Progressive
Digital Media Group plc

Annual Report and Accounts for the year ended 31 December 2012

www progressivedigitalmedia com

Company No 3925319

Contents

Reliance on this document
Our Business Review on pages 3 to 6 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

It has been another year of significant progress for the Group, a year in which the Group has not only delivered a robust set of financial results but also exited from the consumer email marketing sector completed the acquisition of Kable and raised £20 million from an over-subscribed share placement Moreover our results remain tempered by the significant investment in our Business Intelligence content sets and delivery platforms which form the building blocks for future growth That so much was achieved during a period of sustained weak economic conditions is encouraging and gives us confidence in our business model, our strategy and our delivery

Our business model
We are a content driven media company producing premium business information We supply our customers with research analysis and tactical intelligence across multiple platforms, which enables our customers to gain a competitive advantage in their markets 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 profit growth and margin Its key features are

1 Premium business information services covering the Consumer and Technology markets
2 A strong and scalable asset base
3 Significant contracted and visible revenue streams including digital subscriptions
4 Globally exploitable business model
5 High gross margin product

Our strategy
Our strategy is to focus on

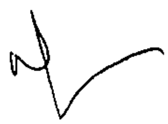
1 Key, high growth global markets
2 Digital subscription based content, which can be leveraged across multiple platforms
3 Quality product and customer delivery

The strategy will be delivered by a combination of strong organic growth and selective acquisitions in our target markets

Kable is a good example of acquiring a strategic fit business It is a subscription based business information company providing Business Intelligence on technology expenditure Furthermore Kable s product set can be extended to additional geographies developed for adjacent verticals and has since acquisition, been able to leverage our operational infrastructure to increase both revenues and margin Pleasingly, performance since acquisition has been in line with expectations, which has allowed us to accelerate our investment in the Kable product set

Capital structure
The £20 million share placement (completed on 30 April 2012) coupled with the proposed share consolidation and re-capitalisation will allow the Group to re-engineer its balance sheet to one more fitting with its needs In doing so, the Group will have a balance sheet which will support further acquisitions and a capital structure which will, when appropriate, allow the Group to distribute dividends to our diverse investor base Further details will be set out in a circular to be published in April

Current trading and outlook
Whilst the economic environment remains uncertain, we are confident that we are positioned for future growth and we therefore expect to make further progress during 2013



M Danson
Chairman
25 February 2013

Managing Director's Review

This is the Group s fourth consecutive year of revenue and earnings growth We have made good progress across a broad range of our most important metrics This past year we focused on putting in place the building blocks for future long-term growth and eliminating the distractions of our former email marketing business We continued investing in our Business Information products acquired a complementary business and re-engineered our balance sheet to both fund future growth and when appropriate, to distribute dividends to our shareholders

We have a simple clearly defined and well understood strategy to become a leading provider of must have premium business information, focused on global verticals

Building blocks for growth

The Group aims to deliver its strategy by focusing on four key areas of building blocks for growth

- Focus on global industry verticals such as Consumer and Technology
- Premium Content, where the intellectual property is internally generated and exploited across multiple platforms
- Common systems and processes across the Group, driving efficiencies and margin improvement
- Acquire complementary and strategic fit business assets or companies

Operational review

Trading conditions in our markets were broadly benign however a lack of growth does not always equate to a lack of opportunity In 2012, the Group achieved growth in its key verticals and geographies and that this was achieved ahead of seeing the full benefit from our investment in Business Intelligence content and delivery platforms is more than satisfactory

The Group has also completed many internal change programmes during the year which should put the Group in a better position to deliver both revenue and earnings growth for the medium to long term Branding has been one such change programme, where we have aligned our principal Business Information products under the Canadean brand The Canadean brand is well regarded in its existing verticals and we believe can be effectively leveraged across new and adjacent verticals

A second change programme relates to our internal processes and systems, the Group now benefits from a common customer relationship management system, a common content management system and a common content delivery system There are numerous benefits associated with having common systems and processes, not least of which are operational efficiencies and margin enhancement through improved productivity and lower running costs

Another change programme relates to structure, during the year we aligned our management structure to better reflect our markets and product offering Business Intelligence for example is now served by both an Account Management team and a separate Business Development team Our expectation is that the Business Development team will secure new business for the Group whilst the Account Management team focuses on increasing renewal rates both by volume and value

Looking ahead

There has been a significant amount of change across the Group as we put in place the building blocks for growth Change can often cause disruption, and that so much was achieved during the year and at the same time delivered a robust financial performance is testimony to the professionalism, hard work and commitment of our staff I would like to take this opportunity to express my thanks to all our staff and to congratulate them for an excellent performance

The key objectives for the forthcoming year are

- Focus on high-quality, subscription based Business Information services and products
- Expand our geographic footprint in high-growth consumer markets such as China India, Latin America and Australasia
- Focus on long-term margin improvement

We set for ourselves both high expectations and ambitious targets and our results for 2012 are but one step in the right direction

Simon Pyper
Managing Director
25 February 2013

Chief Financial Officer's Business and Financial Review

Financially the Group has performed well with improved revenues, earnings and cash generation The £20 million share placement (completed April 2012) coupled with the proposed share consolidation and re-capitalisation, provides the Group with a strong balance sheet to fund future growth and a capital structure which will, when appropriate, allow dividends to be distributed to shareholders

Financial highlights

- Increased the Group's revenue by 6 9% year on year
- Increased adjusted EBITDA margins by 2 5% to 16 9%
- Increased profitability at the adjusted EBITDA level by 25 6%
- Funds generated from operations increased by £3 5m to £6 4m
- Bank debt reduced by £6 8m to £6 5m (2011 £13 3m)

Continuing operations	2012 £'000s	2011 £'000s	
Revenue	53 902	50,422	6 9%
Profit before tax	4,291	1,422	
Depreciation	732	709	
Amortisation	1,930	2,955	
Finance costs	479	552	
EBITDA[1]	**7,432**	**5,638**	31 8%
Restructuring costs	908	432	
Property related provisions	(166)	(1)	
Revaluation of currency collar	(36)	(195)	
Share option expense	829	1,157	
Exceptional property costs	75	-	
M&A costs	17	208	
Deal costs	31	-	
Adjusted EBITDA[2]	**9,090**	**7,239**	25 6%
Adjusted EBITDA %	16 9%	14 4%	

Note 1 EBITDA Earnings before interest, tax, depreciation amortisation and impairment Includes a charge of £0 8 million for share based payments (2011 £1 2 million)
Note 2 Adjusted EBITDA Earnings before interest, tax, depreciation and amortisation, impairment share based payments, adjusted for costs associated with derivatives, acquisitions, integration and restructure of the Group Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of revenue.

Continuing operations
The focus for 2012 was to increase earnings and margins improve cash generation and to re-engineer our balance sheet to one more appropriate to our needs I am pleased to report that we have made significant progress and have achieved much of what we set out to do Furthermore with the exit from the consumer email marketing business, the Group is now solely focused on Business Information and in particular the development, acquisition and provision of subscription based information products

Looking ahead our focus for 2013 will be similar to that of 2012 to improve both earnings and margins and to increase cash generation

Acquisition of Kable
We announced on 2 July 2012 that the Group had acquired the business and assets of Kable for cash consideration of £2 3 million Kable is one of the UK s leading providers of technology expenditure intelligence Kable provides business information, tactical intelligence, research, analysis and consultancy to a number of the UK s leading blue chip companies For the financial year ended 31 December 2011, Kable reported revenues of approximately £1 8 million

The acquisition of Kable was funded by the utilisation of £2 3 million of the funds raised as part of the share placing on 30 April 2012

Discontinued operations
During the year the business exited from the legacy consumer email marketing sector which was both loss making and of poor strategic fit Consequently a loss of £1 8 million has been recorded in our Consolidated Income Statement under "Discontinued operations In terms of cash consumption the exit from the email marketing business utilised £1 3 million of the Group s cash resources in 2012

Earnings per share
Basic earninings per share from continuing operations was 0 99 pence per share (2011 earninings of 0 41 pence per share)

Cash flow
The Group generated £9 1 million of adjusted EBITDA in 2012, which excludes £0 5 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 inflow of £6 4 million A number of leases were assigned or terminated during 2010 and the cash impact is expected to reduce in future periods One lease was assigned and no leases were terminated in the current year Details of onerous leases are included in the notes to the financial statements

Capital expenditure was £0 5 million in 2012 (£1 1 million in 2011) This included £0 3 million on software

During the year the Group has generated £9 8 million from financing activities which includes net funds of £19 1 million from the placement of shares and £8 million from the capitalisation of Group loans on 30 April 2012 The Group also repaid long-term borrowings of £17 3 million

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 movements 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 risk 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 part of the share placing on 30 April 2012, £4 0 million of the term loan was repaid to The Royal Bank of Scotland pursuant to the banking agreement and a further £1 5m was repaid to the bank in October 2012 in accordance with the original repayment terms At 31 December 2012, £0 5 million of the term loan and £6 million of the revolving capital facility remained outstanding £0 5million of the term loan is due for repayment in October 2013, in accordance with the original repayment schedule, and as such has been classified as a short-term liability

Also as part of the share placing Mike Danson converted £8 million of his £9 8 million interest free loan into equity with the remaining £1 8 million being settled during the year At 31 December 2012 the Group had no loans outstanding with Mike Danson

The Group meets its day-to-day working capital requirements from an overdraft facility of £3 million This was not utilised as at 31 December 2012

Based on cash flow projections the Group considers the existing financing facilities to be adequate to meet short-term commitments The Directors have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue as a going concern Accordingly, the Group has prepared the annual report and financial statements on a going concern basis

Financial risk management
Financial risk management, including the Group's exposure to market risk, currency risk, interest rate risk, liquidity risk and credit risk, has been explained in note 19

Simon Pyper
Managing Director
25 February 2013

Directors' Report

Directors

Michael Danson
Executive Chairman
Mike Danson is Founder and Chairman of Progressive Digital Media Group He founded Datamonitor, an online information company, in 1990 In 2000, Datamonitor completed its flotation on the London Stock Exchange and was sold to Informa for £502 million in 2007 He founded Progressive Digital Media Group in 2009 by reversing into TMN Media He has a number of other business and property investments

Simon Pyper
Managing Director
Simon Pyper is Founder and Managing Director of Progressive Digital Media Group Previously Simon was Group Finance Director of Datamonitor until its sale to Informa During his tenure at Datamonitor 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

Bernard Cragg
Non-Executive Director
Bernard Cragg currently sits on the boards of Alternative Networks Plc, Workspace, Astro Malaysian Holdings Berhad, Astro Overseas Limited and Astro All Asia Network Limited 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 eighteen 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 28 years experience as a director or chairman of several 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 the publishing and e-commerce group MyTimeMedia 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

Stephen Bradley
Company Secretary
Stephen Bradley is a chartered accountant with sixteen years of experience in the Media and Business Information sectors Stephen was Finance Director of Butler Group when it was acquired by Datamonitor in January 2005 and was later appointed as Datamonitor's Group Finance Director in July 2007 following its acquisition by Informa Stephen joined Progressive Digital Media Group in August 2011

Principal activity and business review

The principal activity of Progressive Digital Media Group Plc (PDMG) and its subsidiaries ('the Group) is to provide its customers with high quality information and services through multiple channels in a rapidly changing economic environment The unique and up to date knowledge and information we provide enables organisations to gain competitive advantage and market share within the sectors we cover 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 Managing Director s Review

Share capital and substantial interests

Details of the company s share capital are set out in note 22 to the financial statements As at 25 February 2013 Mike Danson had a beneficial interest of 67 72 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 in accordance with AIM Rule 17

Directors' interests

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

	Number of ordinary shares
Mike Danson	360,297 625
Bernard Cragg	1 000 000
Mark Freebairn	349,600
Peter Harkness	500 000
Kelsey van Musschenbroek	2 678 472
Simon Pyper	1,221,767

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 78 days At 31 December 2012 trade creditors of the Group represented 75 days outstanding (2011 71 days)

Key performance indicators

The key performance indicators selected are used by management to monitor the Group's performance and progress from continuing operations During the year we have made good progress across all of our KPI metrics

	Revenue	Adjusted EBITDA	Adjusted EBITDA margin
2012	**£53 9m**	**£9 1m**	**16 9%**
2011	£50 4m	£7 2m	14 4%
% growth	6 9%	25 6%	2 5%

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 the Group for that period

In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether 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 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

The directors confirm that so far as each director is aware, there is no relevant audit information of which the Group s auditors are unaware, and the directors have taken all steps that they ought to have taken in order to make themselves aware of any relevant audit information and establish that the Group s auditors are aware of that information

Annual General Meeting

The Annual General Meeting will be held on 24 April 2013 at John Carpenter House, John Carpenter Street, London EC4Y 0AN at 12pm

On behalf of the Board

Simon Pyper
Managing Director
25 February 2013

Principal Risks and Uncertainties

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

- 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 A key part of the Group strategy is to grow sales in Asia Pacific and the Americas to mitigate problems arising from the economic challenges in Europe
- 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 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 £3 million provided by the Royal Bank of Scotland as part of the refinancing in October 2011 None of this facility was utilised as at 31 December 2012 Cash flow forecasts have been prepared and these indicate that the Group 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 Accordingly the Group has prepared the accounts on a going concern basis
- At 31 December 2012 the Group had £6 5 million of loans owing to the Royal Bank of Scotland The finance facilities were issued with debt covenants which are measured on a quarterly basis There were no breaches of these covenants as at 31 December 2012 Management have reviewed forecasted cash flows and there is no indication that there will be any breach in the next 12 months

Corporate Governance Report

PDMG is committed to high standards of corporate governance The paragraphs below, and in the Remuneration Report on pages 13 to 14 describe how the Board has voluntarily applied the principles set out in the UK Corporate Governance Code 2010 (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 two executive directors and four non-executive directors The Chairman of the Board is Mike Danson who has been Chairman since the reverse acquisition in June 2009 The Board has 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 2012, the Board met 12 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 Managing Director is responsible for the running of the Group's businesses

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 every year 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 2012

Board meetings during the year

	Board	Audit Committee	Remuneration Committee
Number of meetings	12	4	1
Peter Harkness	12	4	1
Bernard Cragg	12	4	1
Mark Freebairn	9	4	1
Kelsey van Musschenbroek	11	n/a	n/a
Mike Danson	12	n/a	n/a
Simon Pyper	12	n/a	n/a
Mark Meek	6	n/a	n/a
Stephen Bradley	3	n/a	n/a

Mark Meek resigned from the Board on 1 August 2012 Stephen Bradley resigned from the board on 27 February 2012 but has continued in his role as Company Secretary

Remuneration Committee
The Remuneration Committee comprises the Chairman Mark Freebairn, Peter Harkness and Bernard Cragg 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 the Chairman Bernard Cragg Peter Harkness and Mark Freebairn Bernard Cragg is a Chartered Accountant with considerable financial and varied commercial experience The committee met four 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 2011 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 will be circulated more than 21 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 18 to the financial statements the Group meets its day-to-day working capital requirements from an overdraft facility of £3 million none of which was utilised as at 31 December 2012 Based on cash flow projections the Group considers the existing financing facilities to be adequate to meet short-term commitments

In October 2011, the Group refinanced its debt position A £6 million term loan and a £6 million revolving capital facility were issued by The Royal Bank of Scotland

As part of the Placing (discussed in note 22) £4 million of the term loan was repaid to The Royal Bank of Scotland, pursuant to the banking agreement, and £1 5 million was repaid in accordance with the original repayment terms As at 31 December 2012 £0 5 million of the term loan and £6 million of the revolving capital facility were outstanding £0 5 million of the term loan is due for repayment in October 2013 and as such has been classified as a short term liability

The Directors have a reasonable expectation that there are no material uncertainties that cast significant doubt about the Group's ability to continue as a going concern Accordingly the Group has prepared the annual report and financial statements on a going concern basis

On behalf of the Board

Simon Pyper
Managing Director
25 February 2013

Directors' Remuneration Report

Unaudited information

The Remuneration Committee
The Remuneration Committee consists of the Chairman Mark Freebairn Peter Harkness and Bernard Cragg 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 medical cover and car allowances
- Share based payments – full details of the share option scheme operated by the Group are set out in note 23

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		
Mike Danson	1 October 2008	12 months
Simon Pyper	25 June 2009	12 months

Directors' emoluments

	Basic Salary £'000s	Pension £'000s	Other benefits £'000s	2012 total £'000s	2011 total £'000s
Non-Executive Directors					
Peter Harkness	30	-	-	30	30
Bernard Cragg	30	-	-	30	30
Mark Freebairn	30	-	-	30	10
Kelsey van Musschenbroek	30	-	-	30	30
Executive Directors					
Mike Danson	50	-	37	87	85
Simon Pyper	210	-	1	211	215
Mark Meek	131	-	-	131	94
Stephen Bradley	25	-	-	25	62

The other benefits consist of company cars and health insurance cover

Mark Meek resigned from the Board on 1 August 2012 Stephen Bradley resigned from the board on 27 February 2012 but has continued in his role as Company Secretary

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 vesting 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

The total charge recognised for the scheme during the year ended 31 December 2012 was £0 8 million (2011 £1 2 million) The awards of the scheme are settled with ordinary shares of the Company No options were exercised during the twelve months to 31 December 2012

By order of the Board

Mark Freebairn
Chairman of the Remuneration Committee
25 February 2013

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 2012 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, set out on page 11, 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 2012 and of its profit 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 2012.

Mark Henshaw
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
25 February 2013

Consolidated Income Statement

	Notes	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Continuing operations			
Revenue	3	53,902	50 422
Cost of sales		(31,573)	(28,798)
Gross profit		**22,329**	**21,624**
Distribution costs		(914)	(971)
Administrative costs		(14 246)	(15 300)
Other expenses	5	(2 399)	(3,379)
Operating profit	4	**4,770**	**1,974**
Analysed as			
Adjusted EBITDA[2]		**9,090**	**7,239**
Items associated with acquisitions and restructure of the group	5	(1 694)	(1 796)
Other adjusting items	5	36	195
EBITDA[1]		**7,432**	**5,638**
Amortisation		(1 930)	(2 955)
Depreciation		(732)	(709)
Operating profit		**4,770**	**1,974**
Finance costs	8	(479)	(552)
Profit before tax from continuing operations		**4,291**	**1,422**
Income tax credit	9	476	109
Profit for the year from continuing operations		**4,767**	**1,531**
Loss for the year from discontinued operations		(1,814)	(9 351)
Profit/(loss) for the period		**2,953**	**(7,820)**
Attributable to			
Equity holders of the parent		2 935	(7 862)
Non-controlling interest		18	42
Earnings per share attributable to equity holders from continuing operations	10		
Basic earnings per share (pence)		0 99	0 41
Diluted earnings per share (pence)		0 92	0 37
Basic loss per share attributable to equity holders from discontinued operations		(0 38)	(2 48)

The accompanying notes form an integral part of this financial report

1 EBITDA is defined as earnings before interest tax depreciation amortisation and impairment

2 We define adjusted EBITDA as EBITDA adjusted for costs associated with acquisitions integration restructure of the Group share based payments 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 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

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Profit/ (loss) for the year	2,953	(7 820)
Other comprehensive income		
Translation of foreign entities	18	2
Other comprehensive income net of tax	18	2
Total comprehensive profit/(loss) for the year	**2,971**	**(7,818)**
Attributable to		
Equity holders of the parent	2,953	(7,860)
Non-controlling interest	18	42

The accompanying notes form an integral part of this financial report

Consolidated Statement of Financial Position

	Notes	31 December 2012 £'000s	31 December 2011 £'000s
Non-current assets			
Property, plant and equipment	12	1,164	1 712
Intangible assets	11	26,383	25,106
Deferred tax assets	16	2,327	1 500
		29,874	**28,318**
Current assets			
Inventories	14	180	79
Trade and other receivables	15	17,354	17 538
Cash and cash equivalents		12,497	2,252
		30,031	**19,869**
Total assets		**59,905**	**48,187**
Current liabilities			
Trade and other payables	17	(25,274)	(25,221)
Short-term borrowings	18	(500)	(4 807)
Current tax payable		(419)	(389)
Short-term derivative liabilities	13	(18)	(54)
Short-term provisions	20	(665)	(767)
		(26,876)	**(31,238)**
Non-current liabilities			
Long-term provisions	20	(679)	(1 211)
Deferred tax liabilities	16	-	(372)
Long-term borrowings	18	(5,767)	(19 936)
		(6,446)	**(21,519)**
Total liabilities		**(33,322)**	**(52,757)**
Net assets/(liabilities)		**26,583**	**(4,570)**
Equity			
Share capital	22	153	207
Share premium account		71 368	44 257
Other reserve		(37,128)	(37,128)
Foreign currency translation reserve		25	7
Retained loss		(7,942)	(12,010)
Equity attributable to equity holders of the parent		26,476	(4,667)
Non-controlling interest		107	97
Total equity		**26,583**	**(4,570)**

These financial statements were approved by the board of directors on 25 February 2013 and signed on its behalf by

Michael Danson
Chairman

Simon Pyper
Managing Director

The accompanying notes form an integral part of this financial report

Company Number - 3925319

Consolidated Statement of Changes in Equity

	Share capital £'000s	Share premium account £'000s	Other reserve £'000s	Foreign currency translation reserve £ 000s	Retained loss £'000s	Equity attributable to equity holders of the parent £ 000s	Non controlling interest £'000s	Total equity £'000s
Balance at 1 January 2011	207	44,257	(37,128)	5	(5,305)	**2,036**	**83**	**2,119**
(Loss)/profit for the year	-	-	-	-	(7,862)	**(7,862)**	**42**	**(7,820)**
Other comprehensive income								
Translation of foreign entities	-	-	-	2	-	**2**	-	**2**
Total comprehensive income for the year	**-**	**-**	**-**	**2**	**(7,862)**	**(7,860)**	**42**	**(7,818)**
Transactions with owners								
Dividends	-	-	-	-	-	-	(28)	**(28)**
Share based payment	-	-	-	-	1 157	**1,157**	-	**1,157**
Balance at 31 December 2011	**207**	**44,257**	**(37,128)**	**7**	**(12,010)**	**(4,667)**	**97**	**(4,570)**
Profit for the year	-	-	-	-	2 935	**2,935**	18	**2,953**
Other comprehensive income								
Translation of foreign entities	-	-	-	18	-	**18**	-	**18**
Total comprehensive income for the year	**-**	**-**	**-**	**18**	**2,935**	**2,953**	**18**	**2,971**
Transactions with owners								
Issue of share capital	15	27,042	-	-	-	**27,057**	-	**27,057**
Transfer between reserves	(69)	69	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(8)	**(8)**
Share based payment	-	-	-	-	829	**829**	-	**829**
Excess deferred tax on share based payments	-	-	-	-	304	**304**	-	**304**
Balance at 31 December 12	**153**	**71,368**	**(37,128)**	**25**	**(7,942)**	**26,476**	**107**	**26,583**

The accompanying notes form an integral part of this financial report

Consolidated Cash Flow Statement

	Year to 31 December 2012 £'000s	Year to 31 December 2011 £'000s
Cash flows from operating activities		
Profit for the year	4,767	1,531
Adjustments for		
Depreciation	732	709
Amortisation	1,930	2,955
Finance expense	479	552
Taxation recognised in profit or loss	(476)	(109)
Share option charge	829	1,157
Increase in trade and other receivables	(1,117)	(2,028)
Increase in inventories	(101)	(32)
Decrease in trade payables	(23)	(824)
Revaluation of derivatives	(36)	(195)
Movement in provisions	(634)	(833)
Cash generated from operations	**6,350**	**2,883**
Interest paid	(408)	(215)
Income taxes received	(103)	16
Net cash from operating activities	**5,839**	**2,684**
Cash flows from investing activities		
Acquisition of Kable	(2,300)	-
Purchase of property, plant and equipment	(207)	(573)
Purchase of intangible assets	(271)	(522)
Net cash from investing activities	**(2,778)**	**(1,095)**
Cash flows from financing activities		
Proceeds from long-term borrowings	-	11 667
Proceeds from capitalisation of debt	8,000	-
Proceeds from placement of shares	19 057	-
Repayment of long-term borrowings	(17,269)	(6,500)
Dividends paid to non-controlling interests	(8)	(28)
Net cash generated from financing activities	**9,780**	**5,139**
Net increase in cash and cash equivalents from continuing operations	**12,841**	**6,728**
Net (decrease)/ increase in cash and cash equivalents from discontinued operations	(1,306)	348
Net increase in cash and cash equivalents	**11,535**	**7,076**
Cash and cash equivalents at beginning of period	962	(6,114)
Cash and cash equivalents at end of period	**12,497**	**962**
Balance sheet reconciliation		
Cash and cash equivalents	12 497	2,252
Overdraft (included in short-term borrowings)	-	(1,290)
Cash and cash equivalents at end of period	**12,497**	**962**

The accompanying notes form an integral part of this financial report

Notes to the Consolidated Financial Statements

1. General information

Nature of operations

The principal activity of Progressive Digital Media Group plc (PDMG) and its subsidiaries ('the Group') is to provide its customers with high quality information and services through multiple channels in a rapidly changing economic environment The unique and up to date knowledge and information we provide enables organisations to gain competitive advantage and market share within the sectors we cover

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

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 share based payments provision for bad debts 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 costs 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 20

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 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 11

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

Share based payments

The Group operates a share based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) of the Group The fair value of the employee services received in exchange for the grant of the options and awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period) Non-market vesting conditions are included in assumptions about the number of options and awards that are expected to vest The total amount expensed is recognised over the vesting period which is the period over which all of the specified existing conditions are to be satisfied At each reporting date the entity revises its estimates of the number of options and awards that are expected to vest based on the non-market vesting conditions It recognises the impact of the revision to original estimates, if any in the Income Statement, with a corresponding adjustment to the share option reserve within equity

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 15 to the financial statements Additional disclosures on the assumptions behind the provision are provided in note 19 within the section on credit risk

Carrying value of goodwill and other intangibles

The carrying value of goodwill and other indefinite life 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 See note 11 for further details on intangibles and goodwill

At 31 December 2012 the Group had £26 4 million of goodwill and other intangibles assets (2011 £25 1 million)

Going concern
As highlighted in note 18 to the financial statements the Group meets its day-to-day working capital requirements from an overdraft facility of £3 million none of which was utilised as at 31 December 2012 Based on cash flow projections the Group considers the existing financing facilities to be adequate to meet short-term commitments

In October 2011 the Group refinanced its debt position A £6 million term loan and a £6 million revolving capital facility were issued by The Royal Bank of Scotland

As part of the Placing (discussed in note 22) £4 million of the term loan was repaid to The Royal Bank of Scotland, pursuant to the banking agreement, and £1 5 million was repaid in accordance with the original repayment terms As at 31 December 2012 £0 5 million of the term loan and £6 million of the revolving capital facility were outstanding £0 5 million of the term loan is due for repayment in October 2013 and as such has been classified as a short term liability

The finance facilities were issued with debt covenants which are measured on a quarterly basis There were no breaches of these covenants as at 31 December 2012 Management have reviewed forecasted cash flows and there is no indication that there will be any breach in the next 12 months The facilities accrue interest at a rate of 275 basis points over the 3 month London Interbank Offered Rate

2 Accounting policies

a) Basis of consolidation
The consolidated financial statements include the accounts of the Company and all of its subsidiary undertakings
- 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
This report has been prepared based on the accounting policies detailed in the Group s financial statements for the year ended 31 December 2012 and is consistent with the policies applied in the previous year

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
- IFRS 9 Financial Instruments (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2014)
- IFRS 11 Joint Arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
- IAS 27 (Revised), Separate Financial Statements (effective 1 January 2014)
- IAS 28 (Revised) Investments in Associates and Joint Ventures (effective 1 January 2014)
- Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)
- Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Mandatory Effective Date and Transition Disclosures - Amendments to IFRS 9 and IFRS 7 (effective 1 January 2015)

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
- Subscription revenue is recognised on a straight-line basis over the period of the contractual term
- 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

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

- Fixtures, fittings and equipment – over 3 to 5 years
- Motor vehicles – over 5 years

The useful life the residual value and the depreciation method is assessed when there is an indication of impairment

Where there is an indication of impairment, 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 software customer relationships, and intellectual property rights These assets are capitalised on acquisition at cost and included in intangible assets Intangible assets acquired in material 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 charges are accounted for within the administrative costs category within the income statement Impairment charges are accounted for within the other expenses 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 Amortisation and impairment charges are accounted for within the administrative costs category within the income statement

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 in respect of goodwill 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 substantively 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 presented 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 in other comprehensive income 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

m) Financial instruments
The Group has derivative and non-derivative financial instruments which comprise foreign currency collars 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 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 asset's 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 uncollectable. If those debts are subsequently collected then a gain is recognised in the income statement

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

o) Trade and other payables
Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method

p) Borrowings and borrowing costs
Borrowings are recognised initially at fair value net of transaction costs incurred, and subsequently at amortised cost Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date

Borrowing costs being interest and other costs incurred in connection with the servicing of borrowings, are recognised as an expense when incurred

3 Segmental analysis

Following the discontinuation of the B2C email marketing business on 1 April 2012, the Group now considers the business as a single operating segment

The group profit or loss 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

Reconciliation of segment contribution to profit before tax

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Segment contribution	18,857	18,109
Central overheads	(9,767)	(10 870)
Other expenses (see note 5)	(2,399)	(3,379)
Depreciation	(732)	(709)
Amortisation	(1,189)	(1,177)
Finance costs	(479)	(552)
Profit before tax	**4,291**	**1,422**

Central overheads consist of corporate, HR finance, IT and facilities expenses

Geographical analysis
From continuing operations

Year to 31 December 2012	UK £'000s	Europe £'000s	Rest of World £'000s	Total £'000s
Revenue from external customers	17,622	20 007	16,273	**53,902**

Year to 31 December 2011	UK £'000s	Europe £'000s	Rest of World £'000s	Total £'000s
Revenue from external customers	15,993	20,297	14,132	**50,422**

4 Operating profit

Operating profit is stated after the following expenses relating to continuing operations

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Depreciation of property, plant and equipment	732	709
Amortisation of intangible assets	1 930	2,955
Loss on foreign exchange	286	83
Operating lease expense – land and buildings	1,728	1,877
Operating lease expense – other	62	161
Auditor's remuneration	136	211

Auditor's remuneration

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Audit of the Company's and the consolidated financial statements	33	35
Audit of subsidiary companies' financial statements	75	80
Services relating to the refinancing	-	70
All other services	28	26
	136	**211**

5 Other expenses

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Restructuring costs	908	432
Property related provisions	(166)	(1)
Exceptional property costs	75	-
Deal costs	31	-
Revaluation of currency collar	(36)	(195)
Share option expense	829	1 157
M&A costs	17	208
Amortisation of acquired intangibles	741	1,778
	2,399	**3,379**

- Redundancy costs relate to redundancies made during the year that were announced prior to 31 December 2012
- Property related provisions relate to the consolidated income statement impact on the provision made for onerous properties and dilapidations (see note 20)
- Exceptional property costs relate to additional costs incurred on properties that are not occupied and are provided for within the onerous lease provision
- Deal costs represent costs incurred in respect of the loans issued by the Royal Bank of Scotland in 2011
- The revaluation of currency collar relates to movement in the fair value of the short and long term derivatives detailed in note 13
- The share option expense relates to the share option plan See note 23
- The M&A costs relate to the acquisition of Kable See note 26

6 Particulars of employees

Employee benefit expense

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Wages and salaries	26,169	25,916
Social security costs	2,086	1,983
Pension costs	371	378
	28,626	**28,277**

Number of employees

The average monthly number of persons, including executive directors, employed by the Group during the year was as follows

	Year ended 31 December 2012 No	Year ended 31 December 2011 No
Sales and administrative staff	863	920

7. Key management compensation

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Short-term employee benefits	1,361	1,078
Other long term benefits	-	1
Share based payments	829	1,157
	2,190	**2,236**

Information regarding directors' remuneration, share options, bonuses and pension contributions is set out in the Report of the Board to the Shareholders on Directors Remuneration on pages 13 to 14

8 Finance income and costs

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Bank interest	23	(185)
Loan interest	(501)	(336)
Other interest	(1)	(31)
	(479)	**(552)**

9 Income tax

Income statement	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Current income tax		
Current income tax	(267)	(167)
Adjustments in respect of prior periods	144	(80)
	(123)	**(247)**
Deferred income tax		
Excess of depreciation over capital allowances on property, plant and equipment and intangible assets	52	54
Deferred tax on acquired intangibles	164	471
Utilisation of losses	(660)	(1 441)
Change in corporate tax rate	(162)	(106)
Deferred tax on share based payments	294	-
Adjustments in respect of prior periods	911	1,378
	599	356
Total income tax credit in income statement	**476**	**109**

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

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Profit on ordinary activities before tax	4,291	1,422
Tax at the UK corporation tax rate of 24 5% (2011 26 5%)	(1,051)	(377)
Effects of		
Adjustments in respect of prior periods	1,015	1 298
Utilisation of losses not previously recognised for deferred tax	162	-
Recognition of losses previously not recognised for deferred tax	408	-
Recognition of ACA's not previously recognised for deferred tax	11	-
Deferred tax on share based payments	68	-
Expenses not deductible for tax	(130)	(638)
Overseas tax not at a standard rate	(33)	(57)
Change in corporation tax rate	(162)	(106)
Losses surrendered from discontinued business for nil consideration	319	-
Unprovided deferred tax	(131)	(11)
	476	**109**

10 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 The Group has a share options scheme in place and therefore the Group has calculated the dilutive effect of these options

The below table shows earnings per share for both continuing and discontinued operations

Continuing operations	Year ended 31 December 2012	Year ended 31 December 2011
Basic		
Profit for the period attributable to ordinary shareholders of the parent company (£'000s)	4,767	1 531
Weighted average number of shares (000s)	480,906	376,492
Basic earnings per share (pence)	0 99	0 41
Diluted		
Profit for the period attributable to ordinary shareholders of the parent company (£ 000s)	4,767	1 531
Weighted average number of shares (000s)	516 129	412,237
Diluted earnings per share (pence)	0 92	0 37
Discontinued operations		
Basic		
Loss for the period attributable to ordinary shareholders of the parent company (£'000s)	(1 814)	(9,351)
Weighted average number of shares (000s)	480,906	376 492
Basic loss per share (pence)	(0 38)	(2 48)
Diluted		
Loss for the period attributable to ordinary shareholders of the parent company (£'000s)	(1 814)	(9,351)
Weighted average number of shares (000s)	480,906	376,492
Diluted loss per share (pence)	(0 38)	(2 48)

Reconciliation of basic weighted average number of shares to the diluted weighted average number of shares

	Number '000s
Basic weighted average number of shares	480,906
Share options in issue at 31 December 2012	35 223
Diluted weighted average number of shares	**516,129**

11 Intangible assets

	Software £'000s	Customer relationships £ 000s	IP rights £ 000s	Goodwill £'000s	Total intangibles £'000s
Cost					
As at 1 January 2011	4,766	10,334	11,902	25 777	**52,779**
Additions	522	-	-	-	**522**
Disposals	(83)	-	-	-	**(83)**
As at 31 December 2011	**5,205**	**10,334**	**11,902**	**25,777**	**53,218**
Additions	406	705	-	2,222	**3,333**
Disposals	(48)	-	-	-	**(48)**
As at 31 December 2012	**5,563**	**11,039**	**11,902**	**27,999**	**56,503**
Amortisation					
As at 1 January 2011	(1,424)	(6,988)	(7,410)	-	**(15,822)**
Charge for the year	(981)	(1 295)	(737)	-	**(3,013)**
Disposals	83	-	-	-	**83**
Impairment	-	-	-	(9,360)	**(9,360)**
As at 31 December 2011	**(2,322)**	**(8,283)**	**(8,147)**	**(9,360)**	**(28,112)**
Charge for the year	(1,020)	(307)	(628)	-	**(1,955)**
Disposals	47	-	-	-	**47**
Impairment	(100)	-	-	-	**(100)**
As at 31 December 2012	**(3,395)**	**(8,590)**	**(8,775)**	**(9,360)**	**(30,120)**
Net book value					
As at 31 December 2012	**2,168**	**2,449**	**3,127**	**18,639**	**26,383**
As at 31 December 2011	2,883	2 051	3,755	16 417	**25,106**

Included in the table is an impairment of £100,000 (2011 £9 360,000) and amortisation of £25 000 (2011 £58 000) which relate to discontinued operations Full disclosure on discontinued operations can be found in note 25

Impairment tests for goodwill

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

	31 December 2012 £'000s	31 December 2011 £'000s
Business Information	18,639	16 417
	18,639	**16,417**

Business Information

The Group tests goodwill 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

	2012 £'000s	2011 £'000s
Increase in sales (for years 1 to 5)	3 00%	3 00%
Increase in costs (for years 1 to 5)	3 00%	3 00%
Discount rate	7 99%	10 12%
Terminal growth rate	2 25%	3 00%

The key assumptions are based upon management s historical experience and future plans

Business Information

The value in use of goodwill and intangibles has been assessed as at 31 December 2012 Based upon the current forecasts for Business Information no impairment has been highlighted The recoverable amount exceeds the Group s net assets by £64 0 million Management has performed sensitivity analysis on the value in use calculations An impairment of the goodwill would occur if revenue only grew by 0 8% in each of the next five years whilst at the same time costs increased by 3%

Management believe the 3% revenue growth assumption is a fair assessment of the Group s future growth prospects Organic growth, in each of the last two years has exceeded this level The discount rate would need to be increased to 22% before impairment is indicated

B2C digital marketing

The carrying value of goodwill and intangibles had been assessed as at 30 June 2012 At which time, the intangibles relating to the B2C digital marketing segment was made up of £0 1 million of software Given the discontinuation of the email marketing division on 1 April 2012, no future cash inflows would be generated on those assets Therefore the £0 1 million of software was written off and an impairment charge was recognised within discontinued operations

Amortisation

Amortisation is accounted for within the administrative costs category within the income statement

12 Property, plant and equipment

	Fixtures, fittings & equipment £'000s	Motor vehicles £'000s	Total £'000s
Cost			
As at 1 January 2011	3,292	15	**3,307**
Additions	573	-	**573**
Disposals	(136)	-	**(136)**
As at 31 December 2011	3,729	15	**3,744**
Additions	207	-	**207**
Disposals	(444)	-	**(444)**
As at 31 December 2012	**3,492**	**15**	**3,507**
Depreciation			
As at 1 January 2011	(1,432)	(15)	**(1,447)**
Charge for the year	(721)	-	**(721)**
Disposals	136	-	**136**
As at 31 December 2011	(2,017)	(15)	**(2,032)**
Charge for the year	(746)	-	**(746)**
Disposals	435	-	**435**
As at 31 December 2012	**(2,328)**	**(15)**	**(2,343)**
Net book value			
As at 31 December 2012	**1,164**	**-**	**1,164**
As at 31 December 2011	1 712	-	1 712

Included in the table above is depreciation of £14 000 (2011 £12 000) in relation to discontinued operations

13 Derivative assets and liabilities

	31 December 2012 £ 000s	31 December 2011 £'000s
Short-term derivative liabilities		
Foreign exchange collar	18	54
	18	**54**

Classification is based on when the collar matures The fair values of derivatives are expected to impact the income statement over the next year, dependant on movements in the fair value of the foreign exchange contracts The movement in the year was £36,000 (2011 £195,000)

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 €'000s	US dollar US$'000s
31 March 2013	3,000	3 000

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

	Upper rate	Lower rate
USD dollar	1 5480	1 6300
Euro	1 2800	1 2190

14 Inventories

	31 December 2012 £ 000s	31 December 2011 £'000s
Work in progress	180	79
	180	**79**

15 Trade and other receivables

	31 December 2012 £'000s	31 December 2011 £'000s
Trade receivables	13,396	12,296
Prepayments and accrued income	1 564	2 270
Other debtors	1,620	601
Related party receivables (note 27)	774	2,371
	17,354	**17,538**

The contractual value of trade receivables is £15 5 million (2011 £14 1 million) Their carrying value is deemed to be £13 4 million (2011 £12 3 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

	31 December 2012 £'000s	31 December 2011 £'000s
Not overdue	10 520	10,359
Not more than 3 months overdue	2,450	1 794
More than 3 months but not more than 1 year	426	143
	13,396	**12,296**

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

	31 December 2012 £'000s	31 December 2011 £'000s
Pounds Sterling	9,974	8,779
US Dollar	3,271	1 698
Euro	2 265	3,606
	15,510	**14,083**

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

	£'000s
At 31 December 2011	1,787
Provision for receivables impairment	330
Receivables written off during the period as uncollectable	(3)
At 31 December 2012	**2,114**

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 2012 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

16 Deferred income tax

	31 December 2012 £'000s	31 December 2011 £'000s
Balance brought forward	1,128	753
Credited to profit and loss account	1 057	481
Deferred tax recognised directly in reserves in relation to share based payments	304	-
Change in rate	(162)	(106)
Balance carried forward	**2,327**	**1,128**
The provision for deferred taxation consists of the tax effect of temporary differences in respect of		
Intangible assets purchased	217	(248)
Excess of tax allowances over depreciation on fixed assets	269	89
Other temporary differences	-	(124)
Deferred tax on share based payments	783	-
Trading losses	1,058	1 411
Balance carried forward	**2,327**	**1,128**
Deferred tax assets	2 327	1 500
Deferred tax liabilities	-	(372)

As at 31 December 2012, the utilisation of the deferred tax asset relating to tax losses is dependent on future taxable profits of approximately £4 3 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 2012 the Group has unrecognised potential deferred tax assets of £1 3 million This consisted of £0 1 million of temporary differences and £1 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 2012 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

17. Trade and other payables

	31 December 2012 £'000s	31 December 2011 £'000s
Trade payables	7 623	8 380
Other taxation and social security	2 635	1,403
Accruals and deferred income	15,016	15,438
	25,274	**25,221**

18. Borrowings

	31 December 2012 £'000s	31 December 2011 £'000s
Current		
Bank overdraft	-	1 290
Loans due within one year	500	3,517
	500	**4,807**
Non-current		
Long-term loans	**5,767**	**19,936**

Outstanding loans consist of two facilities provided by the Royal Bank of Scotland which were issued in 2011 Of the Royal Bank of Scotland loans £0 5 million is due for repayment within the year

Current
The Group currently has a £3 0 million overdraft facility which was not drawn down upon at 31 December 2012 Interest is charged on the overdraft at 2 5% over the London Interbank Offered Rate

There is £0 5 million outstanding on the £6 million term loan issued by The Royal Bank of Scotland all of which is due within one year

Non-current
£12 million loan provided by The Royal Bank of Scotland

In October 2011, the Group refinanced its debt position A £6 0 million term loan and a £6 0 million revolving capital facility were issued by The Royal Bank of Scotland

As part of the Placing (discussed in note 22) £4 0 million of the term loan was repaid to The Royal Bank of Scotland pursuant to the banking agreement A further £1 5 million was repaid on 15 October 2012 in accordance with the original repayment terms No penalties were incurred on the £4 0 million early repayment

As at 31 December 2012, £0 5 million of the term loan and £6 0 million revolving capital facility were outstanding £0 5 million of the term loan is due for repayment in October 2013 and as such has been classified as a short-term liability Interest is charged on the outstanding loans at a rate of 2 75% over the London Interbank Offered Rate

Also, as part of the Placing (discussed in note 22) Mike Danson converted £8 0 million of his £9 8 million interest free loan into equity The remaining £1 8 million was used to settle an amount owed by World Market Intelligence, a company wholly owned by Mike Danson

Non-current borrowings can be reconciled as follows

	31 December 2012 £'000s	31 December 2011 £'000s
RCF issued by The Royal Bank of Scotland	6,000	6,000
Term loan issued by The Royal Bank of Scotland	-	4,500
Interest free loan from Mike Danson	-	9,768
Capitalised fees, net of amortised amount	(233)	(332)
	5,767	**19,936**

19 Financial assets and liabilities

The Group is exposed to foreign currency, interest rate, liquidity credit and market 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

31 December 2012	Fair value (through profit or loss) £'000s	Loans and receivables £'000s	Amortised cost £'000s	Total £'000s
Current assets				
Cash	-	12,497	-	**12,497**
Trade receivables	-	13,396	-	**13,396**
Other debtors	-	1,620	-	**1,620**
Related party debtors	-	774	-	**774**
	-	**28,287**	**-**	**28,287**
Current liabilities				
Trade accounts payable	-	-	(7,623)	**(7,623)**
Short-term derivative liabilities	(18)	-	-	**(18)**
Short-term debt	-	-	(500)	**(500)**
Accruals	-	-	(2,888)	**(2,888)**
	(18)	**-**	**(11,011)**	**(11,029)**
Non-current liabilities				
Long-term debt		-	(5,767)	**(5,767)**
	-	**-**	**(5,767)**	**(5,767)**

31 December 2011	Fair value (through profit or loss) £ 000s	Loans and receivables £'000s	Amortised cost £'000s	Total £ 000s
Current assets				
Cash	-	2 252	-	**2,252**
Trade receivables	-	12,296	-	**12,296**
Other debtors	-	601	-	**601**
Related party debtors	-	2,371	-	**2,371**
	-	**17,520**	**-**	**17,520**
Current Liabilities				
Trade accounts payable	-	-	(8,380)	**(8,380)**
Short-term derivative liabilities	(54)	-	-	**(54)**
Short-term debt	-	-	(4 807)	**(4,807)**
Accruals	-	-	(3,747)	**(3,747)**
	(54)	**-**	**(16,934)**	**(16,988)**
Non-current liabilities				
Long-term debt	-	-	(19 936)	**(19,936)**
	-	**-**	**(19,936)**	**(19,936)**

Maturity analysis

The short-term derivatives are contracted to March 2013 As at 25 February 2013 no further repayments have been made of the short-term debt The long-term debt s contractual features are detailed in note 18 and it is not expected that those loans will be repaid within a year or until replaced with equivalent debt or equity financing The debt shown in the table below is inclusive of the projected interest payments in accordance with IFRS 7 (Interest on short-term debt £10,888 and interest on long-term debt £555 263)

	Less than 1 month £'000s	1 to 3 months £'000s	3 months to 1 year £'000s	1 to 5 years £'000s	Total £'000s
Derivative liabilities					
Short-term derivative liabilities	(2)	(16)	-	-	**(18)**
Non-current liabilities					
Short-term debt	-	-	(511)	-	**(511)**
Long-term debt	-	-	-	(6,555)	**(6,555)**
Trade accounts payable	(2,564)	(5,059)	-	-	**(7,623)**
Accruals	-	(2 888)	-	-	**(2,888)**
	(2,566)	**(7,963)**	**(511)**	**(6,555)**	**(17,595)**

Reclassifications
There have been no reclassifications between financial instrument categories during the years ended 31 December 2012 and 31 December 2011

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 2012 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

As at 31 December 2012 the only financial instruments measured at fair value were derivative financial liabilities and these are classified as Level 2

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

31 December 2012	USD £'000s	EUR £'000s	Other £'000s	Total £'000s
Exposures				
Cash	223	363	137	**723**
Trade receivables	3,271	2 264	-	**5,535**
Trade accounts payable	(180)	(14)	-	**(194)**
Short-term derivative liabilities	3	(21)	-	**(18)**
Net balance sheet exposure	**3,317**	**2,592**	**137**	**6,046**

31 December 2011	USD £'000s	EUR £'000s	Other £'000s	Total £'000s
Exposures				
Cash	558	764	198	**1,520**
Trade receivables	1,698	3,606	-	**5,304**
Trade accounts payable	(431)	(71)	-	**(502)**
Short-term derivative liabilities	(74)	20	-	**(54)**
Net balance sheet exposure	**1,751**	**4,319**	**198**	**6,268**

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 2012 a movement of 10% in Sterling would impact the income statement as detailed in the table below

	10% decrease		10% increase	
	2012 £'000s	2011 £'000s	2012 £'000s	2011 £'000s
Impact on Net earnings before income tax				
USD	(434)	(42)	207	83
EUR	(278)	(212)	237	225
	(712)	**(254)**	**444**	**308**

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 £6 5 million in outstanding loans to The Royal Bank of Scotland 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 profit before tax based on the additional interest expense for the year then ended

	100 basis point decrease		100 basis point increase	
	2012 £'000s	2011 £'000s	2012 £'000s	2011 £'000s
Impact on				
Net earnings before income tax	65	140	(65)	(140)

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 £3 0 million overdraft facility none of which was utilised at 31 December 2012 (2011 £1 3 million)

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

At 31 December 2012 the Group has £6 5 million of loans outstanding with The Royal Bank of Scotland divided into

- A term loan facility of £0 5 million, which is repayable in October 2013
- A revolving credit facility of £6 million repayable by 2015

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, including credit checking prior to contracts being signed The Group's financial instruments do not have significant concentration of risk with any related parties

£28 3 million of the Group s assets are subject to credit risk (31 December 2011 £15 7 million) The Group does not hold any collateral over these amounts See note 15 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 administrative costs 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

20 Provisions

The movement in the provisions is as follows

	Onerous leases £'000s	Dilapidations £'000s	Other £'000s	Total £'000s
At 1 January 2011	1,868	475	468	**2,811**
Increase in provision	220	59	224	**503**
Utilised	(588)		(468)	**(1,056)**
Release of unutilised provision	(139)	(141)	-	**(280)**
At 31 December 2011	**1,361**	**393**	**224**	**1,978**
Increase in provision	34	57	211	**302**
Utilised	(482)	4	(201)	**(679)**
Release of unutilised provision	(257)	-	-	**(257)**
At 31 December 2012	**656**	**454**	**234**	**1,344**
Current	364	67	234	**665**
Non-current	292	387	-	**679**

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 and this has then been discounted using a discount rate of 2% 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

21 Operating lease commitments

As at 31 December 2011 the Group had outstanding commitments for future minimum lease payments under non-cancellable leases, which fell due as follows

	31 December 2012 £'000s	31 December 2011 £'000s
Land and buildings		
Within 1 year	2,527	2,633
Within 2 to 5 years	7,601	8,334
Over 5 years	24 801	27 123
	34,929	**38,090**
Other		
Within 1 year	39	94
Within 2 to 5 years	80	72
	119	**166**

The Group sub-lets certain areas of its property portfolio As at 31 December 2012, the Group had contracts with sub-tenants for the following future minimum lease rentals

	31 December 2012 £'000s	31 December 2011 £'000s
Land and buildings		
Within 1 year	735	471
Within 2 to 5 years	1,014	644
Over 5 years	641	-
	2,390	**1,115**

22. Equity

Share capital	31 December 2012 £'000s	31 December 2011 £'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	31 December 2012		31 December 2011	
	No '000s	£'000s	No '000s	£'000s
Ordinary shares at 1 January (£0 0001)	376,492	107	376 492	107
Issued in the year	155,556	15	-	-
Transfer to share premium	-	(69)	-	-
Ordinary shares c/f 31 December	532,048	53	376,492	107
Deferred shares of £1 00 each	**100**	**100**	**100**	**100**
	532,148	**153**	**376,592**	**207**

Capital management

The Group's capital management objectives are

- to ensure the Group's ability to continue as a going concern
- to fund future growth and provide an adequate return to shareholders and when appropriate distribute dividends

The £20 million share placement (completed on 30 April 2012) coupled with the proposed share consolidation and re-capitalisation will allow the Group to re-engineer its balance sheet to one more fitting with its needs In doing so, the Group will have a balance sheet which will support further acquisitions and a capital structure which will when appropriate, allow the Group to distribute dividends to our diverse investor base Further details will be set out in a circular to be published in April

As shown above during the year the Group issued 155,555,555 ordinary shares with a nominal value of £15 556 which were subscribed for at a price of 18 pence per share The gross consideration for this subscription was £28 0 million

The issue of 111 111 111 shares was a result of the placing of Ordinary shares by Singer Capital Markets (the "Placing), which raised gross funds of £20 million The Directors intend that the net proceeds will be used to fund growth opportunities and in particular to finance complementary acquisitions in the Business Information market As part of the banking agreement with The Royal Bank of Scotland £4 million of the funds were used to repay borrowings

Simultaneously with the Placing, the Chairman Mike Danson entered into a capitalisation agreement to convert £8 0 million of a non-interest bearing loan of £9,768,871 into 44,444,444 ordinary shares at the Placing price of 18 pence per share

Following the Placing and the Capitalisation Mike Danson s shareholding in the Group is 67 72% (31 December 2011 83 89%)

Details of employee share schemes are set out in note 23 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.

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

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 UK Corporate Governance 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

The disclosures above are for both the Group and the Company

Other reserves

Other reserves consist of a reserve created upon the reverse acquisition of the TMN Group plc

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

23 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 vesting 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 The fair values of options granted were determined using the Black-Scholes model and takes into account factors specific to the share option plan, such as the vesting period

The following assumptions were used in the valuation

Award tranche	**Award 1**	**Award 2**	**Award 3**
Grant date	1 January 2011	1 August 2011	1 May 2012
Fair value of option at date of grant	£0 1525	£0 1850	£0 2612
Volatility	15%	0%	0%
Weighted average of remaining contractual life	4 67	4 67	3 67

The volatility assumption is based upon management's expectation over the number of options that will lapse over the vesting period The assumptions were determined when the scheme was set up in 2011 and are reviewed annually Management believe the current assumptions to be reasonable based upon rate of lapsed options

The total charge recognised for the scheme during the twelve months to 31 December 2012 was £828 907 (2011 £1,157,169) The awards of the scheme are settled with ordinary shares of the Company No options were exercised during the twelve months to 31 December 2012

Information regarding options granted under the share option scheme is as follows

	Option price (pence)	**Number of options**
31 December 2011	0 01	35,745,000
Granted	0 01	7 060 000
Forfeited	0 01	(7 582 500)
31 December 2012	**0 01**	**35,222,500**

The following table summarises the Group s share options outstanding at 31 December 2012

Period granted	**Options outstanding**	**Option price (pence)**	**Remaining life (years)**
1 January 2011 – 31 December 2011	35 745,000	0 01	3 7
1 January 2012 – 31 December 2012	35,222 500	0 01	4 3

No options are currently exercisable

24 Capital commitments

There were no capital commitments at 31 December 2012 (2011 £nil)

25 Discontinued operations

On 1 April 2012 the Group made the decision to close the TMN email marketing business unit, including the TMN, EDR and TAPPS businesses The TMN email marketing division formed part of the Group's B2C Digital Marketing division Therefore, pursuant to the provisions of IFRS 5 the operation has been classified as discontinued

a) The results of the discontinued operation are as follows

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Discontinued operations		
Revenue	(566)	3,931
Cost of sales	(675)	(2,819)
Gross (loss)/ profit	**(1,241)**	**1,112**
Administrative costs	(737)	(1,058)
Other expenses	(125)	(9,410)
Operating loss from discontinued operations	**(2,103)**	**(9,356)**
Finance costs	(6)	(14)
Loss before tax from discontinued operations	**(2,109)**	**(9,370)**
Income tax credit	295	19
Loss for the period from discontinued operations	**(1,814)**	**(9,351)**

b) Loss before tax

This is arrived at after charging	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Depreciation	14	12
Amortisation of intangible assets	-	8
Amortisation of acquired intangibles	25	50
Impairment of intangible asset	100	9,360

c) Cash flows from discontinued operations

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £ 000s
Cash flows from operating activities	(1,306)	348
Cash (outflows)/ inflows from discontinued operations	**(1,306)**	**348**

26 Acquisitions

Kable

On 2 July 2012 the Group acquired the business and assets of Kable for cash consideration of £2,300,000 Kable is one of the UK's leading providers of technology expenditure intelligence. Kable provides business information, tactical intelligence, research analysis and consultancy to a number of the UK s leading blue chip companies Kable is a good strategic fit business It is a subscription based business information company providing Business Intelligence on technology expenditure Furthermore, Kable's product set can be extended to additional geographies, developed for adjacent verticals and has, since acquisition, been able to leverage our operational infrastructure to increase both revenues and margin

The Group incurred legal costs of £17,000 in relation to the acquisition, which were recognised in other expenses (note 5)

The amounts recognised for each class of assets and liabilities at the acquisition date were as follows

	Carrying Value	Fair Value Adjustments £'000s	Fair Value £'000s
Intangible assets consisting of			
Software	-	135	135
Customer relationships	-	705	705
Net liabilities acquired	(762)	-	(762)
Net assets acquired	**(762)**	**840**	**78**

Cash consideration	2,300
Less net assets acquired	(78)
Goodwill	**2,222**

27 Related party transactions

Mike Danson, Progressive Digital Media Group's Chairman, owns 67 72% of the Company's ordinary shares as at 25 February 2013 Mike 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 property 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 Mike 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 ended 31 December 2012 was £2 251 600 net of a recharge of £391 700 to the other companies occupying the buildings (2011 £2 124,227 net of a recharge of £400 374 to the other companies occupying the buildings)

Corporate support services

Corporate support services are provided to the other companies owned by Mike 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 ended 31 December 2012 was £1 284 400 (2011 £1 257 366)

Revenue Licence Agreement

During the year Progressive Digital Media Group continued a licensing agreement with World Marketing Intelligence Ltd ("WMI') a company wholly owned by Mike Danson, to sell WMI s Construction Intelligence Center ("CIC") content through the Group s own websites

Under the terms of the agreement, 20% of revenue generated from the sale of CIC content is payable to WMI The total revenue recognised in Progressive Digital Media Group for 2012 is £0 4 million (2011 £0 3 million)

Loans

During the year the Group had the following loan transactions with Mike Danson the Group s executive chairman and majority shareholder

- At 31 December 2011 the Group held a non-interest bearing loan of £9,768,871 with Mike Danson On 30 April 2012, Mike Danson entered into a capitalisation agreement to convert £8 million of a non-interest bearing loan of £9 768,871 into 44,444,444 ordinary shares at the Placing price of 18 pence per share The remaining £1,768 871 was used to settle balances due from World Market Intelligence Limited a company wholly owned by Mike Danson
- On 31 October 2012 Mike Danson agreed that the remaining £2 million owed to him in respect of the loan used to acquire Canadean Limited could be used to settle balances owed from World Market Intelligence Limited

As at 31 December 2012, there were no loans outstanding due to the chairman

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 Mike Danson, were

	31 December 2012 £'000s	31 December 2011 £ 000s
Global Data Ltd	(99)	(11)
Global Data Publications Inc	28	-
World Marketing Intelligence Ltd	2,250	4,515
New Statesman Ltd	2,337	1 916
Estel Investments Ltd	-	3
Progressive Media International Ltd	490	404
Estel Property Investments Ltd	(5 409)	(4,958)
Elite Ltd	522	314
Spears Ltd	276	184
Progressive Media Publishing Ltd	2	-
Progressive Innovations Ltd	(3)	-
Progressive Global Media Ltd	13	-
Progressive Customer Publishing Ltd	367	4
	774	**2,371**

The company 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 Subsid (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%	Media
Progressive Digital Media Pty Ltd	Australia	Ordinary shares	100%	Media
Progressive Digital Media Inc	United states of America	Ordinary shares	100%	Media
Progressive Digital Media Pvt Ltd	India	Ordinary shares	100%	Media
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 2012 which comprise the company statement of financial position, the company statement of changes in equity, the company 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 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 set out on page 9 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 2012
- 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 2012

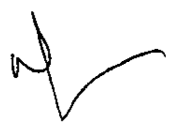
Mark Henshaw
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
25 February 2013

Company Statement of Financial Position

As at 31 December 2012

	Notes	31 December 2012 £'000s	31 December 2011 £'000s
Non-current assets			
Property, plant and equipment	5	381	476
Intangible assets	4	298	244
Investments	6	49 453	48 624
		50,132	**49,344**
Current assets			
Trade and other receivables	7	26,096	6 576
Cash and cash equivalents		8 710	387
		34,806	**6,963**
Total assets		**84,938**	**56,307**
Current liabilities			
Trade and other payables	8	(20,862)	(16 234)
Bank overdraft	10	-	(1,290)
Short-term derivatives		(18)	(54)
Short-term borrowings	10	(500)	(3,517)
		(21,380)	**(21,095)**
Non-current liabilities			
Long-term provisions	9	(56)	(56)
Long-term borrowings	10	(5 767)	(10 167)
Current tax payables		-	(4)
		(5,823)	**(10,227)**
Total Liabilities		**(27,203)**	**(31,322)**
Net assets		**57,735**	**24,985**
Equity			
Share capital		153	207
Share premium account		71,393	44 282
Other reserve		7 174	7,174
Share based payment		1 986	1 157
Retained loss		(22,971)	(27 835)
Equity attributable to equity holders		**57,735**	**24,985**

These financial statements were approved by the board of directors on 25 February 2013 and signed on its behalf by



Michael Danson
Chairman

Simon Pyper
Managing 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 based payment reserve	Retained loss	Total equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 January 2011	**207**	**44,282**	**7,174**	**-**	**(10,766)**	**40,897**
Loss for the year	-	-	-	-	(17 069)	(17 069)
Transactions with owners						
Share based payment	-	-	-	1,157	-	1 157
Balance at 31 December 2011	**207**	**44,282**	**7,174**	**1,157**	**(27,835)**	**24,985**
Profit for the year	-	-	-	-	4,864	4 864
Transactions with owners						
Issue of share capital	15	27,042	-	-	-	27 057
Share based payment	-	-	-	829	-	829
Transfer between reserves	(69)	69	-	-	-	-
Balance at 31 December 2012	**153**	**71,393**	**7,174**	**1,986**	**(22,971)**	**57,735**

The accompanying notes form an integral part of this financial report

Company Cash Flow Statement

	Year ended 31 December 2012 £'000s	Year ended 31 December 2011 £'000s
Cash flows from operating activities		
Profit/ (loss) after taxation	4,864	(17 069)
Adjustments for		
Depreciation	159	106
Amortisation	191	96
Impairment	-	10,277
Finance expense	468	434
Taxation recognised in profit or loss	(4)	155
Movement in provision	-	(94)
Revaluation of derivatives	(36)	54
Decrease/ (Increase) in trade and other receivables	1,382	(1 498)
(Decrease)/ Increase in trade and other payables	(9)	529
Cash generated/ (used) by operations	**7,015**	**(7,010)**
Interest paid	(313)	(98)
Net cash from operating activities	**6,702**	**(7,108)**
Cash flows from investing activities		
Purchase of property plant and equipment	(64)	(463)
Purchase of intangible assets	(245)	(235)
Net cash from investing activities	**(309)**	**(698)**
Cash flows from financing activities		
Proceeds from capitalisation of subsidiary loans	8,000	-
Proceeds from share placing	19,057	-
Proceeds from long-term borrowings	-	11 667
Repayment of long-term borrowings	(7,500)	(6,500)
Net (outflow)/ inflow from inter-company loans	(16,337)	2 737
Net cash from financing activities	**3,220**	**7,904**
Net increase in cash and cash equivalents	**9,613**	**98**
Cash and cash equivalents at beginning of period	(903)	(1,001)
Cash and cash equivalents at end of period	**8,710**	**(903)**

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

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 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 profit for the year ended 31 December 2012 is £4 9 million (year ended 31 December 2011 loss £17 1 million)

b) Change to accounting policies
This report has been prepared based on the accounting policies detailed in the Group's financial statements for the year ended 31 December 2012 and is consistent with the policies applied in the previous year

c) 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

Where there is an indication of impairment, 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

d) 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

e) Investments
Fixed asset investments are stated at cost less any provision for impairment

f) 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 substantively 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

g) Foreign currencies
The results are presented 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

h) 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

i) 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

j) 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

k) Financial instruments
The company has 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 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

The Company 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

l) Trade and other payables
Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method

m) Borrowings and borrowing costs
Borrowings are recognised initially at fair value, net of transaction costs incurred and subsequently at amortised cost Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date

Borrowing costs, being interest and other costs incurred in connection with the servicing of borrowings are recognised as an expense when incurred

n) Share based payments
The Group operates a share based compensation plan under which the entity receives services from employees as consideration for equity instruments (options) in Progressive Digital Media Group plc (the Company) The Company does not directly employ those participating in the share based payments plan and are employed by other Group companies The issue of share incentives by the Company to employees of its subsidiaries represents additional capital contributions An addition to the Company's investment in Group undertakings is reported with a corresponding increase in shareholders' funds

3 Dividends
No dividend has been recommended for the year (December 2011 £nil)

4 Intangible assets

	Computer software £'000s
Cost	
As at 31 December 2010	492
Additions	235
As at 31 December 2011	727
Additions	245
As at 31 December 2012	**972**
Amortisation	
As at 31 December 2010	387
Charge for the year	96
As at 31 December 2011	483
Charge for the year	191
As at 31 December 2012	**674**
Net book value	
As at 31 December 2012	**298**
As at 31 December 2011	244

5. Property, plant and equipment

	Computer equipment £'000s
Cost	
As at 31 December 2010	547
Additions	463
As at 31 December 2011	1 010
Additions	64
As at 31 December 2012	**1,074**
Depreciation	
As at 31 December 2010	428
Charge for the year	106
As at 31 December 2011	534
Charge for the year	159
As at 31 December 2012	**693**
Net book value	
As at 31 December 2012	**381**
As at 31 December 2011	476

6 Investments

	Group undertakings £'000s	Total £'000s
Cost		
As at 31 December 2010	57 744	57,744
Share based payments to employees of subsidiaries	1,157	1 157
As at 31 December 2011	58,901	58 901
Share based payments to employees of subsidiaries	829	829
As at 31 December 2012	**59,730**	**59,730**
Depreciation		
As at 31 December 2012 and 2011	**(10,277)**	**(10,277)**
Net book value		
As at 31 December 2012	**49,453**	**49,453**
As at 31 December 2011	48,624	48,624

Share-based payments to employees of subsidiaries
The issue of share incentives by the Company to employees of its subsidiaries represents additional capital contributions An addition to the Company's investment in Group undertakings is reported with a corresponding increase in shareholders' funds

7. Trade and other receivables

	31 December 2012 £'000s	31 December 2011 £'000s
Prepayments and accrued income	997	780
Other receivables	65	241
Amounts owed by group undertakings	23,978	3,076
Amounts owed by related parties	1,056	2 280
Other taxation and social security	-	199
	26,096	**6,576**

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

8 Trade and other payables

	31 December 2012 £'000s	31 December 2011 £ 000s
Trade payables	374	863
Other taxation and social security	73	-
Accruals and deferred income	283	841
Amounts owed to group undertakings	18 707	14 142
Amounts owed to related parties	1,425	388
	20,862	**16,234**

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

9 Provisions

	Dilapidations £'000s	Total £'000s
At 31 December 2012 and at December 2011	**56**	**56**
Current		
Non-current	56	56

10 Borrowings

	31 December 2012 £'000s	31 December 2011 £'000s
Current		
Bank overdraft	-	1 290
Loan due within one year	500	3,517
	500	**4,807**
Non current		
Long-term loan	5 767	10 167
Total	**6,267**	**14,974**

Outstanding loans consist of two facilities provided by The Royal Bank of Scotland, which were issued in 2011 Of The Royal Bank of Scotland loans £0 5 million is due for repayment within the year

Current
The Group currently has a £3 million overdraft facility which was not drawn down upon at 31 December 2012 Interest is charged on the overdraft at 2 5% over the London Interbank Offered Rate

There is £0 5 million outstanding on the £6 million term loan issued by The Royal Bank of Scotland all of which is due within one year

Non-current
£12 million loan provided by The Royal Bank of Scotland

In October 2011, the Group refinanced its debt position A £6 million term loan and a £6 million revolving capital facility were issued by The Royal Bank of Scotland

As part of the Placing (discussed in note 22 of the Group accounts) £4 million of the term loan was repaid to The Royal Bank of Scotland pursuant to the banking agreement A further £1 5 million was repaid on 15 October 2012 in accordance with the original repayment terms

11 Financial assets and liabilities

The company'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 2012				
Current assets	-			
Cash	-	8,710	-	**8,710**
Other receivables	-	65	-	**65**
Amounts owed by group undertakings	-	23,978	-	**23,978**
Amounts owed by related parties	-	1,056	-	**1,056**
		33,809	-	**33,809**
Current liabilities				
Trade accounts payable	-	-	(374)	**(374)**
Accruals	-	-	(283)	**(283)**
Amounts owed to group undertakings	-	-	(18,707)	**(18,707)**
Amounts owed to related parties	-	-	(1 425)	**(1,425)**
Short term derivatives	(18)	-	-	**(18)**
Borrowings	-	-	(500)	**(500)**
	(18)	-	**(21,289)**	**(21,307)**
Non current liabilities				
Borrowings	-	-	(5,767)	**(5,767)**

31 December 2011	Fair Value £000s	Loans and receivables £'000s	Amortised cost £'000s	Total £'000s
Current assets				
Cash	-	387	-	387
Other receivables	-	241	-	241
Amounts owed by group undertakings	-	3,076	-	3,076
Amounts owed by related parties	-	2 280	-	2 280
	-	**5,984**	**-**	**5,984**
Current liabilities				
Bank overdraft	-	-	(1,290)	(1,290)
Trade accounts payable	-	-	(863)	(863)
Accruals	-	-	(841)	(841)
Amounts owed to group undertakings	-	-	(14 142)	(14,142)
Amounts owed to related parties	-	-	(388)	(388)
Short term derivatives	(54)	-	-	(54)
Borrowings	-	-	(3 517)	(3,517)
	(54)	**-**	**(21,041)**	**(21,095)**
Non current liabilities				
Borrowings	-	-	(10,167)	**(10,167)**

Maturity analysis

The short-term derivatives are contracted to March 2013 The long-term debt s contractual features are detailed in note 18 of the Group accounts and it is not expected that those loans will be repaid within a year or until replaced with equivalent debt or equity financing The debt shown in the table below is inclusive of the projected interest payments in accordance with IFRS 7 (interest on short-term debt £10 888 and interest on long-term debt £555,263)

	Less than 1 month £ 000s	1-3 months £'000s	3 months to 1 year £'000s	1 to 5 years £'000s	Total £'000s
Derivative liabilities					
Short-term derivative liabilities	(2)	(16)	-	-	**(18)**
Non-current liabilities					
Short-term debt	-	-	(511)	-	**(511)**
Long-term debt	-	-	-	(6,555)	**(6,555)**
Trade accounts payable	-	(374)	-	-	**(374)**
Accruals	-	(283)	-	-	**(283)**
Amount owed to group undertakings	-	-	(18,707)	-	**(18,707)**
Amount owed to related parties	-	-	(1 425)	-	**(1,425)**
	(2)	**(673)**	**(20,643)**	**(6,555)**	**(27,873)**

Reclassifications

There have been no reclassifications between financial instrument categories during the year ended 31 December 2012 and year ended 31 December 2011

The company is part of a cross-guarantee arrangement in relation to the Group s £3 0 million overdraft facility

Please refer to note 19 of the Group accounts on financial assets and liabilities for the Group's exposure to risk

12 Related party transactions

Directors

The remuneration of the directors who are the key management personnel of the Group and company are 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 Mike 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 2012 was £1 284 400 (2011 £1,257,366)

Loans

During the year the Group had the following loan transactions with Mike Danson, the Group's executive chairman and majority shareholder

- At 31 December 2011, subsidiaries within the Group held non-interest bearing loans of £9 768,871 with Mike Danson On 30 April 2012, Mike Danson entered into a capitalisation agreement to convert £8 million of a non-interest bearing loan of £9,768,871 into 44,444,444 ordinary shares in Progressive Digital Media Group plc at the Placing price of 18 pence per share The remaining £1,768,871 was settled against balances due from World Market Intelligence Limited, a company wholly owned by Mike Danson
- On 31 October 2012 Mike Danson agreed to settle the remaining £2 million owed to him in respect of the loan used to acquire Canadean Limited, against balances owed from World Market Intelligence Limited

As at 31 December 2012 there were no loans outstanding due to the chairman

Amounts outstanding to and from related parties

The amounts outstanding for related parties and group undertakings, excluding the loans from Mike Danson, were

	31 December 2012 £'000s	31 December 2011 £ 000s
Amounts owed by group undertakings		
Envoy Limited	49	49
ID Factor Limited	3,496	1,346
Progressive Media Group Limited	16 589	1 018
Progressive Digital Media Limited	3,830	-
SPG Media Group Limited	-	406
Mutual Points Limited	-	94
TAPPS BV	-	157
Progressive Digital Media Inc	6	4
Progressive Digital Media Pty Limited	8	2
	23,978	**3,076**
Amounts owed by related parties		
New Statesman Limited	593	593
Progressive Media International Limited	329	323
Estel Properties Investments No 2 Limited	75	75
World Market Intelligence Limited	-	1,230
Spears Publishing Limited	59	59
	1,056	**2,280**
Amounts owed to group undertakings		
Internet Business Group Limited	(2 338)	(1,303)
Office Solutions Media Limited	(443)	(203)
Dewberry Redpoint Limited	(1,094)	(578)
TMN Media Limited	(5,970)	(5,981)
ICD Research Limited	(1,232)	(768)
Electronic Direct Research Limited	(642)	(504)
Mutual Points Limited	(811)	(972)
SPG Media Group Limited	(4 210)	-
TAPPS BV	(3)	-
Canadean Limited	(1,476)	(996)
SPG Media Group Limited	-	(87)
Progressive Digital Media Limited	-	(2 454)
Progressive Digital Media PVT Limited	(488)	(296)
	(18,707)	**14,142**
Amounts owed to related parties		
Estel Property Investments Limited	(116)	(118)
Estel Property Investments No 3 Limited	(252)	(252)
GlobalData Limited	(38)	-
World Market Intelligence Limited	(972)	-
Elite luxury Publishing Inc	(47)	(14)
Progressive Media Publishing	-	(4)
	(1,425)	**(388)**

Advisers

Company Secretary
Stephen Bradley

Head Office and Registered Office
John Carpenter House
John Carpenter Street
London
EC4Y 0AN
Tel + 44 (0) 20 7936 6400

Nominated Adviser and Broker
Nplus1 Singer Advisory LLP
1 Bartholomew Lane
London
LC2N 2AX

Solicitors
Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Auditor
Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

Registrars
Capita Registrars Limited
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0GA

Bankers
The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

Registered number
Company No 3925319

Progressive
Digital Media Group plc

Head Office and Registered Office
John Carpenter House
John Carpenter Street
London EC4Y 0AN
Tel + 44 (0) 20 7936 6400