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Progressive

Digital Media Group plc

Annual Report and Accounts for the year ended 31 December 2010
www.progressivedigitalmedia.com

Company No 3925319

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Reliance on this document

Our Business Review on pages 2 to 4 has been prepared in accordance with the Directors' Report Business Review Requirements of section 417 of the Companies Act 2006. It also incorporates the guidance set out in the Accounting Standards Board's Reporting Statement on the Operating and Financial Review.

The intention of this document is to provide information to shareholders and is not designed to be relied upon by any other party or for any other purpose.

Forward-looking statements

This document contains forward-looking statements which are made by the directors in good faith based on information available to them at the time of approval of this report. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated costs savings and synergies and the execution of Progressive Digital Media Group's strategy, are forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in future. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including a number of factors outside of Progressive Digital Media Group's control. Any forward-looking statements speak only as of the date they are made, and Progressive Digital Media Group gives no undertaking to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes to events, conditions or circumstances on which any such statement is based.

Chairman's Statement

Over the last two years we have overcome significant challenges and implemented major change programmes as we brought together the various companies in the Group and refocused them on our key markets. With the final integration and reorganisation of our Digital Marketing business now behind us and the introduction of common processes and systems complete, the Group now has the solid base in place which will allow us to accelerate our growth.

Our Business Model

We have a simple business model which is designed to generate revenues off a relatively fixed operating cost base allowing for operational gearing to drive growth and margin. Its key features are:

- 1 A strong and scalable asset base
- 2 Annualised and digital revenue streams
- 3 Global coverage and positioned at the premium end of the market
- 4 Clear growth opportunities, both organic and through acquisition

Our Strategy

Our strategy is to focus on:

- 1 Key high growth B2B markets
- 2 Digital subscription based content which can be leveraged across multiple platforms
- 3 Quality product and customer delivery
- 4 Controlling costs and improving productivity

The strategy will be delivered by a combination of strong organic growth and selected acquisitions in our target markets. Consistent with this in September of 2010 the Group acquired Canadean which is a leading provider of business and market intelligence to the global consumer products market. The business has performed well since acquisition and in line with our expectations.

Board Changes

Canadean's former Chairman, Kelsey van Musschenbroek, joined the Board of Progressive as a Non-Executive Director on 1 September 2010.

Outlook

We expect to make further progress in 2011. Whilst the economic climate remains unpredictable, we are confident that we are well placed to not only benefit from any cyclical upturn, but more importantly, also from the investment we have made in our people, our products and our delivery platforms.

I am committed to the long-term development of this company and am confident that the investments we have made and plan to make in our business model will allow the Group to deliver upon its strategy.



M Danson
Chairman
2 March 2011

Chief Executive's Business and Financial Review

A pleasing set of results delivered not only during a period of both change and investment for the Group but also in an environment of protracted economic somnolence. Furthermore, our results do not as yet fully reflect the expected benefits from either the significant investments we have made or from the efficiencies we have achieved through the introduction and integration of common processes and systems. We anticipate that the full year results for both 2011 and 2012 will reflect that we are continuing to invest across the Group to facilitate accelerated future growth.

Key achievements delivered in 2010 have been

- 1 The acquisition and successful integration of Canadean, a leading provider of business and market intelligence to the global consumer products market
- 2 The opening of new offices in San Francisco and Sydney the benefits of which have yet to be seen in this year's financial performance
- 3 The delivery of new content and web platforms in late summer of 2010 which are now being rolled out across the Group. This will enable content to be leveraged across multiple formats and distributed globally
- 4 Digital Marketing re-structured and re-focused on B2B market
- 5 Back office rationalised with employees relocated to head office

This represents a major re-engineering of the whole Group and has been done to not only be more efficient in what we do but also to create the capacity for significant future growth.

Group Performance

Financially the Group has performed well and is profitable at the EBITDA⁽¹⁾ and Adjusted EBITDA⁽²⁾ level. We have increased revenues and improved EBITDA margins. Loss before tax was £4.6 million (2009 loss before tax £3.0 million), which includes

- £1.1 million of redundancy costs relating to redundancies announced prior to 31 December 2010. Redundancies have occurred as central functions are combined from the acquisitions that the Group has made,
- A small movement in the property related provisions that relate to onerous properties and dilapidations,
- £0.2 million of deal costs principally relating to the acquisition of Canadean,
- £2.8 million impairment charge relating to the intangibles recognised upon the reverse acquisition of TMN Group plc, and,
- £2.4 million amortisation of acquired intangible assets

	2010 £'000s	2009 £'000s	
Continuing operations			
Revenue	47,986	37,084	+29.4%
Loss before tax	(4,554)	(2,957)	
Depreciation	640	437	
Amortisation	3,361	2,795	
Impairment	2,820	-	
Other income	(174)	-	
Finance costs	253	331	
EBITDA	2,346	606	
Redundancy	1,063	634	
Property related provisions	(57)	76	
Revaluation of currency collar	248	-	
Deal costs	224	20	
Adjusted EBITDA	3,824	1,336	+186.2%
Adjusted EBITDA %	8.0%	3.6%	

Note 1 EBITDA Earnings before interest, tax, depreciation, amortisation and impairment

Note 2 Adjusted EBITDA EBITDA adjusted for costs associated with derivatives, acquisitions, integration and restructure of the Group

Despite the reported loss for the period the underlying business is profitable with good opportunities for long-term profitable growth in terms of further growth in sales and improvement in margins.

Divisional performance:**Business Information**

Business Information is predominately focused on the B2B space, providing content rich web based information products. Business Information's results include four months contribution from Canadean which was acquired in September 2010.

Revenues for the year are £39.5 million (2009: £32.3 million) generating a contribution of £13.1 million.

Digital Marketing

Digital Marketing now focused on B2B market and providing innovative online digital marketing, research and panel solutions.

Revenues for the year are £8.5 million (2009: £4.8 million) generating a contribution of £2.3 million.

Acquisition of Canadean

We announced in September 2010 that the Group has completed the acquisition of the entire issued share capital of Canadean for a total consideration of £9,000,000 in cash and the issue of 6,944,445 shares.

Canadean is a leading provider of business and market intelligence to the global beverage industry. Founded in 1973, Canadean has established an enviable position in the market place, providing high quality business critical information for many of the world's largest beverage companies – both soft drinks & beer, as well as key suppliers to the industry across packaging, raw materials and ingredients.

For the financial year ended 31 December 2009, Canadean reported revenues of approximately £6.4 million and net assets of approximately £1.0 million.

The acquisition of Canadean was financed by a £9.0 million three-year amortising loan facility provided by Mike Danson (Chairman of Progressive and majority shareholder) and by the issue of 6,944,445 ordinary shares in the Company. The issued shares rank *pari passu* in all respects with the existing issued ordinary share capital of the Company.

The term loan provided by Mike Danson, which is to be repaid in full by September 2013 (or earlier subject to Board Approval), accrues an interest rate of 275 basis points over 3 month LIBOR, in line with the current rate on Progressive's bank overdraft facility.

Impairment of customer relationships

During the year the Group recognised an impairment charge in relation to acquired intangible assets that were recognised at the time of the TMN Group reverse acquisition of £2.8 million. TMN Group's performance since acquisition had been well below expectation. The impairment of the customer list intangible was recognised because of the short time that customers were remaining traceable and of value due to factors such as changing email addresses and general churn. Management concluded that the performance indicated that certain assets were impaired and of little demonstrable value.

The carrying value of goodwill has been assessed as at 31 December 2010 and, based on the current forecasts of the legacy TMN products, there is no indication that the goodwill allocated to the Digital Marketing business unit is impaired. The sensitivity to changes in the assumptions behind this review is detailed in note 12 in the financial statements.

Earnings per share

Basic loss per share from continuing operations was 0.98 pence per share (2009: loss of 0.64 pence per share).

Cash flow

The group generated £2.3 million of EBITDA in 2010 which excludes £1.8 million paid in relation to onerous leases and other amounts paid in relation to costs that were provided for at the start of the year. Working capital movements reduced the cash generated from operations to an outflow of £0.1 million. A number of leases were assigned or terminated during 2010 and the cash impact is expected to reduce in future periods. Details of onerous leases are included in the notes to the financial statements.

Capital expenditure was £2.5 million in 2010. This included £1.0 million on a one-off investment relating to Progressive's new Content and Web Platforms. £1.2 million related to fit out of Progressive's new offices in London, San Francisco and Sydney and the associated IT equipment.

Currency rate risk

The Group's primary objective in managing foreign currency risk is to protect against the risk that the eventual Sterling net cash flows will be affected by changes in foreign currency exchange rates. To do this the Group enters into foreign exchange collars that limit both the risk and benefit from movements in US dollar and Euro exchange rates with Sterling. Whilst commercially this hedges the group's currency exposures it does not meet the requirements for hedge accounting and accordingly any movement in the fair value of the foreign exchange collars are recognised in the income statement.

Liquidity risk and going concern

The Group's approach to managing liquidity is to ensure, as far as possible, that it has sufficient liquidity to meet its liabilities as they fall due with surplus facilities to cope with any unexpected variances in timing of cash flows.

As highlighted in note 19 to the financial statements the Group meets its day-to-day working capital requirements from an overdraft facility of £7.0 million of which £6.5 million was utilised as at 31 December 2010. Based on cash flow projections the Group considers the existing financing facilities to be adequate to meet short-term commitments. There are no covenants associated with the overdraft and no restrictions on the long-term borrowing.

The Group has two loans from the Chairman and majority shareholder, Mr Danson. An interest free loan of £9.8 million is repayable by 2019. The company has received a written undertaking that Mr Danson would not demand repayment of this loan for a period of 12 months from the date of approval of the financial statements.

The £9 million loan to fund the acquisition of Canadean has £8.6 million outstanding as at 31 December 2010. Repayments on the loan will only be made to the extent that the Group has sufficient forecast working capital to meet all of its liabilities.

In addition to the existing facility Mr Danson provided the Group with a £20 million working capital facility at the time of the reverse acquisition. This facility has not yet been drawn upon and is not forecast to be drawn upon.

The Group's financing facility is an on demand basis. The Group has prepared the accounts on a going concern basis on the assumption that this facility is available. In the event of the overdraft facility not being available, the Group is confident that it can obtain suitable short-term financing.

Outlook

The Board believes this has been a year of significant progress and remains confident of the long-term profitable prospects of the Group.



S Pyper
Chief Executive Officer
2 March 2011

Directors' Report

Directors

Michael Danson

Executive Chairman

Michael Danson is Chairman of Progressive Digital Media Group. He founded Datamonitor, an online information company in 1989. In 2000, Datamonitor completed its flotation on the London Stock Exchange and was sold to Informa for £502 million in 2007. Previously Mike was with Strategic Planning Associates where he was a consultant in their technology practice.

Mike received an MA degree from Oxford University.

Bernard Cragg

Non-Executive Director

Bernard Cragg currently sits on the boards of Mothercare, Workspace and Astro All Asia Networks. Bernard qualified with Price Waterhouse as a chartered accountant before joining Carlton Communications plc as Group Financial Controller. He became Chief Financial Officer and Finance Director and was a key part of the team which transitioned the company from a small entrepreneurial firm into a major television company.

Bernard was the Chairman of Datamonitor and during his time there he was an integral part of the executive team which oversaw the rapid growth of the business and its eventual successful sale in 2007.

Mark Freebairn

Non-Executive Director

Mark Freebairn is the head of the CFO practice and a member of the Board Practice at Odgers Berndtson, one of the UK's leading executive search firms.

Mark has over sixteen years of experience in the recruitment and executive search industry working principally in board-level recruitment. Mark has been retained by a number of quoted companies across a broad range of industry sectors to find and recruit both executive directors and non-executive directors who can help deliver on their strategic and operational objectives.

Peter Harkness

Non-Executive Director

Peter Harkness has 25 years experience as a director or chairman of a number of successful businesses, predominantly in the media sector. Peter has played an active role in a number of private equity deals and has gained extensive experience on the boards of both public and private companies. He is currently chairman of Chrysalis Venture Capital Trust and of MyHobbyStore Media.

Peter was a non-executive director of Datamonitor until its sale to Informa. In recent years he has also been Chairman of the Butler Group until its sale to Datamonitor and was Executive Chairman of media monitoring group Precise Media, until it was sold to Phoenix Private Equity.

Kelsey van Musschenbroek

Non-Executive Director

Kelsey van Musschenbroek joined the Group as a Non-Executive Director on 1 September 2010 upon the acquisition of Canadean. Prior to this, Kelsey was one of the founders of Canadean and has been a director of Canadean since its beginnings in the early 1970's as a specialist strategic think tank for the food and drinks industry.

Kelsey has a wealth of experience in market research and analysis including the food and drinks industry and in particular European soft drinks. After graduating from St Andrew's University, he joined the Financial Times, finishing his time there as Commercial Editor with special responsibility for the international food and drinks industries.

Simon Pyper

Chief Executive Officer

Simon Pyper is the Chief Executive Officer of Progressive Digital Media Group. Simon joined Progressive Digital Media Group from Datamonitor where he was Group Finance Director until its sale to Informa. During Simon's tenure he supported the business as it delivered significant increases in revenues, earnings and shareholder returns.

Simon received an MBA from Henley in 2003 and is a qualified accountant.

Rob Marcus

Finance Director

Rob joined the Group as Group Financial Controller in 2009. Prior to joining, Rob was Financial Controller at Telecom Corporation of New Zealand, which is New Zealand's largest listed company.

He qualified as a chartered accountant with PricewaterhouseCoopers in London.

Principal activity and business review

The principal activity of Progressive Digital Media Group Plc (PDMG) and its subsidiaries ('the Group') is to support its customers in achieving their marketing objectives by bringing buyers and sellers together through print media, online advertising, online market research and events. Further information regarding the Group including important events and its progress during the year, events since the year end and likely future developments is contained in the Chairman's Statement and in the Business Review.

Share capital and substantial interests

Details of the company's share capital are set out in note 23 to the financial statements. As at 1 March 2011 Michael Danson had a beneficial interest of 83.89 per cent of the issued ordinary share capital of the Company. No other person has notified any interest in the ordinary shares of the Company required to be disclosed to the Company in accordance with the Disclosures and Transparency Rules.

Directors' interests

The interests of the directors in the ordinary shares of the Company were as follows:

	Number of ordinary shares
Michael Danson	315,853,181
Bernard Cragg	1,000,000
Mark Freebairn	-
Peter Harkness	500,000
Kelsey van Musschenbroek	2,678,472
Simon Pyper	1,200,000
Rob Marcus	-

Employee policies

The Group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the factors affecting the performance of the Group. This is achieved through formal and informal meetings.

It is the Group's policy to give full and fair consideration to the employment of disabled persons, the continuing employment of employees becoming disabled and to the full development of the careers of disabled employees, having regard to their particular abilities.

Terms of payment

The Group's policy is to agree terms of payment with suppliers when agreeing terms of each transaction, ensuring that suppliers are made aware of the terms of payment and abide by the terms of payment. Normal credit terms are 60 days. At 31 December 2010 trade creditors of the Group represented 66 days outstanding (2009: 73 days).

Statement of directors' responsibilities in respect of the Annual Report, the Directors' Remuneration Report and the financial statements

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the group and the parent company 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 (IFRSs). 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 and profit or loss of the company and group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs have been followed, 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

A resolution to reappoint Grant Thornton UK LLP as auditors to the Company will be proposed at the Annual General Meeting

Disclosure of information to auditors

So far as the directors are aware there is no relevant audit information (that is information needed by the group's auditors in connection with preparing their reports) of which the group's auditors are unaware, and the directors have taken all steps they ought to have taken in order to make themselves aware of any relevant information and establish that the group's auditors are aware of that information

Annual general meeting

The Annual General Meeting will be held on 28 April 2011 at the offices of Investec at 2 Gresham Street, London, EC2V 7QP at 10am. Details of all resolutions to be put as special business are set out in the enclosed notice to shareholders

By order of the Board



S Pyper
Director
2 March 2011

Principal Risks and Uncertainties

The directors consider that the principal risks and uncertainties facing the Group are

- Acquisitions may not be successfully integrated into the Group due to operational hurdles, loss of key personnel or due to IT technical problems. If this occurs then the Group may not achieve the forecast benefit from acquisitions. The Group manages each integration as a distinct project and aims to achieve the majority of the integration activities within one hundred days. Technical or staffing issues are monitored on a project by project basis and the necessary resources allocated to resolve any issues.
- The business is based in the UK and a significant proportion of revenues are generated from advertising. This means that the Group is impacted by downturns in the UK economy that may affect its clients. New offices have been opened during 2010 in America and Australia to mitigate this risk.
- The Group may fail to respond to changes in the competitive landscape and may not establish marketing and product initiatives to ensure it remains competitive. The Group continues to invest in products which will be imperative if the Group is to achieve and maintain profitability.
- The Group is reliant on its sales force and critical to its success is the recruitment and retention of skilled sales personnel. An in-house recruiting team is used actively to recruit key staff and a high-performance culture rewards success to retain skilled sales personnel.
- The Group meets its day-to-day working capital requirements from an overdraft facility of £7.0 million of which £6.5 million was utilised as at 31 December 2010. The Group has prepared the accounts on a going concern basis on the assumption that this facility is available. In the event of the overdraft facility not being available, the Group is confident that it can obtain suitable short-term financing.
- The Group has two loans from the Chairman and majority shareholder, Mr Danson. An interest free loan of £9.8 million is repayable by 2019. The company has received a written undertaking that Mr Danson would not demand repayment of this loan for a period of 12 months from the date of approval of the financial statements.

Corporate Governance Report

PDMG is committed to high standards of corporate governance. The paragraphs below and in the Remuneration Report on pages 11 to 12 describe how the Board has applied the principles set out in the Combined Code 2008 ('the Code') issued by the Financial Services Authority. The Code is part of the listing rules as issued by the Financial Services Authority. The Company has substantially complied with the provisions of the Code, except where the Board has determined that they are inappropriate to the particular circumstances of the Company.

The Board

The Company is led by the Board, which is made up of three executive directors and four non-executive directors. The Chairman of the Board is Michael Danson who has been Chairman since the reverse acquisition in June 2009. The Board have identified Bernard Cragg as the senior independent non-executive director. The non-executive directors' shareholdings are detailed in the Directors' Report. The Board has determined that all the non-executive directors are independent and that their shareholding in the Company does not affect their independence.

In 2010, the Board met 11 times during the year and there is a formal schedule of matters reserved for the consideration of the Board. The Board is responsible to the shareholders for the proper management of the Group. The Board sets and monitors the Group strategy, reviewing trading performance, ensuring adequate funding, examining development possibilities and formulating policy on key issues. The Board is also responsible for the monitoring of the risk and control environment.

The Chairman is responsible for the running of the Board and together with the Board members, determining the strategy of the Group. The Chief Executive is responsible for the running of the Group's businesses supported by divisional managing directors.

The non-executive directors have the opportunity to meet without the executive directors in order to discuss performance of the Board, its committees and individual directors.

All directors are required to stand for re-election at least once every three years. The terms and conditions of appointment of the non-executive directors are available for inspection at our registered office.

The Company Secretary ensures that the Board and its committees are supplied with papers to enable them to consider matters in good time for meetings and to enable them to discharge their duties. Procedures are in place for the directors, in the furtherance of their duties, to take independent professional advice, if necessary at the company's expense, as required under the Code.

The Board has established audit and remuneration committees with mandates to deal with specific aspects of its business. The table below details the membership and attendance of individual directors at Board and committee meetings held during the year ended 31 December 2010.

Board meetings during the year

	Appointed	Board	Audit Committee	Remuneration Committee
Number of meetings		11	3	1
Peter Harkness		10	3	1
Bernard Cragg		11	3	1
Mark Freebairn		9	3	1
Kelsey van Musschenbroek	1 September 2010	3	n/a	n/a
Michael Danson		11	n/a	n/a
Simon Pyper		10	n/a	n/a
Rob Marcus	29 March 2010	8	n/a	n/a

Kenneth Appiah resigned from the Board on 22 March 2010.

Remuneration committee

The Remuneration Committee comprises Peter Harkness, Bernard Cragg and Mark Freebairn. The Remuneration Committee is responsible for determining the service contract terms, remuneration and other benefits of the executive directors, details of which are set out in the Remuneration Report. The terms of reference of the Remuneration Committee are available for inspection on request.

Audit Committee

The Audit Committee comprises Peter Harkness, Bernard Cragg, and Mark Freebairn. Bernard Cragg is a Chartered Accountant with considerable financial and varied commercial experience. The committee met three times in the year with the external auditors in attendance. The committee is responsible for reviewing the Interim Report and the Annual Report and accounts and it oversees the controls necessary to ensure the integrity of the financial information reported to shareholders. The Audit Committee discusses the nature, scope and findings of the audit with the external auditors, and monitors the independence of the external auditors. The committee is also responsible for considering the appointment or re-appointment of external auditors and the audit fee. The terms for the Audit Committee are available for inspection on request.

The Audit Committee discharges its responsibilities through receiving reports from management and advisers, working closely with the auditors, carrying out and reviewing risk assessment and taking counsel where appropriate in areas when required to make a judgement

The Audit Committee has considered the need for a separate internal audit function but due to the size of the Group and procedures in place to monitor both trading performance and internal controls, it was concluded the costs of a separate internal audit department would outweigh the benefits

In order to maintain the independence of the external auditors, the Board has determined that non-audit work will not be offered to the external auditors unless there are clear efficiencies and value added benefits to the Group. The Audit Committee annually reviews the remuneration received by the auditors for audit services and non-audit work. The outcome of this review was that the performance of this work by the auditors was the most cost effective and also that no conflict existed between such audit and non-audit work

Internal control and risk management

The Board has overall responsibility for the Group's system of internal controls and for monitoring its effectiveness. However, such a system is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss

Under the Code there is a requirement that the directors review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management. A formal risk review was conducted in 2010 and will be reviewed at regular intervals

The key controls in place have been reviewed by the Board and comprise the following

- The preparation of comprehensive annual budgets and business plans integrating both financial and operational performance objectives and plans, with an assessment of the associated business and financial risks, for each area of the business. The overall Group budget and business plan is subject to approval by the Board
- Weekly revenue reports are produced and reviewed by management
- Monthly management accounts are prepared for each business unit and reviewed by the Board. This includes reporting against key performance indicators and exception reporting
- An organisational structure with formally defined lines of responsibility. Authorisation limits have been set throughout the Group

Shareholder relationships

The Company operates a corporate website at www.progressivedigitalmedia.com where information is available to potential investors and shareholders

The Board will use the Annual General Meeting to communicate with shareholders and seek their participation. The Notice of the Annual General Meeting has been circulated more than 20 working days prior to the meeting

Health and safety

It is the policy of the Group to conduct all business activities in a responsible manner free from recognised hazards and to respect the environment, health and safety of our employees, customers, suppliers, partners, neighbours and the community at large.

Going concern

As highlighted in note 19 to the financial statements the Group meets its day-to-day working capital requirements from an overdraft facility of £7.0 million of which £6.5 million was utilised as at 31 December 2010. Based on cash flow projections the Group considers the existing financing facilities to be adequate to meet short-term commitments. There are no covenants associated with the overdraft and no restrictions on the long-term borrowing

The Group has two loans from the Chairman and majority shareholder Mr Danson. An interest free loan of £9.8 million is repayable by 2019. The company has received a written undertaking that Mr Danson would not demand repayment of this loan for a period of 12 months from the date of approval of the financial statements

The £9 million loan to fund the acquisition of Canadean has £8.6 million outstanding as at 31 December 2010. Repayments on the loan will only be made to the extent that the Group has sufficient forecast working capital to meet all of its liabilities

In addition to the existing facility Mr Danson provided the Group with a £2.0 million working capital facility at the time of the reverse acquisition. This facility has not yet been drawn upon and is not forecast to be drawn upon

The Group's financing facility is an on demand basis. The Group has prepared the accounts on a going concern basis on the assumption that this facility is available. In the event of the overdraft facility not being available, the Group is confident that it can obtain suitable short-term financing

By order of the Board



S Pyper
Director
2 March 2011

Directors' Remuneration Report

Unaudited information

The Remuneration Committee

The Remuneration Committee consists of Peter Harkness, Bernard Cragg and Mark Freebairn. In the matters to be decided, members have no personal financial interests, other than as shareholders.

Directors' remuneration policy

The Board is responsible for setting the Company's policy on directors' remuneration and the Remuneration Committee decides on the remuneration package of each executive director.

The primary objectives of the Company's policy on executive remuneration are that it should be structured so as to attract and retain executives of a high calibre with the skills and experience necessary to develop the Company successfully and, secondly, to reward them in a way which encourages the creation of value for the shareholders. The performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the Remuneration Committee. No director is involved in setting his own remuneration.

The main elements of the executive directors' remuneration are:

- Basic annual salary - The salaries of the executive directors are reviewed annually and reflect the executives' experience, responsibility and the Group's market value.
- Other benefits - Other benefits include pension contributions, medical cover and car allowances.

The Board has approved the proposed long-term incentive plan that is subject to approval at the Annual General Meeting. This will provide a long-term incentive for senior management that is directly tied to the performance of the Group.

Non-executive directors' remuneration

All non-executive directors have letters of appointment and their remuneration is determined by the Board having regard to the level of fees for similar companies. Non-executive directors are not entitled to any contribution in respect of pensions.

Directors' service agreements

It is the Group's policy that directors should not have service agreements with notice periods capable of exceeding twelve months. The existing service agreements have neither fixed terms nor contractual termination payments but do have fixed notice periods. Non-executive directors have letters of appointment with the Company. The details of the service agreements of the current directors are:

	Contract date	Notice period
Non-Executive directors		
Peter Harkness	25 June 2009	1 month
Bernard Cragg	20 July 2009	1 month
Mark Freebairn	13 July 2009	1 month
Kelsey van Musschenbroek	1 September 2010	1 month
Executive directors		
Michael Danson	1 October 2008	12 months
Simon Pyper	25 June 2009	12 months
Rob Marcus	29 March 2010	6 months

Directors' emoluments

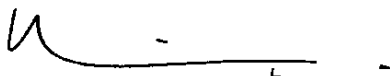
	Basic Salary £'000s	Pension £'000s	Other benefits £'000s	2010 total £'000s	2009 total £'000s
Non-Executive Directors					
Peter Harkness	30	-	-	30	37
Bernard Cragg	30	-	-	30	14
Mark Freebairn	10	-	-	10	5
Kelsey van Musschenbroek	10	-	-	10	-
Executive Directors					
Michael Danson	50	-	35	85	55
Simon Pyper	210	-	8	218	239
Rob Marcus	90	1	1	92	-
Kenneth Appiah	35	3	1	39	162

The other benefits consist of company cars and health insurance cover

Share options

The Group created a share option scheme during the year ended 31 December 2010 and granted the first options under the scheme on 1 January 2011 to certain senior employees. Each option granted converts to one ordinary share on exercise. A participant may exercise their options (subject to employment conditions) at any time during a prescribed period from the vest date to the date the option lapses. For these options to be exercised the Group's earnings before interest, taxation, depreciation and amortisation, as adjusted by the Remuneration Committee for significant or one-off occurrences, must exceed certain targets. These targets are currently between £10 million and £20 million.

By order of the Board



M Freebairn

Chairman of the Remuneration Committee
2 March 2011

Independent Auditor's Report to the Members of Progressive Digital Media Group Plc

We have audited the group financial statements of Progressive Digital Media Group plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement 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.

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 Directors' Responsibilities Statement the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its loss for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

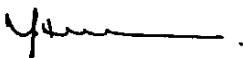
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.

Other matters

We have reported separately on the parent company financial statements of Progressive Digital Media Group plc for the year ended 31 December 2010.



Mark Henshaw

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
2 March 2011

Consolidated Income Statement

	Notes	2010 £'000s	2009 £'000s
Continuing operations			
Revenue	3	47,986	37,084
Cost of sales		(26,774)	(19,687)
Gross profit		21,212	17,397
Distribution costs		(1,038)	(1,023)
Administrative costs		(17,993)	(15,713)
Other expenses	5	(6,656)	(3,287)
Operating loss	4	(4,475)	(2,626)
<i>Analysed as</i>			
Adjusted EBITDA¹		3,824	1,336
Items associated with acquisitions and restructure of the group	5	(1,230)	(730)
Other adjusting items	5	(248)	-
EBITDA¹		2,346	606
Amortisation		(3,361)	(2,795)
Impairment		(2,820)	-
Depreciation		(640)	(437)
Operating loss		(4,475)	(2,626)
Other income	8	174	-
Finance costs	9	(253)	(331)
Loss before tax		(4,554)	(2,957)
Income tax credit	10	961	865
Loss for the year from continuing operations		(3,593)	(2,092)
Profit for the year from discontinued operation	27	-	4,678
(Loss)/profit for the year		(3,593)	2,586
Attributable to			
Equity holders of the parent		(3,639)	2,544
Non-controlling interest		46	42
Basic (loss)/earnings per share attributable to equity holders			
	11		
Continuing operations (pence)		(0.98)	(0.64)
Discontinued operation (pence)		-	1.41
Basic (loss)/earnings per share (pence)		(0.98)	0.77

The accompanying notes form an integral part of this financial report

1 EBITDA is defined as operating profit plus depreciation, amortisation and impairment of assets. We define Adjusted EBITDA as EBITDA adjusted for costs associated with acquisitions, integration, restructure of the Group and impact of foreign exchange contracts. See note 5 of the financial statements for details. We present Adjusted EBITDA as additional information because we understand that it is a measure used by certain investors. However, other companies may present Adjusted EBITDA differently than we do. EBITDA and Adjusted EBITDA are not measures of financial performance under IFRS and should not be considered as an alternative to operating profit/loss or as a measure of liquidity or an alternative to loss/profit for the year as indicators of our operating performance or any other measure of performance derived in accordance with IFRS.

Consolidated Statement of Comprehensive Income

	2010 £'000s	2009 £'000s
(Loss)/profit for the year	(3,593)	2,586
Other comprehensive income		
Available-for-sale financial assets		
Current year gains	-	217
Reclassified to income statement	-	398
Actuarial gains on defined benefit pension plans	-	66
Translation of foreign entities	5	-
Income tax relating to components of other comprehensive income	-	154
Other comprehensive income, net of tax	5	835
Total comprehensive (loss)/income for the year	(3,588)	3,421
Attributable to		
Equity holders of the parent	(3,634)	3,379
Non-controlling interest	46	42

The accompanying notes form an integral part of this financial report

Consolidated Statement of Financial Position

	Notes	2010 £'000s	RESTATED 2009 £'000s
Non-current assets			
Property, plant and equipment	13	1,860	1,199
Intangible assets	12	36,957	29,623
Deferred tax assets	17	1,485	1,851
		40,302	32,673
Current assets			
Inventories	15	47	12
Current tax receivable		20	499
Trade and other receivables	16	16,801	15,938
Cash and cash equivalents		418	863
		17,286	17,312
Total assets		57,588	49,985
Current liabilities			
Trade and other payables	18	(26,775)	(24,308)
Short-term borrowings	19	(15,134)	(5,886)
Current tax payable		-	(50)
Short-term derivative liabilities	14	(100)	-
Short-term provisions	21	(1,109)	(2,610)
		(43,118)	(32,854)
Non-current liabilities			
Long-term provisions	21	(1,702)	(1,932)
Deferred tax liabilities	17	(732)	(939)
Long-term borrowings	19	(9,769)	(9,769)
Long-term derivative liabilities	14	(148)	-
		(12,351)	(12,640)
Total liabilities		(55,469)	(45,494)
Net assets		2,119	4,491
Equity			
Share capital	23	207	137
Share premium account	1	44,257	43,094
Other reserve	1	(37,128)	(37,128)
Foreign currency translation reserve		5	-
Retained loss		(5,305)	(1,666)
Equity attributable to equity holders of the parent		2,036	4,437
Non-controlling interest		83	54
Total equity		2,119	4,491

These financial statements were approved by the board of directors on 2 March 2011 and signed on its behalf by



Michael Danson
Chairman



Simon Pyper
Director

The accompanying notes form an integral part of this financial report.

Company Number - 3925319

Consolidated Statement of Changes in Equity

RESTATE	Share capital	Share premium account	Other reserve	Foreign currency translation reserve	Revaluation reserve	Retained loss	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2009	-	-	-	-	(443)	(4,258)	(4,701)	44	(4,657)
Profit for the year	-	-	-	-	-	2,544	2,544	42	2,586
Other comprehensive income									
Actuarial gains on defined benefit pension plans	-	-	-	-	-	66	66	-	66
Current year gains on sale of assets	-	-	-	-	217	-	217	-	217
Reclassification to income statement	-	-	-	-	398	-	398	-	398
Deferred tax	-	-	-	-	(172)	(18)	(190)	-	(190)
Total comprehensive income for the year	-	-	-	-	443	2,592	3,035	42	3,077
Transactions with owners									
Dividends	-	-	-	-	-	-	-	(32)	(32)
Reverse acquisition	137	43,118	(37,128)	-	-	-	6,127	-	6,127
Revaluation of treasury shares	-	(24)	-	-	-	-	(24)	-	(24)
Balance at 31 December 2009	137	43,094	(37,128)	-	-	(1,666)	4,437	54	4,491
(Loss)/profit for the year	-	-	-	-	-	(3,639)	(3,639)	46	(3,593)
Other comprehensive income									
Translation of foreign entities	-	-	-	5	-	-	5	-	5
Total comprehensive income for the year	-	-	-	5	-	(3,639)	(3,634)	46	(3,588)
Transactions with owners									
Dividends	-	-	-	-	-	-	-	(17)	(17)
Issue of share capital during the year	70	1,163	-	-	-	-	1,233	-	1,233
Balance at 31 December 2010	207	44,257	(37,128)	5	-	(5,305)	2,036	83	2,119

The accompanying notes form an integral part of this financial report

Consolidated Cash Flow Statement

	Year to 31 December 2010 £'000s	Year to 31 December 2009 £'000s
Cash flows from operating activities		
(Loss)/profit for the year	(3,593)	2 586
Adjustments for		
Depreciation	640	461
Amortisation	3,361	2,953
Impairment	2 820	-
Other income	(174)	-
Finance expense	253	311
Taxation recognised in profit or loss	(961)	(860)
Decrease/(increase) in trade and other receivables	616	(1,268)
(Increase)/decrease in inventories	(1)	234
(Decrease)/increase in trade payables	(1,526)	292
Revaluation of derivatives	248	-
Gain on disposal	-	(4,684)
Movement in provision	(1,789)	(550)
Cash used by operations	(106)	(525)
Other income	174	-
Interest paid	(68)	(311)
Income taxes received/(paid)	497	(17)
Net cash from operating activities	497	(853)
Cash flows from investing activities		
Acquisition of Canadean net of cash acquired	(7,612)	-
Acquisition of TMN, net of cash acquired	-	(2,287)
Sale of discontinued operation	-	10,794
Purchase of property, plant and equipment	(1,189)	(781)
Purchase of intangible assets	(1,287)	(434)
Net cash (used in)/generated from investing activities	(10,088)	7,292
Cash flows from financing activities		
Repayment of short-term borrowings	-	(2,500)
Proceeds from long-term borrowings	9 000	-
Repayment of long-term borrowings	(500)	(10,794)
Net cash generated from/(used) in financing activities	8,500	(13,294)
Net decrease in cash and cash equivalents	(1,091)	(6,855)
Cash and cash equivalents at beginning of period	(5,023)	1,832
Cash and cash equivalents at end of period	(6,114)	(5,023)
<i>Balance sheet reconciliation</i>		
Cash and cash equivalents	418	863
Overdraft (included in short-term borrowings)	(6,532)	(5,886)
Cash and cash equivalents at end of period	(6,114)	(5,023)

The accompanying notes form an integral part of this financial report

Notes to the Consolidated Financial Statements

1 General information

Nature of operations

Progressive Digital Media Group plc and its subsidiaries (together 'the Group') principal activity is the provision of specialised integrated digital marketing solutions. Refer to note 3 for further information about the Group's operating segments.

Progressive Digital Media Group plc ('the Company') is a company incorporated in the United Kingdom and listed on the Alternative Investment Market. The registered office of the Company is John Carpenter House, John Carpenter Street, London, EC4Y 0AN. The registered number of the Company is 3925319.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments. These financial statements have been prepared in accordance with the accounting policies detailed below. The accounting policies have been applied consistently throughout the Group.

In the comparative period, the Company issued new shares in June 2009 to Michael Danson to acquire the share capital of Progressive Digital Media Limited. After the acquisition, Michael Danson owned the majority of the Company. Under IFRS, the transaction was deemed to be a reverse acquisition. The assets and liabilities of Progressive Digital Media Limited were recognised and measured at their pre-combination carrying values. The cost of the acquisition was measured at the pre-acquisition value of the ordinary shares that the legal subsidiary would have had to issue to the owners of TMN Group plc to provide the same percentage ownership as they had in the combined entity following the reverse acquisition. The assets and liabilities of TMN Group plc were recognised at the fair value at the acquisition date. The premium arising on the acquisition was allocated firstly to those intangible assets identified on acquisition that were controlled by the Company and were capable of being measured reliably, and any remaining premium that could not be allocated to separately identified intangible assets was allocated to goodwill. The movement in the share capital and share premium from Progressive Digital Media Limited to Progressive Digital Media Group plc was recognised as Other Reserve.

These financial statements are presented in Pounds Sterling (£), which is also the functional currency of the Company. These financial statements have been approved for issue by the board of directors.

Critical accounting estimates and judgements

The Group makes 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 deviate 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 relate to property provisions, valuation of acquired intangible assets, provisions for bad debt, and the carrying value of goodwill and other intangibles in the statement of financial position.

Property provisions

The onerous lease and dilapidations property provisions require an estimate to be made of the net present value of the future costs of vacant and sublet properties. The calculation includes estimates of future cost involved, including management's estimates of the long-term letting potential of the properties, future rental income, market rents, periods of vacancy and the level of incentives required to sub-let vacant properties. Details of the provisions are provided in note 21.

Valuation of acquired intangibles

Management identified and valued acquired intangibles on acquisitions that were made during the periods disclosed in the financial statements. Management has applied judgements in identifying and valuing intangible assets separate from goodwill that consist of assessing the value of brands, software and customer relationships. The intangibles were valued based on either the net present value of the future cash flows associated with the intangible, or on the cost to recreate an intangible. Assumptions are made on the useful life of an intangible and if shortened would increase the amortisation charge recognised in the income statement. The identified intangibles are set out in note 12. An impairment charge of £2.8 million was recognised in the year in relation to the carrying value of intangible assets associated with the reverse acquisition of TMN Group. The impairment assessment required an estimate of the value of those intangibles to the Group.

There are a number of assumptions in estimating the future present value of cash flows including management's expectation of future revenue and costs, timing and quantum of future capital expenditure, long-term growth rates and discount rates.

Provision for bad debt

The Group is required to judge when there is sufficient objective evidence to require the impairment of individual trade receivables. It does this on the basis of the age of the relevant receivables, external evidence of the credit status of the debtor entity and the status of any disputed amounts. The provision for bad debts and the ageing of overdue debtors are included in note 16 to the financial statements. Additional disclosures on the assumptions behind the provision are provided in note 20 within the section on credit risk.

Carrying value of goodwill and other intangibles

The carrying value of goodwill and other intangibles is assessed at least annually to ensure that there is no need for impairment. Performing this assessment requires management to estimate future cash flows to be generated by the related cash generating unit, which entails making judgements including the expected rate of growth of sales, margins expected to be achieved, the level of future capital expenditure required to

support these outcomes and the appropriate discount rate to apply when valuing future cash flows. An impairment of the goodwill allocated to Digital Marketing would occur if the anticipated increase in sales is reduced to a decline in sales of 3.3% or by increasing the discount rate to 15.85%. See note 12 for further details on intangibles and goodwill.

At 31 December 2010 the Group had £37.0 million of goodwill and other intangibles assets (2009 £29.6 million). The composition of goodwill, by cash generating unit, is set out in note 12 of these financial statements.

Seasonal fluctuations

The business of the Group is subject to seasonal fluctuations as revenue is recognised upon publication or event. As a large proportion of the Group's costs are fixed and consistent throughout the year then profitability of the Group varies. The majority of profit is recognised in the first quarter of a calendar year.

Going concern

As highlighted in note 19 the Group meets its day-to-day working capital requirements from an overdraft facility of £7.0 million of which £6.5 million was utilised as at 31 December 2010. Based on cash flow projections the Group considers the existing financing facilities to be adequate to meet short-term commitments. There are no covenants associated with the overdraft and no restrictions on the long-term borrowing.

The Group has two loans from the Chairman and majority shareholder, Mr Danson. An interest free loan of £9.8 million is repayable by 2019. The company has received a written undertaking that Mr Danson would not demand repayment of this loan for a period of 12 months from the date of approval of the financial statements.

The £9 million loan to fund the acquisition of Canadean has £8.6 million outstanding as at 31 December 2010. Repayments on the loan will only be made to the extent that the Group has sufficient forecast working capital to meet all of its liabilities.

In addition to the existing facility Mr Danson provided the Group with a £2.0 million working capital facility at the time of the reverse acquisition. This facility has not yet been drawn upon and is not forecast to be drawn upon.

The Group's financing facility is on an on demand basis. The Group has prepared the accounts on a going concern basis on the assumption that this facility is available. In the event of the overdraft facility not being available, the Group is confident that it can obtain suitable short-term financing.

Restatement of comparatives

Certain comparatives have been restated due to errors in the treatment of the fair value of the cost of the business combination with TMN Group (TMN) and the premium arising on the reverse acquisition of the Company on 25 June 2009.

The cost of the combination had been disclosed as being calculated based on the fair value of TMN before the combination, using the TMN share price before suspension from AIM in February 2009. However, IFRS 3 requires the fair value of the cost of the combination to be calculated based on the fair value of the legal subsidiary on the date of the exchange. The revised cost of the combination is £6,127,000 giving rise to an increase in the value of goodwill attributed to the TMN acquisition of £2,344,000 and an associated adjustment to other reserves.

Share premium had been calculated using the number of shares of TMN before the consideration issue and the pre-suspension share price. The calculation should have used the number of shares issued valued at the share price on the date of exchange. Management have recalculated share premium based on the share price on the date of the exchange which leads to an increase in share premium of £31,275,000 with a corresponding decrease in the value of the other reserve that arises upon the reserve acquisition.

The impact of this restatement is shown below:

	Reported 2009 £'000s	Adjustments £'000s	Restated 2009 £'000s
Non-current assets			
Intangible assets	27,279	2,344	29,623
Equity			
Share premium account	11,819	31,275	43,094
Other reserve	(8,197)	(28,931)	(37,128)

The opening balance sheet for the comparative period remains unaffected by this restatement.

Based on the value in use as at 31 December 2009, the recoverable amount exceeds the restated carrying amount of goodwill for TMN by £14.5 million. Management has performed sensitivity analysis on the value in use calculation. An impairment of the goodwill would occur if the anticipated increase in sales is reduced to a decline in sales of 20.6% or by increasing the discount rate to 18.4%.

2 Accounting policies

a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all of its subsidiary undertakings. As noted above the Group has applied reverse acquisition accounting in the comparative period to reflect the acquisition of Progressive Digital Media Limited by the Company.

- Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an enterprise taking into account any potential voting rights. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- Intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless costs cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the Group's accounting policies.
- The results and cash flows relating to a business are included in the consolidated income statement and the consolidated cash flow statement from the date of acquisition or the date of disposal as appropriate.

b) Change to accounting policies

The Group has adopted the following revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for the annual period beginning 1 January 2010:

- IFRS 3 Business Combinations (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- Improvements to IFRSs 2009

Adoption of IFRS 3 Business Combinations (Revised 2008)

IFRS 3R has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. For the year ended 31 December 2010, the adoption of IFRS 3R has affected the accounting for the Group's acquisition of Canadean Limited (see note 26) by increasing the administrative expenses related to acquisition-related costs by £161,000. Basic and diluted earnings per share for the current period have decreased by 0.04 pence.

Business combinations for which the acquisition date is before 1 January 2010 have not been restated.

Adoption of IAS 27 Consolidated and Separate Financial Statements (Revised 2008)

The adoption of IFRS 3R required that the revised IAS 27 (IAS 27R) is adopted at the same time. IAS 27R introduced changes to the accounting requirements for transactions with non-controlling (formerly called 'minority') interests and the loss of control of a subsidiary. These changes are applied prospectively. The application of this standard did not impact the Group's financial statements.

Adoption of Improvements to IFRSs 2009 (Issued in April 2009)

The Improvements to IFRSs 2009 made several minor amendments to IFRSs. The only amendment relevant to the Group relates to IAS 17 Leases. The amendment requires that leases of land are classified as finance or operating by applying the general principles of IAS 17. Prior to this amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The Group has reassessed the classification of the land elements of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and has determined that none of its leases require reclassification.

c) International Financial Reporting Standards ("Standards") in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets
- IAS 24 (revised in 2009) Related Party Disclosures
- Amendments to IAS 32 Classification of Rights Issues
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Improvements to IFRSs issued in 2010

It is anticipated that there will be minimal impact on the financial statements from the adoption of these new and revised standards.

d) Revenue recognition

Revenue is measured at the fair value of consideration received or receivable and comprises amounts derived from services performed by the Group during the year.

- Print media revenue is recognised on publication.
- Event revenue is recognised when the event is held.
- Internet revenue is recognised on a straight-line basis over the contractual term (typically twelve months).
- Revenue from email advertising, lead generation sources and website publishing is recognised on completion of the relevant campaign or transaction after all performance criteria have been fulfilled. Commission from pay for performance actions such as clicks, leads or sales generated resulting from advertising of a merchant's products or services on customers' websites is recognised on completion of performance criteria and any defined cancellation period.
- Revenue from the provision of online research and fieldwork services is recognised by reference to stage of completion. Stage of completion is measured by reference to the extent of services completed on a project by project basis.
- Revenue from hosting is recognised on a straight line basis over the term of the contract.

e) Property, plant and equipment

Property, plant and equipment is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses

Depreciation is calculated on a straight line basis over the deemed useful life of an asset and is applied to the cost less any residual value. The asset classes are depreciated over the following periods:

- Buildings – over 20 years
- Fixtures, fittings, plant and machinery – over 3 to 5 years
- Motor Vehicles – over 5 years

The useful life, the residual value and the depreciation method is assessed annually.

The carrying value of the property, plant and equipment is compared to the higher of value in use and the fair value less costs to sell. If the carrying value exceeds the higher of the value in use and fair value less the costs to sell the asset then the asset is impaired and its value reduced.

f) Intangible assets

Goodwill

Goodwill is recognised to the extent that it arises through a business combination and represents the difference between the cost of the acquisition and the fair value of net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to appropriate cash generating units (those expected to benefit from the business combination) and is tested annually for impairment. In testing for impairment, the recoverable amount of a CGU based on value-in-use calculations is compared to carrying value of goodwill. These calculations use pre-tax cash flow projections based on five-year financial budgets approved by management. Cash flows beyond the five year period are extrapolated using estimated long term growth rates.

Acquired intangible assets

Acquired intangible assets include customer lists and relationships, trademarks, brands and publishing rights. These assets are capitalised on acquisition at cost and included in intangible assets. Intangible assets acquired in maternal business combinations are capitalised at their fair value as determined by reference to the expected present value of their future cash flows. Intangible assets are amortised over their estimated useful lives of three to ten years for customer relationships and twenty years for IP rights, on a straight-line basis. Amortisation and impairment charges are accounted for within the administrative costs category within the income statement.

Computer software and websites

Non-integral computer software purchases are capitalised at cost as intangible assets. These costs are amortised over their estimated useful lives of 3 years. Costs associated with implementing or maintaining computer software programmes are recognised as an expense.

Impairment of intangible assets

Assets that have an indefinite useful life are not subject to amortisation but are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Any impairment losses are not reversed.

g) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using rates substantially enacted at the balance sheet date, and any adjustments to the tax payable in respect of previous years.

Deferred taxation is provided in full on temporary differences between the carrying amount of the assets and liabilities in the financial statements and the tax base. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date, and are expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is not provided on temporary differences arising on the initial recognition of goodwill or on assets and liabilities other than in a business combination.

Tax is recognised in the income statement except where it relates to items recognised as other comprehensive income, in which case it is recognised in the statement of other comprehensive income, and tax which related to items recognised in equity is recognised in equity.

h) Foreign currencies

The results are recorded in Pounds Sterling which is deemed to be the functional currency of the Company.

Foreign currency transactions are expressed in Sterling at the rates of exchange ruling at the date of the transaction, and if still in existence at the year end the balance is retranslated at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates during the year are taken to the income statement.

The assets and liabilities of entities with a functional currency other than sterling are expressed in sterling using exchange rates prevailing on the balance sheet date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised directly in equity. Such translation differences are recognised in the income statement in the period in which a foreign operation is disposed of.

i) Pensions

The Group's contributions to pension schemes for its employees, all of which are defined contribution schemes, are charged to the income statement as incurred.

j) Provisions

A provision is recognised in the statement of financial position when the Group has a legal obligation or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle that obligation, and a reliable estimate of the amount can be made. Provisions are discounted.

k) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

l) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership do not transfer to the lessee are charged to the income statement on a straight line basis over the period of the lease. Rental income from sub-leasing property space is recognised on a straight line basis over the period of the relevant lease that are steadily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

m) Financial instruments

The Group has derivative and non-derivative financial instruments which comprise foreign currency collars, investments in equity receivables, cash loans and borrowings, and trade payables.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash comprises cash balances and highly liquid call deposits. Bank overdrafts that form an integral part of the Group's cash management are included as a component of cash for the purpose of the statement of cash flows.

Derivative financial instruments

The Group uses derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates. Derivatives are measured at fair values and any movement in fair value is recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method, less any impairment losses. Accounts receivable are recorded initially at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment loss due to bad and doubtful accounts. The provision for doubtful debts is based on management's assessment of amounts considered uncollectible for specific customers or groups of customers based on age of debt, history of payments, account activity, economic factors and other relevant information. The amount of the provision is the difference between the assets unamortised cost and the present value of estimated future cash flows, discounted at an effective interest rate. The provision expense is recognised in the income statement.

Bad debts are written off against the provision for doubtful debts in the period in which it is determined that the debts are uncollectible. If those debts are subsequently collected then a gain is recognised in the income statement.

Available-for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets and are measured upon initial recognition at fair value. Subsequent to initial recognition, any changes in fair value, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised in other comprehensive income. When an investment is de-recognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using a weighted average method.

3. Segmental analysis

Segment contribution is reported to the Board (which is considered to be the Group's chief operating decision maker) on a monthly basis and consists of earnings before interest, tax, depreciation, amortisation, central overheads and other adjusting items

The Group considers the business from a divisional (Business Information and Digital Marketing) and a geographic perspective. Canadean, which was acquired during the year, was integrated into Business Information after the acquisition.

Changes in segments during the year

During 2010 the research business of TMN Group was restructured and combined with the Progressive business unit to form the segment Business Information. The remaining business of TMN Group now forms a new division called Digital Marketing. Segmental results for 2009 have been restated accordingly.

Business Information

Business Information delivers integrated digital marketing solutions to its clients through print, web and events.

Digital Marketing

Digital Marketing provides online marketing and lead generation.

Year to 31 December 2010	Business Information £'000s	Digital Marketing £'000s	Total £'000s
Revenue from external customers	39,523	8,463	47,986
Segment contribution	13,097	2,342	15,439

Year to 31 December 2009 - Restated	Business Information £'000s	Digital Marketing £'000s	Total £'000s
Revenue from external customers	32,330	4,754	37,084
Segment contribution	8,079	1,218	9,297

Reconciliation of segment operating loss to loss before tax	Year to 31 December 2010 £'000s	Year to 31 December 2009 £'000s
Segment contribution	15,439	9,297
Unallocated central overheads	(11,615)	(7,961)
Other expenses	(6,656)	(3,287)
Depreciation	(640)	(437)
Amortisation	(1,003)	(238)
Other income	174	-
Finance costs	(253)	(331)
Loss before tax	(4,554)	(2,957)

Unallocated central overheads consists of corporate, HR, finance, IT and facilities expenses. They have increased from £8.0 million in 2009 to £11.6 million in 2010 due to the full year inclusion of TMN Group and four months of Canadean central overheads.

The segmental results for discontinued operations are in note 27 and consist of a single segment that was sold in June 2009.

Geographical analysis

Year to 31 December 2010	UK £'000s	Europe £'000s	Rest of World £'000s	Total £'000s
Revenue from external customers	23,830	15,579	8,577	47,986

Year to 31 December 2009	UK £'000s	Europe £'000s	Rest of World £'000s	Total £'000s
Revenue from external customers	18,136	11,973	6,975	37,084

4 Operating loss

Operating loss is after the following expenses relating to continuing operations

	2010 £'000s	2009 £'000s
Depreciation of tangible fixed assets	640	437
Amortisation of intangible assets	3,361	2,795
Loss on foreign exchange	100	157
Loss on disposal of fixed assets	-	19
Operating lease expense – land and buildings	3,117	2,404
Operating lease expense – other	240	240
Auditor's remuneration	134	313

The total expense including amounts relating to discontinued operations in 2009 were

	2009 £'000s
Depreciation of tangible fixed assets	461
Amortisation of intangible assets	2,953
Loss on foreign exchange	159
Loss on disposal of fixed assets	19
Operating lease expense – land and buildings	2,457
Operating lease expense – other	240
Auditor's remuneration (see below)	323

Auditor's remuneration

	2010 £'000s	2009 £'000s
Audit of the Company's and the consolidated financial statements	35	35
Audit of subsidiary companies' financial statements	73	85
Services relating to corporate finance transactions	-	175
All other services	26	28
	134	323

5 Other expenses

	2010 £'000s	2009 £'000s
Redundancy	1,063	634
Property related provisions	(57)	76
Deal costs	224	20
Revaluation of currency collar	248	-
Impairment of intangible asset	2,820	-
Amortisation of acquired intangibles	2,358	2,557
	6,656	3,287

- Redundancy costs relate to redundancies made during the year that were announced prior to 31 December 2010. Redundancies have occurred as central functions are combined from the acquisitions that the Group has made.
- Property related provisions relate to the movement in the provision made for onerous properties and dilapidations (see note 21).
- Deal costs are mainly acquisition related costs such as stamp duty, legal and professional fees. Legal and professional fees relating to the acquisition of Canadean amounted to £161,000.
- The revaluation of currency collar relates to movement in the fair value of the short and long term derivatives detailed in note 14.
- The impairment and amortisation relate to acquired intangible assets. See note 12.

6. Particulars of employees

Employee benefit expense

	2010 £'000s	2009 £'000s
Wages and salaries	25,576	19,741
Social security costs	2,809	2,104
Pension costs	367	296
	28,752	22,141

Number of employees

	2010 £'000s	2009 £'000s
Sales and administrative staff	810	606

7. Key management compensation

Employee benefit expense

	2010 £'000s	2009 £'000s
Short-term employee benefits	791	751
Other long term benefits	18	12
	809	763

Information regarding directors' remuneration, share options, bonuses and pension contributions are set out in the Report of the Board to the Shareholders on Directors Remuneration on pages 11 to 12.

8. Other income

	2010 £'000s	2009 £'000s
VAT refund	174	-
	174	-

A VAT refund relating to VAT that was expensed on rights issues in prior periods was received during the year.

9. Finance income and costs

	2010 £'000s	2009 £'000s
Bank interest	(303)	(331)
Loan interest	(102)	-
Other interest	152	-
	(253)	(331)

10. Income tax

Income statement	2010 £'000s	2009 £'000s
Current income tax		
Current income tax	(178)	(10)
Adjustments in respect of prior periods	26	286
	(152)	276
Deferred income tax		
Excess of depreciation over capital allowances on property, plant and equipment and intangible assets	(17)	(4)
Deferred tax on acquired intangibles	1,369	526
Fair value of derivatives	69	-
Recognition of losses	-	482
Utilisation of losses	(339)	(471)
Adjustments in respect of prior periods	31	56
	1,113	589
Total income tax credit in income statement	961	865
Other comprehensive income		
Deferred income tax		
Temporary difference on pension revaluations	-	(18)
Revaluation of available for sale investments	-	172
	-	154

The current tax credit is reconciled to the standard corporation tax rate applicable in the UK as follows

	2010 £'000s	2009 £'000s
Loss on ordinary activities before tax	(4,554)	(2,957)
Tax at the UK corporation tax rate of 28% (2009 28%)	1,275	828
Effects of		
Adjustments in respect of prior periods	57	342
Expenses not deductible for tax	(227)	(305)
Difference in overseas tax rates	(6)	-
Unprovided deferred tax	(138)	-
	961	865

11. Earnings per share

The calculation of the basic earnings per share is normally based on the earnings attributable to ordinary shareholders of the parent company divided by the weighted average number of shares in issue during the period. As a result of the reverse acquisition in the prior period the weighted average number of shares up until the reverse acquisition was deemed to be the number of shares that were issued by the Company for the reverse acquisition.

The Group does not have any dilutive shares, therefore the calculation of the diluted earnings per shares is the same as the calculation of the basic earnings per share.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	Year to 31 December 2010	Year to 31 December 2009
Continuing operations		
Loss for the period attributable to ordinary shareholders of the parent company (£'000s)	(3,639)	(2,134)
Weighted average number of shares ('000s)	371,850	332,127
Basic loss per share (pence)	(0.98)	(0.64)
Discontinued operations		
Profit for the period attributable to ordinary shareholders of the parent company (£'000s)	-	4,678
Weighted average number of shares ('000s)	-	332,127
Basic earnings per share (pence)	-	1.41
Total operations		
(Loss)/profit for the period attributable to ordinary shareholders of the parent company (£'000s)	(3,639)	2,544
Weighted average number of shares ('000s)	371,850	332,127
Basic (loss)/ earnings per share (pence)	(0.98)	0.77

12. Intangible assets

	Software £'000s	Customer relationships £'000s	IP rights £'000s	Goodwill £'000s	Total £'000s
Cost					
As at 1 January 2009	715	4,801	16,673	10,091	32,280
Additions	434	-	-	-	434
Disposals	(209)	(421)	(4,771)	(1,247)	(6,648)
Acquisition of TMN Group (restated)	250	3,588	-	9,360	13,198
As at 31 December 2009	1,190	7,968	11,902	18,204	39,264
Additions	1,290	-	-	-	1,290
Acquisition of Canadean	2,286	2,366	-	7,573	12,225
As at 31 December 2010	4,766	10,334	11,902	25,777	52,779
Amortisation					
As at 1 January 2009	(473)	(678)	(8,651)	-	(9,802)
Charge for the period	(238)	(1,877)	(838)	-	(2,953)
Disposals	41	256	2,817	-	3,114
As at 31 December 2009	(670)	(2,299)	(6,672)	-	(9,641)
Impairment	-	(2,820)	-	-	(2,820)
Charge for the period	(754)	(1,869)	(738)	-	(3,361)
As at 31 December 2010	(1,424)	(6,988)	(7,410)	-	(15,822)
Net book value					
As at 31 December 2010	3,342	3,346	4,492	25,777	36,957
As at 31 December 2009	520	5,669	5,230	18,204	29,623

Impairment tests for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to business segment

	2010 £'000s	2009 £'000s
Business Information	16,417	8,844
Digital Marketing	9,360	9,360
	25,777	18,204

The Group tests annually for impairment. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on five-year financial budgets approved by management. Cash flows beyond the five year period are extrapolated using estimated long term growth rates.

Key assumptions for the value in use calculations are those regarding discount rate and long term growth rates. Management has used a pre-tax discount rate of 10.39% (2009: 10.2%) that reflects current market assessments for the time value of money and the risks associated with the CGU as the Group manages its treasury function on a Group wide basis. The same discount rate has been used for all CGUs as the Directors believed that the risk is the same for each CGU. The long term growth rates used are based on management's expectations and don't exceed the long-term average growth rate for the media business in which the CGU operates.

	Business Information	Digital Marketing
Increase in sales	3.0%	3.0%
Increase in costs	3.0%	3.0%
Discount rate	10.39%	10.39%
Terminal growth rate	3.0%	3.0%

The carrying value of goodwill has been assessed as at 31 December 2010 and based on the current forecasts of the legacy TMN products, there is no indication that the goodwill allocated to the Digital Marketing business unit is impaired. The recoverable amount exceeds the carrying amount of goodwill for Business Information by £93.2 million and Digital Marketing by £7.0 million. Management has performed sensitivity analysis on the value in use calculations. An impairment of the goodwill allocated to Digital Marketing would occur if the anticipated increase in sales is reduced to a decline in sales of 3.3% or by increasing the discount rate to 15.85%. An impairment of the goodwill allocated to Business Information would occur if the increase in sales is reduced to a decline in sales of 12.3%.

Goodwill has been restated for the comparative period (see note 1). Based on the value in use as at 31 December 2009, the recoverable amount exceeds the restated carrying amount of goodwill for TMN by £14.5 million. Management has performed sensitivity analysis on the value in use calculation. An impairment of the goodwill would occur if the anticipated increase in sales is reduced to a decline in sales of 20.6% or by increasing the discount rate to 18.4%.

Amortisation is accounted for within the administrative costs category within the income statement, except for amortisation of intangible assets recognised upon acquisitions, which is recognised in other expenses (note 5).

Impairment of intangible assets

During the year ended 31 December 2010, the Group recognised an impairment charge of £2.8 million relating to the write-off of the acquired customers recognised upon the reverse acquisition of the Company (see note 5). TMN Group's legacy products' performance since acquisition had been well below expectation. The impairment of the customer list intangible was recognised because of the short time that customers were remaining traceable and of value due to factors such as changing email addresses and general churn. Management felt that the performance indicated that certain assets were impaired and of little demonstrable value.

13 Property, plant and equipment

	Land and buildings £'000s	Fixtures, fittings, & equipment £'000s	Motor vehicles £'000s	Total £'000s
Cost				
As at 1 January 2009	2,298	1,636	15	3,949
Additions	-	781	-	781
Acquisition of TMN Group	-	464	-	464
Disposals	(2,298)	(888)	-	(3,186)
As at 31 December 2009	-	1,993	15	2,008
Additions	-	1,189	-	1,189
Acquisition of Canadean	-	112	-	112
Disposals	-	(2)	-	(2)
As at 31 December 2010	-	3,292	15	3,307
Depreciation				
As at 1 January 2009	(272)	(1,015)	(9)	(1,296)
Charge for the period	(14)	(443)	(4)	(461)
Disposals	286	662	-	948
As at 31 December 2009	-	(796)	(13)	(809)
Charge for the period	-	(638)	(2)	(640)
Disposals	-	2	-	2
As at 31 December 2010	-	(1,432)	(15)	(1,447)
Net book value				
As at 31 December 2010	-	1,860	-	1,860
As at 31 December 2009	-	1,197	2	1,199

14. Derivative assets and liabilities

	2010 £'000s	2009 £'000s
Short-term derivative liabilities		
Foreign exchange collar	100	-
	100	-
Long-term derivative liabilities		
Foreign exchange collar	148	-
	148	-

Classification is based on when the collar matures. The fair values of derivatives are expected to impact the income statement over the next two years, dependant on movements in the fair value of the foreign exchange contracts. The movement in the year was £248,000 (2009 nil).

The Group uses derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates. The notional values of contract amounts outstanding are:

Expiring in the year ending	Euro €'000	US dollar US\$'000
31 December 2011	7,950	7,260
31 December 2012	6,135	6,060

The collar rates in place for the duration of the contracts are:

	Upper rate	Lower rate
USD dollar	1.6500	1.5375
Euro	1.2490	1.1290

15. Inventories

	2010 £'000s	2009 £'000s
Work in progress	47	12
	47	12

16 Trade and other receivables

	2010 £'000s	2009 £'000s
Trade receivables	12,591	11,434
Other taxation and social security	-	47
Prepayments and accrued income	1,669	1,378
Other debtors	1,013	1,713
Related party receivables (note 28)	1,528	1,366
	16,801	15,938

The contractual value of trade receivables is £13.5 million. Their carrying value is deemed to be £12.6 million after assessing recoverability. The contractual value and the carrying value of other debtors are considered to be the same.

Amounts owed by related parties are repayable on demand and are non-interest bearing.

The ageing analysis of these trade receivables showing fully performing and past due but not impaired is as follows:

	2010 £'000s	2009 £'000s
Not overdue	9,741	8,307
Not more than 3 months overdue	2,541	2,080
More than 3 months but not more than 1 year	309	1,047
	12,591	11,434

The contractual amounts of the Group's trade receivables are denominated in the following currencies:

	2010 £'000s	2009 £'000s
Pounds Sterling	6,756	8,659
US Dollar	3,135	2,359
Euro	3,632	3,179
	13,523	14,197

Movement on the Group provision for impairment of trade receivables is as follows:

	2010 £'000s
At 31 December 2009	2,763
Acquisition of Canadean	60
Provision for receivables impairment	209
Receivables written off during the period as uncollectable	(2,100)
At 31 December 2010	932

The creation and release of provision for impaired receivables have been included in administrative expenses in the income statement.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at 31 December 2010 is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security. Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality. The trade debtors outstanding at year end have acceptable credit scores but the Group does not monitor the individual scores of customers to rank debtors by such a score. There are no customers who represent more than 5% of the total balance of trade receivables.

17. Deferred income tax

	2010 £'000s	2009 £'000s
Balance brought forward	912	661
Current year charge	1 113	589
Disposal of subsidiary	-	(252)
Recognised on acquisition of identifiable intangible assets	(1,272)	-
Recognised on acquisition	-	(240)
Recognised in other comprehensive income	-	154
Balance carried forward	753	912

The provision for deferred taxation consists of the tax effect of temporary differences in respect of

Intangible assets purchased	(1,552)	(1,650)
Excess of tax allowances over depreciation on fixed assets	156	173
Other temporary differences	283	184
Trading losses	1,866	2,205
Balance carried forward	753	912
Deferred tax assets	1,485	1,851
Deferred tax liabilities	(732)	(939)

As at 31 December 2010, the utilisation of the deferred tax asset relating to tax losses is dependent on future taxable profits of approximately £6.7 million and is subject to compliance with taxation authority requirements. The Group has continued to recognise these deferred tax assets as it is probable that there will be available taxable profits to offset these losses based on current forecasts and recent taxable profits in certain subsidiaries.

As at 31 December 2010 the Group has unrecognised potential deferred tax assets of £2.9 million. This consisted of £0.7 million of temporary differences and £2.2 million of unrecognised losses. These tax losses and temporary differences may be available to be carried forward to offset against future taxable income. However their utilisation is contingent on the relevant subsidiaries producing taxable profits over a significant period of time and is subject to compliance with the relevant taxation authority requirements. As at 31 December 2010 these subsidiaries have not made a taxable profit and there is not convincing other evidence that sufficient taxable profit will be available in the future.

18 Trade and other payables

	2010 £'000s	2009 £'000s
Trade payables	7,409	5,197
Other taxation and social security	2,488	2,140
Accruals and deferred income	16,878	14,399
Other payables	-	2,572
	26,775	24,308

19. Borrowings

	2010 £'000s	2009 £'000s
Current		
Bank overdraft	6 532	5,886
Loans due within one year	8 602	-
	15,134	5,886
Non-current		
Long-term loans	9,769	9,769

The Group currently has a £7 million overdraft facility. The bank overdraft is subject of a Group set-off arrangement. Interest is charged on the overdraft at 2.75% over the bank's base rate. Loans consist of two loans provided by Michael Danson.

Interest free loan repayable by 2019

A £9.8 million loan provided by Michael Danson. The loan note allows Michael Danson to require redemption at par on demand or for the company to redeem at par at any time. As such the loan is considered to be an on demand liability. As at 31 December 2010 the loan is classified as repayable after more than one year having received an undertaking from Michael Danson that he would not demand repayment for a period of 12 months from the balance sheet date. This undertaking was reconfirmed upon signing the financial statements to ensure that the directors could prepare the accounts on a going concern basis, whilst not deemed to have constituted a material modification of the terms of the loan. The loan is repayable by 2019.

£9 million loan to fund acquisition of Canadean

A £9 million loan was provided by Michael Danson to fund the acquisition of Canadean. The loan is repayable by 2013 and has an interest rate of 275 basis points over the 3-month London Interbank Offered Rate, in line with the rates that were available from third-party lenders at the time of the acquisition negotiations.

The loan is repayable in instalments of £1,500,000, payable every three months, commencing from 30 September 2010. Instalments are payable subject to there being sufficient working capital to fund the Group in the foreseeable future. As such only one instalment of £500,000 was paid in the year ended 31 December 2010. Where instalments are not paid they are payable on demand.

20 Financial assets and liabilities

The Group is exposed to foreign currency, interest rate, liquidity and credit risks. Each of these risks, the associated financial instruments and the management of those risks are detailed below.

The Group's financial instruments are classified under IFRS as follows:

	Fair value through profit or loss £'000s	Loans and receivables £'000s	Amortised cost £'000s	Total £'000s
31 December 2010				
<i>Current assets</i>				
Cash	-	418	-	418
Trade receivables	-	12,591	-	12,591
Other debtors	-	1,013	-	1,013
Related party debtors	-	1,528	-	1,528
	-	15,550	-	15,550
<i>Current Liabilities</i>				
Trade accounts payable	-	-	(7,409)	(7,409)
Short-term derivative liabilities	(100)	-	-	(100)
Short-term debt	-	-	(15,134)	(15,134)
Accruals	-	-	(4,598)	(4,598)
	(100)	-	(27,141)	(27,241)
<i>Non-current liabilities</i>				
Long-term derivative liabilities	(148)	-	-	(148)
Long-term debt	-	-	(9,769)	(9,769)
	(148)	-	(9,769)	(9,917)
31 December 2009				
<i>Assets</i>				
<i>Current assets</i>				
Cash	-	863	-	863
Trade receivables	-	11,434	-	11,434
	-	12,297	-	12,297
<i>Liabilities</i>				
<i>Current Liabilities</i>				
Trade accounts payable	-	-	(5,197)	(5,197)
Short-term debt	-	-	(5,886)	(5,886)
Accruals	-	-	(3,892)	(3,892)
	-	-	(14,975)	(14,975)
<i>Non-current liabilities</i>				
Long-term debt	-	-	(9,769)	(9,769)
	-	-	(9,769)	(9,769)

Maturity analysis

The long-term derivatives are contracted to September 2012. Short-term debt is only repayable to the extent that there is available forecast working capital. As at 2 March 2011, no further repayments have been made of the short-term debt. The long-term debt's contractual features are detailed in note 19 and it is not expected that the loan will be repaid within a year or until replaced with equivalent debt or equity financing. The overdraft is an on demand facility, is not expected to mature and will be reduced over time through operating cash flows. For the maturity analysis the overdraft has been included in the earliest time period as it is an on demand liability.

	Less than one month £'000s	One to three months £'000s	3 months to 1 year £'000s	1 to 5 years £'000s	Total £'000s
<i>Derivative liabilities</i>					
Short-term derivative liabilities	(8)	(25)	(67)	-	(100)
Long-term derivative liabilities	-	-	-	(148)	(148)
<i>Non-current liabilities</i>					
Short-term debt	(9,134)	(1,500)	(4,500)	-	(15,134)
Long-term debt	-	-	-	(9,769)	(9,769)
Trade accounts payable	(2,671)	(4,738)	-	-	(7,409)
Accruals	-	(4,598)	-	-	(4,598)
	(11,813)	(10,861)	(4,567)	(9,917)	(37,158)

Reclassifications

There have been no reclassifications between financial instrument categories during the years ended 31 December 2010 and 31 December 2009

Fair value of financial instruments

Financial instruments are either carried at amortised cost less any provision for impairment, or fair value. The fair value of long-term debt is the same as the carrying value of long-term debt as at 31 December 2010. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities,
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Unlisted equity investments are included in Level 3.

As at 31 December 2010, the only financial instruments measured at fair value were derivative financial liabilities and these are classified as Level 1.

Cash, trade receivables and trade accounts payable

The carrying amounts of these balances are approximately equivalent to their fair value because of the short term to maturity.

Market risk

The Group is exposed to market risk primarily from changes in foreign currency exchange rates and interest rates.

Currency risk

The Group's primary objective in managing foreign currency risk is to protect against the risk that the eventual Sterling net cash flows will be adversely affected by changes in foreign currency exchange rates. To do this the Group has entered into foreign exchange collars that limit both the risk and benefit from movements in US dollar and Euro exchange rates with Sterling.

The Group's exposure to foreign currencies arising from financial instruments is:

	USD £'000s	EUR £'000s	Other £'000s	Total £'000s
31 December 2010				
Exposures				
Cash	32	138	72	242
Trade receivables	3,135	3,632	-	6,767
Trade accounts payable	(224)	(463)	-	(687)
Overdraft	252	240	-	492
Short-term derivative liabilities	(92)	(8)	-	(100)
Long-term derivative liabilities	(122)	(26)	-	(148)
Net balance sheet exposure	2,981	3,513	72	6,566
31 December 2009				
Exposures				
Cash	-	332	55	387
Trade receivables	2,359	3,179	-	5,538
Trade accounts payable	(233)	(521)	-	(754)
Overdraft	177	287	-	464
Net balance sheet exposure	2,303	3,277	55	5,635

The amounts in overdraft consist of foreign cash balances that have right of set off against the sterling overdraft facility. Forecast sales and purchases in foreign currencies have not been included in the table above as they are not financial instruments.

As at 31 December 2010 a movement of 10% in Sterling would impact the income statement as detailed in the table below.

	10% decrease		10% increase	
	2010 £'000s	2009 £'000s	2010 £'000s	2009 £'000s
Impact on				
Net earnings before income tax	(195)	(512)	403	626

This analysis assumes a movement in Sterling across all currencies and only includes the effect of foreign exchange movements on financial instruments. All other variables remain constant.

Interest rate risk

The Group is exposed to interest rate risk on its floating rate overdraft and the £9 million loan. The Group does not manage this risk with the use of derivatives. No other liabilities accrue interest.

The table below shows how a movement in interest rates of 100 basis points would affect loss before tax based on the additional interest expense for the year then ended.

	100 basis point decrease		100 basis point increase	
	2010 £'000s	2009 £'000s	2010 £'000s	2009 £'000s
Impact on				
Net earnings before income tax	135	50	(135)	(50)

This analysis assumes all other variables remain constant.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its financial liabilities.

The Group's main source of financing for its working capital requirements is a £7.0 million overdraft facility of which £6.5 million was utilised at 31 December 2010 (2009: £5.9 million). In addition to the overdraft the Group held £0.4 million in cash (2009: £0.9 million). The overdraft is repayable on demand.

In the event of any shortfalls, the Group has a working capital facility of £2.0 million available from the Chairman and majority shareholder.

The Group's exposure to liquidity risk arises from trade accounts payable. All contractual cash flows from trade accounts payable are the same as the carrying value of the liability due to their short-term nature.

The Group has two loans from the Chairman and majority shareholder, Mr Danson. The interest free loan of £9.8 million is repayable by 2019 and is not expected to be repaid in the next 12 months. The £9 million loan to fund acquisition of Canadean has £8.6 million outstanding as at 31 December 2010. The loan is repayable in instalments of £1,500,000, payable every three months commencing from 30 September 2010. Instalments are payable subject to there being sufficient working capital to fund the Group in the foreseeable future. As such only one instalment of £500,000 was paid in the year ended 31 December 2010. Where instalments are not paid they are payable on demand. Given the size and nature of these loans, the Group is reliant on the financial support of the Chairman and majority shareholder.

Credit risk

In the normal course of its business, the Group incurs credit risk from cash and trade receivables. The Group has a credit policy that is used to manage this exposure to credit risk. The Group's financial instruments do not have significant concentration of risk with any single party.

£15.6 million of the Group's assets are subject to credit risk (31 December 2009: £16.5 million). The Group does not hold any collateral over these amounts. See note 16 for further details of the Group's receivables. The Group maintains a provision for estimated losses expected to arise from customers being unable to make required payments. This provision takes into account known commercial factors impacting specific customer accounts, as well as the overall profile of the Group's receivables portfolio. In assessing the provision, factors such as past collection history, the age of receivable balances, the level of activity in customer accounts, as well as general macro-economic trends, are taken into account. Significant changes in these factors would likely necessitate changes in the doubtful debts provision. At present, however, the Group considers the current level of its allowance for doubtful accounts to be adequate to cover expected credit losses on trade receivables. Bad debt expenses are reported as other operating expenses in the income statement.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to provide returns to shareholders, and reduce the cost of capital.

21. Provisions

The movement in the provisions is as follows

	Onerous leases £'000s	Dilapidations £'000s	Other £'000s	Total £'000s
At 1 January 2009	3,264	783	-	4,047
Increase in provision	-	114	497	611
Utilised	(678)	(174)	(271)	(1,123)
Release of unutilised provision	-	(38)	-	(38)
Acquisition of TMN Group	616	228	201	1,045
At 31 December 2009	3,202	913	427	4,542
Increase in provision	358	128	468	954
Utilised	(1,559)	(272)	(427)	(2,258)
Release of unutilised provision	(133)	(353)	-	(486)
Acquisition of Canadean	-	59	-	59
At 31 December 2010	1,868	475	468	2,811
<i>Current</i>	429	212	468	1,109
<i>Non-current</i>	1,439	263	-	1,702

Onerous lease

Provision has been made for the net present value of future residual leasehold commitments. This provision has been calculated making assumptions on future rental income, market rents, insurance and rates this has then been discounted using a discount rate of 4% per annum. This provision is expected to be utilised over the period of each specific lease.

Dilapidations

Provision has been made for the net present value of future dilapidations that are owed due to legal or constructive obligations under the Group's operating leases of office premises. The provision is expected to be utilised over the period to the end of each specific lease.

Other

Provision has been made for the Group's obligations to pay commission to registered users of the Group's websites. Provision has also been made in relation to redundancies announced prior to the year-end where the amount or timing of the redundancy payment is uncertain.

22 Operating lease commitments

As at 31 December 2010 the Group had outstanding commitments for future minimum lease payments under non-cancellable leases, which fell due as follows:

	2010 £'000s	2009 £'000s
Land and Buildings		
Within 1 year	2,735	3,035
Within 2 to 5 years	8,531	8,579
Over 5 years	27,910	29,773
	39,176	41,387
Other		
Within 1 year	240	204
Within 2 to 5 years	259	294
	499	498

The Group sub-lets certain areas of its property portfolio. As at 31 December 2010, the Group had contracts with sub-tenants for the following future minimum lease rentals:

	2010 £'000s	2009 £'000s
Land and Buildings		
Within 1 year	721	706
Within 2 to 5 years	1,115	2,027
	1,836	2,733

23. Equity

Share capital	2010	2009
	£'000s	£'000s
1,000,000,000 Ordinary shares of £0.0001 each	100	100
100,000 Deferred shares of £1.00 each	100	100
	200	200

Allotted, called up and fully paid	2010		2009	
	No '000s	£'000s	No '000s	£'000s
Ordinary shares of £0.0001 each	376,492	107	369,548	37
Deferred shares of £1.00 each	100	100	100	100
	376,592	207	369,648	137

Capital management

The Company has two classes of shares. The ordinary shares carry no right to fixed income and each share carries the right to one vote at general meetings of the Company.

The deferred shares do not confer upon the holders the right to receive any dividend, distribution or other participation in the profits of the Company. The deferred shares do not entitle the holders to receive notice of or to attend and speak or vote at any general meeting of the Company. On distribution of assets on liquidation or otherwise, the surplus assets of the Company remaining after payments of its liabilities shall be applied first in repaying to holders of the deferred shares the nominal amounts and any premiums paid up or credited as paid up on such shares, and second the balance of such assets shall belong to and be distributed among the holders of the ordinary shares in proportion to the nominal amounts paid up on the ordinary shares held by them respectively.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 24. Only share options have been issued under the share scheme and no share rights are attached to those options until the option has been exercised and converted into an ordinary share.

No person has any special rights of control over the Company's share capital and all its issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the principles of the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Board Terms of Reference, copies of which are available on request.

As passed by a shareholder resolution at the Annual General Meeting (AGM) of the Company on 27 April 2010, the Company has the authority to issue ordinary shares up to a maximum nominal amount of £12,318, representing one third of the current issued share capital of the Company as at 27 April 2010, during the period up to the next AGM. This authority will be renewed at the next AGM in 2011.

On the 1 September 2010, 6,944,445 ordinary shares were issued for the acquisition of Canadean.

The disclosures above are for the Company.

Other reserves

Other reserve consists of a reserve created upon the reverse acquisition of Progressive Digital Media Limited. See note 1 for further details.

The foreign currency translation reserve contains the translation differences that arise upon translating the results of subsidiaries with a functional currency other than sterling. Such exchange differences are recognised in the income statement in the period in which a foreign operation is disposed of.

The revaluation reserve relates to the revaluation of available for sale assets and the associated deferred tax.

24 Share-based payments

The Group created a share option scheme during the year ended 31 December 2010 and granted the first options under the scheme on 1 January 2011 to certain senior employees. Each option granted converts to one ordinary share on exercise. A participant may exercise their options (subject to employment conditions) at any time during a prescribed period from the vest date to the date the option lapses. For these options to be exercised, the Group's earnings before interest, taxation, depreciation and amortisation, as adjusted by the Remuneration Committee for significant or one-off occurrences, must exceed certain targets.

25. Capital commitments

There were no capital commitments at 31 December 2010 (2009 £nil)

26 Acquisitions**Canadean**

On 1 September 2010, Progressive acquired 100% of the issued share capital of Canadean, a company based in the UK for a total consideration of £9 million in cash and the issue of 6,944,445 shares. Canadean has established an enviable position in the market place, providing high quality business critical information for many of the world's largest beverage companies both soft drinks & beer, as well as key suppliers to the industry across packaging, raw materials and ingredients. The acquisition provides Progressive with a strong brand in the business information market with mature customer relationships. The amounts recognised for each class of assets, liabilities and contingent liabilities recognised at the acquisition date were as follows:

	Carrying value £'000s	Fair value adjustments £'000s	Fair value £'000s
Property, plant and equipment	112	-	112
Intangible assets	117	4,535	4,652
Trade and other receivables	1,479	-	1,479
Inventories	34	-	34
Cash and cash equivalents	1,388	-	1,388
Total assets	3,130	4,535	7,665
Deferred tax	(2)	(1,270)	(1,272)
Trade and other payables	(3,675)	-	(3,675)
Long-term provisions	(58)	-	(58)
Total liabilities	(3,735)	(1,270)	(5,005)
Net (liabilities)/assets	(605)	3,265	2,660
Cash			9,000
Equity issued			1,233
Total consideration			10,233
Less net assets acquired			(2,660)
Goodwill			7,573

The goodwill that arose on the combination can be attributed to revenue and cost synergies expected to arise upon integration of Canadean into Progressive. The trade and other receivables had a contractual value of £1,539,000 and a fair value of £1,479,000 based on the best estimate of cash flows that will be collected. The goodwill and fair value adjustments are not expected to be tax deductible.

Canadean contributed a profit of £320,000 from the date of acquisition to 31 December 2010. Had the acquisition occurred on 1 January 2010 the revenue of the Group for the year to 31 December 2010 would have been £52,449,000 and the loss for the year would have been £4,027,000.

27. Discontinued Operations

Prior to the reverse acquisition Progressive Digital Media disposed of Estel Investments and its construction and design titles to companies controlled by Michael Danson for £10,794,000. Estel Investments held the Group's investment in Huveaux plc and a loan provided by Michael Danson to fund the investment. The assets and liabilities associated with the construction and design titles were also disposed of. The trading results of the construction and design titles were reported separately to management and have been treated as a discontinued operation in the comparative period.

	2009 £'000s
Discontinued operation	
Revenue	3,172
Cost of sales	(2,015)
Gross profit	1,157
Distribution costs	(204)
Administrative costs	(816)
Other expenses	(158)
Operating loss	(21)
Other income	91
Finance expense	(71)
Loss before tax	(1)
Income tax expense	(5)
Loss after tax	(6)
Gain on disposal	4,684
Profit for the period from discontinued operation	4,678
Earnings per share	
Basic earnings per share from discontinued operation	1.41

The cash flows of the discontinued operation for the period from 1 January 2009 to 5 June 2009 are consolidated in the group cash flow statement for the year ended 31 December 2009. No separate balance sheet was maintained for the discontinued operation until the disposal. The impact on the consolidated cash flows is not considered significant.

28. Related party transactions

Michael Danson, Progressive Digital Media Group's Chairman, owns 83.89% of the Company's ordinary shares as at 2 March 2011. Michael Danson owns a number of businesses that interact with Progressive Digital Media Group. The principal transactions are as follows:

Accommodation

Following the sale of the freehold property, Progressive Digital Media Group entered into a lease with Estel Property Investments for a period of 25 years. In September 2009, Progressive Digital Media Group entered into a second lease with Estel Property Investments for another property for a period of 25 years. The buildings are also occupied by a number of other businesses that are owned by Michael Danson (see below). The Group recharges rental expenses to these companies based on the proportional occupancy of the buildings. The total rental expense in relation to the buildings owned by Estel Property Investments for the year to 31 December 2010 was £1,989,127 net of a recharge of £296,608 to the other companies occupying the buildings (2009: £586,000, net of a recharge of £136,000 to the other companies occupying the buildings).

Corporate support services

Corporate support services are provided to the other companies owned by Michael Danson, principally finance, human resources, IT and facilities management. These are recharged to companies that consume these services based on specific drivers of costs, such as proportional occupancy of buildings for facilities management, headcount for human resources services, revenue or gross profit for finance services and headcount for IT services. The recharge made from Progressive Digital Media Group to these companies for the year to 31 December 2010 was £1,625,304 (2009: £1,091,000).

Loans

Michael Danson has provided loans to the Group during the periods presented (see note 19):

- A £9.8 million loan issued in 2009 and repayable by 2019. The loan does not carry interest.
- A £9 million loan for the Canadian acquisition, repayable by 2013, or earlier subject to Board approval. This loan accrues interest at a rate of 275 basis points over the 3 month London Interbank Offered Rate, in line with the current rate on Progressive's bank overdraft facility. A repayment of £0.5 million was paid during the year.

Amounts outstanding

The Group has taken advantage of the exemptions contained within IAS 24 - Related Party Disclosures from the requirement to disclose transactions between Group companies as these have been eliminated on consolidation.

The amounts outstanding for other related parties, excluding the loans from Michael Danson, were

	2010 £'000s	2009 £'000s
GlobalData Limited	(235)	(146)
World Marketing Intelligence Limited	1 484	2,222
New Statesman Limited	1 644	255
Estel Investments Limited	(4)	(980)
Progressive Media International Limited	390	15
Estel Property Investments Limited	(1,845)	-
Progressive Luxury Publishing Limited	94	-
	1,528	1,366

The Group has right of set off over these amounts

Subsidiary undertakings

Subsidiary undertakings	Country of registration	Holding	%	Principal activity
TMN Media Limited	England & Wales	Ordinary shares	100%	Online direct marketing
MutualPoints Limited	England & Wales	Ordinary shares	100%	Online direct marketing
Electronic Direct Response Limited	England & Wales	Ordinary shares	100%	Online direct marketing
iD Factor Limited	England & Wales	Ordinary shares	100%	Online market research
ICD Research Limited	England & Wales	Ordinary shares	100%	Online market research
Envoy Messenger Limited	England & Wales	Ordinary shares	100%	Online direct marketing
Internet Business Group Limited	England & Wales	Ordinary shares	100%	Holding company
IBG Subsidiary (UK) Limited*	England & Wales	Ordinary shares	100%	Holding company
Mazware Limited*	England & Wales	Ordinary shares	100%	Computer software design
RedKinetics.com Limited*	England & Wales	Ordinary shares	100%	Website hosting
AffiliateFuture Incorporated*	United States	Ordinary shares	100%	Performance advertising
Viajes Xiana*	Spain	Ordinary shares	100%	Media
Tapps B V	Holland	Ordinary shares	100%	Digital direct marketing
Progressive Media Group Ltd*	England & Wales	Ordinary shares	100%	Media
Dewberry Redpoint Ltd*	England & Wales	Ordinary shares	100%	Media
Office Solutions Media Ltd*	England & Wales	Ordinary shares	75%	Media
Progressive Digital Media Limited	England & Wales	Ordinary shares	100%	Holding company
Progressive Capital Limited*	England & Wales	Ordinary shares	100%	Holding company
SPG Media Group Limited*	England & Wales	Ordinary shares	100%	Holding company
SPG Media Limited*	England & Wales	Ordinary shares	100%	Holding company
Sterling Publications Limited*	England & Wales	Ordinary shares	100%	Media
Cornhill Publications Limited*	England & Wales	Ordinary shares	100%	Media
Canadean Limited	England & Wales	Ordinary shares	100%	Online market research

*indirectly held

Independent Auditor's Report to the Members of Progressive Digital Media Group plc

We have audited the parent company financial statements of Progressive Digital Media Group plc for the year ended 31 December 2010 which comprise the statement of financial position, the statement of changes in equity, the statement of cash flow 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 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010,
- have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

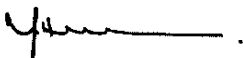
Matters on which we are required to report by exception

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.

Other matters

We have reported separately on the group financial statements of Progressive Digital Media Group plc for the year ended 31 December 2010.



Mark Henshaw

Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
2 March 2011

Company Statement of Financial Position

As at 31 December 2010

	Notes	31 December 2010 £'000s	RESTATED 31 December 2009 £'000s
Non-current assets			
Property, plant and equipment	5	119	148
Intangible assets	4	105	82
Investments	6	57,744	47,513
Deferred tax asset	8	150	144
		58,118	47,887
Current assets			
Current tax receivable		-	494
Trade and other receivables	7	3,886	1,699
Cash and cash equivalents		-	59
		3,886	2,252
Total assets		62,004	50,139
Current liabilities			
Trade and other payables	9	(11,354)	(8,117)
Bank overdraft	11	(1,001)	-
Short-term provisions	10	(150)	-
Short-term borrowings	11	(8,602)	-
Total liabilities		(21,107)	(8,117)
Net assets		40,897	42,022
Equity			
Share capital		207	137
Share premium account		44,282	43,119
Other reserve		7,174	7,174
Retained loss		(10,766)	(8,408)
Equity attributable to equity holders		40,897	42,022

These financial statements were approved by the board of directors on 2 March 2011 and signed on its behalf by



Michael Danson
Chairman



Simon Pyper
Director

The accompanying notes form an integral part of this financial report

Company Statement of Changes in Equity

	Share capital	Share premium account	Other reserve	Share option reserve	Retained loss	Total equity
RESTATED	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 30 April 2009	108	8,090	7,174	86	(6,002)	9,456
Loss for the period	-	-	-	(86)	(2,406)	(2,492)
Reverse acquisition	29	35,029	-	-	-	35,058
Balance at 31 December 2009	137	43,119	7,174	-	(8,408)	42,022
Loss and total comprehensive income for the year	-	-	-	-	(2,358)	(2,358)
Transactions with owners						
Issue of new shares	70	1,163	-	-	-	1,233
Balance at 31 December 2010	207	44,282	7,174	-	(10,766)	40,897

The accompanying notes form an integral part of this financial report

Company Cash Flow Statement

	31 December 2010 £'000s	31 December 2009 £'000s
Cash flows from operating activities		
Loss after taxation	(2,063)	(2,492)
Adjustments for		
Depreciation	125	134
Amortisation	58	34
Interest expense	185	230
Taxation recognised in profit or loss	488	(264)
Provisions and other non-cash items	150	(170)
Increase in trade and other receivables	(2,187)	(1,354)
Increase in trade and other payables	1,867	1,357
Cash used by from operations	(1,377)	(2,525)
Interest paid	(83)	(230)
Income taxes paid	497	-
Net cash from operating activities	(963)	(2,755)
Cash flows from investing activities		
Purchase of property, plant and equipment	(96)	(19)
Purchase of intangible assets	(376)	(73)
Acquisition of subsidiary, net of cash acquired	(7,612)	-
Net cash from investing activities	(8,084)	(92)
Cash flows from financing activities		
Proceeds from long-term borrowings	9,000	-
Repayment of long-term borrowings	(500)	(2,994)
Net (outflow)/ inflow from inter-company loans	(513)	5,900
Net cash from financing activities	7,987	2,906
Net (decrease)/ increase in cash and cash equivalents	(1,060)	59
Cash and cash equivalents at beginning of period	59	-
Cash and cash equivalents at end of period	(1,001)	59

The accompanying notes form an integral part of this financial report

Notes to the Progressive Digital Media Group plc Statement of Financial Position

1 General information

Progressive Digital Media Group plc is incorporated and domiciled in the United Kingdom

Restatement of comparatives

Certain comparatives have been restated due to an error in the treatment of the premium arising on the reverse acquisition of the Company. The error arose as the share premium had been calculated based on the fair value of the consideration of the reverse acquisition, rather than on the number of shares issued valued at the share price on the date of exchange. In addition, a share option reserve was incorrectly included in the prior year. No share options were outstanding at 31 December 2009.

The impact of this restatement is shown below:

	Reported £'000s	Restated £'000s
Equity as at 31 December 2009		
Share capital	137	137
Share premium account	11,844	43,119
Other reserve	7,174	7,174
Share option reserve	86	-
Retained loss	(8,494)	(8,408)
Equity attributable to equity holders	10,747	42,022

The opening balance sheet for the comparative period remains unaffected by this restatement. The corresponding adjustment increased investments in the Statement of Financial Position from the reported £16,238,000 to £47,513,000.

2 Accounting policies

a) Basis of preparation

The parent company financial statements have been prepared in accordance with applicable IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board and as applied in accordance with the provisions of the Companies Act 2006.

As permitted by section 408 of the Companies Act 2006, the income statement of the company is not presented. The company's loss for the year ended 31 December 2010 is £2.4m (period ended 31 December 2009: loss £2.4m).

b) Property, plant and equipment

Property, plant and equipment is stated at historic cost, including expenditure that is directly attributable to the acquired item, less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight line basis over the deemed useful life of an asset and is applied to the cost less any residual value. The asset classes are depreciated over the following periods:

- Computer and equipment – over 3 to 5 years

The useful life, the residual value and the depreciation method is assessed annually.

The carrying value of the property, plant and equipment is compared to the higher of value in use and the fair value less costs to sell. If the carrying value exceeds the higher of the value in use and fair value less the costs to sell the asset then the asset is impaired and an impairment loss recognised in profit or loss.

c) Intangible assets

Computer software and websites

Non-integral computer software purchases are capitalised at cost as intangible assets. These costs are amortised over their estimated useful lives of 3 years. Costs associated with implementing or maintaining computer software programmes are recognised as an expense.

d) Investments

Fixed asset investments are stated at cost less any provision for impairment.

e) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using rates substantially enacted at the balance sheet date and any adjustments to the tax payable in respect of previous years.

Deferred taxation is provided in full on temporary differences between the carrying amount of the assets and liabilities in the financial statements and the tax base. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax is determined using the tax rates that have been enacted or substantially enacted by the balance sheet date, and are expected to apply when the deferred tax liability is settled or the deferred tax asset is realised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future

Tax is recognised in the income statement, except where it relates to items recognised as other comprehensive income, in which case it is recognised in the statement of other comprehensive income. Tax relating to items recognised in equity is recognised directly in equity.

f) Foreign currencies

The results are recorded in Pounds Sterling which is deemed to be the functional currency of the Company.

Foreign currency transactions are expressed in Sterling at the rates of exchange ruling at the date of the transaction, and if still in existence at the year end the balance is retranslated at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates during the year are taken to the income statement.

g) Provisions

A provision is recognised in the balance sheet when the Company has a legal obligation or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle that obligation, and a reliable estimate of the amount can be made. Provisions are discounted.

h) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held on call, together with other short term highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

i) Dividends

Dividends on the Company's ordinary shares are recognised as a liability in the Company's financial statements, and as a deduction from equity, in the period in which the dividends are declared. Where such dividends are proposed subject to the approval of the Company's shareholders, the dividends are only declared once shareholder approval has been obtained.

j) Financial instruments

The company has non-derivative financial instruments which comprise investments in equity, receivables, cash, loans and borrowings, and trade payables.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised if the contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognised if the company's obligations specified in the contract expire or are discharged or cancelled.

3. Dividends

No dividend has been recommended for the year (December 2009 £m)

4. Intangible assets

	Computer software £'000s
Cost	
As at 30 April 2009	943
Additions	116
Disposals	(943)
As at 31 December 2009	116
Additions	376
As at 31 December 2010	492
Amortisation	
As at 30 April 2009	943
Charge for the period	34
Disposals	(943)
As at 31 December 2009	34
Charge for the period	353
As at 31 December 2010	387
Net book value	
As at 31 December 2010	105
As at 31 December 2009	82

5. Property, plant and equipment

	Computer equipment £'000s
Cost	
As at 30 April 2009	538
Additions	19
Disposals	(106)
As at 31 December 2009	451
Additions	96
As at 31 December 2010	547
Depreciation	
As at 30 April 2009	232
Charge for the period	134
Disposals	(63)
As at 31 December 2009	303
Charge for the period	125
As at 31 December 2010	428
Net book value	
As at 31 December 2010	119
As at 31 December 2009	148

6. Investments

Restated	Group undertakings £'000s	Loans £'000s	Total £'000s
Cost			
As at 30 April 2009	11,520	992	12,512
Additions	35,993	-	35,993
Disposals	-	(992)	(992)
As at 31 December 2009	47,513	-	47,513
Additions	10,231	-	10,231
As at 31 December 2010	57,744	-	57,744
Net book value			
As at 31 December 2010	57,744	-	57,744
As at 31 December 2009	47,513	-	47,513

7. Trade and other receivables

	31 December 2010 £'000s	31 December 2009 £'000s
Prepayments and accrued income	144	47
Other receivables	-	7
Amounts owed by related parties	3,742	1,645
	3,886	1,699

The carrying values are considered to be a reasonable approximation of fair value

8. Deferred tax

	31 December 2010 £'000s	31 December 2009 £'000s
Balance brought forward	144	-
Income statement movement during the year	6	144
Balance carried forward	150	144

The movement of deferred tax in the income statement arises as follows

	31 December 2010 £'000s	31 December 2009 £'000s
Excess of tax allowances over depreciation on fixed assets	-	22
Recognition of losses	6	122
	6	144

9 Trade and other payables

	31 December 2010 £'000s	31 December 2009 £'000s
Trade payables	279	177
Other taxation and social security	559	364
Accruals and deferred income	337	287
Other payables	-	80
Amounts owed to related parties	10,179	7,209
	11,354	8,117

The directors consider the carrying amount of trade payables approximates to their fair value. The effect of discounting trade and other payables has been assessed and is deemed to be immaterial to the Company's results.

10 Provisions

	Total £'000s
At 31 December 2009	-
Increase in provision	150
At 31 December 2010	150

The provision relates to redundancies that were announced prior to 31 December 2010.

11. Short-term borrowings

	31 December 2010 £'000s	31 December 2009 £'000s
Bank overdraft	1,001	-
Loan	8,602	-
	9,603	-

The Group currently has a £7million overdraft facility. The bank overdraft is subject of a Group set-off arrangement. Interest is charged on the overdraft at 2.75% over the bank's base rate.

£9 million loan to fund acquisition of Canadean

A £9 million loan was provided by Michael Danson to fund the acquisition of Canadean. The loan is repayable by 2013 and has an interest rate of 275 basis points over the 3-month London Interbank Offered Rate, in line with the rates that were available from third-party lenders at the time of the acquisition negotiations.

The loan is repayable in instalments of £1,500,000 payable every three months commencing from 30 September 2010. Instalments are payable subject to there being sufficient working capital to fund the Group in the foreseeable future. As such only one instalment of £500,000 was paid in the year ended 31 December 2010. Where instalments are not paid they are payable on demand.

12. Financial assets and liabilities

The company's financial instruments are classified under IFRS as follows

31 December 2010	Loans and receivables £'000s	Amortised cost £'000s	Total £'000s
<i>Current assets</i>			
Amounts owed by group undertakings	3,742	-	3,742
<i>Current liabilities</i>			
Bank overdraft	-	(1,001)	(1,001)
Trade accounts payable	-	(279)	(279)
Accruals	-	(337)	(337)
Amounts owed to group undertakings	-	(10,179)	(10,179)
Borrowings	-	(8,602)	(8,602)
	-	(20,398)	(20,398)

31 December 2009	Loans and receivables £'000s	Amortised cost £'000s	Total £'000s
<i>Current assets</i>			
Cash	59	-	59
<i>Current Liabilities</i>			
Trade accounts payable	-	(177)	(177)

Reclassifications

There have been no reclassifications between financial instrument categories during the period ended 31 December 2010 and year ended 31 December 2009

The company is part of a cross-guarantee arrangement in relation to the Group's £7.0 million overdraft facility

Please refer to the Group note 20 on financial assets and liabilities for the Company's exposure to risk

13 Related party transactions

Directors

The remuneration of the directors who are the key management personnel of the Group is set out in the consolidated accounts of the Group in note 7

Corporate support services

Corporate support services are provided to the other companies owned by Michael Danson, principally finance, human resources, IT and facilities management. These are recharged to companies that consume these services based on specific drivers of costs, such as proportional occupancy of buildings for facilities management, headcount for human resources services, revenue or gross profit for finance services and headcount for IT services. The recharge made to these companies for the year to 31 December 2010 was £1,625,304 (2009: £1,091,000).

Loans

Michael Danson has provided a loan to the Company during the year in relation to the Canadian acquisition for £9 million, repayable by 2013, or earlier subject to Board approval. This loan accrues interest at a rate of 275 basis points over the 3 month London Interbank Offered Rate, in line with the current rate on the Company's bank overdraft facility. A repayment of £0.5 million was paid during the year.

Amounts outstanding

The amounts outstanding for related parties, excluding the loans from Michael Danson, were

	31 December 2010	31 December 2009
	£'000s	£'000s
Electronic Direct Research Limited	86	73
Envoy Limited	49	49
Estel Property Investments Limited	140	-
GlobalData Limited	218	-
ICD Research Limited	(123)	(50)
ID Factor Limited	902	847
Internet Business Group Limited	(1,221)	(458)
Mutual Points Limited	(972)	(972)
New Statesman Limited	591	-
Progressive Luxury Publishing Limited	58	(114)
Progressive Media Group Limited	(551)	(91)
Progressive Media International Limited	316	-
SPG Media Limited	(1,541)	(1,520)
TAPPS BV	158	366
TMN Media Limited	(5 027)	(3 699)
World Market Intelligence Limited	480	(85)

The Company has right of set off over these amounts

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