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dotdigital GROUP
PLC

Annual Report
2014/2015

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Key highlights

Group revenues up 32%
(from £16.2m to £21.4m)

EBITDA increase by 45% to £6.8m

Net cash generated from
operating activities of £5.4m

Strong cash position of £11.9m
as at 30 June 2015

Corporate statement

dotdigital Group's flagship product is dotmailer, an email and multi-channel automation platform that enables marketers to plan, target, create, deploy, track and analyse their campaigns.

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

Chairman's statement

Frank Beechinor-Collins
Non-Executive Chairman

dotdigital has delivered great results for the 2014/15 financial year. The Group continues to be cash generative with no debt and we finished the year with cash reserves of £11.9m, an increase of 28% on the prior year, after capital expenditure and product development costs of £2.3m. The Group returned a profit before tax of £5.2m for the year, which was ahead marginally of market expectations.

Our change in emphasis of how we sell to clients outlined last year has been successful and our average monthly spend by customer has increased by 41%. In addition 94% of new clients signed in the past year have signed longer-term contracts giving the Group greater visibility on future revenue. We have also made significant progress with Magento customers, who tend to be higher volume senders, and these clients now spend considerably more with us on a monthly basis than other clients.

During this past year we have focused on building our indirect sales through partners and distributors and we have signed a number of high-profile partnership agreements in North America and Asia Pacific.

We continue to make good progress in the US and our business there has grown by over 114%, signing a number of significant new clients in that market. We also established an office in Australia which will focus on driving sales across the Asia Pacific region, primarily through carefully selected partners. This operation is now headed up by Rohan Lock, who for the past five years, was head of sales in the UK. We've already seen a good level of sign ups through our partners

Our professional services division has continued to grow in the past year, achieving nearly £3m of sales, up 56% on the previous year, with good profit margins. We have invested considerably in our infrastructure, ensuring that the business has the ability to offer the service expected by our customers as our business expands in both the volume of emails we send and the geographical markets in which we operate.

Our international revenues have grown by 97% – driven by the focus on geographic expansion

Development in our dotmailer platform continues to ensure it conforms to scalability, localisation and compliance in our new markets and product updates and enhancements have been well received by our customers.

As with previous years, our policy on acquisitions remains unchanged. Our continued focus is on organic growth but we will consider acquisition opportunities, should they arise, and only if they allow us to accelerate growth in a market or provide us with a technological advantage.

An evolving team

During the past year we have evolved the plc and operational boards to ensure we have the requisite skills to grow our business in line with market expectations. Peter Simmonds, who has been CEO for the past eight years, left at the end of June 2015. We identified Simone Barratt as Peter's successor in 2014 and during the past year both Peter and Simone have worked on the transition in the months leading up to Peter's retirement and Simone taking on the role of CEO.

On behalf of the Board I would like to take this opportunity to thank Peter for the considerable effort he has put in to building the business and ensuring we have effective processes and controls in place so that we can achieve growth whilst remaining profitable and cash generative. We are delighted that Peter continues as a significant shareholder of the business and he has also agreed to remain on the Board as a Non-Executive Director.

Simone has an extensive knowledge of the email marketing space and her previous experience as a Non-Executive Director of the Company before becoming CEO has meant she had an excellent understanding of the business. Simone has focused on building the executive management team to ensure the business has the requisite skills as we progress through this stage of our evolution.

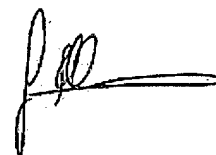
Milan Patel continues to do an excellent job as CFO under Simone, with a focus on effective planning and good financial control, thus ensuring our ongoing profitability and cash generation.

Founders Simon Bird and Tink Taylor continue as Board members and to play a strategic role in the business. Both have provided great support to the executive management team. Tink has been instrumental in helping our overseas expansion in not just North America but in Central America and Australia. Simon identified and recruited Steve Shaw who has taken over as IT Director and who, in turn, has made great strides in both the development of our main product suite and the infrastructure required for running our platform.

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

Outlook

The outlook for dotdigital over the coming years is very promising with interesting opportunities both in the UK and in overseas markets. We plan to continue to grow our business via a direct sales model but, increasingly, we see indirect channel and partnerships as a very effective way to achieve significant growth internationally. The rebranding and repositioning of the business has helped fulfil our ambition to be seen as a supplier of choice in the mid-market. With this team and the strategy outlined here we look forward to another successful year ahead.



Frank Beechinor-Collins
Non-Executive Chairman

The dotmailer platform

An email and multi-channel automation platform for digital marketers.

Continuing growth

The flagship product, dotmailer, is a powerful email and multi-channel marketing automation platform with easy to use tools that enable marketers to efficiently create, manage, execute and evaluate effective targeted campaigns.

In addition to its automation technologies, the Group also provides expert multi-channel marketing consultancy and services for businesses seeking to maximise customer acquisition, conversion and retention. The Company is headquartered in London and employed 190 staff at the end of June 2015.

Email continues to be the top-performing digital channel as confirmed in eConsultancy's 2014 Email Marketing Industry Census, with 68% rating the channel as Excellent or Good. This finding was echoed in the UK Direct Marketing Association report which shows the average ROI for email campaigns has actually risen 53% to £38 for every £1 spent in 2014.

Increased scalability

dotmailer is a well-established product and over the past eight years we have seen strong evidence of the scalability of the Group's platform with monthly sends volumes growing from under 5m sends per month to currently over 500m per month.

The Group has carried out significant development work on the dotmailer platform over the years, providing continuous innovation and functionality to its users.

This includes a highly compelling visual drag and drop email template design, drag and drop segmentation and query builder, drag and drop campaign automation, translation of the user interface into eight languages and responsive template toolkits that optimise display content and layout on mobile devices (smartphones and tablets). Our platform's ease of use, ease of integration and innovation combine to allow customers of all sizes and abilities to join us, and grow with us.

World class integrations

The company also has specialist and deep pre-built integrations with best-in-class eCommerce platforms and CRM products such as Magento, Salesforce and Microsoft Dynamics.

In addition the platform has been designed to integrate easily with clients' existing marketing technology and systems.

dotmailer has a broad customer base, with the five largest clients accounting for approximately 5% of total revenues (the top 20 clients account for less than 10% of total revenue).

To some extent, this reflects some of the Group's historical success in the SME space but, increasingly, the Group is gaining solid traction in the mid-to-small enterprise market in the UK, US and Asia Pacific.

When we saw dotmailer, we were totally blown away. It was way ahead of anything else we saw. The decision was a no-brainer.

Steve Smith
eCRM Manager
City & Guilds

Ready. Set. Grow.

dotmailer provides clients around the world with marketing tools that are easy to use yet provide all the functionality that a mid sized or small enterprise needs now and as they grow.

Platform Features

Multi-channel
Advanced personalisation
Lead nurturing & scoring
Behavioural analysis
Landing pages
Automated campaigns
Insight & complex data
Integrations
Forms & surveys
Campaign reporting
Segment & triggers
Email marketing



How dotmailer works

A client once described our platform as NASA technology with a Fisher Price interface. We liked that. It stuck. It's now a mantra for our product development.

Tink Taylor,

Founder, dotmailer

Our growth strategy

Enhancing shareholder value by focusing on profitable growth and product innovation.

Our shareholder base expects a low-risk approach to investment. Over the past seven years as a public company we have a good track record of testing, learning and then investing in growth opportunities. As the Company has grown we have also taken care to protect our core customer base whilst looking to deliver strong top-line growth through:

Geographic expansion

Our revenues from outside the UK have grown from 3% in 2012/2013, to 10% in 2013/2014 and now to 15% in 2014/2015. We expect this % to increase through 2015/2016 with the bulk of these overseas revenues coming from the US and Asia Pacific.

Our choice of strategic partners has been influenced by their geographic footprint to enable us to further penetrate other regions.

Product innovation

In 2014/2015 we delivered a number of significant new product features including Multi-channel extensions, insight data, advanced personalisation, lead scoring, fully personalised landing pages and substantial enhancements to our market leading integrations with Magento, MS Dynamics CRM and Salesforce.

From a revenue perspective we saw an increase in recurring revenues from technology of 207% especially our marketing automation functionality. Going forward, in support of our international and partner growth strategy we will look to further globalize our product suite and our infrastructure. In addition, we have identified the following themes for our roadmap: platform extensibility, single customer view, real-time customer experience, predictive capabilities, eCommerce, email innovation, social.

Strategic partnerships and channel

In 2014/2015 we continued to build on our existing partner relationships in eCommerce and CRM by focusing on our specialist connectors for Magento, MS Dynamics CRM and Salesforce.

2015/2016, we plan to focus on developing a robust Global Reseller network, whilst our Direct Sales team continues to grow our organic direct business. Additionally, we are excited about early progress in developing Key Strategic Partnerships that will drive our presence globally.

Identifying new niches

Our historic focus on the eCommerce niche has delivered good revenues (261% increase 2014/2015) as well as positioning us to be strategic partners of key global players such as Magento. This, in turn, has also driven our geographic growth.

For the coming year, we have identified an opportunity to exploit our localisation and multi-lingual capabilities and drive revenues through this niche.

Barbour Case study

Overcoming the obstacles

Barbour have been on a rapid learning curve with the evolution of its ecommerce business. The sole business goal has been to deliver a seamless customer experience. The obstacles to overcome have been many: building a detailed customer database, segmenting the audience, creating engaging content, integration between systems, personalising the experience.

In terms of bottom line a single direct campaign has generated a six-figure revenue amount, with a ROI of 37,581%.

Elaine Taylor

Manager
Barbour International

Smarter, scalable results

Throughout this journey dotmailer have provided strong and consistent support to Barbour as they gradually adopt smarter and smarter email marketing automation tactics. This means tailored engagement programmes using past purchasing history are now sent as standard, automatically. The results are great but also scalable as the online business continues to grow.

Global client list

dotmailer is the trusted email marketing partner
of huge success stories around the world.

Major clients

When I saw the EasyEditor in action
I realised it is as easy as using Lego.

Chris Hipson

Customer Experience

Econsultancy

New clients

New Magento clients

SLENDERTONE

Our culture

The dotmailer platform is built to be flexible and easy to work with. As a Company, we like to think we're the same.

The Group understands the critical role our people play in the success of the business. We continue to invest in their development and other initiatives that build upon the great culture that is at the heart of our business.

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

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

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

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

No nonsense.
Straight. Honest. Open. Truthful (even
if it hurts). We don't do business speak.
We prefer common sense. That's
what the best and most successful
relationships are based on.

Key performance indicators

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

Financial

Revenue growth from continuing operation

We aim to deliver double-digit organic revenue growth.

2014	£16,213,000	33% Growth
2015	£21,366,000	32% Growth

Earnings before interest, tax, depreciation and amortisation (EBITDA)

We aim to have a positive EBITDA growth.

2014	£4,697,000	13% Growth
2015	£6,772,000	45% Growth

Cash position

We aim to have a strong cash position.

2014	£9,306,000	53% Growth
2015	£11,932,000	28% Growth

One of the first things that appealed to us was the creative freedom dotmailer provides.

Edward Huang
Financial Officer
Alex Woo

Strategic

Volume of emails sent

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

2014	3,700,000,000	
2015		5,760,000,000

Recurring revenue as a %

We aim to have recurring revenues of over 70%.

2014		78% Recurring revenue
2015		76% Recurring revenue

Percentage of revenue from customers outside of the UK

We aim to expand internationally.

2014	10% Outside of the UK	
2015		15% Outside of the UK

Risks, mitigations and impact

Risk area	Impact	Mitigation of risk
Supplier, computer hardware and internet reliability-related risks	<p>An event resulting in a hosting centre going offline for any significant period of time or the termination of provision of services by one of the Group's hosting centres for any reason may result in significant loss of revenues and therefore materially harm the Group's business, operating results and financial condition. Similarly, events preventing or obstructing the servers from communicating over the internet, such as the future availability of a finite number of IPv4 addresses, may restrict the capacity of the business.</p>	<p>The design of the platform along with the system's architecture has multiple levels of resilience built in to cater for single points of failure. The Group continuously evaluates its key suppliers as part of its risk management process and diversifies these where possible, to improve resiliency. There is continued investment into dotmailer's currently owned IP addresses, maintaining these to be reputable for sending email globally, and utilising them to maximum effect. The Group continues to monitor its IPv4 capacity and seeks opportunities to expand its pool or utilise newer technologies to limit exposure to this risk.</p>
Utilisation of cloud service providers	<p>A key strategy for the Group is to migrate the dotmailer platform to a hybrid cloud infrastructure, utilising cloud service providers to host the web and application functions of the platform. Failure to implement correctly could result in an unstable, or less efficient platform resulting in lower number of email sends, and ultimately lowering the confidence in the product.</p> <p>The nature of cloud computing also means that a majority of the dotmailer platform will sit on shared infrastructure that is more of a target for cyber-attacks.</p>	<p>Dedicated teams have been formed to deliver the migration project; with consultation from experts and the cloud service providers, the team have a clearly defined architecture & design and where risks have been identified tests have been run to prove resolutions. The testing/migration process will be phased to identify and resolve any issues before impacting core business.</p> <p>By utilising cloud service providers, economies of scale are inherited from the provider in terms of computing power, bandwidth, and security technologies, mitigating other corporate risks.</p>
Hacking & information security	<p>There is a possible risk that a direct or indirect hacking attempt could result in a denial of service and/or loss of data which would impact on the Group's reputation.</p>	<p>The Group's technical team takes measured actions across multiple levels to secure the dotmailer platform and its customers' data. Continued investment into the latest technology for threat detection, remediation and encryption, coupled with its security policies and penetration tests, greatly reduces the Group's exposure to this risk.</p> <p>The introduction of a dedicated security function within the business to oversee existing and improvements in technology, processes, and policy was a strategic decision to further reduce the risk in this area. The Group has invested, and will continue to invest significantly in this area to protect ourselves from the latest threats.</p>
Data privacy	<p>Such laws and regulations require or may require the Group and its clients to implement privacy and security policies, permit consumers to access, correct or delete personal information stored or maintained by such companies, inform individuals of security incidents that affect their personal information, and, in some cases, obtain consent to use personal information for certain purposes. Other possible legislation could, if enacted, impose additional requirements and prohibit the use of certain technologies, such as those that track individuals' activities on web pages or record when individuals click on a link contained in an email message. Such laws and regulations could restrict the Group's clients' ability to collect and use email addresses, web browsing data and personal information, which may reduce demand for its products.</p>	<p>The Group operates an open door policy whereby it shares its policies relating to security & data privacy. dotmailer has a Trust Centre where customers can view this information online. Its features also assist customers to be compliant in current legislation and in most cases automates these compliance processes. The Group's staff research the impact of new legislation to its customers (and in some cases are actively involved in the creation of the legislation & industry best practise) and publish related white papers and blogs. Its executive actively contributes to the digital marketing space to advocate best practice and make sure its customers' needs are represented.</p>

Risk area	Impact	Mitigation of risk
Internet service providers (ISPs) reputation and internet browser, related risks	As a large proportion of the Group's revenue is derived by charging a price per email for sending marketing emails on behalf of customers, the impact of not being able to deliver these or deliver these without engagement tracking for any reason is significant. If internet browsers detect hyperlinks as a phishing threat, if abuse complaints from providers are not dealt with properly, if bad customer data generates multiple complaints through ISPs or third party spam blacklists, these impact the platform's overall ability to effectively deliver email.	dotmailer provides a number of services as part of the core product to filter known or bad data that may not comply with EU, Asia Pacific or US anti-spam regulations. Continued investment in reputation & security-related product development with the addition of more third party data feeds to filter bad data continues to reduce the risk. Through its admittance to various industry groups, notably the Messaging Malware Mobile Anti-Abuse Working Group (M3AAWG), the Group has demonstrated its commitment to implementing industry best practice in anti-abuse. It also provides a number of consultancy services to its customers to better improve their data and compliance with legislation. Through its expansion of its deliverability team, the Group continues to work closely with ISPs, email receivers and third party spam lists by proactively dealing with abuse complaints generated by customer emails. Whilst dotmailer acts as the data processor on behalf of its customers, and is not directly liable for breach of the EU, Asia Pacific or US anti-spam regulations, it does take these breaches seriously, suspending or terminating customer service agreements if necessary.
Competitive environment	The sector the Group operates in is competitive. The impact of competitors having more features, increased financial backing, better brand recognition and better global coverage increases the risk to the Group's business model.	The Group continues to grow revenues year-on year and reinvests to deliver new product features, best-in-class customer support and service offerings, enhanced brand recognition, improved service delivery and markets globally to attract new customers.
International expansion	As the business expands into new geographic territories there is a risk that policies and practices that have worked successfully in the UK market will not provide the high level of service and assurance that would have been delivered in the UK market.	The Group will place an emphasis on hiring senior people with experience of developing successful international business models, whilst hiring quality local people in important International territories. The Group will also utilise the services of expert advisers as and when necessary. Management information, business intelligence, audits and risk appraisals will be updated and monitored to ensure they reflect the International nature of the business.
Hire and retain key personnel	The loss of the services of key employees could harm the Group's business. The future success of the Group also depends on its ability to identify, attract and retain highly skilled technical, managerial and sales personnel. The Group faces intense competition for qualified individuals from numerous technology, ecommerce and marketing companies.	Investment into talent acquisition hiring programmes and continuous learning and development has enabled the Group to hire and retain highly skilled individuals. Enhanced employee benefits, a competitive package and a modern and flexible working environment utilising the latest technologies have continued to mitigate this risk.
Development and maintenance of products	There is a possible risk that without continued investment into new products, enhancement of old products and into new sectors the growth of the Group will be impaired. As new products are developed, and the technology landscape changes, the maintenance burden of existing products increases and without continued investment maintaining those products they may become unusable and could affect the Group's revenue.	Investment into the Group's product offerings continues to enable good growth. Innovation and increased development of new core product offerings in the marketing automations space has opened up more revenue opportunities and increased the average recurring revenue of the Group's existing customers. Ease of use of the dotmailer offerings and the ability to offer flexibility to integrate and connect to best-of-breed products continue to enable the Group's customers to grow at their pace without constraints. The Group constantly reviews individual product performance and the technology landscape and makes decisions to optimise its product portfolio if necessary to reduce maintenance overheads.
Evolving technology and customer requirements	Failure to respond to evolving technological channels and customer requirements or to introduce competitive enhancements and new features may make the dotmailer solution less competitive. The introduction of new solutions by competitors potentially makes the Group's solutions less attractive or easy to sell. Failure to anticipate client requirements and successfully develop new solutions or features may impact growth and retention of existing clients.	Investment in development of new solutions, partnerships with best-of-breed third parties and enhancements to the platform means that the Group remains a credible provider of multi-channel marketing SaaS solutions. SaaS development requires implementation of rapidly changing technologies, adhering to standards and regulations, anticipating client requirements and frequent product enhancements. The Group has not aligned itself to a single vertical, neither B2B nor B2C, and this strategy is purposeful for risk reduction. Where competitors introduce new solutions generally targeted at verticals, the breadth of the dotmailer platform, providing solutions across sectors, still differentiates dotmailer from its competitors. It delights customers, enabling them to grow and adapt without the need to change their marketing platform. This in conjunction with, a continued emphasis in recruiting and retaining expert technical and marketing professionals, has enabled the Group to innovate within its sector.

Chief Executive's report

Simone Barratt
Chief Executive Officer

Introduction

I am pleased to announce that the Group delivered revenue growth in line with market guidance. Our EBITDA and profit before tax are both marginally ahead of market guidance.

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

Financial highlights

	30.06.15	30.06.14	%
	(£m)	(£m)	increase
Revenue	21.4	16.2	32%
EBITDA	6.8	4.7	45%
Net assets	18.4	14.2	30%
EPS	1.63	1.24	31%

Review of 2014/2015

Revenue performance, which grew in line with expectations, was driven by strong growth of 32% across the Group's core high-margin email and multi-channel automation SaaS platform.

This strong organic growth was underpinned by a combination of successful new client wins in the mid-market and small enterprise sectors and, in particular, amongst Magento eCommerce platform users. There has also been healthy growth in recurring revenue from existing clients, and the Group has signed up a higher proportion of clients under contracts than in the previous period.

The Group continues to win notable clients in the UK in both the B2B and B2C sectors. In the past year these include: Honeywell, Unison, Ordnance Survey, The All England Lawn Tennis and Croquet Club, Knight Frank, Sony Music, Links of London, Sole Trader, Lactobrokes and Natural History Museum.

We have also seen a strong performance from our enabling professional services offerings with an increase in revenue from £1.8m to approximately £2.8m, an increase of 56% year on year with margins in the region of 60%.

During the year, the Group's average monthly spend per client rose by approximately 41% from £315 in the prior financial year to £445 in 2014/15. This, combined with a focus on longer term contracts (94% of clients that signed up in the year are on contracts between 12 and 24 months), and client retention has resulted in higher client lifetime values.

Easy to use yet incredibly powerful, dotmailer is increasingly becoming the platform of choice for digital marketing professionals.

International growth

Revenues from the US performed strongly, increasing from US\$1.4m to US\$3.0m, an increase of over 114% compared to the same period last year. The East Coast sales office, located in New York, continues to focus on sector niches including Magento eCommerce platform users and higher value small enterprise clients. As a result the Group has secured a number of new clients, including Simple Human, La Vie en Rose, Sail Plein Air Inc & Team Velocity Marketing.

The Group has also made good early progress in the Asia Pacific region and the Group has established strong partner relationships in Australia and solid revenue pipelines building through these channels.

We are in the process of undertaking a pilot utilising the localisation and translation capabilities of our platform in LATAM with a partner.

Magento Connector

The quality of dotdigital's connector into the Magento eCommerce platform and the Group's ability to build strong relationships with Magento partners has resulted in significant increased revenues during the year.

The number of our clients now using dotmailer's Magento Connector has more than doubled during the financial year. The average monthly recurring revenue spend for a typical Magento customer has also grown to approximately £1,070 per month, a 53% increase on the previous year.

Magento Connector UK clients now include The Royal Trust Collection, Fred Perry, Boodles, Calor Gas and Hornby.

We have also signed a number of Magento Systems Integration partners as resellers for the dotmailer platform, including Gorilla, a Gold Magento Solution Partner with offices across the US and Europe, and named as Magento's Omni-channel Partner of the Year in April 2015.

Technology, product development and support

Within the year we have restructured our technology, product development and support teams. The teams are now clearly aligned with operational support for our clients and our infrastructure, or on our product roadmap.

Also, within the year we have revised our approach to our product development and release process. Our new approach has delivered increasingly innovative software in an agile manner, but in a more structured quarterly release process. The key tenets of our product development strategy remain 'ease of use' and 'ease of integration'. Our highly skilled and creative team of developers continue to create functionality that makes it easy for our clients to deliver complex marketing processes, and easy for marketers to integrate with the best-of-breed platforms they already use.

People

After a two-year term as a Non-Executive Director, I took over the CEO role on 24 February 2015. Peter Simmonds stepped down as Deputy CEO on 30 June 2015 and I am delighted Peter remains on the Board as a Non-Executive Director.

Peter's leaving party

Our first campaign generated over £6m worth of business and set the scene for everything we do today. It's fair to say we've not looked back since!

Phil O'Sullivan

Marketing Director
Newmarket Holidays

Chief Executive's report continued

2013/2014 was a year of important investment in new hires and the appointment of new senior management. During 2014/2015 these new hires have been successfully integrated into the business. The senior management team have implemented new structures and processes to support our ambitious growth plans whilst driving operational efficiencies for the business. As a result we have delivered a 32% increase in revenue, a 45% increase in EBITDA for a nominal 8% increase in headcount.

James Koons
Chief Privacy Officer

Another key hire in April 2015 was Chief Privacy Officer. James Koons, a high-profile industry expert who is based in the US. As outlined in the Risks and Mitigation section of this Report, our reputation with ISPs around the world and our knowledge of and approach to global data privacy legislation are critical to providing our clients with the highest level of protection and security and to ensuring we continue to deliver their emails around the world.

Cash generation

The business continues to be highly cash generative with cash at the end of the period standing at £11.9m, an increase of 28% on the prior year (2014: £9.3m) after capital expenditure and product development of £2.3m. The Group continues to be debt free. Highly efficient cash collection processes, combined with over 45% of clients paying retainers by direct debit, contributed to the Group's strong cash position at the year end.

Dividend policy

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

Therefore, subject to approval at the AGM in December 2015, the Board propose that the Group will pay a dividend of 0.36 pence per share, payable at the end of January 2016.

Growth strategy

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

We anticipate further organic growth in the UK market and will continue to offer our products directly to a wide range of industry sectors. Growth will come from winning business from competitors as well as from developing and promoting additional and increasingly sophisticated personalisation and automation product functionality to our existing customer base.

Over the past seven years, revenues have grown 346% from £4.8m to £21.4m (year to June 2015). This equates to a seven-year CAGR of 24%, which is higher than the market growth in that time, reflecting market share gains.

We have established a strong brand presence in the US, especially in the growing B2C and B2B eCommerce sectors, and we anticipate further penetration and growth. Growth to date has been as a result of the quality of our connector to the Magento platform and our Gold Standard Partnership. Going forward, we will continue to focus on growing our network and relationships with the system Integrators who service and influence the Magento community and on continuing to broaden and deepen our product offering to this sector.

We are pleased with the early results of a pilot in LATAM (Latin America), commencing in October 2014 and conducted with a partner utilising our localisation technologies to translate our interface to the local market.

In addition, we expect to augment this growth through further expansion; into the Americas and Asia Pacific, and via strategic and channel partners and resellers.

Naylors

Case study

Rapid growth

Since going digital, Naylors has transformed from a local equestrian and country wear retailer into a highly successful ecommerce business on the national stage. Since 2012 they've been working with ecommerce agency Space 48 to develop their offering on the Magento Enterprise platform.

dotmailer's people are very informative and a source of inspiration. The results we've seen of working with Magento and dotmailer have been extremely powerful.

James Atkinson
Partner at Naylors

Impressive results

For the email solution, they initially used Mailchimp, but they rapidly bumped up against the limits of a free solution. That was when their ecommerce agency suggested they look at dotmailer.

One of the first attractions they could see from migrating to the dotmailer was the ability to integrate their Magento customer purchasing data. This has been used to implement a fully integrated multichannel strategy that makes best use of automation to provide seamless transactions and the best possible customer service. They are looking forward to introducing even more automation in the future.

Since making the shift to dotmailer the results have been impressive. Naylors have seen massive returns. A 219% increase in revenue, 186% increase in transactions, average order value increase of 11%, and a 21% increase in conversion from email to purchase.

TUI

Case study

A global operation

TUI AG is the largest leisure, travel and tourism company in the world. It owns travel agencies, hotels, airlines, cruise ships and retail stores. Its major subsidiaries include TUI Airlines, the largest holiday fleet in Europe, as well as UK-based tour operator Thomson. In total the brand covers nearly 80 tour operators operating from 18 countries.

An integrated success

Using dotmailer they've implemented a successful three-year programme to integrate email, CRM, web and sales reporting. The dotmailer platform has increased their ability to send out effective communications, whilst allowing TUI staff a deeper understanding of their market and customers.

dotmailer hit the sweet spot between advanced features and simple operation. It gives us a platform that will improve customer service, reduce duplication, and drive much higher levels of customer insight and intimacy.

Matt Royal

CRM Manager at TUI Travel PLC
UK Education Division

Chief Executive's report continued

Email delivery remains a high priority and we will retain a small physical infrastructure presence in key regions to act as delivery nodes. This ensures we have full control over our IP address ranges and their reputation, which are crucial for email delivery.

These additional dotmailer instances will allow us to scale and spread risk, putting us in stronger position to continue to deliver on our customers expectations and to handle continued growth.

The model of growing internationally by focusing on key partners has proven to be successful and profitable in the US. The Group aims to take the same focused approach to growing our new office in Australia, identifying a number of key partners and resellers who have an existing footprint in Australia and the broader Asia Pacific region.

Going forward, we will deepen existing relationships, and identify new local and global strategic partners to fast track our penetration into specific sectors, niches or geographies.

The Group will also exploit what we believe to be an opportunity in the market – particularly in the US – to provide an alternative email and multi-channel automation platform to a network of mid-sized resellers and we are currently hiring to exploit this opportunity.

This growth will be supported by a technology programme that delivers scale internationally.

We are encouraged by the response we have had from partners and see this as a key tenet for our growth strategy in future.

Technology and infrastructure

We continue to invest in technology and infrastructure to cater for a growing international customer base. dotdigital has recently commenced a three-year hybrid-cloud infrastructure project – Project Cirrus – with the key aim of deploying our platform into new territories: North America (to support growth in the Americas), and Australia (to support growth in Asia Pacific). This will provide our clients with increased performance and resilience and the ability to keep their data within their economic region.

Chief Executive's report continued

Sharon Head
Chief Operating Officer

Steve Shaw
Chief Technology Officer

Anup Khara
SVP Global Sales

Phil Draper
Marketing Director

The initiatives to grow our international presence are now delivering a strong pipeline of new clients particularly in the mid-size online retail space which continues to be a core focus for 2015.

Looking forward

The dotmailer email marketing and multi-channel automation platform continues to perform strongly both in the UK and, increasingly, internationally.

In readiness for the next phase of our growth I have created a Senior Executive Team that sits between the Plc Board and the cross-departmental Operations Board. In addition to myself and Milan Patel, CFO, the Senior Executive Team comprises Sharon Head – previously Director of Operations, now Chief Operating Officer, and Steve Shaw – previously Director of Technology, now Chief Technology Officer. This structure will allow us to allocate senior executive sponsorship to key global strategic partnerships. For clarification, these are not Plc Board appointments.

Together with the recent appointment of Anup Khara to the role of Senior Vice President (SVP) of Global Sales, and Phil Draper as Marketing Director, the Group is well placed with a strong team of senior executives to deliver future results.

Further growth in the US will be supported by new sales offices in the MidWest and West Coast. These offices will be located to mirror the concentrations of Magento systems integrators, allowing us to forge stronger relationships and to provide those Integrators with local support.

Rohan Lock, who has headed the UK sales team for five years, is now responsible for the Asia Pacific region, based in Australia. He has considerable experience of building an effective sales organisation in the UK and is expected to help the Group accelerate sales growth in this region. Hiring a sales team has already begun and early indications from the Asia Pacific region show strong interest from high-value strategic channel partners and a growing pipeline.

In addition to channel partners, resellers are important for the Group's growth ambitions including further penetration into the US as well as for entering new markets. To this end the Group plans to appoint a Global Reseller Director who will be based in the US. There have been a number of acquisitions in the email marketing sector and the Directors believe this has created an opportunity for dotmailer to replace their current platform.

The ongoing investment in technology and product development, and the resulting new multi-channel automation functionality launched in early 2015, has helped the Group build new revenues. The Directors believe this will increase both the quality and quantum of recurring revenues from our technology, and also from a recently introduced range of new productised multi-channel automation services offerings.

In summary, the demand for email marketing and multi-channel automation continues to be strong both in the UK and internationally. The Board believes that the dotmailer platform, with its 'ease of use' proposition, its specialist connectors, its specialist professional services, and now its growing list of global strategic partnerships, is well placed to continue to generate strong organic growth in revenue, not just in the UK, but increasingly overseas as well.

FAIRFX

Case study

Easy automation

FAIRFX switched to using dotmailer a year ago. They have implemented a number of dotmailer's automation tools, all of which are generating additional turnover for the business.

dotmailer is all about delivering service that goes beyond the norm. They are very effective and professional team who know what they're talking about, and help me to get the best out of my digital marketing.

Lisa Stone

Head of Online Marketing
FAIRFX

All the results. No more effort

With no ongoing input once the original content and parameters for the automation campaign have been set up it's a win win for the client. The results of the campaign are increases year on year, 17% more visits to the website this year, 73% increase in conversion rates, 103% increase in transactions and 121% increase in revenue.

Within just two days of launching the first programme FAIRFX generated additional turnover running into five figures. Over a year this adds up to over a million pounds of additional revenue from a totally automated service.

Corporate social responsibility report

During the past year the Group continued with its ongoing commitment to social responsibility in the market in which it operates, to its employees, suppliers and to the broader environment.

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

Clients

The Group prides itself on ensuring that our products and services are designed to meet the expectations of our clients and their customers. Feature forums are offered to allow clients to request features and vote on feature priority, which feeds directly into the development schedules for our SaaS product offerings.

The Group is committed to complete transparency with our clients, providing pricing structures that are clear, and offering packages that allow clients to deliver successful campaigns. A pricing calculator is provided for dotmailer licenses and packages to allow clients and potential clients to cost their campaigns, and our experienced sales team are able to assist clients in pricing guidance across all our products and services.

dotdigital products and services are supported by an expert team; giving access to support via email, telephone and live chat. We also provide additional managed services for our products, enabling our clients to deliver successful campaigns and projects.

Employees

The Group has continued to invest in the development of our people across the Group thus underpinning the critical role that our employees play in the success of the business.

The Board has significantly enhanced the training and development programme available, to provide all employees with access to bespoke key skills training, as well as continuing specific skills development in areas relating to the industry we operate in and, in addition, professional skills development. The Group now has a greater percentage of employees than ever before studying towards and achieving professional qualifications, equipping themselves and the business with specialist expertise.

The Board's commitment to an open and honest working environment continues with clear communication of business progress through monthly 'All Hands' Company meetings; including an anonymous 'Ask the Board' Directors questions slot, regular newsletters, and lunches for new and existing employees with the Board.

The Board strives to continue to offer a competitive benefits package in order to attract and retain the best talent, including share option schemes and bonuses based on Company and individual performance. Total reward statements are available to all employees to provide complete visibility into the total value of salaries, benefits and rewards earned through the year.

It is the policy of the Group to ensure that at all times there are equal opportunities for all employees, with no discrimination on account of race, age, gender, sexual orientation, disability and political or religious beliefs. Our philosophy is to ensure that ability, contribution to the business and potential to develop are the determining factors in the selection, training, career development and promotion of all employees.

Investment in our offices continues, ensuring a pleasant and safe working environment for all employees. Above all, the Board continually monitor that our workplaces are safe and comply with all relevant legislation; the Group has not been subject to sanctions or fines for environmental, health and safety or other infringements.

Business partnership

dotdigital believes that strong and effective partnerships, within our business community, is an important factor that promotes mutual success for our partners and suppliers. As dotdigital continues to act on its strategy of global growth, we will build upon our UK experience in the US, Australia and beyond.

Our constantly evolving and expanding partner network is key to developing close business relationships through informal and formal events, meet-ups and seminars. We share the advantage of our cutting-edge office space to support and host an increasing number of such events. The business benefits that these close relationships provide are immediate and obvious to all involved.

Our commitment to using local businesses wherever possible is consistent even as we launch in Australia, making use of local providers of products and services where we can.

Community partnership

The dotdigital Group employees need little encouragement to show their support for local and national charities. This year we have invested in relaunching and rebranding our employee social group. Volunteers representing all departments and offices across the globe ensure global representation and engagement.

Rebranded as dotcommunity, the Group has two focuses: inwards (employee social engagement) and outwards (philanthropic activities). With so many of our employees involved in charity fundraising, our Co-Founder Tink Taylor set us the task of raising \$1,000,000 for charity. This project is called dotfoundation and utilising online and social channels we now have a single focus for our fundraising. *dotfoundation* acts as the 'totaliser' for all our charity fundraising, which currently includes Royal Brompton & Harefield Hospitals Charity and British Heart Foundation.

As part of our Client Satisfaction Survey, we committed to making a £5 donation for each response. This enabled us to donate £5,000 across the following charities: St Christopher's Hospice, Brick by Brick: Homes for the Homeless, Deafblind Scotland, Ronald McDonald House Manchester, DEC (Disasters Emergency Committee) and Marie Curie.

Environmental partnership

Our tried and tested adoption of Reduce, Reuse, Recycle runs through all our offices. As a digital business we continue to strive to reduce printing and waste and increase the levels of recycling wherever possible.

Our office hot-desking arrangements and flexible approach to appropriate telecommuting ensure we avoid unnecessary travel whenever possible.

Ensuring we work with datacentre partners that set industry standards in energy efficiency ensures we minimise our energy footprint.

Suppliers

As a part of the Group's strong commitment to our local community we aim to source local suppliers wherever possible. This is underlined by the fact that a number of our suppliers have been with the Group for many years and we consider our key suppliers as partners. dotdigital aims to work with partners and suppliers with similar ethical standards and values.

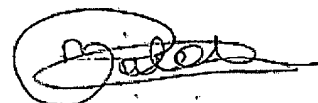
At dotdigital we understand the importance of fair and equal treatment, and particularly drive towards transparent and fair payment terms and processes.

Risks

The Board is cognisant of the need to monitor potential threats to the business and our workforce. To this end the Board has established a Risk Committee consisting of both Non-Executive Directors and management. This committee meets regularly to evaluate ongoing risks to the business and this includes risks posed both to our employees and any potential risks to the business from suppliers and partners. Any recommendations by this committee are put directly to the Board for further discussion and implementation.

Strategic report

The strategic report was approved by a duly authorised committee of the Board of Directors on 12 October 2015 and signed on its behalf by:



Milan Patel

Company Secretary
12 October 2015

Board of Directors

Simone Barratt
Chief Executive Officer

Simone Barratt has over 15 years' experience of ecommerce, technology and online marketing. She has grown businesses to multi \$m from incorporation. She was appointed Non-Executive Director of dotdigital in October 2013 and stepped into the CEO role in February 2015. In 2000 she launched and grew e-Dialog in Europe and subsequently in Asia Pacific. e-Dialog, a leading email marketing technology company, was acquired by GSI Commerce in 2008, which in turn was acquired by eBay Inc. in 2010. In 2011 Simone was appointed Global President of e-Dialog Inc with income statement responsibility for just under \$100m and with 450 employees across USA, EMEA and Asia Pacific.

Milan Patel, FCCA ACSI
Chief Finance Officer,
Company Secretary

Milan Patel joined the Company in 2007 and was appointed Group Company Secretary in 2009, and CFO in 2015. Milan is a Fellow member of the Association of Chartered Certified Accountants, and associate member of the Chartered Institute of Securities and Investments. He has been responsible for the admission to Plus and the introduction to AIM. He is also responsible for the Group's functions in financial management and reporting, regulatory compliance, legal and corporate governance. He also brings substantial strategic financial experience to the Board.

Simon Bird
Co-Founder

Simon Bird has developed an in-depth technical knowledge of the internet and its applications. Prior to co-founding dotdigital Group he assisted in the development of a major internet access provider. He has provided services to a number of well-known companies and organisations in helping create websites, intranets, extranets, content management systems and other online solutions. He is prominent on the tech entrepreneur scene and heavily involved in the selection, recruitment and retention of dotmailer's technical partners.

Ian "Tink" Taylor
Co-Founder

Tink Taylor has 20 years' experience in digital marketing in both the UK and now the US. Since 2006 he has been an influential member of the UK Direct Marketing Association's Email Marketing Council and also the Internet Advertising Bureau. In 2014, Tink was elected as Advisory Committee Member of the Board of the US Direct Marketing Association's Email Experience Council. He constantly strives to help individual organisations, and the industry as a whole, to develop and progress.

Frank Beechinor-Collins
Non-Executive Chairman

Frank Beechinor-Collins was, for 11 years, CEO and co-founder of One Click HR, an AIM-listed IT/ Human Resources business which operated in the UK and North America and had around 200 employees. Frank oversaw the successful sale of the business to ADP, a \$4bn NYSE-listed company, for \$25m. Frank brings a great deal of corporate experience and a strong track record in M&A to the Board, gained over 25 years of working for and running public and private companies. Frank is also currently a Non-Executive Chairman of Coms Plc an AIM-listed business.

Peter Simmonds, FCCA
Non-Executive Director

Peter Simmonds has over 30 years of experience at senior management and board level, principally in the areas of banking, insurance, finance, IT, outsourcing and software. As well as being an experienced finance professional Peter has considerable experience of acquisitions, disposals, post-acquisition integration, change management and creating cultures and structures to facilitate entrepreneurship and growth. Peter is currently Non-Executive Chairman of IS Solutions Plc and a Non-Executive Director of Synety Plc both AIM-listed businesses.

Richard Kellett-Clarke, FCA
Non-Executive Director

Richard Kellett-Clarke brings to the Board over 25 years of management experience in the turnaround and strategic repositioning and recovery of creative businesses in CMCG, media, electronics and software industries. He was a founder of AFX NEWS Limited, now part of Thomson Reuters, and Sealed Media, now owned by Oracle. He was part of the team as CFO which brought Pickwick Group Plc to the main market and Brady Plc to AIM. He is currently the CEO of Idox Plc, an AIM-listed specialist software and services business.

Corporate governance report

The Board has sought to comply with a number of provisions of the 2014 UK Corporate Governance Code ('the Code') in so far as it considers them to be appropriate for a company of this size and nature. They make no statement of compliance with the Code overall and do not 'explain' in detail any aspect of the Code with which the Group does not comply.

Compliance statement

(a) Directors

The details of the Group's Board, together with the Audit and Remuneration Committees, are set out on pages 31 and 32.

The Board meets monthly and is responsible for strategy, performance, approval of major capital projects and the framework of internal controls. The Board has a formal schedule of matters reserved for specific review and decision. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. At the year end there were five Executive Directors, one independent Non-Executive Director and an independent Non-Executive Chairman.

The current constitution of the Remuneration Committee and the Audit Committee is shown on pages 31 and 32.

Appointments to the Board are nominated by an Executive Director and then considered by the full Board.

The service contracts of the Executive Directors are less than one year and determinable by six months' notice.

(b) Directors' remuneration

As set out on pages 32 and 33, the remuneration of the Executive Directors is determined by the Remuneration Committee whilst that of the Non-Executives is determined by the whole Board. The Directors are conscious of the importance of performance-related incentives and bonuses are paid based on performance as deemed appropriate by the Remuneration Committee. The Remuneration Committee uses both financial and non-financial benchmarks to determine the Executive Director bonuses.

(c) Relations with shareholders

The Group encourages two-way communications with all its shareholders and responds quickly to all requests or queries received.

All shareholders have at least twenty-one working days' notice of the Annual General Meeting at which all of the Directors and the Chairman are normally available for questions. Comments and questions are encouraged from the shareholders at the meeting.

(d) Accountability and Audit

(i) Financial reporting

Detailed reviews of the performance and financial position of the Group are included in the Chief Executive's statement. The Board uses this and the Report of the Directors on pages 34 to 35 to present a balanced and understandable assessment of the Group's position and prospects. The Directors' responsibility for the financial statements is described on page 35.

(ii) Internal control

The Board confirms that it has established the procedures necessary to implement the guidance set out in "Internal Control: Guidance for Directors on the Combined Code". The process of risk identification, evaluation and management has been considered by the Board. It is the intention that this will continue to be kept under constant review and will be considered at each Board meeting in the future. The Board is continuing to take steps to embed

internal control and risk management further into the operations of the business and to deal with areas of improvement which come to management and the Board's attention.

The Directors acknowledge their responsibilities for the Group's system of internal financial control. Such a system can provide reasonable but not absolute assurance against material misstatement or loss. The Board confirms that the procedures necessary to comply with the provisions of the Code, including the guidance of Turnbull, have been in place throughout the year ended 30 June 2015 and up to the date of the Report of Directors. It has considered the major business risks and the control environment. Important control procedures, in addition to the day to day supervision of the business, include comparison of monthly management accounts to the budget.

(iii) Audit Committee and auditors

The Audit Committee comprises Frank Beechinor-Collins, Peter Simmonds and is chaired by Richard Kellett-Clarke (FCA). The auditors of the Group may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of the Executive Directors if required. The Audit Committee may examine any matters relating to the financial affairs of the Group, and to the Group's audit. This includes review of the annual accounts and announcements, accounting policies, compliance with accounting standards, the appointment and fees of auditors and such other related functions as the Board may require.

(iv) Going concern basis

After making enquiries, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Audit Committee report

The Audit Committee is a sub-committee of the Board. The responsibilities of the committee include:

- Reviewing the half-yearly and full year accounts and results announcements of the Group and any other formal announcements relating to the Group's financial performance and recommending them to the Board for approval;
- Reviewing the Group's systems for internal financial control and risk management;
- Monitoring and reviewing the effectiveness of the Group's internal accounting function and considering regular reports which arise;
- Considering the appointment of the external auditors, overseeing the process for their selection and making recommendations to the Board in relation to their appointment to be put to shareholders for approval at a general meeting;
- Monitoring and reviewing the effectiveness and independence of the external auditors, agreeing the nature and scope of their audit, agreeing their remuneration, and considering their reports on the Group's accounts, reports to shareholders and their evaluation of the systems of internal financial control and risk management.

Composition of the Audit Committee

The Audit Committee comprises Frank Beechinor-Collins, Peter Simmonds and Richard Kellett-Clarke. The Chairman of the Audit Committee is Richard Kellett-Clarke. The Committee meets separately with the external auditors without management being present. The Secretary to the committee is Milan Patel, a fellow Director.

Main activities of the Audit Committee

At its meeting on 6 October 2015 the Committee reviewed the Group's preliminary announcement of its results for the financial year to 30 June 2015 and the draft report and accounts for that year. The Committee received reports from the external auditors on the conduct of their audit, their review of the accounts, including accounting policies and areas of judgement, and their comments on risk management and control matters.

The external auditors also presented their proposed fees and scope for the forthcoming year's audit. The Committee also reviewed the performance of both the internal accounting function and external auditors. The review of the external auditors was used to confirm the appropriateness of their reappointment and included assessment of their independence, qualification, expertise and resources, and effectiveness of their audit process.

The Audit Committee also reviewed the effectiveness of the Company's systems for internal financial control and risk management. The Committee reviewed the Group's credit control procedures and risks concerning IT controls.

Independence of External Auditors

Both the Board and the external auditors have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised.

Our policy in respect of services provided by the external auditors is as follows:

- Audit-related services – the external auditors are invited to provide services which, in their position as auditors, they must or are best placed to undertake. This includes formalities relating to borrowings, shareholders' and other circulars, various other regulatory reports and work in respect of acquisitions and disposals;
- Tax consulting – in cases where they are best suited, we use the external auditors. All other significant tax consulting work is put out to tender;
- General consulting – in recognition of public concern over the effect of consulting services on auditors' independence, our policy is that the external auditors are not invited to tender for general consulting work.

Internal management accounting

The Audit Committee reviewed the performance of the internal accounting function, the department's resource requirements and also approved the internal budgets for the year ended 30 June 2016. The Committee concluded that these budgets were both prudent and realistic in the context of the Group's ambitions.

Remuneration Committee report

The Remuneration Committee

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

The Committee comprised Richard Kellett-Clarke (Chairman) and Frank Beechinor-Collins. The Secretary to the committee is Milan Patel, Chief Financial Officer and Company Secretary.

Remuneration policy

The Group's executive remuneration policy objectives are:

- (a) To ensure that individual rewards and incentives are directly aligned with the performance of the Group and that of the interests of the shareholders;
- (b) To maintain a competitive package which enables the Group to attract and retain high-calibre executives; and
- (c) To determine the terms of employment and remuneration for Executive Directors.

Key elements of remuneration for

Executive Directors

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

Base pay

Reviewed against:

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

Benefits

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

Annual Bonus Scheme

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

Service contracts

The Executive Directors each entered into a service contract with the Group. Each appointment runs for one year from that date and is terminable by six months' notice by either party to expire at the end of that year or at any time thereafter. The agreement contains restrictive covenants. Upon termination, no benefits (other than those accruing during the notice period) are due to the Director.

Employee incentive schemes

The Group has awarded share options under Enterprise Management Incentive (EMI), approved share option schemes to key employees who had completed their probation period at the date of grant. The Board considers the performance of staff in conjunction with the Group during the annual review process. Discretionary bonuses are awarded based on individual and Group performance.

Approved by the Remuneration Committee
Signed on its behalf by



Richard Kellett-Clarke
Chairman of Remuneration Committee

Executive Directors	12-month period to 30.06.15						
	Salary/Fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Share-based payment £'000	Total £'000	Number of outstanding options
P Simmonds	175	8	75	18	–	276	–
I Taylor	125	8	25	12	–	170	–
S Bird	120	10	25	14	–	169	–
M Patel	159	11	75	15	20	280	1,427,397
S J Barrett	77	–	–	–	–	77	–
	656	37	200	59	20	972	

12-month period to 30.06.15

Non-Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Share-based payment £'000	Total £'000	Number of outstanding options
F Beechinor-Collins	35	-	-	1	-	36	-
R Kellett-Clarke	30	-	-	-	-	30	-
S J Barrett	44	-	-	-	-	44	-
	109	-	-	1	-	110	

12-month period to 30.06.14

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

Non-Executive Directors	Salary/Fees £'000	Benefits £'000	Bonus £'000	Pension £'000	Share-based payment £'000	Total £'000	Number of outstanding options
F Beechinor-Collins	35	-	-	-	-	35	
R Kellett-Clarke	30	-	-	-	-	30	
S J Barrett	30	-	-	-	-	30	
	95	-	-	-	-	95	

Director interests

The respective interests, all of which are beneficial, in the shares of the Company for the members of the Board at the year end are stated below:

	No of shares held	% Holding
I Taylor	39,276,667	13.69
S Bird	31,276,667	10.90
P Simmonds*	7,073,841	2.46
M Patel	1,048,530	0.37
S J Barratt	377,500	0.13
R Kellett-Clarke	320,000	0.11
F Beechinor-Collins**	299,194	0.10
	79,672,399	27.76

* 2.11% of Peter Simmonds' holdings/voting rights has been held by Frank Nominees Limited who acts as the nominee for Alliance Trust Pensions Limited, which is the trustee of a SIPP established by Peter Anthony Simmonds. Frank Nominees is the vehicle used by Kleinwort Benson Limited to hold securities for clients, trusts, SIPPs etc. The beneficiary of the SIPP is Peter Anthony Simmonds.

** The 299,194 shares shown as being held by Mr Beechinor-Collins are owned by Curra Trust, a trust established for the benefit of his children and which he has no beneficial interest.

Directors' interest in share options

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

Executive Director	Grant date	No. share options granted	Option price (pence)	Date first exercisable	Expiry date
M Patel	13/10/2011	400,000	7.25	01/05/2013	01/02/2016
	15/10/2013	1,027,397	18.25	01/11/2015	31/10/2018

Report of the Directors

The Directors present their report with the financial statements of the Company and the Group for the year ended 30 June 2015. Information relating to principal activity, review of business key performance indicators, research and development activities and future outlook is included within the strategic report.

Principal activity

The principal activity of the Group in the year under review was that of providing intuitive software as a service ("SaaS") and managed services to digital marketing professionals.

Review of business

During the year the Group has shown significant growth from continuing operations in customer numbers, sales, and profits. Revenues grew from £16.2m in the year ended June 2014 to £21.4m for the year ended June 2015, an increase of 32%. Pre-tax profits grew from £3.6m in 12 months to June 2014 to £5.2m for the year ended June 2015, an increase of 44%.

Key performance indicators

The operations as a whole and the individual business units are managed and controlled using a variety of key performance indicators appropriate to the goals they have been set. Examples of key performance indicators from the Group are:

	2015 (£m)	2014 (£m)	% Increase
Revenue	21.4	16.2	32%
EBITDA	6.8	4.7	45%
Volume of sends	5,760	3,700	56%

Dividends

The Board propose a dividend payment of £1,041,000 which equates to 0.36p per ordinary share (2014: £566,000 0.2p per ordinary share) to be distributed to shareholders in respect to the Group's reported performance. The Board's dividend policy will be reviewed annually in line with ensuring there is adequate cash within the business to maintain high growth strategy.

The Directors who served during the period and their beneficial interests in the shares of the Group as recorded in the Register of Directors' interests at 30 June 2015 are as follows:

Directors	30.6.15		30.6.14	
	Number of shares held	Percentage shareholding %	Number of shares held	Percentage shareholding %
I Taylor	39,276,667	13.69	40,267,667	14.24
S Bird	31,276,667	10.90	32,267,667	11.41
P Simmonds	7,073,841*	2.46	9,573,841*	3.39
M Patel	1,048,530	0.37	382,078	0.14
S J Barratt	377,500	0.13	215,000	0.08
R Kellett-Clarke	320,000	0.11	–	–
F Beechinor-Collins	299,194**	0.10	229,194**	0.11

*Frank Nominees Limited holds 2.11% in respect of Peter Simmonds holding/voting rights act as nominee for Trust Alliance Pensions Limited. Frank Nominees is a vehicle used by Kleinwort Benson Limited to hold securities for clients, trusts, SIPPs etc. The beneficiary of the SIPP is Peter Anthony Simmonds.

** The 299,194 shares shown as being held by Mr Beechinor-Collins are owned by Curra Trust, a trust established for the benefit of his children and in which he has no beneficial interest.

The Directors who served during the period and their beneficial interests in share options in the Group, as recorded in the register of Directors' interests as at 30 June 2015 are as follows:-

Executive Directors	30.6.15	30.6.14
	Number of options held	Number of options held
M Patel	1,427,397	2,087,397

Substantial interests

On 06 October 2015, the following parties had notified the Group of a beneficial interest that represents 3% or more of the Group's issued share capital at that date:

Shareholder	Number of shares held	Percentage Shareholding %
I Taylor	39,276,667	13.56
S Bird	31,276,667	10.80
Lion Trust Asset Management	26,969,801	9.31
JO Hambro Capital Management	14,500,050	5.00
Slater Investments Ltd	14,226,970	4.91
Investec Asset Management	12,559,388	4.34
Franklin Templeton	9,200,000	3.18

Future outlook

The Group provides email and cross-channel marketing technology and services. Each of these areas has shown market growth significantly above that of the UK economy. The Board believes that our widespread brand recognition and strong product will continue to present opportunities to expand and diversify profitability in the coming year.

Directors

The Directors shown below have held office during the whole of the period from 1 July 2014 to the date of this report:

S Bird
P A Simmonds
I Taylor
R Kellett-Clarke
F Beechinor-Collins
S J Barratt
M Patel

Acquisition of the Company's own shares

Further to the shareholder resolution of 16 December 2014, the Company purchased 660,000 ordinary shares with a nominal value of 0.5 pence, and representing 0.23% of the Company's called up ordinary shares capital, for a consideration of £212,984. The reason for the purchase was to reduce surplus cash balances and enhance earnings per share.

Indemnity of officers

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

Financial instruments

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

The purpose of the policies is to ensure that adequate cost-effective funding is available to the Group and exposure to financial risk – interest rate, liquidity and credit risk – is minimised.

Product development

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

Going concern

After making appropriate enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis preparing the financial statements.

Events after the reporting period

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

Listing

The Group's ordinary shares have been traded on London Alternative Investment Market (AIM) since 29 March 2011. N+1 Singer are the Group's nominated advisors and together with Finncap are the joint brokers. The closing mid market share price at 30 June 2015 was 34.25p (2014: 33.12p).

Statement of Directors' responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether the Group and parent Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements.

- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

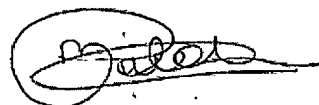
Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

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

On behalf of the Board



Milan Patel

Company Secretary
12 October 2015

Report of the independent auditor

We have audited the financial statements of dotdigital Group Plc for the year ended 30 June 2015, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes of equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the presentation of the financial statements. In addition, we read all the financial and non-financial information in the Chairman's and Chief Executive's report, Corporate Social Responsibility report, Corporate Governance report, Audit Committee report, Remuneration Committee report and Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and the Parent company's affairs as at 30 June 2015 and of the Group's profit and Group's and Parent company's cash flow for the year then ended;
- Have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applies in accordance with the provisions of the Companies Act 2006; and

- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors and Strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.



Jonathan Isaacs
Senior Statutory Auditor

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

12 October 2015

Financial statements

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Consolidated income statement For the year ended 30 June 2015

	Notes	30.6.15 £'000	30.6.14 £'000
Continuing operations			
Revenue	3	21,366	16,213
Cost of sales		(2,292)	(1,533)
Gross profit		19,074	14,680
Administrative expenses	7	(13,858)	(11,059)
Operating profit		5,216	3,621
Finance income	6	27	20
Profit before income tax	7	5,243	3,641
Income tax expense	8	(587)	(181)
Profit for the year from continuing operations		4,656	3,460
Discontinued operations			
Loss for the year from discontinued operations	4	-	(41)
Profit for the year		4,656	3,419
Attributable to the owners of the parent:			
Profit for the year from continuing operations	4	4,656	3,460
Loss for the year from discontinued operations		-	(41)
Profit for the year attributable to the owners of the parent		4,656	3,419
Earnings per share from continuing operations (pence per share)			
Basic	11	1.63	1.24
Diluted	11	1.61	1.19
Earnings per share from continuing and discontinued operations (pence per share)			
Basic	11	1.63	1.22
Diluted	11	1.61	1.18

Consolidated statement of comprehensive income For the year ended 30 June 2015

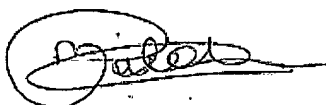
	Notes	30.6.15 £'000	30.6.14 £'000
Profit for the year		4,656	3,419
Other comprehensive income			
Items that may be subsequently reclassified to profit and loss:			
Exchange differences on translating foreign operations		3	(4)
Total comprehensive income attributable to:			
Owners of the parent		4,659	3,415
Total comprehensive income for the year			
Comprehensive income from continuing operations		4,659	3,456
Comprehensive income from discontinued operations		-	(41)

Consolidated statement of financial position

For the year ended 30 June 2014

	Notes	30.6.15 £'000	30.6.14 £'000
Assets			
Non-current assets			
Goodwill	12	609	609
Intangible assets	13	3,444	2,991
Property, plant and machinery	14	1,097	827
		5,150	4,427
Current assets			
Trade and other receivables	16	5,328	3,662
Cash and cash equivalents	17	11,932	9,306
		17,260	12,968
Total assets		22,410	17,395
Equity attributable to the owners of the parent			
Called up share capital	18	1,435	1,414
Share premium	19	5,382	5,147
Reverse acquisition reserve	19	(4,695)	(4,695)
Other reserves	19	(25)	82
Retranslation reserve	19	(3)	(6)
Retained earnings	19	16,297	12,211
Total equity		18,391	14,153
Liabilities			
Non-current liabilities			
Deferred tax	23	383	58
Current liabilities			
Trade and other payables	20	3,437	2,984
Current tax payable		199	200
		3,636	3,184
Total liabilities		4,019	3,242
Total equity & liabilities		22,410	17,395

The financial statements were approved and authorised for issue by the Board of Directors on 12 October 2015 and were signed on its behalf by



Milan Patel

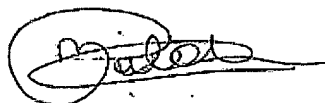
Director

Company registration number: 06289659 (England and Wales)

Company statement of financial position
For the year ended 30 June 2015

	Notes	30.6.15 £'000	30.6.14 £'000
Assets			
Non-current assets			
Investments	15	5,186	5,186
		5,186	5,186
Current assets			
Trade and other receivables	16	3,124	3,845
Cash and cash equivalents	17	166	109
		3,290	3,954
Total assets		8,476	9,140
Equity attributable to the Owners of the parent			
Called up share capital	18	1,435	1,414
Share premium	19	5,382	5,147
Other reserves	19	(25)	82
Retained earnings	19	1,534	2,423
Total equity		8,326	9,066
Liabilities			
Current liabilities			
Trade and other payables	20	150	74
		150	74
Total liabilities		150	74
Total equity & liabilities		8,476	9,140

The financial statements were approved and authorised for issue by the Board of Directors on 12 October 2015 and were signed on its behalf by



Milan Patel

Director

Company registration number: 06289659 (England and Wales)

Consolidated statement of changes in equity

For the year ended 30 June 2015

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance as at 1 July 2013	1,387	9,071	4,863
Issue of share capital	27	-	284
Dividends	-	(279)	-
Share based payment	-	-	-
Transactions with owners	27	(279)	284
Profit for the year	-	3,419	-
Other comprehensive income	-	-	-
Total comprehensive income	-	3,419	-
Balance as at 30 June 2014	1,414	12,211	5,147
Issue of share capital	21	-	235
Share repurchase	-	-	-
Dividends	-	(570)	-
Share based payment	-	-	-
Transactions with owners	21	(570)	235
Profit for the year	-	4,656	-
Other comprehensive income	-	-	-
Total comprehensive income	-	4,656	-
Balance as at 30 June 2015	1,435	16,297	5,382

	Retranslation reserve £'000	Reverse acquisition reserve £'000	Other reserves £'000	Total equity £'000
Balance as at 1 July 2013	(2)	(4,695)	13	10,637
Issue of share capital	-	-	-	311
Dividends	-	-	-	(279)
Share based payments	-	-	69	69
Transactions with owners	-	-	69	101
Profit for the year	-	-	-	3,419
Other comprehensive income	(4)	-	-	(4)
Total comprehensive income	(4)	-	-	3,415
Balance as at 30 June 2014	(6)	(4,695)	82	14,153
Issue of share capital	-	-	-	256
Share repurchase	-	-	(213)	(213)
Dividends	-	-	-	(570)
Share based payments	-	-	106	106
Transactions with owners	-	-	(107)	(421)
Profit for the year	-	-	-	4,656
Other comprehensive income	3	-	-	3
Total comprehensive income	3	-	-	4,659
Balance as at 30 June 2015	(3)	(4,695)	(25)	18,391

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

Company statement of changes in equity For the year ended 30 June 2015

	Called up share capital £'000	Retained earnings £'000	Share premium £'000
Balance as at 1 July 2013	1,387	3,065	4,863
Issue of share capital	27	-	284
Dividends	-	(279)	-
Share based payment	-	-	-
Transactions with owners	27	(279)	284
Loss for the year	-	(363)	-
Total comprehensive income	-	(363)	-
Balance as at 30 June 2014	1,414	2,423	5,147
Issue of share capital	21	-	235
Share repurchase	-	-	-
Dividends	-	(570)	-
Share based payment	-	-	-
Transactions with owners	21	(570)	235
Loss for the year	-	(319)	-
Total comprehensive income	-	(319)	-
Balance as at 30 June 2015	1,435	1,534	5,382

	Other reserves £'000	Total equity £'000
Balance as at 1 July 2013	13	9,328
Issue of share capital	-	311
Dividends	-	(279)
Share based payments	69	69
Transactions with owners	69	101
Loss for the year	-	(363)
Total comprehensive income	-	(363)
Balance as at 30 June 2014	82	9,066
Issue of share capital	-	256
Share repurchase	(213)	(213)
Dividends	-	(570)
Share based payments	106	106
Transactions with owners	(107)	(421)
Loss for the year	-	(319)
Total comprehensive income	-	(319)
Balance as at 30 June 2015	(25)	8,326

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

Consolidated statement of cash flows

For the year ended 30 June 2015

	Notes	30.6.15 £'000	30.6.14 £'000
Cash flows from operating activities			
Cash generated from operations	28	5,667	5,297
Tax paid		(263)	(100)
Net cash generated from operating activities		5,404	5,197
Cash flows from investing activities			
Purchase of intangible fixed assets		(1,612)	(1,408)
Purchase of tangible fixed assets		(667)	(607)
Sale of tangible fixed assets		1	-
Interest received		27	20
Net cash flows used in investing activities		(2,251)	(1,995)
Cash flows from financing activities			
Equity dividends paid		(570)	(279)
Share issue		256	311
Share repurchase		(213)	-
Net cash flows (used)/from financing activities		(527)	32
Increase in cash and cash equivalents		2,626	3,234
Cash and cash equivalents at beginning of year	29	9,306	6,072
Cash and cash equivalents at end of year	29	11,932	9,306
Increase in cash and cash equivalents from continuing operations		2,626	3,268
Increase in cash and cash equivalents from discontinuing operations		-	(34)
Increase in cash and cash equivalents		2,626	3,234

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

Company statement of cash flows

For the year ended 30 June 2015

	Notes	30.6.15 £'000	30.6.14 £'000
Cash flows from operating activities			
Cash generated from operations	28	584	7
		584	7
Net cash generated from operating activities			
Cash flows from financing activities			
Equity dividends paid		(570)	(279)
Share issue		256	311
Share repurchase		(213)	-
Net cash flows (used)/from financing activities		(527)	32
Increase in cash and cash equivalents		57	39
Cash and cash equivalents at beginning of year	29	109	70
Cash and cash equivalents at end of year	29	166	109

Notes to the consolidated financial statements

For the year ended 30 June 2015

1. General information

dotdigital Group Plc ("dotdigital") is a company incorporated in England and Wales and quoted on the AIM Market. The address of the registered office is disclosed on the inside back cover of the financial statements. The principal activity of the Group is described on page 34.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's as adopted by the EU) and those parts of Companies Act 2006 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 Accountancy Standards Board and International Accounting Interpretations Committee effective at the time of preparing the financial statements.

New and amended standards adopted by the Group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 July 2014 that would be expected to have a material impact on the Group.

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

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2014 and have not been early adopted:

Reference	Title	Summary	Application date of standard (Periods commencing on or after)
IFRS 14	Regulatory deferral accounts	Aims to enhance the comparability of financial reporting by entities subject to rate-regulations	1 January 2016
IFRS 15	Revenue from contracts with customers	Specifies how and when to recognise revenue from contracts as well as requiring more information and relevant disclosures.	1 January 2017
Amendments to IFRS 11	Joint arrangements	On acquisitions of interest in joint operations	1 January 2016
Amendments to IAS 16 and IAS 41	IAS 16: Property plant and equipment and IAS 41: Agriculture	On Bearer plants	1 January 2016
Amendments to IAS 16 and IAS 38	Intangible Assets	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27	Separate financial statements	Equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 and IAS 28	IFRS 10: Consolidated financial and IAS 28: Investments in Associates	Investment entities: Applying the consolidation exception	1 January 2016
Amendments to IFRS 10 and IAS 28	IFRS 10: Consolidated financial and IAS 28: Investments in Associates	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
Amendments to IAS 1	Presentation of Financial statements	Disclosure initiative	1 January 2016
Improvements to IFRS 5	Non current assets held for sale and discontinued operations	Methods of disposal	1 January 2016
Improvements to IFRS 7	Financial instruments	Disclosures on servicing contracts and interim financial statements	1 January 2016
Improvements to IAS 19	Employee benefits	Determining the discount rates for post-employment obligations	1 January 2016
Improvements to IAS 34	Interim financial reporting	Information disclosed elsewhere in the interim financial report	1 January 2016
IFRS 9	Financial instruments	Requirements on the classification and measurement of financial assets and liabilities and includes an expected credit losses model which replaces the current incurred loss impairment model. Also includes the hedging amendment that was issued in 2013	1 January 2018

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. The Group does not intend to apply any of these pronouncements early.

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

Basis of consolidation

In the period ended 2009 the Company acquired via a share for share exchange the entire issued share capital of dotmailer Limited, whose principle activity is that of web and email based marketing.

Under IFRS 3 'Business combinations' the dotmailer Limited share exchange has been accounted for as a reverse acquisition. Although these consolidated financial statements have been issued in the name of the legal parent, the company it represents in substance is a continuation of the financial information of the legal subsidiary, dotmailer Limited. The following accounting treatment has been applied in respect of the reverse acquisition:

- The assets and liabilities of the legal subsidiary, dotmailer Limited are recognised and measured in the consolidated financial statements at their pre combination carrying amounts, without restatement to their fair value;
- The retained reserves recognised in the consolidated financial statements for the beginning of the prior period reflect the retained reserves of dotmailer Limited to 30 April 2008. However, in accordance with IFRS3 'Business combinations' the equity structure appearing in the consolidated financial statements reflects the equity structure of the legal parent dotdigital Group 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 are prepared on the same basis.

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

- The assets and liabilities of dotdigital are recognised and measured in the consolidated financial statements at their fair value at the date of acquisition.
- The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition, irrespective of the extent of any minority interest. The excess of the cost

of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Subsidiaries

A subsidiary is an entity whose operating and financing policies are controlled by the Group. Subsidiaries are consolidated from the date on which control was transferred to the Group. Subsidiaries cease to be consolidated from the date the Group no longer has control. Intercompany transactions, balances and unrealised gains on transactions between Group companies have been eliminated on consolidation.

As a result of applying reverse acquisition accounting since 30 January 2009, the consolidated IFRS financial information of dotdigital Group plc is a continuation of the financial information of dotmailer Limited.

Revenue recognition

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

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

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

Going concern

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

Notes to the consolidated financial statements continued

For the year ended 30 June 2015

Operating profit

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

Dividends

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

Goodwill

Goodwill represents the excess of the fair value of the consideration over the fair values of the identifiable net tangible and intangible assets acquired.

Under IFRS 3 "Business Combinations" goodwill arising on acquisitions is not subject to amortisation but is subject to annual impairment testing. Any impairment is recognised immediately in the income statement and not subsequently reversed.

Investments in subsidiaries

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

Intangible assets

Intangible assets are recorded as separately identifiable assets and recognised at historical cost less any accumulated amortisation. These assets are amortised over their useful economic lives of 4-5 years, with the charge included in administrative expenses in the income statement.

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

- *Domain names*

Acquired domain names are shown at historical cost. Domain names have a finite life and are carried at cost less accumulated amortisation.

Amortisation is calculated using straight line method to allocate the cost of domain names over their useful lives of four years.

- *Software*

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

- *Product development*

Product development expenditure is capitalised when it is considered that there is a commercially and viable technically product, the related expenditure is separable identifiable and there is a reasonable expectation that the related expenditure will be exceeded by future revenues. Following initial recognition, product developments are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of these intangible assets are assessed to have a finite life of five years. Amortisation is charged on assets with finite lives and until economic benefit can be received and recognised, this expense is taken to the income statement and useful lives are reviewed on an annual basis. Amortisation is charged from the point when the assets is available for use.

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

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

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

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

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

Property, plant and equipment

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

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits are associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Depreciation is provided at the following rates in order to write off each asset over its estimated useful life and are based on the cost of assets less residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Short leasehold:	over the term of the lease
Fixtures and fittings:	25% on cost
Computer equipment:	25% on cost

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

Capital risk management

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

Taxation

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

Current tax

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

Deferred taxation

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

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

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

Operating leases

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

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that is directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Notes to the consolidated financial statements continued

For the year ended 30 June 2015

- **Financial assets**

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

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

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

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

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

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

Loans and receivables (including trade receivables, prepayments, deposits and other receivables, cash and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. At each reporting date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

- **Cash and cash equivalents**

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

- **Trade receivables**

Trade receivables are recognised initially at the lower of their original invoiced value and recoverable amount. A provision is made when it is likely that the balance will not be recovered in full. Terms on receivables range from 30 to 90 days.

- **Financial liabilities and equity**

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

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

- **Trade payables**

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

Foreign currency risk

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

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

- (a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (c) All resulting exchange differences are recognised in other comprehensive income.

Equity

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

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

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

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

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

Share based payments

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

Functional currency translation

- *Functional and presentation currency*
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates (functional currency), which is mainly pounds sterling (£) and in this currency the financial statements are presented in.
- *Transaction and balances*
Foreign currency transactions are translated in to the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Employee benefit costs

The Group operates a defined contribution pension scheme. Contributions payable by the Group's pension scheme are charged to the income statement in the period in which they relate.

Segment reporting

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

Critical accounting adjustments

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

Judgements

(a) *Capitalisation of development costs*

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

Notes to the consolidated financial statements *continued*

For the year ended 30 June 2015

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

Estimates and assumptions

(a) Impairment testing of goodwill

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

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

(b) Share-based compensation

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

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

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

(c) Depreciation and amortisation

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

(d) Bad debt provision

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

3. Segmental reporting

The Group's single line of business is the provision of web based marketing services. Last year more than 90% of the Group's revenue arose in the UK and all of the Group's non-current assets were held there. This year the chief operating decision maker considers the Group's only reportable segment to be by geographical location this being UK and rest of the world ("RoW") operations as shown below:

	30.6.2015		
	UK Operations £'000	RoW Operations £'000	Total £'000
Income statement			
Revenue	18,274	3,092	21,366
Gross profit	16,676	2,398	19,074
Profit before income tax	3,476	1,767	5,243
Total comprehensive income attributable to the owners of the parent	2,895	1,764	4,659
Financial position			
Total assets	21,591	819	22,410
Net current assets	12,964	660	13,624

Revenue from external customers are attributed to the geographical segments noted above based on the customers location. There was no customers who account for more than 10% of revenue (2014: None)

	30.6.2014		
	UK Operations £'000	RoW Operations £'000	Total £'000
Income statement			
Revenue	14,647	1,566	16,213
Gross profit	13,267	1,413	14,680
Profit before income tax	2,430	1,211	3,641
Total comprehensive income attributable to the owners of the parent	2,205	1,210	3,415
Financial position			
Total assets	17,002	393	17,395
Net current assets	10,030	(246)	9,784

4. Discontinued operations

Discontinued operations refers to the closure of the service division.

Analysis of continuing and discontinued operations is as follows:

Year ended 30 June 2015	Continuing operations 30.6.15 £'000	Discontinued operations 30.6.15 £'000
Revenue	21,366	-
Cost of sales	(2,292)	-
Gross profit	19,074	-
Administrative expenses	(13,858)	-
Operating profit before exceptional items	5,216	-
Finance income	27	-
Income tax	(587)	-
Profit for the year attributable to owners of the parent	4,656	-

Notes to the consolidated financial statements *continued*
For the year ended 30 June 2015

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

5. Employees and directors

	30.6.15 £'000	30.6.14 £'000
Wages and salaries	7,711	6,024
Social security costs	871	679
Other pension costs	221	147
	8,803	6,850

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

	30.6.15	30.6.14
Directors	7	7
Sales and Marketing	84	80
SEO and Product Developers	48	41
Administration	47	44
	186	172

Remuneration of key management personal is included in Note 25

During the year the Group also capitalised staff related costs of £1,549,066 (2014 – £1,232,341) in relation to internally generated development costs.

6. Net finance income

	30.6.15 £'000	30.6.14 £'000
Finance income:		
Deposit account interest	27	20
	27	20

7. Operating profit before exceptional items

Costs by nature

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

	30.6.15 £'000	30.6.14 £'000
Direct marketing	1,516	1,033
Outsourcing	415	471
Other costs	361	29
Total cost of sales	2,292	1,533

	30.6.15 £'000	30.6.14 £'000
Staff related costs (inc Directors emoluments) –note 5	8,803	6,850
Operating leases: Land and buildings	834	586
Operating lease: Other	44	68
Audit remuneration	38	36
Amortisation of intangibles	1,159	866
Depreciation charge	397	251
Legal, professional and consultancy fees	417	480
Computer expenditure	828	584
Bad debts	103	302
Foreign exchange losses	61	67
Travelling	351	250
Office running	217	160
Other costs	606	559
Total administration costs	13,858	11,059

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

	30.6.15 £'000	30.6.14 £'000
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements	7	7
Fees payable to the Company's auditor for other services		
– The audit of Company subsidiaries	27	26
– Non audit fees: Tax and review of interim accounts	4	3
	38	36

8. Income tax expense

Analysis of the tax charge from continuing operations:

	30.6.15 £'000	30.6.14 £'000
Current tax on profits for the year	262	166
Deferred tax on origination and reversal of timing differences	325	44
	587	210
Overprovision in previous periods	–	(29)
	587	181
Tax charge from continuing operations	587	181
	587	181

	30.6.15 £'000	30.6.14 £'000
Factors affecting the tax charge:		
Profit on ordinary activities before tax	5,243	3,600
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.75% (2014: 22.50%)	1,088	810
Effects of:		
Expenses not deductible	(250)	281
Research and development enhanced claim	(747)	(661)
Expenditure permitted on exercising options	(238)	(247)
Overseas tax (profits)/losses	(43)	25
Capital allowances in excess of depreciation	(48)	(42)
Total income tax	262	166

Deferred tax was calculated using the rate 20% (2014: 20.75%). For further details on deferred tax please see Note 23.

Notes to the consolidated financial statements continued

For the year ended 30 June 2015

9. Profit/(loss) of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £318,852 (2014: £363,022).

10. Dividends

Amounts recognised as distributions to equity holders in the period.

	30.6.15 £'000	30.6.14 £'000
Final dividend for year end 30 June 2015 of 0.2p per share	570	279
Proposed dividend for the year end 30 June 2015 of 0.36p (2014: 0.2p) per share	1,041	566

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

11. Earnings per share

Earnings per share data is based on the consolidated profit using and the weighted average number of shares in issue of the parent company. Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are as follows:-

	30.6.15		
	Earnings £'000	Weighted average number of shares	Per share Amount Pence
From continuing operations			
Basic EPS			
Profit for the year attributable to the owners of the parent	4,656	284,804,914	1.63
Options and Warrants	-	5,001,766	-
Diluted EPS			
Profit for the year attributable to the owners of the parent	4,656	289,806,680	1.61
From continuing operations		30.6.15 £'000	30.6.14 £'000
Profit for the year attributable to the owners of the parent		4,656	3,419
Adjustments to exclude profit/(loss) from discontinued operations		-	41
Profit for the year from continuing operations for the purpose of basic of basic earnings per share excluding discontinued operations		4,656	3,460
From discontinued operations		30.6.15 Per share (p)	30.6.14 Per share (p)
Basic EPS		-	(0.02)
Diluted EPS		-	(0.01)

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

	2015 Shares	2014 Shares
Basic EPS	284,804,914	279,107,898
Diluted EPS	289,806,680	290,380,434

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

	30.6.14		
	Earnings £'000	Weighted average number of shares	Per share Amount Pence
<i>From continuing and discontinued operations</i>			
Basic EPS			
Profit for the year attributable to the owners of the parent	3,419	279,107,898	1.22
Options and Warrants	-	11,272,536	-
Diluted EPS			
Profit for the year attributable to the owners of the parent	3,419	290,380,434	1.18

	30.6.14		
	Earnings £'000	Weighted average number of shares	Per share Amount Pence
<i>From continuing operations</i>			
Basic EPS			
Profit for the year attributable to the owners of the parent	3,460	279,107,898	1.24
Options and Warrants	-	11,272,536	-
Diluted EPS			
Profit for the year attributable to the owners of the parent	3,460	290,380,434	1.19

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

12. Goodwill

Group

Cost	30.6.15 £'000	30.6.14 £'000
At 1 July		
And 30 June	4,121	4,121
Accumulated impairment loss		
At 1 July and at 30 June	3,512	3,512
Net book value	609	609

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

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

Recoverable amounts for CGU's are based on the higher of value in use and fair value less costs to sell. The recoverable amounts of the CGU have been determined from value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. The key assumptions for the value in use calculations are those regarding discount rates, growth rates, and expected changes in margins. Management estimate discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGU's. Changes in income and expenditure are based on past experience and expectations of the future changes in the market. The pre-tax discount rate used to calculate the value in use are 10% (2014 – 10%). The valuations indicate sufficient headroom such that a reasonably possible change in key assumptions would not result in impairment of goodwill.

Notes to the consolidated financial statements *continued*
For the year ended 30 June 2015

13. Intangible assets

Group	Computer softwares £'000	Internally generated development costs £'000	Domain names £'000	Totals £'000
Cost				
At 1 July 2014	274	5,013	16	5,303
Additions	-	1,612	-	1,612
At 30 June 2015	274	6,625	16	6,915
Amortisation				
At 1 July 2014	195	2,102	15	2,312
Amortisation for the year	33	1,125	1	1,159
At 30 June 2015	228	3,227	16	3,471
Net book value				
At 30 June 2015	46	3,398	-	3,444

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

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

14. Property, plant and equipment

Group	Short Leasehold £'000	Fixtures & fittings £'000	Computer equipment £'000	Totals £'000
Cost				
At 1 July 2014	288	308	888	1,484
Additions	107	93	467	667
Disposals	-	-	(1)	(1)
At 30 June 2015	395	401	1,354	2,150
Depreciation				
At 1 July 2014	47	112	498	657
Depreciation for the year	48	91	258	397
Eliminated on disposal	-	-	(1)	(1)
At 30 June 2015	95	203	755	1,053
Net book value				
At 30 June 2015	300	198	599	1,097

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

15. Investments

Company	Shares in Group undertakings 30.6.15 £'000	Shares in Group undertakings 30.6.14 £'000
Cost		
At 1 July and 30 June	8,705	8,705
Amortisation		
At 1 July and 30 June	3,519	3,519
Net book value		
At 30 June	5,186	5,186

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

Subsidiaries	Nature of business	Class of share	Proportion of voting power held %:
dotmailer Limited	Web and email based marketing	Ordinary	100
		Ordinary A	100
dotsurvey Limited	Dormant	Ordinary	100
dotsearch Europe Limited	Branch company	Ordinary	100
dotcommerce Limited	Dormant	Ordinary	100
doteditor Limited	Dormant	Ordinary	100
dotSEO Limited	Dormant	Ordinary	100
dotagency Limited	Non-trading	Ordinary	100
		B, C and D	
dotmailer Inc	Web and email based marketing	Ordinary	100

All of the above subsidiaries have been included within the consolidated results.

All the above companies with the exception of dotmailer Inc were incorporated in England and Wales. dotmailer Inc was incorporated in Delaware (US).

Notes to the consolidated financial statements *continued*
For the year ended 30 June 2015

16. Trade and other receivables

	Group		Company	
	30.6.15 £'000	30.6.14 £'000	30.6.15 £'000	30.6.14 £'000
Current:				
Trade receivables	4,589	3,119	-	-
Less: Provision for impairment of trade receivables	(343)	(336)	-	-
Trade receivables – net	4,246	2,783	-	-
Other receivables	39	35	-	-
Amounts owed by Group undertakings	-	-	3,108	3,821
VAT	-	-	7	12
Prepayments	1,043	844	9	12
	5,328	3,662	3,124	3,845

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

Included within prepayments is an amount of £121,998 (2014: £104,429) in relation to deferred commission which is considered to be long term.

17. Cash and cash equivalents

	Group		Company	
	30.6.15 £'000	30.6.14 £'000	30.6.15 £'000	30.6.14 £'000
Bank accounts	11,932	9,306	166	109
	11,932	9,306	166	109

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

18. Called up share capital

	Nominal value	30.6.15 £'000	30.6.14 £'000
Allotted, issued, fully paid number			
287,002,065 (2014: 282,782,065)	£0.005	1,435	1,414
		1,435	1,414

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

On 07 August 2014 a number of employees exercised their share options increasing the issued share capital by 790,000 shares at a premium price of between 5p and 7.5p.

On 20 October 2014 a number of employees exercised their share options increasing the issued share capital by 730,000 shares at a premium price of between 5p and 7.5p.

On 18 December 2014 a number of employees exercised their share options increasing the issued share capital by 910,000 shares at a premium price of between 5p and 7.5p.

On 27 April 2015 a number of employees exercised their share options increasing the issued share capital by 1,790,000 shares at a premium price of between 5p and 7.5p.

19. Reserves

Group	Retained earnings £'000	Share premium £'000	Reverse acquisition reserve £'000
As at 1 July 2014	12,211	5,147	(4,695)
Issue of share capital	-	235	-
Share repurchase	-	-	-
Dividends	(570)	-	-
Profit for the year	4,656	-	-
Other comprehensive income: Currency translation	-	-	-
Share based payment	-	-	-
Balance as at 30 June 2015	16,297	5,382	(4,695)

	Retranslation Reserve £'000	Other reserves £'000	Totals £'000
As at 1 July 2014	(6)	82	12,739
Issue of share capital	-	-	235
Share repurchase	-	(213)	(213)
Dividends	-	-	(570)
Profit for the year	-	-	4,656
Other comprehensive income: Currency translation	3	-	3
Share based payment	-	106	106
Balance as at 30 June 2015	(3)	(25)	16,956

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

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

Notes to the consolidated financial statements *continued*
For the year ended 30 June 2015

Company	Retained earnings £'000	Share Premium £'000	Other reserves £'000	Totals £'000
At 1 July 2014	2,423	5,147	82	7,652
Issue of share capital	-	235	-	235
Share repurchase	-	-	(213)	(213)
Dividends	(570)	-	-	(570)
Loss for the year	(319)	-	-	(319)
Share based payment	-	-	106	106
At 30 June 2015	1,534	5,382	(25)	6,891

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

20. Trade and other payables

	Group		Company	
	30.6.15 £'000	30.6.14 £'000	30.6.15 £'000	30.6.14 £'000
Current:				
Trade payables	853	819	16	2
Amounts owed to Group undertakings	-	-	4	-
Social security and other taxes	498	549	-	-
Other payables	349	391	91	12
VAT	574	559	-	-
Accruals and deferred income	1,163	666	39	60
	3,437	2,984	150	74

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

21. Leasing agreements

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

	30.06.15		
	Land & Buildings £'000	Others £'000	Totals £'000
Within one year	232	19	251
Between two to five years	1,490	12	1,502
	1,722	31	1,753

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

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

22. Financial instruments and risk management

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

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

Principle financial instruments

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

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

Financial instruments by category

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

	Group		Company	
	30.6.15 £'000	30.6.14 £'000	30.6.15 £'000	30.6.14 £'000
Financial assets				
Trade and other receivables	5,328	3,662	16	24
Bank balances	11,932	9,306	166	109
	17,260	12,968	182	133
Financial liabilities				
Trade payables	853	819	16	2
Accrued liabilities and other payables	2,584	2,165	130	72
	3,437	2,984	146	74

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

General objectives, policies and processes

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

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below:

Notes to the consolidated financial statements continued

For the year ended 30 June 2015

Interest rate risk

The Group's interest rate risk arises from interest bearing assets and liabilities. The Group has in place a policy of maximising finance income by ensuring that cash balances earn a market rate of interest; offsetting where possible, cash balances and by forecasting and financing its working capital requirements. As at the reporting date the Group was not exposed to any movement in interest rates as it has not external borrowings and therefore not exposed to interest rate risk. No sensitivity analysis has been prepared.

The Group's working capital requirements are managed through regular monitoring of the overall cash position and regularly updated cash flow forecasts to ensure there are sufficient funds available for its operations.

Liquidity risk

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

Trade and other payables of £2,365,000 (2014: £1,876,000) are expected to mature in less than a year

Credit risk

Credit risk arises principally from the Group's trade receivables, as there are no trade receivables within the company, which comprise amounts due from customers. Prior to accepting new customers a credit check is obtained. As at 30 June 2015 there were no significant debts past their due period which had not been provided for. The maturity of the Groups trade receivables is as follows:

	30.6.15 £'000	30.6.14 £'000
0-30 days	2,311	1,817
30-60 days	813	702
More than 60 days	1,465	600
	4,589	3,119

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

	30.6.15 £'000	30.6.14 £'000
0-30 days	2	-
30-60 days	2	83
More than 60 days	339	253
	343	336

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

	30.6.15 £'000	30.6.14 £'000
As at 1 July 2014	336	249
Provision for impairment	103	302
Receivable written off in the year	(47)	(165)
Unused amount reversed	(49)	(50)
As at 30 June 2015	343	336

The Group minimises its credit risk by profiling all new customers and monitoring existing client of the Group for changes in their initial profile. The level of trade receivables older than the average collection period consisted of a value of £1,486,597 (2014: £678,260) of which £339,962 (2014: £327,242) was provided for. The Group felt that the remainder would be collected post year end as they were with long standing relationships, the risk of default is considered to be low and write offs due to bad debts are extremely low. The Group has no significant concentration of credit risk, with the exposure spread over a large number of customers.

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

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

Capital Policy

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

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

During the year the Group had a short term loan balance of £nil (2014: £nil) and amounts payable over one year are nil. The Group had a strong cash reserve to utilise for any short term capital requirements that were needed by the Group.

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

23. Deferred tax

	30.6.15 £'000	30.6.14 £'000
As at 1 July	58	14
Current year provision	325	44
	383	58

The deferred tax liability above comprises the following temporary differences:

	30.6.15 £'000	30.6.14 £'000
Capital allowances in excess of depreciation	103	58
R & D relief in excess of amortisation	679	600
Share option relief	(399)	(600)
	383	58

The deferred tax provision relates to taxes to be levied by the same authority on the same entity expected to be settled at the same time. As such deferred tax assets and liabilities have been offset.

24. Capital commitments

The Company and Group have no capital commitments as at the year end. Last year the Company and Group had capital committed to £191,000 towards the fit out of the new London Bridge office.

Notes to the consolidated financial statements *continued*

For the year ended 30 June 2015

25. Related party disclosures

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

Group

The following transactions were carried out with related parties

Sale of services			30.6.15 £'000	30.6.14 £'000
Codence performance	Entity under common directorship	Email marketing services	3	2
Coms.com	Entity under common directorship	Email marketing services	4	8
			7	10

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

Purchase of services			30.6.15 £'000	30.6.14 £'000
Barratts of Old Ltd	Entity under common directorship	Consultancy services	8	41
			8	41

Key management compensation

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

		30.6.15 £'000	30.6.14 £'000
Remuneration and other short term employee benefits		1,002	966
Share based payments		20	15
Pension cost		60	42
		1,082	1,023

Directors

		30.6.15 £'000	30.6.14 £'000
Aggregate emoluments		1,002	877
Company contributions to money purchase pension scheme		60	42
Share based payments		20	5
		1,082	924

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

		30.6.15 £'000	30.6.14 £'000
Salaries		234	230
Other benefits		11	7
Pension costs		15	14
Share based payments		20	-
		280	251

The highest paid Director exercised 660,000 share options in the year (2014: none).

Company

The following transactions were carried out with related parties

Year end balances arising from sales/purchase of services

			30.6.15 £'000	30.6.14 £'000
dotmailer Limited	Subsidiary	Payables	(3,280)	(1,864)
dotagency Limited	Subsidiary	Receivables	-	9
			(3,280)	(1,855)

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

Loans to related parties

			30.6.15 £'000	30.6.14 £'000
dotmailer Limited	Subsidiary			
As at 1 July			5,681	5,400
Loans advanced			751	324
Loans repaid			(44)	(43)
			6,388	5,681

Key management compensation

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

		30.6.15 £'000	30.6.14 £'000
Remuneration and other short term employee benefits		-	95
		-	95

Directors

		30.6.15 £'000	30.6.14 £'000
Aggregate emoluments		-	95
		-	95

26. Ultimate controlling party

There is no ultimate controlling party of the Group. dotdigital Group Plc acts as the parent company to dotmailer Limited, dotagency Limited, dotsearch Europe Limited, dotmailer Inc, dotsurvey Limited (Dormant), DotSEO Limited (Dormant), dotcommerce Limited (Dormant) and doteditor Limited (Dormant).

Notes to the consolidated financial statements *continued*

For the year ended 30 June 2015

27. Share-based payment transactions

The measurement requirements of IFRS 2 have been implemented in respect of share options that were granted after 7 November 2002. The expense recognised for share based payment made during the year is £106,000 (2014: £69,000)

Vesting conditions of the options dictate that employees must remain in the employment of the Group for the whole period to qualify.

Movement in issued share options during the year

The table illustrates the number and weighted average exercise price (WAEP) of, and movements in share options during the period. The options outstanding at 30 June 2015 had a WAEP of 14.43p (2014: 8.82p) and a weighted average contracted life of 2.1 (2014: 2.8) years and their exercise prices ranged from 1p to 31.50p. All share options are settled in form of equity issued.

	30.06.15 No of options	WAEP	30.6.14 No of options	WAEP
Outstanding at the beginning of the period	13,923,790	8.82p	16,117,930	7.54p
Granted during the year	2,275,000	29.53p	3,655,860	18.25p
Forfeited/cancelled during the period	1,040,000	16.56p	540,000	12.57p
Exchanged for shares	4,220,000	6.06p	5,310,000	5.80p
Outstanding at the end of the period	10,938,790	14.43p	13,923,790	8.82p
Exercisable at the end of the period	8,462,724	10.44p	9,517,930	4.09p

The weighted average share price at the date of the exercise for share options exercised during the period was 30.52p (2014: 30.58p)

The inputs into the black-scholes model are as follows:

	10 April 2015	28 November 2014	18 October 2013
Number of options granted	750,000	1,525,000	3,554,794
Share price at grant date	31.50p	29.00p	17.82p
Exercise price	31.50p	28.50p	18.25p
Option life in years	5	5	5
Risk free rate	1.33%	1.35%	1.40%
Expected volatility	30%	30%	30%
Expected dividend yield	0%	0%	0.4%
Fair value of options/warrants	5.64p	5.33p	3.31p

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

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

	Group		Company	
	30.6.15 £'000	30.6.14 £'000	30.6.15 £'000	30.6.14 £'000
Current:				
Profit before tax from all operations	5,243	3,600	(319)	(363)
Currency revaluation	3	(4)	-	-
Depreciation and amortisation	1,556	1,117	-	-
(Profit)/Loss on disposal of fixed assets	(1)	1	-	-
Share based payments	106	69	106	69
Finance income	(27)	(20)	-	-
	6,880	4,763	(213)	(294)
(Increase)/decrease in trade receivables	(1,666)	(769)	721	1,578
Increase/(decrease) in trade payables	453	1,303	76	(1,277)
Cash generated from operations	5,667	5,297	584	7

29. Group cash and cash equivalents

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

	Group £'000	Company £'000
As at 1 July 2013	6,072	70
As at 31 July 2014	9,306	109
As at 30 June 2015	11,932	166
	30.06.15 £'000	30.06.14 £'000
Net cash flow from discontinued operations	-	-
Net cash generated from operating activities	-	(95)
Net cash generated from investing activities	-	-
Net cash used in financing activities	-	-

30. Project development

During the period the Group incurred £1,611,929 (2014: £1,344,414) in development investments. All resources utilised in development has been capitalised as outlined in the accounting policy governing this area.

31. Events after the end of the reporting period

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

Company information For the year ended 30 June 2015

Directors:

S Bird
P A Simmonds
I Taylor
R Kellett-Clarke
F Beechinor-Collins
S J Barratt
M Patel

Company Secretary:

M Patel

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Statutory Auditor
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Nomad/broker:

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