directors also granted 34,000,000 options to employees of the Group exercisable on or after 01 May 2012 until 31 December 2015. Vesting conditions of the options dictate that employees must remain in the employment of the Group up to the date they chose to exercise their options to qualify.

## 8. Segmental reporting

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

## 9. Post balance sheet events

On 27 January 2011 the Group issued 14,893,659 shares representing a value of £152,660. This share issue formed part of the consideration due on the purchase of Netcallidus Limited has been provided for as unissued share capital in the statement of financial position as equity. For further details please refer to the 2010 annual financial statements.

On 10 February 2010 the Group passed a resolution at the General Meeting to undertake a share consolidation, converting every 5 ordinary shares in issue in to 1 share of the same type and at the same time increasing the nominal value of each ordinary share in issue to 0.5p where previously the nominal value was 0.1p. This process has not resulted in any new dilution in investor shareholding or any changes to the rights and obligations associated with the shares.

## **10. Copies of Interim Financial Statements**

Copies of the 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](http://www.dotdigitalgroup.com).



## PART IV

### ADDITIONAL INFORMATION

#### RESPONSIBILITY

The Company and the Directors (whose names appear on page 4 of this Document) accept responsibility, both individually and collectively, for the information contained in this Document, and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document is in accordance with the facts and there are no other facts which, if omitted, would affect the import of such information. All Directors accept responsibility accordingly.

#### 1 THE GROUP

- 1.1 The Company was incorporated and registered in England and Wales on 22 June 2007 as a private limited company with the name of West End Ventures Limited and with registered number 06289659.
- 1.2 By a special resolution dated 24 July 2007 the Company was re-registered as a public limited company and the name of the Company was changed to West End Ventures plc on 8 August 2007.
- 1.3 On 27 September 2007 the entire issued share capital of the Company was admitted to trading on PLUS.
- 1.4 By a special resolution dated 30 January 2009 the Company's name was changed to dotDigital Group plc and subsequently on 2 February 2009 the entire issued share capital of the Company was re-admitted to PLUS.
- 1.5 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.6 The liability of the Shareholders of the Company is limited.
- 1.7 The registered office of the Company is at Finsgate, 5-7 Cranwood Street, London EC1V 9EE. The telephone number at the Company's principal place of business is 02076548686.
- 1.8 The principal activity of the Company is that of a holding company and the business of the Group is that of digital marketing.
- 1.9 The accounting reference date of the Company and all of other companies in the Group is 30 June.
- 1.10 The Company has no administrative, management and supervisory bodies other than its board of Directors, the Remuneration Committee and the Audit Committee, both of which committees have no members other than Directors of the Company.
- 1.11 The Company has the following subsidiary or associated undertakings (all of which are registered in England and Wales):-

<i>Company</i>	<i>Activity</i>	<i>Ownership (%)</i>
dotMailer (03762341)	Email marketing platform	100
dotCommerce Limited (06939037)	Dormant	100
dotSEO Limited	Dormant	100

(07187374)		
dotAgency Limited (06707965)	Dormant	100
Netcallidus (06751886)	Internet marketing services	100
dotEditor Limited (07186766)	Dormant	100
Netcallidus Europe Limited (07337553)	Internet marketing services	100

Save as set out above there are no undertakings in which the Company holds a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profit and losses.

- 1.12 Since 22 June 2007, being the date of incorporation, the Company has acquired the following companies:
- 1.12.1 on 7 January 2009 the Company acquired the entire issued share capital of dotMailer; and
- 1.12.2 on 17 May 2010 the Company acquired the entire issued share capital of Netcallidus.
- 1.13 Except as set out above, there are no other companies in which the Company has an interest.

## 2 SHARE CAPITAL

- 2.1 At the date of incorporation, the Company had an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which the sole subscriber share was issued to Christopher Potts.
- 2.2 By an ordinary resolution passed on 25 June 2007, the authorised share capital of the Company was increased to £2,500,000.
- 2.3 By an ordinary resolution passed on 27 June 2007, all of the ordinary shares of £1 each of the Company, both issued and unissued, were subdivided into 2,500,000,000 ordinary shares of 0.1p each.
- 2.4 On 27 June 2007 the Company issued 50,000,000 ordinary shares of 0.1p each at an issue price of 0.1p per share to Christopher Potts.
- 2.5 On 27 June 2007 the Company granted Christopher Potts founders warrants to subscribe for up to 25,000,000 ordinary shares of 0.1p each at an exercise price of 0.1p per share, exercisable at any time up to 31 July 2012.
- 2.6 On 9 July 2007 the Company issued 25,000,000 ordinary shares of 0.1p each at an issue price of 0.1p per share to Nicholas Nelson.
- 2.7 On 20 July 2007 the Company issued 42,500,000 ordinary shares of 0.1p each at an issue price of 0.2p per share to Hitchens Harrison & Co plc, Paul Levensen, Shane Moloney and David Pacy.
- 2.8 On 26 September 2007 the Company issued 175,000,000 ordinary shares of 0.1p each at an issue price of 0.4p per share by way of a placing.
- 2.9 On 30 January 2009 the Company issued 1,000,000,000 ordinary shares of 0.1p each credited as fully paid at an issue price of 0.1p to the former shareholders of dotMailer.

- 2.10 On the 20 January 2011 the Company issued 800,000 ordinary shares of 0.1p each at an issue price of 1p per share to an employee of the Company pursuant to the terms of the Plan.
- 2.11 On the 27 January 2011 the Company issued 14,893,658 ordinary shares of 0.1p each at an issue price of 1.025p per share to the former shareholders of Netcallidus.
- 2.12 On the 7 February 2011 the Company issued 25,000,000 ordinary shares of 0.1p each at an issue price of 0.1p per share pursuant to the exercise of the share warrants issued to Christopher Potts (described at paragraph 2.5 of this Part IV above).
- 2.13 On 9 February 2011 the Company issued 2 ordinary shares of 0.1p each at an issue price of 0.1p per share.
- 2.14 On 10 February 2011 by way of a special resolution every 5 ordinary shares of 0.1p each held by Shareholders were consolidated into 1 Ordinary Share of 0.5p and fractions of an Ordinary Share resulting from the consideration were aggregated and sold in the market for the benefit of the Company.
- 2.15 Since 22 June 2007 the Company has granted options over 20,203,333 Ordinary Shares that remain outstanding further details of which are set out in paragraph 7 of this Part IV.
- 2.16 Save for the options referred to in paragraph 7 of this Part IV and as otherwise set out in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities, exchangeable securities or securities with warrants issued or proposed to be issued by the Company.
- 2.17 At the AGM held on 14 December 2010, resolutions of the Company in respect of its share capital were passed as follows:
- 2.17.1 that, in substitution for all existing authorities, but without prejudice to the exercise of any such authority prior to the date hereof, the Directors be hereby generally and unconditionally authorised pursuant to section 551 of the Act to exercise all the powers of the Company to:
- (a) allot shares (as defined in section 540 of the Act) in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £430,833;
- (b) allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £861,667 (such amount to be reduced by the aggregate nominal amount of Ordinary Shares allotted or rights to subscribe for or to convert any securities into Ordinary Shares in the Company granted under Paragraph (a) of this resolution) in connection with an offer by way of a rights issue:
- (i) to Ordinary Shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (ii) to holders of other equity securities (as defined in section 560 of the Act) as required by the rights of those securities, or subject to such rights, as the Directors otherwise consider necessary,
- and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,
- such authorities to apply (unless previously renewed, varied or revoked by the Company in General Meeting) for the period commencing on the date of the passing of this resolution and expiring at the end of the AGM of the Company to be held in 2011 or on 31 December 2011 whichever is the earlier but, in each case, so that the Company may make offers and enter into agreements before the authority expires which would, or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority expires and the

Directors may allot shares or grant such rights under any such offer or agreement as if the authority had not expired.

2.17.2 that, in substitution for all existing powers, but without prejudice to the exercise of any such powers prior to the date hereof, and subject to the passing of the resolution in paragraph 2.17.1 above, the Directors be generally empowered pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority granted by the resolution in paragraph 2.17.1(b) above and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, in each case free of the restriction in section 561 of the Act, such power to be limited:

(a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of an allotment pursuant to the authority granted by the resolution in paragraph 2.17.1 above, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only):

(i) to Ordinary Shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to holders of other equity securities (as defined in section 560 of the Act), as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(b) to the allotment of equity securities, pursuant to the authority granted by paragraph 2.17.1 (a) above and/or an allotment which constitutes an allotment of equity securities by virtue of section 560(3) of the Act (in each case otherwise than in the circumstances set out in paragraph 2.17.2 (a) up to a nominal amount of £64,625 representing no more than 5% of the issued Ordinary Share capital as at 18 November 2010; compliance with that limit shall be calculated, in the case of equity securities which are rights to subscribe for, or to convert securities into, Ordinary Shares (as defined in section 560 of the Act) by reference to the aggregate nominal amount of relevant shares which may be allotted pursuant to such rights,

such power to apply (unless previously renewed, varied or revoked by the Company in General Meeting) for the period commencing on the date of the passing of this resolution until the end of the Company's next AGM after this resolution is passed (or 31 December 2011 if earlier) but so that the Company may make offers and enter into agreements before the power expires which would, or might, require equity securities to be allotted after the power expires and the Directors may allot equity securities under any such offer or agreement as if the power had not expired.

2.18 The provisions of section 570 of the Act, which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash (other than by way of allotment to employees under an employees' share scheme), will apply to the unissued share capital of the Company to the extent not disapplied as described in paragraph 2.17.2 above.

2.19 The Directors intend to exercise the authorities described in paragraph 2.17.1 to issue certain Ordinary Shares pursuant to the acquisition of Netcallidus more particularly described at paragraph 12 of this Part IV.

2.20 As permitted by the Act, the Company has dispensed with an authorised share capital.

2.21 The Company's share capital as at 30 June 2010 (being the last audited balance sheet date) was as follows:-

number of ordinary shares of 0.1p each issued fully paid	1,292,500,000
par value of ordinary shares	0.1p
Total issued ordinary share capital	£1,292,500

The movements in the Company's share capital since 1 July 2009 have been:-

ordinary shares of 0.1p each in issue at 1 July 2009	1,292,500,000
number of ordinary shares of 0.1p each issued between 1 July 2009 and 30 June 2010	Nil
ordinary shares of 0.1p each in issue at 1 July 2010	1,292,500,000
ordinary shares of 0.1p each issued between 1 July 2010 and 10 February 2011	40,693,660
ordinary shares of 0.1p each in issue at 10 February 2011	1,333,193,658
Ordinary Shares resulting from the Share Consolidation	266,638,732
Ordinary Shares issued since the Share Consolidation	Nil
Ordinary Shares in issue as at the date of this document	266,638,732

- 2.22 The issued share capital of the Company at the date of this Document and following the Admission will be as follows:-

£	Number
1,333,193.66	266,638,732

### 3 SECURITIES BEING ADMITTED

- 3.1 The Ordinary Shares are Ordinary Shares of 0.5p each in the capital of the Company and were created under the Act.
- 3.2 The Ordinary Shares may be held in certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001.
- 3.3 The dividend and voting rights attaching to the Ordinary Shares are set out in Paragraph 6 of this Part IV.
- 3.4 The Ordinary Shares have no right to share in the profits of the Company other than through a dividend, distribution or return of capital, further details of which are set out in Paragraph 6 of this Part IV.
- 3.5 Each Ordinary Share is entitled on a pari passu basis with all other issued Ordinary Shares to share in any surplus on a liquidation of the Company.
- 3.6 The Ordinary Shares rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares from the date of this Document.
- 3.7 Subject to the Act and save as provided for in paragraph 2.17.2 of this Part IV, any equity shares issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Act allows for the disapplication of pre-emption

rights, which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years.

- 3.8 Except in relation to dividends, which have been declared, and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company. If the Company is wound up (whether the liquidation is voluntary, under supervision of the Court or by the Court), the liquidator can, with the authority of a special resolution passed by the Shareholders and any other sanction required by applicable law, divide among the Shareholders the whole or any part of the assets of the Company. This applies whether the assets consist of property of one kind or of different kinds. For this purpose, the liquidator can set such value as he considers fair upon any property and decide how such division is carried out as between the Shareholders. The liquidator can transfer any part of the assets to trustees upon such trust for the benefit of the Shareholders as the liquidator, acting under that resolution, decides. However, no shareholder may be compelled to accept any shares or other property under this provision which carry a liability.
- 3.9 The Ordinary Shares are not redeemable. The Company may purchase or contract to purchase any of the Ordinary Shares on or off market, subject to the provisions of the Articles of Association, the Act and any other applicable regulatory requirements. The Company may only purchase Ordinary Shares out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase. The Company may by ordinary resolution convert any fully paid up shares into stock and reconvert any stock into fully paid up shares of any denomination. A holder of stock shall have the same rights as if he held the shares from which the stock arose, but no such rights (except for participation in dividends and in assets on a winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred those rights.
- 3.10 Save as disclosed in this Document:
- 3.10.1 no share or loan capital of the Company has been issued or is proposed to be issued;
- 3.10.2 no person has any preferential subscription rights for any share capital of the Company; and
- 3.10.3 no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- 3.11 The Company has not issued any Ordinary Shares that are not fully paid up.
- 3.12 The liability of a Shareholder is limited to any amounts which are unpaid on subscription of those shares held by that Shareholder.

#### 4 **RESTRICTIONS ON FREE TRANSFERABILITY**

- 4.1 Save as set out below, the Ordinary Shares are freely transferable.
- 4.2 The Company may, under the Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its Ordinary Shares, asking for details of those who have an interest and the extent of their interest in a particular holding of Ordinary Shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, among other things, that any transfer of the Ordinary Shares, which are the subject of the statutory notice, is void. Once a restriction notice has been given, the Directors are free to cancel it or exclude any Ordinary Shares from it at any time they think fit.
- 4.3 The Directors may also refuse to register the transfer of any Ordinary Shares, however the Directors must, under the Act, give a reason for such refusal.
- 4.4 A person is required by law to notify the Company if he has a “notifiable interest” in holdings of 3 per cent. or more of the Company’s total voting rights and capital in issue. The obligation also arises if such holdings change to reach, exceed or fall below every 1 per cent. increment above 3 per cent. of the Company’s total voting rights and capital in issue.

“Notifiable interests” in this context include both direct and indirect interests in the voting rights of the Company, and financial instruments which give the holder the formal entitlement to acquire shares with voting rights attached. The obligations to notify the Company as aforesaid are subject to certain exceptions set out in the Disclosure and Transparency Rules published by the FSA.

## 5 MANDATORY BIDS, SQUEEZE OUT AND SELL-OUT RULES

- 5.1 The Ordinary Shares are subject to the Takeover Code. Under Rule 9 of the Takeover Code (“Rule 9”) where (i) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code or (ii) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of the company subject to the Takeover Code but does not hold shares carrying more than 50 per cent. of such voting rights and such a person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, that person is normally obliged to make a general offer to all Shareholders to purchase in cash their shares at the highest price paid by him or any person acting in concert with him within the preceding twelve months.
- 5.2 Under the Act, if an offeror were to acquire or contract to acquire 90 per cent. of the Ordinary Shares to which the offer relates and where the shares to which the offer relates are voting shares, not less than 90 per cent of the voting rights carried by those shares within the period in which the offer could be accepted, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares within the 3 months beginning with the day after the last day on which the offer could be accepted and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.
- 5.3 The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares to which the offer relates, which carry not less than 90 per cent of the voting rights in the Company, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period of the offer or, if later, less than three months from the date on which the notice is served on the Shareholders notifying them of their rights to be bought out. If a shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.
- 5.4 No person has made a public takeover bid for the Company’s issued share capital since the Company’s incorporation on 22 June 2007.

## 6 MEMORANDUM AND ARTICLES OF ASSOCIATION

- 6.1 Pursuant to the Act, from 1 October 2009 all items listed in the Company’s Memorandum of Association (including its objects) are deemed to be and form part of the Company’s Articles of Association with the sole exception of the names of the initial subscribers of the Company.
- 6.2 The Company’s Articles of Association (“Articles”) contain the following provisions:

*Voting Rights*

Subject to the provision of the Articles and any special terms as to voting upon which any shares may for the time being be held, on a show of hands every Shareholder who is present in person (or by proxy) shall have one vote and on a poll every Shareholder present in person or by representative, not being himself entitled to vote, or proxy shall have one vote for every Ordinary Share in the capital of the Company held by him and need not use all his votes or cast all the votes he uses in the same way.

#### *Variation of Rights*

Subject to the statutes (as defined in the Articles), all or any of the rights attached to any class shares in the Company may (unless otherwise provided by the terms of issue of the shares of that class) may be varied with the written consents of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. The provisions of the statutes and the Articles relating to general meetings shall apply to any such separate meeting, except that: the necessary quorum shall be a person or persons holding or representing by proxy not less than one-third in nominal amount of the issued shares of that class or, at any adjourned meeting of holders of shares of that class at which such a quorum is not present, shall be any such holder who is present in person or by proxy whatever the number of shares held by him; and any holders of shares of that class may demand a poll and every holder of shares of that class shall on a poll have one vote in respect of every share of that class held by him.

#### *Transfer of shares*

Subject to restrictions in the Articles, a Shareholder may transfer all or any of his shares, in the case of shares held in certificated form, by an instrument of transfer in any usual form or in any other form which the Board may approve or, in the case of shares held in uncertificated form, in accordance with the Uncertificated Securities Regulations (“USR”) and the rules and systems that the USR sets out and otherwise in such manner as the Board in its absolute discretion shall determine. An instrument of transfer shall be executed by or on behalf of the transferor and (unless the share is fully paid) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect of it.

The Board shall have the power to implement any arrangement it may think fit to enable title to any securities of the Company to be evidenced and transferred without a written instrument in accordance with any statute; and rights attaching to such securities to be exercised notwithstanding that such securities are held in uncertificated form where, in the Board’s opinion, these Articles do not otherwise allow or provide for such exercise.

The Board may refuse to register a transfer of a share which is not fully paid provided that where any such are admitted to a recognised investment exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

The Board may also refuse to register the transfer of a share if (i) in the case of shares held in a certificated form, it is not lodged, duly stamped (if necessary), at such a place as the Board may appoint and accompanied by the certificate for the shares to which it relates and /or such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer. (ii) if it is in respect of more than one class of share or (iii) it is in favour of a minor, bankrupt or person of mental ill health.

If the Board refuses to register a transfer it shall, in the case of shares held in certificated form, within two months after the date on which the transfer was lodged, and in the case of shares held in an uncertificated form, within two months after the date on which the relevant operator instruction was received by or on behalf of the Company, send to the transferee notice of the refusal together with its reasons for the refusal.



### *Dividends*

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the Shareholders, but no dividend shall exceed the amount recommended by the Board

The Board may pay interim dividends if it appears to the Board that they are justified by reference to the financial position of the Company. If the share capital of the Company is divided into different classes, the Board may pay interim dividends on shares which confer deferred or non-preferred rights to dividends as well as on shares which confer preferential or special rights to dividends provided that at the time of payment no preferential dividend is in arrears. The Board may also pay at intervals any dividend payable at a fixed date if it appears to the Board that the financial position of the Company justifies the payment.

The Board shall not incur any liability to the holders of shares conferring any preferential rights for any loss that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights provided that they act in good faith.

All dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid but no amount paid up on a share in advance of calls shall be treated as paid up on the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; but, if any share is issued on terms providing that it shall rank for dividend and from a particular date, that share shall rank for dividend accordingly. Dividends may be declared or paid in any currency and the Board may agree with any Shareholder that dividend which may at any time or time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the Company or any other person to bear any costs involved.

The Company may agree to a waiver in whole or in part of any dividend on any share, upon the receipt by the Company of any document signed by the relevant Shareholder or the person becoming entitled by transmission to the share.

### *Suspension of rights*

If a Shareholder or any other person appearing to be interested in shares held by such Shareholder has been duly served with notice under section 793 of the Act and is in default in supplying to the Company within the period as specified in the notice the information thereby required, then the Company is entitled to apply to the court for an order that such Shareholder shall not be entitled to vote or to exercise any right conferred by membership in relation to meetings of the Company, nor to receive any dividend, in respect of the shares which are the subject of such notice and any transfer of such shares is void.

### *Return of capital*

If the Company commences liquidation, a special resolution may be passed so that the liquidator may divide among the Shareholders in kind the whole or any part of the assets of the Company (whether the assets are of the same kind or not) and may, for the purpose, value any assets and determine how the division shall be carried out as between the Shareholders or different classes of Shareholders, or alternatively may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributories as the liquidator shall determine.

No Shareholder shall be compelled to accept any assets upon which there is a liability.

### *Pre-emption rights*

There are no rights of pre-emption under the Articles in respect of transfers of issued shares.

In certain circumstances, the Shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption

rights would require the Company to offer new shares for allotment to existing Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares were offered to the Shareholders.

#### *Untraced Shareholders*

The Company is entitled to sell at the best price reasonably obtainable any shares of a Shareholder or any shares to which a person is entitled by transmission if in respect of those shares:-

- for at least twelve years, no cheque, warrant or other financial instrument sent by the Company has been cashed; and
- the Company has paid at least three dividends which have not been cashed.

The Company is only entitled to sell the shares in the circumstances described above providing that it has, at the expiration of the period of twelve years, given notice of its intention to sell the shares by two advertisements, one in a national newspaper published in the United Kingdom and the other in a newspaper circulating in the area in which the last known address of the holder or the address at which service of notices may be effected is located.

In order for the Company to sell the shares, the Company must not have during such period of twelve years or the period of three months after the date of the latest newspaper advertisement, received any communication from the holder or person entitled by transmission.

If any part of the share capital of the Company is admitted to a recognised investment exchange, the Company must give notice in writing to that recognised investment exchange of its intention to sell such shares.

#### *Directors*

The Company may, by ordinary resolution, appoint any person to hold office as a director, either to fill a vacancy or as an addition to the existing Board.

The Board may appoint person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board. Any Director appointed by the Board shall hold office only until the next AGM and shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at the AGM. If he is not reappointed at the AGM, he shall vacate office at the conclusion of the AGM.

The number of Directors shall not be less than two but shall not be subject to any maximum number. No shareholding qualification for Directors is required.

Directors shall be paid a fee for their services at such rate as may from time to time be determined by the Board or by a committee authorised by the Board, provided that the aggregate of such fees shall not exceed such amount as the Company by ordinary resolution may determine from time to time and in the absence of any such determination there shall be no limit. Such fee shall be deemed to accrue from day to day.

The Directors may be paid all travelling, hotel and other expenses properly incurred by them in the conduct of the Company's business performing their duties as Directors including all such expenses incurred in connection with attending and returning from meetings of the Board or any committee of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company.

Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company or goes or resides abroad for any purposes of the Company shall receive such remuneration or extra remuneration by

way of salary, commission, participation in profits or otherwise as the Board or any committee authorised by the Board may determine.

The Board or any committee authorised by the Board may appoint one or more of its body to hold any employment or executive office with Company (including that of managing director) for such period and on such other terms as the Board may decide and may revoke or terminate any appointment so made. Any revocation or termination of the appointment shall be without prejudice to any claim for damages that the Director may have against the Company or that the Company may have against the Director for any breach of any contract of service between him and the Company. A Director so appointed may be paid such remuneration as the Board or any such committee may determine.

A resolution for the appointment of two or more persons as Directors by a single resolution shall not be moved unless an ordinary resolution that is shall be so proposed has first been agreed by the meeting without any vote being given against. Any resolution moved in contravention of this provision shall be void.

At every AGM one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to, but not exceeding , one-third shall retire from office but, if there are fewer than three Directors who are subject to retirement by rotation they shall all retire.

The Directors to retire by rotation on each occasion shall be chosen from any Director who wishes to retire and not offer himself for re-election, those who have been longest in office since their last appointment or reappointment, but as between persons who became or were last reappointed Directors on the same day, those to retire shall be determined by lot. The Directors to retire on each occasion shall be determined by the composition of the Board at the start of the business on the date of the notice convening the AGM and no Director shall be required to retire or be relived from retiring by reason of any change in the number or identity of the Directors after that time on the date of the notice but before the close of the AGM.

The Company may fill the vacated office and in default, the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the AGM and lost.

A Director who retires at an annual general meeting may, if willing to act, be reappointed. If he is not reappointed or deemed to be reappointed, he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the AGM.

The Company may by an ordinary resolution remove any Director before the expiration of his period of office and may, subject to the Articles by ordinary resolution appoint another person to be a Director in his place. This does not affect any claim for damages against the Company for breach of any contract of service the Director may have.

A Director shall be removed from office if:

- he resigns his office by notice delivered to the registered office of the Company or tendered at a meeting of the Board;
- he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- he is or has been suffering from mental ill health or becomes a patient for any purpose of any statute relating to mental health and the Board resolves that his office is vacated;
- he comes physically or mentally incapable of performing the functions of a Director and the Board resolves that his office is vacated;
- without the permission of the Board, he is absent from meetings of the Board for six consecutive months (whether or not an alternate appointed by him attends) and the Board resolves that his office is vacated;
- he ceases to be a Director by virtue of statute or is prohibited by law from being a Director or is removed from office under the Articles;
- his resignation is requested by all other Directors (provided those Directors are not less than three in number) by notice delivered to the Office or tendered at a meeting effective as a

- single notice signed by all the Directors; or
- he is appointed to the office for a fixed term and that term expires without him being reappointed.

A Director who, to his knowledge, is in any way, whether directly or indirectly interested in a contract with the Company shall declare the nature of his interest at the meeting of the Board. Provided that the Director has disclosed to the Board the nature and extent of his material interest, that Director may:

- hold another office or place of profit with the Company (except that of Auditor) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company (otherwise than as Auditor) and in either such case on such terms as to remuneration (whether by way of salary, commission, participation in profits or otherwise) and otherwise as the Board may determine;
- be a party to, or otherwise interested in, any contract with the Company or in which the Company is otherwise interested;
- be a director or other officer of, or employed by, or a party to any contract with or other interest, anybody corporate promoted by the Company on in which the Company is otherwise interested in or as regards which the Company has any powers of appointment; and
- shall not, by reason of office, be accountable to the company for any remuneration or benefit which he derives from any such office of employment.

#### *Borrowing Powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. Such powers may be limited or restricted as the Company may by ordinary resolution determine, or in the absence of any such determination or in so far as such ordinary resolution does not make specific provision, as the Board may from time to time determine.

#### *CREST*

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. This settlement procedure is reflected in the Articles.

- 6.3 The rights attaching to shares comprised in the share capital of the Company are set out in the Articles and summarised above. The retention or change of these rights would require the passing of a special resolution passed at a general meeting of the Company to be convened. This would require 21 days written notice for an AGM or 14 days written notice for a general meeting to be given to each Shareholder. Each Shareholder would have the right to attend the general meeting in person or by proxy and vote on the resolution to be proposed and the special resolution would require a majority of not less than three-quarters of Shareholders voting in person or by proxy at such general meeting.
- 6.4 The Company must in each year hold a general meeting as its AGM. Not more than 15 months can elapse between AGMs. An AGM must be convened, unless all Shareholders entitled to attend and vote agree to short notice, on giving 21 days' notice in writing to the Shareholders of the Company.

Other meetings can be convened by the Company from time to time referred to as general meetings. The length of written notice to convene such a meeting varies depending on the nature of the business to be transacted. If the meeting is for the passing of an ordinary resolution, then 14 days' written notice to convene the general meeting is required. A general meeting requires 14 days written notice irrelevant of whether the business to be conducted is the passing of an ordinary or special resolution.

Notice may be validly given where sent in electronic form (as defined in the Act) or made available on the Company's website (once the Company has agreed with a Shareholder that such service shall be permitted).

General meetings can be convened on shorter notice with the agreement of Shareholders being a majority in number and holding not less than 95 per cent. in nominal value of the Ordinary Shares giving a right to attend and vote at the meeting.

AGMs can be convened on shorter notice with the agreement of all Shareholders entitled to attend and vote at that AGM.

Shareholders need not attend a meeting of the Company in person but can do so by way of a validly appointed proxy. Proxies are appointed in accordance with the Articles. In essence, to be validly appointed, details of the proxy must be lodged at the Company's registered office no later than 48 hours before the commencement of the relevant meeting (although a lesser time may be specified by the notice of the meeting) or in the case of a poll which is not taken at or on the same day as the meeting, for the taking of a poll at which it is to be used. Failure to lodge details of the appointed proxy in accordance with the Articles will result in the proxy not being treated as valid.

- 6.5 There are no provisions in the Company's Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 6.6 The provisions of the FSA's Disclosure and Transparency Rules govern the disclosure of interests in Ordinary Shares. Where a person has material interests in Ordinary Shares where the voting rights attaching to such Ordinary Shares are equal to or more than 3 per cent. of the total voting rights attaching to the Company's share capital then the person has an obligation to disclose such interest. To the extent that such holding increases or decreases by each percentage point above 3 per cent., that person is obliged to disclose such interests.
- 6.7 There are no conditions imposed by the Articles of Association regarding changes in the Company's capital which are more stringent than required by the laws of England and Wales.

## 7 **SHARE OPTIONS**

7.1 The Company's EMI Share Option Plan was established on 2 February 2009. EMI options have been granted, subject to HM Revenue & Customs approval where necessary, to employees under the provisions of the Enterprise Management Incentives legislation contained in the Income Tax (Earnings and Pensions) Act 2003. Options under the Plan take the form of an individual contract between the Company and the employee.

7.2 The material terms of the Plan are as follows:

### 7.2.1 *Employee Eligibility*

An eligible employee is any employee who (i) is required to spend on average at least the statutory minimum time per week (25 hours) on the business of the Company or a subsidiary company (ii) does not have a material interest (owning or having an interest in more than 30% of the share capital of the Company) and (iii) has no associate who has a material interest.

### 7.2.2 *Individual Limit on Participation*

The total market value (as at the date of grant) of Ordinary Shares that an eligible employee can acquire on the exercise of options granted to him under the Plan may not exceed £120,000.

### 7.2.3 *Company Limit*

At any time, the total value of the Ordinary Shares which can be acquired on the exercise of all options issued by the Company under the Plan may not exceed £3,000,000.

### 7.2.4 *Exercise*

When granting an option to an eligible employee the Board may set an exercise condition or a number of exercise conditions and such are recorded in each eligible employee's personalised option. The exercise price will be the average middle

market quotation per share on the date that the relevant option is granted. To exercise an option, the holder must do so by way of written notice to the Company.

#### 7.2.5 *Non-transferability of options*

The options are non-transferable (except on death to the personal representatives of the option holder). An option shall lapse immediately if it is purportedly transferred, mortgaged, charged or assigned.

#### 7.2.6 *Variation of share capital*

If there is any variation of the share capital of the Company (whether that variation is a capitalisation issue (other than a scrip dividend), rights issue, consolidation, subdivision or reduction of capital or otherwise) which affects (or may affect) the value of options, the Board may adjust the number and description of shares subject to each option and/or the exercise price of each option in a manner which the Board, in its reasonable opinion, considers to be fair and appropriate.

#### 7.2.7 *Disqualifying Events*

The main disqualifying events are,

- the Company becoming controlled by another company; and/or
- the option holder ceasing to work for the Company (for any reason other than injury, ill-health, disability, retirement or redundancy); and/or
- the option holder ceasing to commit at least 25 hours each work or at least 75% of their working time to the Company; and/or
- the option holder holding a material interest in the Company either alone or with an associate.

7.3 As at the date of this Document there are 20,203,333 Ordinary Shares currently under option representing 7.6 per cent of the Company's issued share capital.

7.4 As at the date of this Document, there are no other share option schemes or incentive schemes in place in respect of the Company.

## 8 MAJOR SHAREHOLDERS

8.1 Insofar as has been notified to the Company the following persons hold, as at the date of this document, and are expected (based on the information available as at the date of this document), following Admission, to hold directly or indirectly 3 per cent. or more of the issued share capital of the Company

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Share Capital %</i>
Ian Taylor	60,860,000	22.82
Simon Bird	52,860,000	19.82
Newedge Group SA	38,400,000	14.40
David Ivy	30,430,000	11.41
Xcap Nominees Limited	16,424,285	6.16
Christopher Potts	15,000,000	5.62
Peter Simmonds	13,060,000	4.90

- 8.2 None of the holders of Ordinary Shares listed in paragraph 8.1 of this Part IV has voting rights different from the other holders of Ordinary Shares.
- 8.3 Save as disclosed in paragraphs 8 or 9 of this Part IV, neither the Company nor the Directors are aware of any person or persons who either alone or, if connected, jointly following Admission will (directly or indirectly) exercise or could exercise control over 30 per cent. or more of the voting rights attaching to the share capital of the Company.
- 8.4 Insofar as is known to the Company, no arrangements are in place, the operation of which may at a subsequent date result in a change of control of the Company.
- 8.5 Save as disclosed above, as at the date of this Document, none of the Directors is aware of any interest (which is notifiable under Rule 5.1.2 of the Disclosure and Transparency Rules) which will immediately following Admission represent 3 per cent. or more of the issued share capital of the Company.

## 9 DIRECTORS INTERESTS

- 9.1 The interests (other than those set out in paragraph 9.2 of this Part IV) of the Directors or persons discharging managerial responsibilities and their connected persons as at the date of this Document and as expected to be immediately following Admission are as follows (all such interests being beneficial unless otherwise noted):

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>
<i>Directors</i>		
Ian Taylor	60,860,000	22.82
Simon Bird	52,860,000	19.82
Peter Simmonds	13,060,000*	4.90
Nicholas Nelson	5,525,000	2.07
Gordon Fidura	Nil	Nil

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

- 9.2 The following Directors have been granted options over Ordinary Shares under the provisions of the Plan:

<i>Director</i>	<i>Date of grant</i>	<i>No. of share options granted</i>	<i>Option price (p)</i>	<i>Exercise Period</i>
Peter Simmonds	1/4/2008	8,333,333	1.2	7/1/2009 – 13/12/2012
Gordon Fidura	1/4/2008	800,000	5	1/7/2010 – 1/2/2019
Gordon Fidura	11/11/2010	800,000	5.125	1/5/2012 – 31/12/2015

- 9.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 9.4 Save as disclosed in this Document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.
- 9.5 In respect of the Directors, there are no conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have.
- 9.6 None of the Directors nor any member of a Director's family (as defined in the AIM Rules) has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

## 10 DIRECTORS' TERMS OF APPOINTMENT

- 10.1 On 7 January 2009 Nicholas Nelson entered into a letter of appointment with the Company under the terms of which he agreed to act as a Director of the Company. His remuneration is £20,000 per annum. The appointment initially ran for one year and is terminable thereafter by six months' notice by either party. The agreement contains restrictive covenants. Upon termination, no benefits (other than those accruing during the notice period) are due to Nicholas Nelson. The Board agreed to raise the remuneration to Nicholas Nelson to £30,000 per annum on a temporary basis in 2010 to recognise the extra time commitment required during the AIM admission process. This will be reviewed by the Remuneration Committee once Admission is completed.
- 10.2 On 7 January 2009 Simon Christopher Bird entered into a service contract with the Company. He is employed as Technical Director of the Company. His remuneration is £110,000 per annum. In addition, he is entitled to a discretionary bonus, a car allowance of up to £500 per month (or a funded lease car to a similar monthly allowance), participation in the Group's health insurance scheme, plus a contribution by the Group of an amount to 10 per cent. of his basic salary to his pension scheme. The appointment initially ran for one year and is terminable thereafter by six months' notice by either party. The agreement contains restrictive covenants. Upon termination, no benefits (other than those accruing during the notice period) are due to Simon Christopher Bird.
- 10.3 On 7 January 2009 Ian Rhys Taylor entered into a service contract with the Company. He is employed as Business Development Director of the Company. His remuneration is £110,000 per annum. In addition, he is entitled to a discretionary bonus, a car allowance of up to £500 per month (or a funded lease car to a similar monthly allowance), participation in the Group's health insurance scheme, plus a contribution by the Group of an amount to 10 per cent. of his basic salary to his pension scheme. The appointment initially ran for one year and is terminable thereafter by six months' notice by either party. The agreement contains restrictive covenants. Upon termination, no benefits (other than those accruing during the notice period) are due to Ian Rhys Taylor.
- 10.4 On 7 January 2009 Peter Anthony Simmonds entered into a service contract with the Company. He is employed as Chief Executive of the Company for remuneration of £110,000 per annum, although this is for a four day week only. In addition, he is entitled to a discretionary bonus, a car allowance of up to £500 per month (or a funded lease car to a similar monthly allowance), participation in the Group's health insurance scheme, plus a contribution by the Group of an amount to 10 per cent. of his basic salary to his pension scheme. The appointment initially ran for one year and is terminable thereafter by six months' notice by either party. The agreement contains restrictive covenants. Upon termination, no benefits (other than those accruing during the notice period) are due to Peter Anthony Simmonds.
- 10.5 On 5 January 2009 Gordon Nelson Fidura entered into an employment agreement with the Company. He is employed as Client Services Director. His remuneration is £76,000 per



annum. In addition, he is entitled to a discretionary bonus, a car allowance of up to £350 per month (or a funded lease car to a similar monthly allowance), participation in the Group's health insurance scheme, plus a contribution by the Group of an amount to 10 per cent. of his basic salary to his pension scheme. The appointment initially ran for one year and is terminable thereafter by six months' notice by either party. The agreement contains restrictive covenants. Upon termination, no benefits (other than those accruing during the notice period) are due to Gordon Nelson Fidura.

- 10.6 The aggregate emoluments of the Directors of the Company (including benefits in kind) for the period ended 30 June 2010 amounted to £520,952 and under the arrangements currently in force at the date of this Document are expected to amount to approximately £500,000 for the year ending 30 June 2011.
- 10.7 Save as disclosed above, no service contracts, letters of appointments or consultancy arrangements have been entered into by the Company or amended in the six months prior to the date of this Document.
- 10.8 The Directors have not received and are not entitled to receive any Ordinary Shares or options over Ordinary Shares in lieu of remuneration or as any form of compensation.
- 10.9 No sums have been set aside or accrued by the Company to provide pension, retirement, or similar benefits for the Directors.
- 10.10 There is no arrangement under which any Director has waived or agreed to waive future emoluments.

## 11 ADDITIONAL INFORMATION ON THE DIRECTORS

- 11.1 In addition to directorships of the Company the Directors hold or have held the following directorships (including directorships of companies registered outside England and Wales) or have been partners in the following partnerships within the five years prior to the date of this Document:

<i>Director</i>	<i>Current directorships and partnerships:</i>	<i>Previous directorships and partnerships:</i>
Nicholas Nelson	Nexus Financial Limited Rare Minerals plc Charzor plc Nexfin Limited	FG Employee Trustee Company Limited Flightstore Inflight Retailing Limited Vphase plc Haggie Nelson LLP
Simon Bird	dotMailer Limited dotCommerce Limited	Springwood Court (Freehold) Limited
Ian Taylor	dotMailer Limited dotCommerce Limited	
Peter Simmonds	dotSEO Limited dotMailer Limited dotAgency Limited dotCommerce Limited Netcallidus Limited Ikarus Flying Group Limited	County Hall Management Company Limited County Hall Management Company (Courtyard) Limited PAS Consulting and Services Limited IQ-IP Limited
Gordon Fidura	Warehouse Marketing Limited dotAgency Limited	

- 11.2 In 1997 a winding up order was made against Multimedia Factory (UK) Ltd a company of which Nicholas Nelson was a director. The deficiency as regards creditors was £44,014. As the amounts due were principally directors' loans and expenses, no further action was taken and the matter was closed.
- 11.3 Save as disclosed above none of the above Directors has:
- 11.3.1 any unspent convictions in relation to indictable offences;
  - 11.3.2 had any bankruptcy order made against him or entered into any individual voluntary arrangement;
  - 11.3.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
  - 11.3.4 been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
  - 11.3.5 been the owner of any assets which have been, or a partner in any partnership which has been, placed in receivership whilst he was that owner or a partner in that partnership (as appropriate) or within the 12 months after he ceased to be the owner of such assets or a partner in that partnership (as appropriate);
  - 11.3.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
  - 11.3.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of any company.
- 11.4 There are no further disclosures to be made in accordance with paragraph (g) of schedule 2 (g) of the AIM Rules.

## 12 MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the period of the past 2 years from the date immediately preceding the date of this Document and are, or may be, material:

- 12.1 An acquisition agreement dated 7 January 2009 and made between the Company (1) and the former shareholders of dotMailer (2) pursuant to which the Company agreed to purchase the entire issued share capital of dotMailer, the consideration for which was satisfied by the issue by the Company of 1,000,000,000 ordinary shares of 0.1p each credited as fully paid up.

The acquisition agreement contained warranties given to the Company by such vendors (other than Frank Nominees Limited) in respect of the state and affairs of dotMailer. The liability of such vendors in respect of the warranties expires on 7 January 2012.

- 12.2 An acquisition agreement dated 17 May 2010 and made between the Company (1) and the former shareholders of Netcallidus (2) pursuant to which the Company acquired the entire issued share capital of Netcallidus.

The consideration for this acquisition is based upon the profit made by Netcallidus for its financial years ended or ending 30 June 2009, 2010, 2011 and 2012. An initial cash sum of £513,981 has been paid to the vendors and a cash sum of £486,019 has been placed into a retention account against further consideration payments. In respect of the year ended 30 June 2010 additional consideration of £402,660 was due, of which £250,000 was settled in cash from the retention account and the balance was settled by the allotment to the vendors of 14,893,6589 ordinary shares of 0.1p each at 1.025p per ordinary share credited as fully paid. The further additional consideration will be based, in respect of the year ending 30 June 2011, on the net profits of Netcallidus for such period multiplied by 4 and, in respect of

the year ending 30 June 2012, on the net profits of Netcallidus for such period multiplied by 3. In each case the value of the consideration already paid or settled will be deducted from the amount due and the balance of the consideration due will be settled as to 40 per cent. in cash and 60 per cent. in Ordinary Shares.

The acquisition agreement contained warranties given to the Company by the certain of the vendors in respect of the state and affairs of Netcallidus. The liability of such vendors in respect of the warranties expires on 17 May 2012.

- 12.3 Lock-in agreements dated 28 January 2011 between the Company (1), Alfred Henry Corporate Finance Limited (2) and the former shareholders of Netcallidus (3), pursuant to which the vendors agreed not to dispose of any ordinary shares of 0.1p each for a period of 9 months from 28 January 2010 except in limited circumstances. Alfred Henry Corporate Finance Limited have assigned their rights under the lock-in agreements to Zeus Capital.
- 12.4 A nominated advisor and broker agreement dated 14 March 2011 between the Company (1) and Zeus Capital (2) pursuant to which Zeus Capital has agreed to act as the Company's nominated adviser and broker for an initial period of 12 months and thereafter until terminated by 3 months' notice of either party. Zeus will receive a fee of £25,000 per annum (plus VAT).
- 12.5 An admission agreement dated 14 March 2011 and between the Company (1) the Directors (2) and Zeus Capital (3) pursuant to which Zeus Capital has agreed to make the application for the Ordinary Shares to be admitted to trading on AIM in consideration of which the Company has agreed to pay Zeus Capital a fee of £45,000 (plus VAT). The agreement is subject to various conditions and the Company has given to Zeus Capital normal warranties for a transaction of this nature in respect of the business and affairs of the Company. The Company has also given normal indemnities for a transaction of this nature to Zeus Capital.
- 12.6 The service agreements and letters of appointments of the Directors as described in paragraph 10 of this Part IV of this Document.
- 12.7 The Group has entered into the following leases and licences:

<i>Property</i>	<i>Landlord</i>	<i>Tenant</i>	<i>Rent</i>	<i>Term</i>
Part second floor, 4-8 Emerson Street, London	Moon Mist Estates Limited	dotMailer	£43,060 p/a	7 July 2009 – 28 February 2013
Part 18 <sup>th</sup> Floor, 12-16 Addiscombe Road, Croydon, CR9 6DS	Major Belle Limited	dotMailer	£72,832 p/a	1 March 2007 – 28 February 2012
Offices 14/15, Hall Farm, Sywell, Northampton NN 6 0BN	Sywell Aerodrome Limited	Netcallidus	£6,750 p/a	1 August 2010 – 31 July 2012
Offices 11/12, Hall Farm, Sywell, Northampton NN 6 0BN	Sywell Aerodrome Limited	Netcallidus	£10,000 p/a	1 May 2010 – 30 April 2012
Part 16 <sup>th</sup> Floor, 12-16 Addiscombe Road, Croydon,	Major Belle Limited	dotMailer	£22,500 p/a	4 March 2011 – 28 February 2012

CR9 6DS

(Room) 116 Manchester Pall Mall, Pall Mall Court, 61-67 King Street, Manchester	MWB Business Exchange Centres Limited	dotMailer	£1,686 p/m	1 October 2010 – 31 March 2011
(Room) 417, 9-10 St Andrew Square, Edinburgh	MWB Business Exchange Centres Limited	dotMailer	£1,100 p/m	12 November 2010 - 11 February 2011
2 <sup>nd</sup> and 9 <sup>th</sup> floor, Veru Horuzhej Street, Minsk, Belarus	Electrosetstroi	NetCallidus Europe	3379 Euro p/m	Until 30 September 2011

13 **RELATED PARTY TRANSACTIONS**

During the period from 22 June 2007 to 25 March 2011 (being the last practical date prior to the publication of this Document), and save as set out in paragraph 6.22 of part III section A of this Document, the Company is not party to any related party transactions.

14 **LITIGATION**

Other than debt recovery proceedings in the ordinary course of business, no member of the Group is involved or has been involved in any governmental legal or arbitration proceedings in the previous twelve months which may have or have had in the recent past a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened by or against any member of the Group.

15 **EMPLOYEES**

The average number of persons employed by the Group during each of the three financial years ended 30 June 2010 and for the period since that date up to the date of this document was as follows:

	<i>Year to 30.6.2008</i>	<i>Year to 30.6.2009</i>	<i>Year to 30.6.2010</i>	<i>30.6.2010 to 14.3.2011</i>
<i>Administration</i>	9	25	16	15
<i>Operational</i>	25	24	52	60
<i>Management</i>	4	6	6	6

16 **NO SIGNIFICANT CHANGE**

Save as disclosed in this Document, there has been no significant change in the financial or trading position of the Company since 31 December 2010, the date to which the last unaudited interim accounts of the Company were prepared as set out in Part III, section B of this Document.

17 **WORKING CAPITAL**

The Directors are of the opinion having made due and careful enquiry, that the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

The following summary, which is intended as a general guide only, outlines certain aspects of current UK tax legislation, and what is understood to be the current practice of HMRC in the United Kingdom regarding the ownership and disposal of Ordinary Shares. This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Ordinary Shares. It addresses certain limited aspects of the UK taxation position of UK resident, ordinarily resident and domiciled Shareholders who are beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. Any person who is in any doubt as to his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his professional advisers immediately as to the taxation consequences of their purchase, ownership and disposition of Ordinary Shares. This summary is based on current United Kingdom tax legislation. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

#### *Taxation of dividends*

No tax will be withheld by the Company when it pays a dividend.

A UK resident individual shareholder who receives a dividend from the Company will be entitled to a tax credit, currently at the rate of 1/9th of the cash dividend paid (or 10 per cent. of the aggregate of the net dividend and related tax credit). The individual is treated as receiving for tax purposes gross income equal to the cash dividend plus the tax credit. The tax credit is set against the individual's tax liability on that gross income. The lower rate of income tax on dividend income is currently 10 per cent.

An individual shareholder who is not liable to income tax at a rate greater than the basic rate (currently 20 per cent.) will have no income tax to pay in respect of the dividend.

The higher rate of income tax on dividends is currently 32.5 per cent within the 40% income tax bracket and 42.5% within the 50% bracket. This means that an individual shareholder who is taxed on the dividend in the 40% bracket will have further income tax to pay at a rate of 22.5 per cent. of the cash dividend paid plus the related tax credit (or 25 per cent. of the net dividend). An individual shareholder in the 50% bracket will have further income tax to pay at a rate of 32.5 per cent. of the cash dividend paid plus the related tax credit (or approximately 36.1 per cent. of the net dividend).

UK resident Shareholders who do not pay income tax or whose liability to income tax on the dividend and related tax credit is less than the tax credit, including pension funds, charities and certain individuals are not generally entitled to claim repayment of any part of the tax credit associated with the dividend from HM Revenue & Customs.

A UK resident corporate shareholder will not generally be liable to corporation tax on any dividend received from the Company and the dividend received and related tax credit will constitute franked investment income.

Whether a shareholder who is not resident in the UK for tax purposes is entitled to a tax credit in respect of dividends paid by the Company and to claim payment of any part of the tax credit will depend, in general, on the provisions of any double taxation convention which exists between the shareholder's country of residence and the UK. A non-UK resident shareholder may also be subject to foreign taxation on dividend income.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions or what relief or credit may be claimed in the jurisdiction in which they are resident.

#### *Taxation of chargeable gain*

The amount paid for the Ordinary Shares will usually constitute the base cost of a shareholder's holding. If a Shareholder disposes of all or some of his Ordinary Shares a liability to tax on chargeable gains may, depending on their circumstances arise. UK resident individuals and trustees are generally subject to capital gains tax at a current flat rate of 28% (reduced to 18% where a gain falls within an individual's unused basic rate income tax band).

Gains made by UK resident companies are subject to corporation tax but there is an entitlement to indexation allowance which may reduce the chargeable gain.

A Shareholder who is neither resident nor ordinarily resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the Shareholder is a company) or through a branch or agency (where the Shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency (as appropriate) will be subject to UK tax on capital gains on the disposal of Ordinary Shares.

In addition, any holders of Ordinary Shares who are individuals and who dispose of shares while they are temporarily non resident may be treated as disposing of them in the tax year in which they again become resident in the UK.

#### *Stamp duty and stamp duty reserve tax*

No UK stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value will generally give rise to a liability to pay UK ad valorem stamp duty, or stamp duty reserve tax, at the rate in each case of 50 pence per £100 of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5).

## 19 GENERAL

- 19.1 It is estimated that the total expenses payable by the Company in connection with Admission will amount to approximately £120,000 (excluding VAT).
- 19.2 Zeus Capital has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 19.3 Jeffreys Henry LLP has given and not withdrawn its written consent to the inclusion in this document of its name and report and the references thereto in the form and context in which they appear.
- 19.4 There are no patents or licences or industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.
- 19.5 There have been no interruptions in the business of the Group, which may have or have had in the 12 months preceding the publication of this document a significant effect on the financial position of the Group or which are likely to have a material effect on the prospects of the Group for the next 12 months.
- 19.6 Save as set out in Part I of this Document, the Directors are not aware of (i) any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects in the period commencing on the date of this document until 30 June 2011 or (ii) any trends in production, sales and inventory, and costs and selling prices between 30 June 2010 and the date of this Document.
- 19.7 The Ordinary Shares are in registered form and may be held in certificated or uncertificated form. No temporary documents of title will be issued. The ISIN number of the Ordinary Shares is GB00B3W40C23.
- 19.8 Save as disclosed in this Document, there have been no payments by the Group to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 19.9 Save as disclosed in this Document, no person (excluding professional advisers otherwise disclosed in this Document and trade suppliers) has:
- (a) received, directly or indirectly from the Group within the 12 months preceding the date of the application for Admission; or
  - (b) entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly, from the Group, on or after Admission:

any of the following:

- (i) fees totaling £10,000 or more;
- (ii) securities in the Company where these have a value of £10,000 or more calculated by reference to the expected opening price of Ordinary Shares upon Admission; or
- (iii) any other benefit with a value of £10,000 or more at the date of Admission.

19.10 There are no investments in progress which are significant to the Group.

19.11 The Directors are not aware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.

19.12 Within this Document, where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by that party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 20 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until one month following Admission:

20.1 the memorandum of association and Articles of Association of the Company;

20.2 the audited consolidated accounts of the Company for the financial years ended 30 June 2008, 2009 and 2010 and the interim results for the 6 months to 31 December 2010;

20.3 the service contracts and appointment letters for the Directors referred to in paragraph 10 of Part IV of this document;

20.4 the consent letters referred to in paragraphs 19.2 and 19.3 of Part IV of this document;

20.5 the report and letter from Jeffrey Henry LLP set out in Part III of this document;

20.6 the material contracts referred to in paragraph 12 of Part IV of this document; and

20.7 this Document.

14 March 2011