

# Asia Digital Holdings PLC

## Annual Report and Accounts 2012

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## chairman's statement

I am pleased to present the Group's final results for the 15 months ended 31 March 2012

### Operational Review

The Group operated two business units during the 15 months to 31 March 2012 DGM and AKTIV, both intermediary operations in the digital advertising space

DGM delivers customers for global brands on a success-based payment model Typically delivery is through websites (or networks of sites) that are willing to promote an advertiser's product on a success fee basis, or through search engines such as Baidu, Google, Bing, Yahoo During the period DGM operated mainly in India, Southeast Asia and China

AKTIV is a digital advertising sales house that represents media owners, selling their advertising space to global agencies, and offering its customers administrative and commercial economies of scale The AKTIV business unit operated mainly in Southeast Asia, and was discontinued in April 2011 as a result of persistent losses

### Review of Trading

The Group's continuing operations, mainly the DGM operations in Singapore and China, showed a material increase in gross margin to 37%, up from 18% in the previous reporting period As a result, the continuing operations delivered a gross profit of £0.61 million during the financial period (year to 31 December 2010 £0.56 million) This is in spite of a material reduction in revenues to £1.67 million (year to 31 December 2010 £3.09 million)

In an increasingly competitive environment our operations in India showed growth in sales and profitability leveraging a strong market position The operation delivered consistently positive contributions through the reporting profit Notwithstanding the absence of incremental investment, the India was the only operation to deliver a positive contribution during the period at £0.25 million (year to 31 December 2010 £0.02 million)

Under a new managing director, DGM Singapore made progress in client wins including CMC Markets, Far East Hospitality Group as well as affiliate marketing appointments for The Economist and Expedia However, whilst the operation achieved an improved market positioning, it continued to be loss making

Progress in China has been much slower and more strategically challenging than expected since the establishment of the Company office there in 2010 Throughout 2010 and early 2011, the Group operated in China with one or two members of staff, predominantly servicing the Dell account The Board was confident that the Dell business could grow on the back of a significantly increased budget and targets for 2012 leading to a self funded expansion of that office Unfortunately that failed to materialise Accordingly, the operation was discontinued in June 2012

### Working Capital

The Group's overheads have been kept under control as a result of material cost savings achieved and reported previously Administrative expenses from continuing operations for the period showed a material reduction to £1.71 million (year to 31 December 2010 £3.01 million) The overall cost savings were predominantly driven by a reduction in central costs to £0.80 million for the period (year to 31 December 2010 £2.25 million)

The material reduction in the central cost base as well as marginal operational improvements, led to a material reduction in the loss from continuing operations to £1.14 million (year to 31 December 2010 £2.79 million) However, the net trading loss in the period has led to further deterioration of the working capital position during the period

As a result the Board announced in December 2011 that it would complete a strategic review The Board concluded that the operations of the Group have been materially constrained by an inability to grow the businesses by investing in technology, the operating teams and the marketing of ADH's business offerings

In the absence of the required funding to finance the growth of the Group's operations to a profitable position, the sale of its more established operations in India and Singapore along with the closure of the Chinese operation would enable the Group to become an investing company and subject to additional funding, pursue acquisitions with the potential to generate a return for shareholders that would not otherwise be the case

## chairman's statement

This strategy was approved at a meeting of the shareholders on 28th May 2012 along with an investment policy to focus on investing in businesses which, in the opinion of the Board possess the opportunity for high growth. The main focus for identifying such businesses will be in the communications, energy, resources, precious metals, commodity trading and infrastructure sectors, in diverse geographic locations including Europe and North America.

### Prospects and Strategy

On 4 April 2012, the Group announced that it had entered into an agreement for the sale of the issued share capital of DGM India and related agreements for a total consideration of Rupees 33,500,000 (approximately £412,409) and on 17 April 2012, it announced that it had entered into a conditional agreement for the sale of the DGM Singapore Assets for a total consideration of US\$250,000 (approximately £158,228). The Group's Chinese operation ceased operations in May 2012.

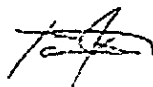
The sale of DGM India completed in July 2012 with all consideration received by 10<sup>th</sup> July 2012.

The DGM Singapore assets transaction completed in June 2012 with all consideration received by 30<sup>th</sup> June 2012.

The balance sheet of the Group, though improved by receipt of the above consideration, will require further funding to execute its investment policy.

In order to enable the Group to execute its investment policy, the Directors are endeavouring to seek additional long term funding.

The Board would like to express its gratitude to the shareholders and staff who have supported us during the period, and would like to emphasise our commitment to delivering shareholder value.



**David Lees**

**Chairman**

*2 November 2012*

## directors and advisers

**David Lees, ACA**

***Non-Executive Chairman***

David is a qualified chartered accountant with many years' experience in the public company arena. He has been a founding director of several public companies (such as Medeva Plc, SkyePharma Plc and Names.co Internet Plc) and a director of many other successful companies. He is currently a director of Kea Petroleum plc, Metis Biotechnologies Plc, Network Estates Limited and Accident Exchange Group Plc.

**Adrian Moss, ACA**

***Chief Executive Officer***

From a Pricewaterhouse accountancy background, Adrian founded a digital advertising business in Europe in 1999, launching the UK's first affiliate network provider. In 2003 he extended the company's offering by launching a banner advertising network and a search engine marketing business. The business reverse acquired leading Search Engine Marketing specialist Ibbotson PLC to obtain its listing on the London Stock Exchange in 2003.

**Keith Lassman, LLB, MSI**

***Non-Executive Director***

Keith is a senior partner in the corporate finance department of London law firm, Howard Kennedy. Keith brings considerable experience to the Board in a broad range of corporate finance transactions including acquisitions, disposals and capital raising. He is also a non-executive chairman of Tasty plc (whose shares are traded on AIM), deputy chairman of the EIS Association and a member of the Securities Institute.

### **Directors**

***David Lees***

Non-Executive  
Chairman

***Adrian Moss***

Chief Executive  
Officer

***Keith Lassman***

Non-Executive  
Director  
Company Secretary

### **Registered office**

19 Cavendish Square  
London W1A 2AW

### **Nominated advisers and brokers**

***Northland Capital Partners  
Limited***

*(formerly Astaire Securities plc)*

46 Worship Street  
London EC2A 2EA

### **Registrars**

***Capita Registrars***

The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### **Auditors**

***Grant Thornton UK LLP***

Grant Thornton House  
Melton Street  
Euston Square  
London NW1 2EP

### **Solicitors**

***Howard Kennedy***

19 Cavendish Square  
London W1A 2AW

### **Bankers**

***Barclays Bank plc***

27 Soho Square  
London W1D 3QR

# corporate governance

for the 15 months ended 31 March 2012

The Company is committed to applying the highest principles of corporate governance commensurate with its size

## Compliance

As the Company is listed on AIM, it is not required to comply with the provisions set out in the Combined Code prepared by the Committee on Corporate Governance, nor is it required to comment on its compliance with such provisions

However, the following information is provided, which describes how the principles of corporate governance are applied by the Company

## Directors

The Company supports the concept of an effective Board leading and controlling the Group. The Board is responsible for approving Group policy and strategy and meets regularly. Executive management supplies the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for new Directors and other Directors as necessary.

The Board consists of one Director, who holds a key operational position in the Company, and two Non-Executive Directors, who bring a breadth of experience and knowledge. This provides a balance whereby an individual or small group cannot dominate the Board's decision making. The two Non-Executive Directors have interests in shares of the Company and hold share options, as set out in note 4 to the financial statements. The Non-Executive Directors have each considered their independence in light of the above interests and other business relationships as laid out in note 18 to the financial statements. The Directors and the Board as a whole consider that these factors do not impinge upon their objectivity or independence and so all Non-Executive Directors are considered to be independent from the Group and management.

The Chairman of the Board is David Lees. The Board members are described on page 3 to the financial statements. All Directors are subject to re-election every three years and at the first Annual General Meeting (AGM) after their appointment. The Board has not appointed a Nomination Committee.

## Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It therefore holds regular meetings with its institutional shareholders to discuss objectives.

The AGM is used to communicate with investors and they are encouraged to participate. The Chairman of the Audit and Remuneration Committees is available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution after it has been dealt with by a show of hands.

## Accountability and audit

The Board presents a balanced and understandable assessment of the Group's position and prospects in all interim and price-sensitive reports and reports to regulators, as well as in the information required to be presented by statutory requirements.

The Audit Committee meets as required and comprises David Lees (Chairman) and Keith Lassman, both of whom are independent Non-Executive Directors. The terms of reference of the Committee include keeping under review the scope and results of external audits and their cost effectiveness. The Committee reviews the independence and objectivity of the external auditor. This includes reviewing the nature and extent of non-audit services supplied by the external auditor to the Group, seeking to balance objectivity and value for money.

## Internal controls

The Board is responsible for maintaining a sound system of internal controls to safeguard both the shareholders' investment and the Group's assets.

The Board has reviewed its risk management framework and identified areas where procedures need to be changed or installed.

The Board has considered the need for an internal audit function but has decided that the size of the Group does not justify this at present. However, it will keep the decision under review. The Board has reviewed the operation and effectiveness of the Group's system of internal control for the financial period and the period up to the date of approval of the financial statements.

# corporate governance

for the 15 months ended 31 March 2012

## **Internal controls continued**

The Directors are responsible for the Group's system of internal control and reviewing its effectiveness. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The key features of the Group's system of internal control are as follows:

### ***Steps taken to ensure an appropriate control environment***

The Board, acting through the Audit Committee, has put into place an organisational structure with clearly defined responsibilities for internal financial control.

### ***Process used to identify major business risks and to evaluate their financial implications***

The identification of major business risks is carried out in conjunction with operational management and steps are taken to mitigate or manage these risks where possible.

### ***Major information systems that are in place***

There are comprehensive financial management reporting systems in place, which involve the preparation of detailed annual budgets by the Group and longer-term financial forecasting. The budgets are generated by the responsible member of the management team and passed to the Board for approval. The Board monitors performance against budget on a regular basis.

### ***Main control procedures which address the financial implications of the major business risks***

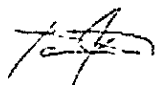
The Group maintains financial controls and procedures appropriate to the business environment conforming to overall standards and guidelines, which are set by the Board.

### ***Monitoring system the Board uses to check the system is operating effectively***

The external auditors review the control procedures to the extent necessary for expressing their audit opinion and report on any weakness arising during the course of their audit work. The Board has reviewed the operation and effectiveness of the Group's system of internal financial control for the financial period and for the period up to the date of the approval of these financial statements.

## **Going concern**

After making appropriate enquiries and considering certain uncertainties (described in page 15 of the financial statements), the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future (in accordance with the Report of the Directors). For this reason, they continue to adopt the going concern basis in preparing the financial statements.



**David Lees**  
**Chairman**

2 November 2012

# report on remuneration

for the 15 months ended 31 March 2012

## **Directors' remuneration**

The Board recognises that Directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Group operates within a competitive environment and its performance depends on the individual contributions of the Directors and employees. It believes in rewarding vision and innovation. The Board has decided to present this remuneration report for shareholder approval so that the shareholders can approve the policy set out in this report.

## **Policy on Executive Directors' remuneration**

The policy of the Board is to provide an executive remuneration package designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this but to avoid paying more than is necessary. The remuneration should also reflect the Directors' responsibilities and include incentives to deliver the Company's objectives. The notice period for termination of the Executive Director's service contract is 12 months.

The Remuneration Committee has responsibility for making recommendations to the Board on the Company's general policy on executive remuneration and also specific packages for individual Directors. It carries out the policy on behalf of the Board.

The membership of the Committee is as follows:

- David Lees (Chairman), and
- Keith Lassman

David Lees and Keith Lassman are independent Non-Executive Directors. Neither of them have any personal financial interest in the matters to be decided (other than as shareholders, share option holders and those disclosed in note 18 to the financial statements), potential conflicts of interest arising from cross-directorships nor any day-to-day involvement in running the business.

The Committee meets as required to determine executive remuneration policy.

## **Main elements of executive remuneration**

There are four main elements of the Executive Director's remuneration package:

- i fees,
- ii annual bonus payments,
- iii share-based payments, and
- iv pension contributions

### **Fees**

The Executive Director's basic salary is reviewed by the Committee. In deciding upon appropriate levels of remuneration, the Committee believes that the Group should offer average levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies, as well as internal factors such as performance.

### **Annual bonus payments**

The Committee establishes the objectives which must be met for a bonus to be paid. A performance related award scheme incorporating audited earnings per share, share price performance and Group profitability has been established which recognises the success of the business for which the Executive Director is responsible. Bonus payments are non-pensionable.

### **Share-based payments**

The interests of Directors in the Company's share options and shares are detailed in notes 4 and 18 to the financial statements.

### **Pension contributions**

All pension entitlements for the Directors are disclosed in note 4 to the financial statements.

## **Non-Executive Directors**

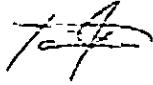
The Board as a whole determines the remuneration of the Non-Executive Directors. Non-Executive Directors do not have contracts of service but letters of appointment.

# report on remuneration

for the 15 months ended 31 March 2012

## **Details of Directors' remuneration**

This report should be read in conjunction with notes 4 and 18 to the financial statements, which also form part of this report. Full details of all elements of the remuneration package of each Director are given in note 4 to the financial statements, together with details of Directors' share interests.



**David Lees**

*Chairman of the Remuneration Committee*

*2 November 2012*

# report of the directors

for the 15 months ended 31 March 2012

The Directors present their report together with the financial statements for the 15 months ended 31 March 2012

## Principal activity

The Group is principally engaged in the provision of online marketing services. The Group became an investment company in July 2012 following the disposal and closure of its then existing operations.

## Business review

A review of the business during the period and an indication of likely future developments are found in the Chairman's statement.

The loss for the financial period after taxation amounted to £920,000 (year to 31 December 2010: £1,339,000 profit). In view of the historic losses and the lack of distributable reserves, the Directors cannot recommend payment of a dividend.

## Future developments

An indication of likely future developments is found in the Chairman's statement in pages 1 to 2.

## Key performance indicators (KPIs)

Measuring performance is integral to the next phase of our strategic growth. Management has selected KPIs to benchmark to the Group's progress. Management considers revenue, gross profit and profit before tax as KPIs in measuring Group performance.

Staff turnover and client retention are non-financial KPIs considered important to the management. Further information on this is available in the Chairman's statement in pages 1 to 2.

## Key trading risks and uncertainties

The Group was subjected to a variety of risks and uncertainties during the 15 months to 31 March 2012. The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. The principal risks during the period and the actions to mitigate them are summarised below:

- the Group's operations were affected by general economic downturns. Forward-looking indicators were regularly reviewed to identify deteriorating market conditions. The cost base was reviewed regularly and there was a management structure in place to enable a rapid response to changing circumstances,
- major customer defaults giving rise to bad debts. Customer credit worthiness was regularly reviewed and the ageing receivables were reported on a regular basis,
- the Group was affected by liquidity, currency and credit risks. Financial risks were managed at Group level as set out in note 17 to the financial statements, and
- the loss of key clients. Management always reviewed the Group's reliance on key clients, and measures to diversify were always explored.

As at July 2012, the Group has no active trading operations. This followed a decision by the Board, which was subsequently approved by shareholders, to dispose or close all operations. The company is now considered an investing company, and the new investment policy was approved by shareholders at a general meeting held on 28 May 2012. The Company is also required to implement the investment policy within 12 months by making an acquisition.

In order to enable the Company to implement its investment policy, the Directors are endeavouring to seek additional long term funding.

## Directors

The Directors of the Company and their interests in the shares of the Company at the start of the period, or when appointed, and at the end of the period, or on resignation, are set out in note 4 to the financial statements.

In accordance with the terms of the Company's Articles of Association, Keith Lassman will retire and will offer himself for re-election at the AGM.

## Payment policy

It is the Group's policy to agree the terms of payment with each supplier whenever it has satisfied that the supplier has provided goods and services in accordance with the agreed terms and conditions. Creditor days at the period end was 121 days (31 December 2010: 132 days) of average supplies for the period.

## Financial risk management objectives and policies

The Directors constantly monitor the financial risks and uncertainties facing the Group with particular reference to the exposure to price, currency, credit, liquidity and cash flow risk. They are confident that suitable policies are in place and that all material financial risks have been considered. More detail is given in note 17 to the financial statements.

# report of the directors

for the 15 months ended 31 March 2012

## Substantial shareholders

At 25 July 2012 the following had notified the Company of disclosable interests in 2% or more of the nominal value of the Company's shares, save for the Directors whose interests are disclosed in note 4 to the financial statements

	Shareholding	%
I-Spire Corporation	1,032,372	13.44
William De Broë	840,576	10.95
JO Hambro Capital Management UK Growth Fund	300,000	3.91
J Dennis	250,000	3.26
Philip Naughton	231,538	3.02

A proposed capital reorganisation was approved at a General Meeting held on 28 May 2012. Further details are available in note 20 to the financial statements. Shareholdings have been restated to reflect the effect of the capital reorganisation.

## Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 1 to 2. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's statement on page 1. In addition, pages 4 to 5 include the Group's objectives, policies and processes for managing its capital, note 17 to the financial statements includes its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risks.

The Group made losses during the 15 months of 31 March 2012 of £920,000 (year to 31 December 2010 £1,339,000 profit). At period end the cash balance (including cash held in the disposal group) was £147,000 (31 December 2010 £538,000), with net liabilities of £879,000 (31 December 2010 £91,000 net assets).

The Group received the final consideration from the disposal of its Australia based subsidiary during the period. The gross consideration received was £663,000. After settling certain costs related to the transaction, the Group received £375,000 which was used to service its ongoing working capital requirements.

The Group also completed the sale of its 20.6% shareholding in DC Storm Limited, a software development company based in the UK, in August 2011. The transaction generated cash resources of £194,500 (£200,000 gross consideration less transaction costs), which provided additional working capital for the Group.

Following a strategic review, which was announced in December 2011, and in the view of the continued working capital difficulties faced by the Group, the Board resolved that it would be in the best interests of shareholders to close the Group's trading operations, and to this end, to dispose of the Group's two main operations, DGM India Internet Marketing Private Limited ("DGM India") and DGM Asia Pacific Private Limited ("DGM Singapore").

The sale of DGM India was completed in July 2012. The net cash generated from the transaction (after transaction costs) was £324,000.

The Group completed the sale of selected assets of DGM Singapore in June 2012 to Flow Digital Private Limited ("Flow Digital"), a subsidiary of Omnicom Media Group. The actual cash received from the transaction was £75,352, after Flow Digital retained certain amounts relating to prepayments made previously to the Group by transferring clients, employee costs relating to transferring employees to be settled by Flow Digital, and certain legal fees settled directly by Flow Digital on behalf of the Group.

In an attempt to improve its net asset position, the Group has also begun the liquidation and closure of certain subsidiaries that are insolvent in Singapore, Hong Kong and China. Once finalised, the liquidations in Asia are expected to result in an improvement in the Group's balance sheet of about £512,000.

# report of the directors

for the 15 months ended 31 March 2012

## Going concern continued

As the effect of the disposal of DGM India and selected assets of DGM Singapore, as well as the closure of the Group's China operation, has been to divest the parent company of its trading businesses and activities, this constitutes a fundamental change of business under Rule 15 of the AIM Rules. As a result, the parent company has been treated as an Investing Company, following the approval of the Investment Policy at a General Meeting held on 28 May 2012 and the completion of the sale of selected assets of DGM Singapore. The Company is now required to implement the Investment Policy, or otherwise make an acquisition or acquisitions which constitute a reverse takeover under Rule 14 of the AIM Rules, within twelve months of obtaining consent from shareholders. In order to enable the Company to execute its investment policy, the Directors are endeavouring to seek additional long term funding.

The Directors have concluded that material uncertainties that cast significant doubt upon the ability of the Company to continue as a going concern exist. Nevertheless, after making enquiries, and considering the uncertainties, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the annual report and accounts.

## Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 and Article 4 of the IAS Regulation. 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.

Insofar as each of the Directors is aware

- there is no relevant audit information of which the Company's auditors are unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

To the best of my knowledge

- the group financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

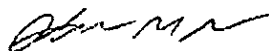
# report of the directors

for the 15 months ended 31 March 2012

## Auditors

Grant Thornton UK LLP has expressed their willingness to continue in office and a resolution that they be re-appointed will be proposed at the AGM in accordance with Section 489(1) of the Companies Act 2006

On behalf of the Board



**Adrian Moss**  
*Chief Executive Officer*  
2 November 2012

# independent auditor's report

to the members of asia digital holdings PLC

We have audited the Group financial statements of Asia Digital Holdings PLC for the 15 months ended 31 March 2012 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 10, 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](http://www.frc.org.uk/apb/scope/private.cfm)

## Opinion on financial statements

In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 March 2012 and of its loss for the period then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

## Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 15 of the financial statements concerning the Group's ability to continue as a going concern. As explained on page 15 of the financial statements, the Group's plans to improve its balance sheet and obtain long term funding are dependent on the ability to secure new investment, and creditor and shareholder approvals of a Company Voluntary Agreement (CVA) in the UK. These conditions, along with other matters explained on page 15 to the financial statements indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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

# independent auditor's report

to the members of asia digital holdings PLC

## Other matter

We have reported separately on the parent company financial statements of Asia Digital Holdings PLC for the period ended 31 March 2012. That report includes an emphasis of matter.

*Grant Thornton UK LLP*

**Nicholas Page**

**Senior Statutory Auditor**

**for and on behalf of Grant Thornton UK LLP**

**Statutory Auditor, Chartered Accountants**

**Gatwick**

**2 November 2012**

# accounting policies (consolidated financial statements)

for the 15 months ended March 2012

## 1a Presentation of financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 2006, and under the historical cost convention

Separate financial statements of the parent company have been presented on pages 45 to 56, which are prepared in accordance with UK GAAP

### Change of financial year end

The financial year end of the Company was changed from 31 December to 31 March. The change was made to align the start of the next accounting period with the start of the Company's life as an investing company. Accordingly, the current financial statements are prepared for 15 months from 1 January 2011 to 31 March 2012. The comparative figures for the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement, consolidated statement of changes in equity and related notes are for the 12 months from 1 January 2010 to 31 December 2010.

### Adoption of new and revised standards

The Group has adopted the following new interpretations, revisions and amendments to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements:

- IAS 24 "Related Party Disclosures" (amended) effective from 1 January 2011, adopted by the EU on 19 July 2010,
- Annual improvements to IFRSs, containing amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 21, IAS 28, IAS 31, IAS 34, and IFRIC 13

The adoption of these new requirements did not have any impact on the financial position or the performance of the Group.

### Standards in issue not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards applicable to the Group have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 10 "Consolidated Financial Statements" effective from 1 January 2013, is not yet adopted by the EU. It introduces a new, principle-based definition of control which will apply to all investees to determine the scope of consolidation.

IFRS 13 "Fair Value Measurement" effective from 1 January 2013, is not yet adopted by the EU. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Standard clarifies that fair value is based on a transaction taking place in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. The principal market is the market with the greatest volume and level of activity for the asset or liability.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements once adopted.

- IFRS 7 "Financial Instruments - Disclosures" – Derecognition, effective from 1 July 2011, not yet adopted by the EU
- IFRS 9 "Financial Instruments" effective from 1 January 2015, not yet adopted by the EU
- IFRS 11 "Joint Arrangements" effective from 1 January 2013, not yet adopted by the EU
- IFRS 12 "Disclosure of Interests in Other Entities" effective from 1 January 2013, not yet adopted by the EU
- IAS 1 "Financial Statement Presentation" – Other Comprehensive Income, effective from 1 July 2012, not yet adopted by the EU
- IAS 19 "Employee Benefits" effective from 1 January 2013, not yet adopted by the EU
- IAS 27 "Separate Financial Statements" (Revised) effective from 1 January 2013, not yet adopted by the EU

# accounting policies (consolidated financial statements)

for the 15 months ended March 2012

## 1b Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement on pages 1 to 2. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's statement on page 1. In addition, pages 4 to 5 include the Group's objectives, policies and processes for managing its capital, note 17 to the financial statements includes its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risks.

The Group made losses during the 15 months of 31 March 2012 of £920,000 (year to 31 December 2010 £1,339,000 profit). At period end the cash balance (including cash held in the disposal group) was £147,000 (31 December 2010 £538,000), with net liabilities of £847,000 (31 December 2010 £91,000 net assets).

The Group received the final consideration from the disposal of its Australia based subsidiary during the period. The gross consideration received was £663,000. After settling certain costs related to the transaction, the Group received £375,000 which was used to service its ongoing working capital requirements.

The Group also completed the sale of its 20.6% shareholding in DC Storm Limited, a software development company based in the UK, in August 2011. The transaction generated cash resources of £194,500 (£200,000 gross consideration less transaction costs), which provided additional working capital for the Group.

Following a strategic review, which was announced in December 2011, and in the view of the continued working capital difficulties faced by the Group, the Board resolved that it would be in the best interests of shareholders to close the Group's trading operations, and to this end, to dispose of the Group's two main operations, DGM India Internet Marketing Private Limited ("DGM India") and DGM Asia Pacific Private Limited ("DGM Singapore").

The sale of DGM India was completed in July 2012. The net cash generated from the transaction (after transaction costs) was £324,000.

The Group completed the sale of selected assets of DGM Singapore in June 2012 to Flow Digital Private Limited ("Flow Digital"), a subsidiary of Omnicom Media Group. The actual cash received from the transaction was £75,352, after Flow Digital retained certain amounts relating to prepayments made previously to the Group by transferring clients, employee costs relating to transferring employees to be settled by Flow Digital, and certain legal fees settled directly by Flow Digital on behalf of the Group.

In an attempt to improve its net asset position, the Group has also begun the liquidation and closure of certain subsidiaries that are insolvent in Singapore, Hong Kong and China. Once finalised, the liquidations in Asia are expected to result in an improvement in the Group's balance sheet of about £512,000.

As the effect of the disposal of DGM India and selected assets of DGM Singapore, as well as the closure of the Group's China operation, has been to divest the parent company of its trading businesses and activities, this constitutes a fundamental change of business under Rule 15 of the AIM Rules. As a result, the parent company has been treated as an Investing Company, following the approval of the Investment Policy at a General Meeting held on 28 May 2012 and the completion of the sale of selected assets of DGM Singapore. The Company is now required to implement the Investment Policy, or otherwise make an acquisition or acquisitions which constitute a reverse takeover under Rule 14 of the AIM Rules, within twelve months of obtaining consent from shareholders.

In order to enable the Company to execute its investment policy, the Directors are endeavouring to seek additional long term funding.

The Directors have concluded that material uncertainties that cast significant doubt upon the ability of the Company to continue as a going concern exist. Nevertheless, after making enquiries, and considering the uncertainties, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the annual report and accounts.

# accounting policies (consolidated financial statements)

for the 15 months ended March 2012

## 1c Summary of significant accounting policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below

### **Consolidation**

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group, in accordance with IFRS 3. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Subsidiaries are consolidated from the date control passes, until such time as control ceases.

### **Investments in associates**

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates. The carrying amount of the investments in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate. These changes include subsequent depreciation, amortisation or impairment of the fair value adjustments of assets and liabilities.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

### **Revenue**

All revenue relates to the rendering of services. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT (or overseas equivalents) and trade discounts. Revenue is recognised when the services are provided by reference to the stage of completion at the reporting date, the amount of revenue can be reliably estimated and it is probable that the economic benefits associated with the transaction will flow to the entity. The stage of completion of service and revenue recognition are determined by validating the service activity reports generated by in-house or third parties tracking tools against insertion orders, purchase orders or agreements signed. The revenue is not recognised for any incomplete and/or invalidated services at the period end.

On occasions, revenue for services is invoiced in advance of the services being provided. In such cases revenue is deferred and subsequently recognised on completion in accordance with the criteria set out above.

### **Pensions**

Any pension costs, or equivalent, charged against profits represents the amount of contributions payable in respect of the accounting period.

### **Share-based payments**

Share-based payments that are within the scope of IFRS 2 Share-based Payment have been recognised in the financial statements in accordance with that standard. This has been applied to arrangements granted after 7 November 2002.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and, in accordance with IFRS 2, excludes the impact of non-market vesting conditions.

Equity-settled share-based payments are recognised as an expense in the income statement in accordance with IFRS 2 with a corresponding credit to equity.

If a service period or other non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period.

# accounting policies (consolidated financial statements)

for the 15 months ended March 2012

## 1c Summary of significant accounting policies continued

### **Share-based payments continued**

No adjustment is made to any expense recognised in prior periods of share options ultimately exercised that are different from the number that actually vested. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

Fair values of share options or awards, measured at the date of the grant of the option or award, are determined using a binomial model methodology.

### **Taxation**

Current tax is the tax currently payable based on taxable profit for the period.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are recognised in other comprehensive income in which case the related deferred tax is also charged or credited directly to equity.

### **Leased assets**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease. The Group has both finance and operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property, plant or equipment and the present value of the minimum lease payments.

### **Financial instruments**

A financial instrument refers to a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and is recognised on the Group's balance sheet when the Group becomes a party to the contractual terms of the instrument. Financial instruments include cash and deposits, trade receivables and payables, debt and equity securities, etc.

### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and, subsequently, measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and changes to debtor payment patterns are considered indicators that the trade receivable may be impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

### **Trade and other payables**

Trade and other payables are not interest-bearing and are stated at their fair value on initial recognition. They are then measured at amortised cost.

### **Borrowings**

Borrowings are recognised at fair value, net of transaction costs incurred. They are then measured at amortised cost. Fees paid on the settlement of loan facilities are recognised as transaction costs of the loan.

# accounting policies (consolidated financial statements)

for the 15 months ended March 2012

## 1c Summary of significant accounting policies continued

### *Financial instruments continued*

#### *Provisions*

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risk and uncertainties associated with the present obligation, discounted to present value.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held at call with banks that are readily convertible into known amounts of cash and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

#### *Equity instruments*

Equity instruments issued by the Group are recorded at the proceeds received, net of direct costs.

#### *Equity*

Equity comprises the following:

Share capital	–	represents the nominal value of equity shares
Capital redemption reserve	–	represents the reserve fund for shares redemption or buy-back
Share premium	–	represents the excess over the nominal value of the fair value of consideration for shares issued
Retained earnings	–	represents the accumulated retained profits
Share-based payment reserve	–	represents the cumulative charges for share-based payments
Translation reserve	–	represents the cumulative foreign exchange differences on translating subsidiaries

#### *Foreign currencies*

The presentational currency is sterling. The parent company's functional currency is sterling. The functional currencies of significant subsidiaries and associated undertakings are sterling, Indian rupees, Singapore dollars and Chinese yuan.

Transactions in foreign currencies are translated into each entity's functional currency at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Gains and losses arising on retranslation of monetary are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's translation reserve. Such translation differences are reclassified from equity to profit or loss when the gain or loss on disposal of a foreign subsidiary is recognised.

#### *Segmental reporting*

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group),
- whose operating results are reviewed regularly by the Group's chief decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- for which discrete financial information is available.

The main operating segment operated by the Group during the period was DGM, which is managed separately from other segments. All inter-segment transfers are carried out at arm's length prices. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. Further information on the segments is disclosed in note 1 to the financial statements.

# accounting policies (consolidated financial statements)

for the 15 months ended March 2012

## 1c Summary of significant accounting policies continued

### **Discontinued operations**

A discontinued operation is a cash-generating unit that either has been disposed of, or is classified as held for sale and

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- a subsidiary acquired exclusively with a view to resale

The disclosures for discontinued operations in the prior period relate to all operations that have been discontinued by the balance sheet date. In line with IFRS 5, the income statement for the prior period has been restated to disclose the loss from discontinued operation and its disposal after the loss from continuing operations

### **Non-current assets and disposal groups classified as held for sale**

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual or customary for sales of such assets. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification as held for sale.

Property, plant, equipment and intangible assets once classified as held for sale are not depreciated

The disposal group may include current assets, as well as current and non-current liabilities. However, only liabilities that will be transferred as part of the transaction are classified as part of the disposal group.

If a non-current asset or disposal group has been classified as held for sale, but subsequently ceases to meet the criteria to be classified as held for sale, the Group ceases to classify the asset or disposal group as held for sale. Non-current assets and disposal groups that cease to be classified as held for sale are measured at the lower of carrying amount before the asset or disposal group was classified as held for sale (adjusted for any depreciation, amortisation or revaluation that would have been recognised) if the asset or disposal group had not been classified as held for sale) and its recoverable amount on the date of the subsequent decision not to sell.

## 1d Accounting estimates and judgments

### **Significant judgments in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements:

#### **Allowance for bad and doubtful debts**

The allowance for bad and doubtful debts is based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Further information on this is available in note 17 to the financial statements.

#### **Recognition of deferred tax assets**

The Directors have also used their judgment in not recognising deferred tax assets as explained in note 5 to the financial statements.

#### **Estimates**

Management has made a number of estimates in the recognition and measurement of assets, liabilities, income and expenses. The estimates which may differ from actual results include the following:

#### **Impairment**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

# accounting policies (consolidated financial statements)

for the 15 months ended March 2012

## **1d Accounting estimates and judgments continued**

### ***Significant judgments in applying the Group's accounting policies continued***

#### ***Estimates continued***

##### ***Provisions***

Provisions are made if a present obligation arises as a result of a past event, payment is probable, and the amount can be estimated reliably

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet, that is, the amount that would be rationally paid to settle the obligation at the balance sheet date or to transfer it to a third party

In reaching the best estimate, Management takes into account the risks and uncertainties that surround the underlying events

# consolidated income statement

for the 15 months ended 31 March 2012

		15 months ended 31 March 2012 £'000	Restated Year ended 31 December 2010 £'000
<b>Continuing operations</b>			
Revenue	1	1,665	3,089
Cost of sales		(1,055)	(2,533)
<b>Gross profit</b>		<b>610</b>	<b>556</b>
<b>Administrative expenses</b>			
– depreciation		(26)	(70)
– share-based payments		(21)	(269)
– other administrative expenses		(1,706)	(3,005)
		<b>(1,753)</b>	<b>(3,344)</b>
<b>Loss from operations</b>	2	<b>(1,143)</b>	<b>(2,788)</b>
Interest received		–	–
Interest payable		(4)	(73)
Share of loss of associates	9	–	–
<b>Loss before tax</b>		<b>(1,147)</b>	<b>(2,861)</b>
Income tax	5	(13)	56
<b>Total loss after taxation from continuing operations</b>		<b>(1,160)</b>	<b>(2,805)</b>
<b>Discontinued operations</b>			
Profit before tax from discontinued operations	6	77	868
Profit on disposal of subsidiary	8	–	3,263
Profit on disposal of associate	9	195	–
Income tax	5	(32)	13
<b>Profit after tax from discontinued operations</b>		<b>240</b>	<b>4,144</b>
<b>Total (loss)/profit</b>		<b>(920)</b>	<b>1,339</b>
<b>Attributable to</b>			
Equity holders of the parent		(920)	1,339
<b>Earnings per share</b>			
Basic and diluted (loss)/earnings per share	7	(11 98p)	17 44p
Basic and diluted loss per share from continuing operations	7	(15 11p)	(36 53p)
Basic and diluted earnings per share from discontinued operations	7	3 13p	53 96p

# consolidated statement of comprehensive income

for the 15 months ended 31 March 2012

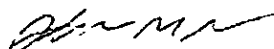
		15 months ended	Year ended
		31 March	31 December
		2012	2010
	Notes	£'000	£'000
<b>(Loss)/profit for the period</b>		<b>(920)</b>	1,339
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations			
– (losses)/gains recognised during the period		(71)	102
– reclassification adjustment on disposal	8	–	512
<b>Total comprehensive income for the period</b>		<b>(991)</b>	1,953
<b>Attributable to</b>			
Equity holders of the parent		<b>(991)</b>	1,953

# consolidated balance sheet

as at 31 March 2012

	Notes	31 March 2012 £'000	31 December 2010 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	–	34
		–	34
<b>Current assets</b>			
Trade and other receivables	11	214	3,112
Cash and cash equivalents	16	22	538
		236	3,650
<b>Assets of disposal group classified as held for sale</b>	6	836	–
		1,072	3,650
<b>Total assets</b>		1,072	3,684
<b>Equity and liabilities</b>			
<b>Equity</b>			
Called up share capital	13	4,852	4,852
Capital redemption reserve		13,188	13,188
Share-based payment reserve	14	1,176	1,155
Share premium account		23,792	23,792
Translation reserve		(72)	(1)
Retained earnings		(43,815)	(42,895)
<b>Total equity</b>		(879)	91
<b>Current liabilities</b>			
Trade and other payables	12	1,297	3,138
Onerous lease provisions	15	42	215
Corporation tax		–	16
		1,339	3,369
<b>Liabilities of disposal group classified as held for sale</b>	6	612	–
<b>Non-current liabilities</b>			
Onerous lease provisions	15	–	224
<b>Total liabilities</b>		1,951	3,593
<b>Total equity and liabilities</b>		1,072	3,684

These financial statements were approved by the Board, authorised for issue and signed on their behalf on 2 November 2012 by



**Adrian Moss**  
**Chief Executive Officer**

Company registration number 03904195

# consolidated cash flow statement

for the 15 months ended 31 March 2012

		15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
	Notes		
<b>Operating activities</b>			
Loss before tax		(1,147)	(2,861)
Depreciation		26	70
Amortisation		–	–
Share-based payment		21	269
Increase/(decrease) in receivables		886	(94)
(Decrease) in payables		(1,356)	(886)
Foreign exchange differences		(58)	78
Finance expense		4	73
Tax (charge)/credit		(13)	56
Cash flow from operating activities in continuing operations		(1,637)	(3,295)
Cash flow from operating activities in discontinued operations	6	397	989
<b>Total cash flow from operating activities</b>		<b>(1,240)</b>	<b>(2,306)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(6)	(31)
Consideration for disposal of subsidiary (net of cash disposed)		664	2,100
Consideration for disposal of associate	9	200	–
Cash flow from investing activities in continuing operations		858	2,069
Cash flow from investing activities in discontinued operations	6	16	(22)
<b>Total cash flow from investing activities</b>		<b>874</b>	<b>2,047</b>
<b>Financing activities</b>			
Issue of ordinary share capital		–	–
Share premium on the issue of ordinary share		–	–
Issue of convertible loan notes		–	–
Repayment of convertible loan notes		–	(500)
Interest paid		(4)	(118)
Cash flow from financing activities in continuing operations		(4)	(618)
Cash flow from financing activities in discontinued operations	6	(6)	(272)
<b>Total cash flow from financing activities</b>		<b>(10)</b>	<b>(890)</b>
Net (decrease) in cash and cash equivalents		(376)	(1,149)
Cash and cash equivalents at start of period		538	1,617
Exchange differences on cash and cash equivalent		(15)	70
<b>Cash and cash equivalents including cash held in disposal group at the end of the period</b>		<b>147</b>	<b>538</b>
Cash held in disposal group	6	(125)	–
<b>Cash and cash equivalents at the end of the period</b>	<b>16</b>	<b>22</b>	<b>538</b>
<b>Cash and cash equivalents comprise</b>			
Cash and cash in bank		22	517
Time deposits		–	21
<b>Cash and cash equivalents at end of period</b>	<b>16</b>	<b>22</b>	<b>538</b>

# consolidated statement of changes in equity

for the 15 months ended 31 March 2012

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2011</b>	4,852	23,792	13,188	1,155	(1)	(42,895)	91
Share options issued in share-based payments	-	-	-	21	-	-	21
Issue of share capital	-	-	-	-	-	-	-
Transactions with owners	-	-	-	21	-	-	21
Profit for the period	-	-	-	-	-	(920)	(920)
Other comprehensive income	-	-	-	-	(71)	-	(71)
- exchange difference on translation of foreign operations	-	-	-	-	(71)	-	(71)
Total comprehensive income for the period	-	-	-	-	(71)	(920)	(991)
<b>Balance at 31 March 2012</b>	4,852	23,792	13,188	1,176	(72)	(43,815)	(879)
<b>Balance at 1 January 2010</b>	4,792	23,703	13,188	1,033	(615)	(44,234)	(2,133)
Share options issued in share-based payments	-	-	-	122	-	-	122
Issue of share capital	60	89	-	-	-	-	149
Transactions with owners	60	89	-	122	-	-	271
Profit for the year (Restated)	-	-	-	-	-	1,473	1,473
Other comprehensive income	-	-	-	-	-	-	-
- historical exchange differences on translation (note 8)	-	-	-	-	512	(134)	378
- exchange difference on translation of foreign operations	-	-	-	-	102	-	102
Total comprehensive income for the year	-	-	-	-	614	1,339	1,953
<b>Balance at 31 December 2010</b>	4,852	23,792	13,188	1,155	(1)	(42,895)	91

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 1 Revenue and segmental information

The Group is principally engaged in the provision of online marketing services. Revenue is attributable to the principal activity, which is mainly carried out in China, India and Southeast Asia. In addition to these geographical segments, management also considers the business from an operating segment perspective.

The main operating segment is DGM. The other operating segments, including AKTIV which was discontinued during the reporting period, do not meet the quantitative thresholds required by IFRS 8 to be reported as separate segments.

The DGM segment is a specialist online marketing operation focusing on the delivery of customers to advertisers through search engine marketing, affiliate and display advertising, servicing both agencies and direct clients.

An analysis of revenue and segment result by geography and operating segment is shown below.

15 months ended 31 March 2012	China £'000	India £'000	SE Asia £'000	Other £'000	Operating† central costs £'000	Holding†† company costs £'000	Total £'000
<b>External revenue</b>							
All operations (£'000)							
DGM	552	2,392	1,113	-	-	-	4,057
Other	-	-	126	-	-	-	126
	552	2,392	1,239	-	-	-	4,183
Discontinued operations (£'000)							
DGM	-	(2,392)	-	-	-	-	(2,392)
Other	-	-	(126)	-	-	-	(126)
	-	(2,392)	(126)	-	-	-	(2,518)
Continuing operations (£'000)							
DGM	552	-	1,113	-	-	-	1,665
Other	-	-	-	-	-	-	-
Continuing operations (£'000)	552	-	1,113	-	-	-	1,665
Continuing operations (%)	33	-	67	-	-	-	100
<b>Segment result</b>							
DGM	(256)	251	(97)	-	(237)	-	(339)
Other	(9)	-	(91)	(22)	(40)	(518)	(680)
	(265)	251	(188)	(22)	(277)	(518)	(1,019)
Amortisation							-
Depreciation							(26)
Share-based payment							(21)
Interest							(4)
Profit on disposal of subsidiary							-
Profit on disposal of associate							195
Tax							(45)
<b>Total profit for the period</b>							(920)
Segmental assets (£'000)	76	836	107	-	-	53	1,072
Segmental liabilities (£'000)	159	612	718	-	-	462	1,951
Major customers‡	1	2	4	-	-	-	-
Revenue from major customers (£'000)	542	564	565	-	-	-	-

‡ Number of customers generating more than 10% of segment revenue

† Included in 'Operating central costs' is a £47,000 provision release from prior period relating to the Group's affiliate tracking technology

†† Included in 'Holding company costs' are leasehold provisions releases (£161,000), UK VAT provision releases (£131,000) and others (£15,000)

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 1 Revenue and segmental information continued

Year ended 31 December 2010 (restated)	China £'000	India* £'000	SE Asia £'000	Other** £'000	Operating† central costs £'000	Holding†† company costs £'000	Total £'000
<b>External revenue</b>							
All operations (£'000)							
DGM	456	1,816	2,633	14,433	–	–	19,338
Other	–	–	1,358	–	–	–	1,358
	456	1,816	3,991	14,433	–	–	20,696
Discontinued operations (£'000)							
DGM	–	(1,816)	–	(14,433)	–	–	(16,249)
Other	–	–	(1,358)	–	–	–	(1,358)
	–	(1,816)	(1,358)	(14,433)	–	–	(17,607)
Continuing operations (£'000)							
DGM	456	–	2,633	–	–	–	3,089
Other	–	–	–	–	–	–	–
Continuing operations (£'000)	456	–	2,633	–	–	–	3,089
Continuing operations (%)	15	–	85	–	–	–	100
<b>Segment result</b>							
DGM	(73)	21	(74)	788	(621)	–	41
AKTIV	–	–	93	–	–	–	93
Other	–	–	23	(110)	–	(1,628)	(1,715)
	(73)	21	42	678	(621)	(1,628)	(1,581)
Amortisation							–
Depreciation							(70)
Share-based payment							(269)
Interest							(73)
Profit on disposal of subsidiary							3,263
Tax							69
<b>Total profit for the year</b>							<b>1,339</b>
Segmental assets (£'000)	503	962	1,430	–	–	789	3,684
Segmental liabilities (£'000)	439	765	1,111	–	–	1,278	3,593
Major customers‡	1	1	5	1	–	–	–
Revenue from major customers (£'000)	456	258	1,386	6,968	–	–	–

\* Included in India segment result is a £65,000 provision for bad debts

\*\* Other segment result relates to the Group's Australian operation which was disposed during the year

† Included in "Operating central costs" are provisions relating to the decommissioning of the Group's legacy affiliate tracking technology (£95,000) and staff reorganisation costs (£21,000)

†† Included in "Holding company costs" are non-recurring staff reorganisation costs (£48,000), leasehold provisions relating to the Group's premises in London (£81,000) and other non-recurring provisions (£167,000)

‡ Number of customers generating more than 10% of segment revenue

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 2 Loss from operations

Loss from operations is stated after charging

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Amortisation of intangible assets	–	–
Depreciation of property, plant and equipment	26	76
Research and development expense	–	–
Auditors' remuneration for auditing of accounts †	64	65
Auditors' remuneration for non-audit services * †	31	19
Operating lease rentals	130	276
Lease commitment provision	–	81
Share-based payment costs	21	269

\* Auditors' remuneration for non-audit services comprised other services relating to taxation of £31,000 (year to 31 December 2010 £19,000) and all other services £Nil (year to 31 December 2010 £Nil)

† The £95,000 charge relating to auditors' remuneration for auditing and non-audit services includes remuneration to the Group auditor (£61,000) and other auditors (£34,000)

## 3 Staff costs

The average number of persons employed by the Group (including Directors) during the period was as follows

	15 months ended 31 March 2012	Year ended 31 December 2010
Directors and senior management	6	8
Management	5	9
Non-management	44	80
Total	55	97

The aggregate payroll costs for these persons were as follows

	15 months ended 31 March 2012		
	Continuing	Discontinued	Total
Aggregate wages and salaries	1,177	531	1,708
Social security costs	60	26	86
Share-based payments	10	11	21
Pensions costs	11	–	11
	1,258	568	1,826

	Year ended 31 December 2010		
	Continuing	Discontinued	Total
Aggregate wages and salaries	1,347	2,329	3,676
Social security costs	54	165	219
Share-based payments	245	24	269
Pensions costs	56	–	56
	1,702	2,518	4,220

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 4 Directors and senior management

### Directors' remuneration

	15 months ended 31 March 2012				
	Salary £'000	Fees £'000	Pension £'000	Equity £'000	Total £'000
<b>Executive</b>					
A Moss	260	–	11	–	271
<b>Non-Executive</b>					
D Lees	–	–	–	–	–
K Lassman	–	–	–	–	–
	260	–	11	–	271
Other senior management	324	–	–	–	324
	584	–	11	–	595

	Year ended 31 December 2010				
	Salary £'000	Fees £'000	Pension £'000	Equity £'000	Total £'000
<b>Executive</b>					
A Moss	292	–	56	240	588
<b>Non-Executive</b>					
D Lees	–	15	–	33	48
K Lassman	–	10	–	23	33
T Beattie (resigned 15 November 2010)	–	–	–	–	–
	292	25	56	296	669
Other senior management	519	–	–	–	519
	811	25	56	296	1,188

### Directors' and senior management's interests in shares

The Directors who held office at 31 March 2012 had the following interests in the shares of the Company

	31 March 2012		31 December 2010	
	Number of shares	%	Number of shares	%
A Moss	995,101	12.96	995,101	12.96
D Lees	121,755	1.59	121,755	1.59
K Lassman	57,435	0.75	57,435	0.75

A proposed capital reorganisation was approved at a General Meeting held on 28 May 2012. Further details are available in note 20 to the financial statements. Shareholdings have been restated to reflect the effect of the capital reorganisation.

### Directors' and senior management's share options

	Date of grant	As at		
		31 March 2012	Exercise price	Exercise period
A Moss	April 2011	174,000	50 pence	10 years
D Lees	April 2011	17,500	50 pence	10 years
K Lassman	April 2011	12,500	50 pence	10 years
Other senior management	February 2011	10,000	50 pence	10 years
Other senior management	January 2010	50,000	50 pence	10 years

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 4 Directors and senior management continued

### Directors' and senior management's share options continued

	Date of grant	As at		
		31 December 2010	Exercise price	Exercise period
A Moss	May 2008	174,000	112 50 pence	10 years
D Lees	May 2008	17,500	112 50 pence	10 years
K Lassman	May 2008	12,500	112 50 pence	10 years
Other senior management	May 2008	4,000	125 00 pence	10 years
Other senior management	January 2010	96,000	50 00 pence	10 years

A proposed capital reorganisation was approved at a General Meeting held on 28 May 2012. Further details are available in note 20 to the financial statements. Share options and exercise prices have been restated to reflect the effect of the capital reorganisation.

Share options held by directors were rebased from 112 50 pence per option to 50 pence per option during the period. Further details are available in note 18 to the financial statements. Share options held by certain members of staff were also rebased with an exercise price of 50 pence.

All vested options held by directors and staff have an exercise period of ten years.

The market price of the ordinary shares at 31 March 2012 was 16 pence (31 December 2010: 27 pence) and the range during the period was 103 pence to 16 pence (year to 31 December 2010: 64 pence to 21 pence).

The total share-based payment costs in respect of options granted are

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Directors	10	170
Other senior management	10	80
Non-management	1	19

## 5 Tax

	Continuing operations £'000	Discontinued operations £'000	All operations £'000
<b>15 months ended 31 March 2012</b>			
Current tax			
UK tax	–	–	–
Foreign tax – adjustment in respect of current period	13	32	45
	13	32	45
Deferred tax – relating to origination and reversal of temporary differences	–	–	–
<b>Tax charge</b>	<b>13</b>	<b>32</b>	<b>45</b>

	Continuing operations £'000	Discontinued operations £'000	All operations £'000
<b>Year ended 31 December 2010</b>			
Current tax			
UK tax	–	–	–
Foreign tax – adjustment in respect of prior period	(56)	(13)	(69)
	(56)	(13)	(69)
Deferred tax – relating to origination and reversal of temporary differences	–	–	–
<b>Tax credit</b>	<b>(56)</b>	<b>(13)</b>	<b>(69)</b>

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 5 Tax continued

As at 31 March 2012 the Group had unrecognised tax losses of £7,518,000 (31 December 2010 £5,568,000) of which £3,473,000 (31 December 2010 £2,473,000) relates to the UK based parent company and £4,045,000 (31 December 2010 £3,095,000) relates to overseas operations

The deferred tax asset relating to the losses has not been recognised due to uncertainty over the existence of future taxable profits against which the losses can be used. In particular the UK trading losses are not expected to be used as the Group now derives income entirely from overseas

## Tax reconciliation

	15 months ended 31 March 2012 £'000	Restated 12 months ended 31 December 2010 £'000
(Loss)/profit before tax	(875)	1,270
Tax at 26% (2010 28%) on loss before tax	(228)	356
Effects of		
Other expenses not deductible	23	(256)
Non-trading losses	–	–
UK substantial shareholding exemption relief	–	(362)
Losses carried forward to be offset against		
Future taxable trading profits	205	262
Foreign withholding tax expense/(credit)	45	(69)
Adjustment in respect of previous periods	–	–
Current tax expense/(credit)	45	(69)

## 6 Non-current assets held for sale and discontinued operations

The assets and liabilities related to the subsidiary DGM India Internet Marketing Private Limited ("DGM India"), stated at the lower of carrying amount and fair value less costs to sell, have been presented as held for sale in the consolidated balance sheet, following the approval by the Board before period end to dispose the operation. The income and expenses related to DGM India have also been presented in discontinued operations within the consolidated income statement. The transaction was completed in July 2012.

Income and expenses related to the AKTIV and Deploy business segments (discontinued during the current and previous reporting periods respectively) are also presented in discontinued operations within the consolidated income statement.

In accordance with IFRS 5, income statement for the year ended 31 December 2010 has been restated.

Analysis of the result of discontinued operations is as follows

	15 months ended 31 March 2012 £'000	Year ended 31 December 2010 £'000
Revenue	2,518	17,607
Cost of sales	(1,646)	(13,181)
Administrative expense	(795)	(3,558)
(Loss)/profit before tax	77	868
Income tax (expense)/credit	(32)	13
(Loss)/profit after tax	45	881

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 6 Non-current assets held for sale and discontinued operations continued

Cumulative income or expenses recognised in other comprehensive income relating to disposal group classified as held for sale

	15 months ended	Year ended
	31 March	31 December
	2012	2010
	£'000	£'000
Foreign exchange translation differences	6	–
<b>Total</b>	<b>6</b>	<b>–</b>

### Assets of disposal group classified as held for sale

	31 March	31 December
	2012	2010
	£'000	£'000
Property, plant and equipment	7	–
Trade and other receivables	704	–
Cash and cash equivalents	125	–
<b>Total</b>	<b>836</b>	<b>–</b>

The assets of the disposal group have been reviewed. No impairment adjustments were made following the review.

### Liabilities of disposal group classified as held for sale

	31 March	31 December
	2012	2010
	£'000	£'000
Trade payables	574	–
Other payables	12	–
Accruals and deferred income	26	–
<b>Total</b>	<b>612</b>	<b>–</b>

Cash flows from discontinued operations included in the consolidated cash flow statement are as follows

	15 months ended	Year ended
	31 March	31 December
	2012	2010
	£'000	£'000
Net cash flows from operating activities	397	989
Net cash flows from investing activities	16	(22)
Net cash flows from financing activities	(6)	(272)
<b>Total cash flows</b>	<b>407</b>	<b>695</b>

## 7 Earnings per share

Earnings per share has been calculated on a loss after tax of £920,000 (year to 31 December 2010 £1,339,000 profit) and the number of shares in issue for the period of 7,679,309 (31 December 2010 7,679,309)

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 7 Earnings per share continued

Reconciliation of the profit and weighted average number of shares used in the calculations are set out below

15 months ended 31 March 2012	Continuing	Discontinued	Total
(Loss)/profit (£'000)	(1,160)	240	(920)
Earnings per share (pence)	(13.65)	3.13	(11.98)

Year ended 31 December 2010 (restated)	Continuing	Discontinued	Total
(Loss)/profit (£'000)	(2,805)	4,144	1,339
Earnings per share (pence)	(36.53)	53.96	17.44

The Group's convertible loan which was issued in May 2009 was repaid in full in December 2010. The convertible instruments had no dilutive effect.

Share options issued to management and staff had no dilutive effect. This is because at period end, the weighted average exercise price of the share options exceeded the market price of 16 pence.

A proposed capital reorganisation was approved at a General Meeting held on 28 May 2012. Further details are available in note 20 to the accounts. The number of shares used to calculate earnings per share has been restated to reflect the effect of the capital reorganisation.

## 8 Disposal of subsidiary

On 22 October 2010 the Group disposed its entire shareholding in Deal Group Media Pty Limited to Sydney based Digital Performance Group Limited (formerly Comtel Corporation Limited).

In accordance with IAS 21, the cumulative amount of exchange differences on translation of £134,000 relating to the disposed subsidiary has been reclassified from the consolidated statement of comprehensive income, and recognised in the consolidated income statement for the year ended 31 December 2010. As a result, the profit on disposal of the subsidiary has been restated from £3,397,000 to £3,263,000. This adjustment has no impact on the net asset position as at 31 December 2011.

## 9 Disposal of associate

The Group completed the disposal of its 20.6% shareholding in DC Storm Limited ("DCS"), a company incorporated in England and Wales with web and software development as its principal activity, in August 2011.

	15 months ended 31 March 2012 £'000
Gross consideration	200
Legal fees	(5)
Carrying value of investment	–
Profit on disposal	195

The full consideration was received during the period.

The carrying value of the investment was fully impaired as at 31 December 2010.

The Group had no exposure to any liabilities related to DC Storm Limited. There are no unrecognised losses relating to the DC Storm Limited investment.

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 10 Property, plant and equipment

	Leasehold improvements £'000	Furniture, fittings and equipment £'000	Total £'000
<b>Cost</b>			
At 1 January 2010	339	405	744
Additions	–	35	35
Disposals	(9)	(193)	(202)
At 1 January 2011	330	247	577
Additions	–	6	6
Disposals	–	(150)	(150)
<b>At 31 March 2012</b>	<b>330</b>	<b>103</b>	<b>433</b>
<b>Depreciation</b>			
At 1 January 2010	325	293	618
Provided in the period	9	67	76
Disposals	(4)	(147)	(151)
At 1 January 2011	330	213	543
Provided in the period	–	26	26
Disposals	–	(136)	(136)
<b>At 31 March 2012</b>	<b>330</b>	<b>103</b>	<b>433</b>
<b>Net book amount</b>			
<b>At 31 March 2012</b>	<b>–</b>	<b>–</b>	<b>–</b>
At 31 December 2010	–	34	34

## 11 Trade and other receivables

	31 March 2012 £'000	31 December 2010 £'000
Trade receivables	72	1,494
Other receivables	24	305
Deferred consideration on sale of subsidiary*	–	657
Prepayments and accrued income	118	656
	<b>214</b>	<b>3,112</b>

\* This relates to the deferred element of the consideration from the sale of the Group's Australian operation in October 2010. The full amount was received during the 15 months to 31 March 2012.

## 12 Trade and other payables

	31 March 2012 £'000	31 December 2010 £'000
Trade payables	799	1,061
Social security and other taxes	20	53
Other payables	80	282
Accruals and deferred income	398	1,742
	<b>1,297</b>	<b>3,138</b>

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 13 Share capital

	31 March 2012 £'000	31 December 2010 £'000
<b>Authorised capital</b>		
9,999,520,000 ordinary shares of 0.1 pence each	10,000	10,000
76,025,157,516 deferred shares of 0.001 pence	760	760
4,083,918,156 deferred shares of 0.1 pence each	4,084	4,084
54,952,000 deferred shares of 24 pence each	13,188	13,188
	<b>28,032</b>	<b>28,032</b>
<b>Allotted, called up and fully paid capital</b>		
7,679,309 (31 December 2010 7,679,309) ordinary shares of 0.1 pence each	8	8
76,025,157,516 deferred shares of 0.001 pence	760	760
4,083,918,156 deferred shares of 0.1 pence each	4,084	4,084
	<b>4,852</b>	<b>4,852</b>

### Allotments during the period

The Company allotted the following ordinary shares during the period

	15 months ended 31 March 2012
Shares in issue at 1 January 2011	7,679,309
Shares issued during the period	–
<b>Shares in issue at 31 March 2012</b>	<b>7,679,309</b>
	Year ended 31 December 2010
Shares in issue at 1 January 2010	7,087,687
Shares issued during the period	591,622
<b>Shares in issue at 31 December 2010</b>	<b>7,679,309</b>

The unissued ordinary shares of 1 pence is subdivided into ten ordinary shares of 0.1 pence each and the issued ordinary shares of 1 pence each is subdivided into one ordinary share of 0.1 pence each and nine deferred shares of 0.1 pence each

The Group's main source of capital is the parent company's equity shares. The policy is to retain sufficient authorised share capital so as to be able to issue further shares to fund acquisitions, settle share-based transactions and raise new funds. Share-based payments relate to employee share options schemes.

A proposed capital reorganisation was approved at a General Meeting held on 28 May 2012. Further details are available in note 20 to the financial statements. The number of shares in issue has been restated to reflect the effect of the capital reorganisation.

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 14 Share-based payments

During the period 59,833 options (year ended 31 December 2010 170,800) were issued to staff (excluding directors) at an average fair value of 50 pence per share (year ended 31 December 2010 50 pence)

The fair values of the options granted during the 15 months to 31 March 2012 were determined using the binomial valuation model. The model has been applied to each issue of options incorporating the share price prevailing at the time the options were granted.

The model takes into account a volatility rate of 175%, which has been derived from historical experience. A weighted average risk-free interest rate of 1.92% has been applied. The weighted average share price at grant date was 43 pence (year ended 31 December 2010 50 pence) and the weighted average exercise price was 50 pence (year ended 31 December 2010 50 pence).

The options were granted in accordance with the Group's Enterprise Management Incentive Scheme. The options have lives of ten years and vest in three equal tranches over the first three years of their lives provided the employees continue to work for the Group. The expected lives of the options used in application of the binomial model were five years for Directors and management staff and four years for non-management staff.

The amount of employee remuneration expense in respect of the share options granted amounts to £21,000 (year to 31 December 2010 £121,000).

The average remaining life of vested options is six years and number of options exercisable at period end is 351,617 (31 December 2010 354,867).

The inputs to the option pricing model and the weighted average figures are as follows:

	Management	Non-management	Weighted average
Share price at grant date (pence)	50	41	43
Exercise price (pence)	50	50	50
Expected life (years)	5	4	4
Annualised volatility	1.75	1.75	1.75
Risk-free interest rate	0.022	0.019	0.019
Fair value determined (pence)	43	35	37
Options granted	10,000	49,833	

## notes to the consolidated financial statements

for the 15 months ended 31 March 2012

### 14 Share-based payments continued

The general terms and conditions of the share option scheme are that the shares are issued under the Enterprise Incentive Management Scheme rules and the shares vest equally over a three year period

Exercise price (pence)	Issue date	Held at 31 December 2010	Granted during Year	Exercised during year	Forfeited during year	Lapsed during year	Cancelled during year	Held at 31 March 2012
124 68	October 2003	2,516	-	-	-	-	-	2,516
356 50	December 2003	3,000	-	-	-	-	-	3,000
510 00	April 2004	300	-	-	-	-	-	300
650 00	April 2004	250	-	-	-	-	-	250
450 00	January 2006	5,000	-	-	-	-	-	5,000
375 00	June 2006	7,500	-	-	-	-	-	7,500
425 00	September 2006	333	-	-	-	-	-	333
350 00	April 2007	9,651	-	-	-	-	(333)	9,318
125 00	May 2008	138,550	-	-	-	-	(17,500)	121,050
125 00	February 2009	91,167	-	-	(4,333)	-	(32,334)	54,500
050 00	January 2010	168,300	-	-	(30,667)	-	-	137,633
050 00	February 2011	-	10,000	-	-	-	-	10,000
050 00	April 2011	-	49,833	-	-	-	-	49,833
		426,567	59,833	-	(35,000)	-	(50,167)	401,233

The above table excludes Directors' options

Options forfeited in the period are in respect of employees leaving the employment of the Group

## notes to the consolidated financial statements

for the 15 months ended 31 March 2012

### 14 Share-based payments continued

Exercise price (pence)	Issue date	Held at 31 December 2009	Granted during year	Exercised during year	Forfeited during year	Lapsed during year	Cancelled during year	Held at 31 December 2010
124 68	October 2003	2,516	-	-	-	-	-	2,516
356 50	December 2003	3,000	-	-	-	-	-	3,000
510 00	April 2004	300	-	-	-	-	-	300
650 00	April 2004	250	-	-	-	-	-	250
450 00	January 2006	5,000	-	-	-	-	-	5,000
375 00	June 2006	7,500	-	-	-	-	-	7,500
425 00	September 2006	666	-	-	(333)	-	-	333
350 00	April 2007	9,651	-	-	-	-	-	9,651
125 00	May 2008	126,050	12,500	-	-	-	-	138,550
125 00	February 2009	98,500	-	-	(333)	(7,000)	-	91,167
050 00	January 2010	-	170,800	-	(2,500)	-	-	168,300
		253,433	183,300	-	(3,166)	(7,000)	-	426,567

The above table excludes Directors' options

Options forfeited in the year are in respect of employees leaving the employment of the Group

A proposed capital reorganisation was approved at a General Meeting held on 28 May 2012. Further details are available in note 20 to the financial statements. Share options and exercise prices have been restated to reflect the effect of the capital reorganisation.

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 15 Onerous lease provisions

The Group has made the following operating and financial lease provisions

	Operating leases £'000	Finance leases £'000	All leases £'000
At 1 January 2011	415	24	439
Additions	-	-	-
Utilisation	(373)	(24)	(397)
<b>At 31 March 2012</b>	<b>42</b>	<b>-</b>	<b>42</b>

Analysis of total provision is

	Operating leases £'000	Finance leases £'000	All leases £'000
Within one year	42	-	42
More than one year and within five years	-	-	-
	42	-	42

The operating lease provision was made for the office lease, service charges and business rates which were entered into in October 2003 for a ten year lease at the former office in London, UK

The finance lease provision of £24,000 relating to computer equipment required to maintain the Group's affiliate tracking technology, was reversed at period end as it is no longer probable that an outflow of resources will be required to settle the obligation

In addition, the Group had outstanding commitment for future minimum lease payments under non-cancellable operating leases for office and housing premises

	31 March 2012 £'000	31 December 2010 £'000
Lease payments to be made		
- within one year	95	40
- after one year and within five years	-	493

## 16 Cash and cash equivalents

Cash and cash equivalents comprise the following

	31 March 2012 £'000	31 December 2010 £'000
Cash and cash in bank		
Chinese yuan	3	10
Hong Kong dollar	1	4
Indian rupee	-	56
Pound sterling	4	218
Singapore dollar	2	44
US dollar	12	185
	22	517
Time deposits		
US dollar	-	21
	-	21
<b>Cash and cash equivalents at end of period</b>	<b>22</b>	<b>538</b>

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 17 Financial instruments

The Group uses various financial instruments which include cash and cash equivalents and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations and manage its working capital requirements.

The fair values of all financial instruments are considered equal to their book values. The existence of these financial instruments exposes the Group to a number of financial risks which are described in more detail overleaf.

The main risks arising from the Group financial instruments are currency risk, credit risk and liquidity risk. The Directors review and agree the policies for managing each of these risks and they are summarised overleaf. The Group has a sales ledger facility on which interest is charged at a variable rate. The Directors, therefore, do not consider the Group to be exposed to material interest rate risk.

### Currency risk

The Group is exposed to transaction foreign exchange risks.

Foreign currency denominated financial assets and liabilities, translated into sterling at the closing rate, are as follows:

	India rupee £'000	Singapore dollar £'000	Other £'000
<b>As at 31 March 2012</b>			
Financial assets	836	107	76
Financial liabilities	(612)	(718)	(159)
Short-term exposure	224	(611)	(83)

	India rupee £'000	Singapore dollar £'000	Other £'000
<b>As at 31 December 2010 (Restated)</b>			
Financial assets	962	1,348	551
Financial liabilities	(765)	(1,068)	(445)
Short-term exposure	197	280	106

The following table illustrates the sensitivity of the net results for the period and equity in regards to the Group's financial assets and financial liabilities and the sterling/Singapore dollar exchange rate.

It assumes a +/- [5]% change of the exchange rates for the period ended 31 March 2012 (31 December 2010 5%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Asia Digital Holdings PLC's foreign currency financial instruments held at each balance sheet date.

	Singapore dollars £'000
5% strengthening of sterling	
Net results for the period	33
Equity	29

	Singapore Dollars £'000
5% weakening of sterling	
Net results for the period	(37)
Equity	(32)

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

The Group incurs costs in the same currencies as it earns revenue, creating some degree of natural hedging, but is exposed to the foreign currency exposure in the payment of Singapore based and London based central costs, as well as in the consolidation of the figures into sterling.

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 17 Financial instruments continued

### Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below

	31 March 2012	31 December 2010
	£'000	£'000
Classes of financial assets – carrying amounts		
Cash and cash equivalents	22	538
Trade receivables	72	1,494
	94	2,032

In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

The Group's management considers that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The exposure of the Group to overdue receivables and the concentration of these debtors are as follows

	31 March 2012		31 December 2010	
	Within terms	Overdue	Within terms	Overdue
	£'000	£'000	£'000	£'000
Trade receivables	50	28	1,002	632
Of which provided	–	(6)	–	(140)
	50	22	1,002	492

The amount overdue for one month is £23,000 (31 December 2010 £288,000), two to four months is £1,000 (31 December 2010 £220,000), for five to six months £0 (31 December 2010 £65,000) and for more than six months £4,000 (31 December 2010 £59,000).

Changes in the bad debts provision are as follows

	Total £'000
As at 1 January 2010	116
Additions	121
Utilisation	(97)
As at 1 January 2011	140
Additions	–
Utilisation	(134)
As at 31 March 2012	6

### Debtor concentration

	31 March 2012		31 December 2010	
	£'000	%	£'000	%
Largest client	16	22	177	12
Others	56	78	1,317	88
	72	100	1,494	100

	31 March 2012		31 December 2010	
	£'000	%	£'000	%
Five largest clients	45	62	552	37
Others	27	38	942	63
	72	100	1,494	100

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 17 Financial instruments continued

### Liquidity risk

The Group maintains sufficient cash and availability of funding through an adequate amount of committed credit facilities to meet its liquidity requirements. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow. This is generally carried out at Group level for the operating companies of the Group in accordance with practice and limits set by the Group. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these.

### Maturity analysis for financial liabilities

	31 March 2012		31 December 2010	
	Within 1 year £'000	Later than 1 year £'000	Within 1 year £'000	Later than 1 year £'000
Trade payables	799	–	1,061	–
Other payables	80	–	2,093	–
Lease commitments provision	42	–	215	224
	921	–	3,369	224

### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. This is achieved by pricing services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity.

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and long-term loans. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or loan notes, or sell assets to reduce debt.

## 18 Related party transactions

During the period the Group entered into the following related party transactions. All transactions were made on an arm's length basis.

### Howard Kennedy LLP

Keith Lassman, Non-Executive Director and shareholder, is a partner of Howard Kennedy LLP Solicitors. During the period the Group paid £12,134 (year to 31 December 2010: £12,241) in respect of legal services provided to the Group. The balance due to Howard Kennedy LLP Solicitors at the period end was £4,766 (31 December 2010: £6,499).

### DC Storm Limited

The Group completed the sale of its 20.6% shareholding in DC Storm Limited in August 2011 for a net consideration of £194,500 (£200,000 less transaction costs).

During the 15 months to 31 March 2012 the Group paid £81,302 in respect of software licensing provided to the Group (year to 31 December 2010: £52,329). The balance due to DC Storm Limited at the period end was £37,681 (31 December 2010: £24,360).

### Deal Group Media Pty Limited

This is the Group's former Australian based subsidiary which was disposed of in October 2010. The Group provided technical and other services during the 15 months to 31 March 2012 and charged a total of £120,625 (year to 31 December 2010: £13,813). The balance owed to the Group at period end was £13,011 (31 December 2010: £50,873).

### Transaction involving director

During the period Adrian Moss, Director and shareholder of the Company, made an interest-free loan of £27,145 to the Company. The loan remained outstanding at period end but was repaid in full in May 2012.

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## 18 Related party transactions continued

### Share Options

20,400,000 share options (revised to 204,000 share options after capital reorganisation) held by the directors under an approved share option scheme were rebased with an exercise price of 0.5 pence per option during the period. The share options will be fully vested on the second anniversary of date of issue.

The number of share options, which are the subject of the re-pricing, held by members of the Board remains unchanged as follows:

Adrian Moss - 17,400,000 options (revised to 174,000 options after capital reorganisation)

David Lees - 1,750,000 options (revised to 17,500 options after capital reorganisation)

Keith Lassman - 1,250,000 options (revised to 12,500 options after capital reorganisation)

The exercise price of 0.5 pence per option was subsequently revised to 50 pence per option following the approval of a capital reorganisation in May 2012.

The re-pricing of share options held by members of the Board, in accordance with IFRS 2, triggered an additional share based payments charge which has been recognised in the income statement.

The rebasing of the share options is treated as a related party transaction under AIM Rule 13.

## 19 Pensions

The Group operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group. The pension costs charged for the period are disclosed in notes 3 and 4 to the financial statements.

## 20 Events after the balance sheet date

### Disposal of DGM India Internet Marketing Limited ("DGM India")

On 4 April 2012, the Board of ADH entered into a sale and purchase agreement for the disposal of one of its principal subsidiaries, DGM India, to Tyroo Media Private Limited and to Inflection Digital Holdings Private Limited (both of which are private companies incorporated and registered in India), for a total gross consideration of Rupees 33,500,000 (approximately £412,760).

The transaction completed in July 2012.

### Disposal of selected assets of DGM Asia Pacific Private Limited ("DGM Singapore")

On 17 April 2012, the Board of ADH entered into a conditional agreement for the disposal of selected assets of one of its principal trading subsidiaries, DGM Singapore to Flow Digital Private Limited, a subsidiary of Omnicom Media Group, incorporated and registered in Singapore, for a total gross consideration of USD \$250,000 (approximately £160,932).

The ADH Board further announced on 13 June 2012 that certain retentions had been agreed with the buyer, resulting in a revised consideration of USD \$200,000 (approximately £128,746).

The transaction was approved at a General Meeting held on 28 May 2012, and completed in June 2012.

### Closure of ADH China and liquidation of certain ADH subsidiaries

On 17 April 2012, the Board of ADH announced to the London Stock Exchange its proposal to close the Group's operation in China which was established in the summer of 2010.

In addition to the closure of ADH China, the Board also announced proposals to liquidate a number of Singapore, Hong Kong and Philippines based subsidiaries which have negative net assets and are insolvent. These include:

- Aktiv Digital Asia Pacific Pte Ltd ("Aktiv SG")
- Aktiv Digital Hong Kong Pte Ltd ("Aktiv HK")
- Asia Digital Holdings Pte Ltd ("ADH SG")
- Deploy Digital Pte Ltd ("Deploy SG")
- Deploy Philippines - Rep Office ("Deploy PH")
- DGM Asia Pacific Pte Ltd ("DGM Singapore")

The proposals were approved at a General Meeting held on 28 May 2012.

### Fundamental change of business

As the effect of the disposal of selected assets of DGM Singapore and the closure of ADH China, which followed the disposal of DGM India, will be to divest the Company of its trading businesses and activities, the disposal of selected assets of DGM Singapore and the closure of ADH China constituted a fundamental change of business under Rule 15 of AIM Rules. The Company will therefore be treated as an investing company.

The investment policy of the Company was approved at a General Meeting held on 28 May 2012.

# notes to the consolidated financial statements

for the 15 months ended 31 March 2012

## **20 Events after the balance sheet date continued**

### *Capital Reorganisation and Admission of New ordinary Shares*

A proposed capital reorganisation became effective on 28 May 2012 following the passing of a resolution at a General Meeting held on 28 May 2012

Each of the Company's existing ordinary shares of 0.1 pence each ("Existing Ordinary Shares") have been subdivided into 1 new ordinary share of 0.001 pence ("New Share") and 99 new deferred shares of 0.001 pence ("New Deferred Shares")

The New Shares referred to above have been consolidated into new ordinary shares of 0.1 pence ("New Ordinary Shares") on the basis of 1 New Ordinary Share for every 100 New Shares

The New Ordinary Shares will have the same rights and entitlements (including as to voting, dividends and return on capital) as the Existing Ordinary Shares

Admission of the New Ordinary Shares to trading on AIM took place on 29 May 2012

# Independent auditor's report

to the members of asia digital holdings PLC

We have audited the parent company financial statements of Asia Digital Holdings PLC for the period ended 31 March 2012 which comprise the company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 10, 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](http://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 March 2012,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

## Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the accounting policies on page 15 of the financial statements concerning the Group's ability to continue as a going concern. As explained on page 15 of the financial statements, the Group's plans to improve its balance sheet and obtain long term funding are dependent on the ability to secure new investment, and creditor and shareholder approvals of a Company Voluntary Agreement (CVA) in the UK. These conditions, along with other matters explained on page 15 to the financial statements indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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

# independent auditor's report

to the members of asia digital holdings PLC

## Other matter

We have reported separately on the Group financial statements of Asia Digital Holdings PLC for the period ended 31 March 2012. That report includes an emphasis of matter.

*Grant Thornton UK LLP*

**Nicholas Page**

**Senior Statutory Auditor**

**for and on behalf of Grant Thornton UK LLP**

**Statutory Auditor, Chartered Accountants**

**Gatwick**

**2 November 2012**

# accounting policies (parent company financial statements)

for the 15 months ended 31 March 2012

## **Basis of preparation**

The parent company financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

The principal accounting policies of the Company are set out below and have remained unchanged from the previous year

## **Going concern**

The Company has historically been reliant on its trading subsidiaries for income and cash generation

As the effect of the disposal of DGM India and selected assets of DGM Singapore, as well as the closure of the Company's China operation (described in note 20 to the consolidated financial statements), has been to divest the Company of its trading businesses and activities, this constitutes a fundamental change of business under Rule 15 of the AIM Rules. As a result, the Company has been treated as an Investing Company, following approval of the Investment Policy at a General Meeting held on 28 May 2012 and the completion of the sale of selected assets of DGM Singapore. The Company is now required to implement the Investing Policy, or otherwise make acquisition or acquisitions which constitute a reverse takeover under Rule 14 of the AIM Rules, within twelve months of obtaining consent from shareholders.

In order to enable the Company to execute its investment policy, the Directors are endeavouring to seek additional long term funding.

The Directors have concluded that material uncertainties that cast significant doubt upon the ability of the Company to continue as a going concern exist. Nevertheless, after making enquiries, and considering the uncertainties, the Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they adopt the going concern basis in preparing the annual report and accounts.

## **Depreciation**

Depreciation is calculated to write down the cost of all tangible fixed assets over their expected economic useful lives.

The periods generally applicable are:

Fixtures and fittings – 25% per annum

Leasehold improvements – 20% per annum

## **Deferred tax**

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

## **Leased assets**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. All other leases are classified as operating leases. Classification is made at the inception of the lease. The Company has both finance and operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

## **Financial instruments**

A financial instrument refers to a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity and is recognised on the Company's balance sheet when the Company becomes a party to the contractual terms of the instrument. Financial instruments include cash and deposits, other receivables and payables, debt and equity securities, etc.

## **Debtors and other receivables**

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

## **Creditors and other payables**

Other payables are not interest-bearing and are stated at their fair value on initial recognition. They are then accounted for using the effective interest rate method.

# accounting policies (parent company financial statements)

for the 15 months ended 31 March 2012

## ***Borrowings***

Borrowings are recognised at fair value, net of transaction costs incurred. They are then accounted for using the effective interest method. Fees paid on the settlement of loan facilities are recognised as transaction costs of the loan.

## ***Foreign currencies***

Transactions in currencies other than the local currency are recorded at the rates of exchange prevailing on the dates of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the period end date. Gains and losses arising on translation are included in net profit or loss for the period.

## ***Investments***

Investments are held at cost less amounts written off.

## ***Share-based payments***

Share-based payments that are within the scope of FRS 20 have been recognised in the financial statements in accordance with that standard. This has been applied to arrangements granted after 7 November 2002 and vested equally over three years.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employees. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to equity.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and, where appropriate, share premium.

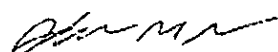
Fair values of share options or awards, measured at the date of the grant of the option or award, are calculated using a binomial model methodology.

# company balance sheet

as at 31 March 2012

	Notes	31 March 2012		31 December 2010	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Fixed asset investments	1		50		50
			50		50
<b>Current assets</b>					
Debtors	2	51		1,181	
Cash at bank and in hand		3		–	
		54		1,181	
<b>Creditors amounts falling due within one year</b>					
Creditors	3	(420)		(875)	
Onerous lease provisions	4	(42)		(215)	
Bank overdraft		–		(10)	
		(462)		(1,100)	
<b>Net current assets</b>			(408)		81
<b>Creditors amounts falling due after more than one year</b>					
Onerous lease provisions	4		–		(224)
<b>Total assets less total liabilities</b>			(358)		(93)
<b>Capital and reserves</b>					
Called up share capital	5	4,852		4,852	
Capital redemption reserve	7	13,188		13,188	
Share premium account	7	23,792		23,792	
Share-based payment reserve	6	1,176		1,155	
			43,008		42,987
Profit and loss account	7	(43,366)		(43,080)	
<b>Shareholders' funds</b>			(358)		(93)

The financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 2 November 2012



**Adrian Moss**  
Chief Executive Officer

Company registration number 03904195

# notes to the company financial statements

for the 15 months ended 31 March 2012

## 1 Fixed asset investments

	Subsidiaries £'000	Associates £'000	Total £'000
<b>Cost</b>			
At 1 January 2011	1,106	3,713	4,819
Additions	-	-	-
<b>At 31 March 2012</b>	<b>1,106</b>	<b>3,713</b>	<b>5,093</b>
<b>Impairment</b>			
At 1 January 2011	1,056	3,713	4,769
Impairment in the period	-	-	-
<b>At 31 March 2012</b>	<b>1,056</b>	<b>3,713</b>	<b>4,769</b>
<b>Net book amount</b>			
<b>At 31 March 2012</b>	<b>50</b>	<b>-</b>	<b>50</b>
At 31 December 2010	50	-	50

As at 31 March 2012 the undertakings in which the Company held 20% or more of the share capital were

Name of undertaking	Country of incorporation	Class of shares held	Proportion held	Nature of business
ADH (Shanghai) Information Consulting Co Limited	China	Ordinary	100%	Online search and marketing services
DGM India Internet Marketing Private Limited	India	Ordinary	100%	Online search and marketing services
Asia Digital Holdings Pte Limited	Singapore	Ordinary	100%	Online search and marketing services
AKTIV Digital Asia Pacific Pte Limited	Singapore	Ordinary	100%	Online search and marketing services
AKTIV Digital Hong Kong Pte Limited	Hong Kong	Ordinary	100%	Online search and marketing services
DGM Asia Pacific Limited	Singapore	Ordinary	100%	Online search and marketing services
Deploy Digital Pte Limited	Singapore	Ordinary	100%	Online search and marketing services

The Company disposed its 20.6% holding in DC Storm Limited in August 2011. Further details are available in note 9 to the consolidated financial statements.

## 2 Debtors

	31 March 2012 £'000	31 December 2010 £'000
Amounts owed by Group undertakings	-	348
Other debtors	12	106
Deferred consideration on sale of subsidiary*	-	657
Prepayments and accrued income	39	70
	<b>51</b>	<b>1,181</b>

\* This relates to the deferred element of the consideration from the sale of the Group's Australian operation in October 2010. The full amount was received during the 15 months to 31 March 2012.

# notes to the company financial statements

for the 15 months ended 31 March 2012

## 3 Creditors

	31 March 2012 £'000	31 December 2010 £'000
Other creditors	333	407
Accruals and deferred income	87	468
	<b>420</b>	<b>875</b>

## 4 Onerous lease provisions

The provision (£42,000) was made for the office lease, service charges and business rates which were entered into in October 2003 for a ten year lease at the former office in London, UK

## 5 Share capital

	31 March 2012 £'000	31 December 2010 £'000
<b>Authorised capital</b>		
9,999,520,000 ordinary shares of 0.1 pence each	10,000	10,000
76,025,157,516 deferred shares of 0.001 pence	760	760
4,083,918,156 deferred shares of 0.1 pence each	4,084	4,084
54,952,000 deferred shares of 24 pence each	13,188	13,188
	<b>28,032</b>	<b>28,032</b>
<b>Allotted, called up and fully paid capital</b>		
7,679,309 (31 December 2010 7,679,309) ordinary shares of 0.1 pence each	8	8
76,025,157,516 deferred shares of 0.001 pence	760	760
4,083,918,156 deferred shares of 0.1 pence each	4,084	4,084
	<b>4,852</b>	<b>4,852</b>

## Allotments during the period

During the period the Company allotted the following ordinary shares

	15 months ended 31 March 2012
Shares in issue at 1 January 2011	7,679,309
Shares issued during the period	—
<b>Shares in issue at 31 March 2012</b>	<b>7,679,309</b>
	Year ended 31 December 2010
Shares in issue at 1 January 2010	7,087,687
Shares issued during the period	591,622
<b>Shares in issue at 31 December 2010</b>	<b>7,679,309</b>

The unissued ordinary shares of 1 pence are subdivided into ten ordinary shares of 0.1 pence each and the issued ordinary shares of 1 pence each are subdivided into one ordinary share of 0.1 pence each and nine deferred shares of 0.1 pence each

A proposed capital reorganisation was approved at a General Meeting held on 28 May 2012. The existing ordinary shares were consolidated into new ordinary shares of 0.1 pence on the basis of 1 new share for every 100 shares. The number of shares in issue has been restated to reflect the effect of the capital reorganisation.

# notes to the company financial statements

for the 15 months ended 31 March 2012

## 6 Share-based payments

During the period 59,833 options (year ended 31 December 2010 170,800) were issued to staff (excluding directors) at an average fair value of 50 pence per share (year ended 31 December 2010 50 pence)

The fair values of the options granted during the 15 months to 31 March 2012 were determined using the binomial valuation model. The model has been applied to each issue of options incorporating the share price prevailing at the time the options were granted.

The model takes into account a volatility rate of 175%, which has been derived from historical experience. A weighted average risk-free interest rate of 1.92% has been applied. The weighted average share price at grant date was 43 pence and the weighted average exercise price was 50 pence.

The options were granted in accordance with the Group's Enterprise Management Incentive Scheme. The options have lives of ten years and vest in three equal tranches over the first three years of their lives provided the employees continue to work for the Group. The expected lives of the options used in application of the binomial model were five years for Directors and management staff and four years for non-management staff.

The amount of employee remuneration expense in respect of the share options granted amounts to £21,000 (year to 31 December 2010 £121,000).

The average remaining life of vested options is six years and number of options exercisable at period end is 351,617 (31 December 2010 354,867).

The inputs to the option pricing model and the weighted average figures are as follows:

	Management	Non-management	Weighted average
Share price at grant date (pence)	50	41	43
Exercise price (pence)	50	50	50
Expected life (years)	5	4	4
Annualised volatility	1.75	1.75	1.75
Risk-free interest rate	0.022	0.019	0.019
Fair value determined (pence)	43	35	37
Options granted	10,000	49,833	

## notes to the company financial statements

for the 15 months ended 31 March 2012

### 6 Share-based payments continued

The general terms and conditions of the share option scheme are that the shares are issued under the Enterprise Incentive Management Scheme rules and the shares vest equally over a three year period

Exercise price (pence)	Issue date	Held at 31 December 2010	Granted during Year	Exercised during year	Forfeited during year	Lapsed during year	Cancelled during year	Held at 31 March 2012
124 68	October 2003	2,516	-	-	-	-	-	2,516
356 50	December 2003	3,000	-	-	-	-	-	3,000
510 00	April 2004	300	-	-	-	-	-	300
650 00	April 2004	250	-	-	-	-	-	250
450 00	January 2006	5,000	-	-	-	-	-	5,000
375 00	June 2006	7,500	-	-	-	-	-	7,500
425 00	September 2006	333	-	-	-	-	-	333
350 00	April 2007	9,651	-	-	-	-	(333)	9,318
125 00	May 2008	138,550	-	-	-	-	(17,500)	121,050
125 00	February 2009	91,167	-	(4,333)	-	-	(32,334)	54,500
050 00	January 2010	168,300	-	(30,667)	-	-	-	137,633
050 00	February 2011	-	10,000	-	-	-	-	10,000
050 00	April 2011	-	49,833	-	-	-	-	49,833
		426,567	59,833	(35,000)	(50,167)			401,233

The above table excludes Directors' options

Options forfeited in the period are in respect of employees leaving the employment of the Group

## notes to the company financial statements

for the 15 months ended 31 March 2012

### 6 Share-based payments continued

Exercise price (pence)	Issue date	Held at 31 December 2009	Granted during year	Exercised during year	Forfeited during year	Lapsed during year	Cancelled during year	Held at 31 December 2010
124 68	October 2003	2,516	-	-	-	-	-	2,516
356 50	December 2003	3,000	-	-	-	-	-	3,000
510 00	April 2004	300	-	-	-	-	-	300
650 00	April 2004	250	-	-	-	-	-	250
450 00	January 2006	5,000	-	-	-	-	-	5,000
375 00	June 2006	7,500	-	-	-	-	-	7,500
425 00	September 2006	666	-	-	(333)	-	-	333
350 00	April 2007	9,651	-	-	-	-	-	9,651
125 00	May 2008	126,050	12,500	-	-	-	-	138,550
125 00	February 2009	98,500	-	-	(333)	(7,000)	-	91,167
050 00	January 2010	-	170,800	-	(2,500)	-	-	168,300
		253,433	183,300	-	(3,166)	(7,000)	-	426,567

The above table excludes Directors' options

Options forfeited in the year are in respect of employees leaving the employment of the Group

A proposed capital reorganisation was approved at a General Meeting held on 28 May 2012. The existing ordinary shares were consolidated into new ordinary shares of 0.1 pence on the basis of 1 new share for every 100 shares. Share options and exercise prices have been restated to reflect the effect of the capital reorganisation.

# notes to the company financial statements

for the 15 months ended 31 March 2012

## 7 Share premium account and reserves

	Capital redemption reserve £'000	Share premium reserve £'000	Share-based payment reserve £'000	Profit and loss account £'000
At 1 January 2011	13,188	23,792	1,155	(43,080)
Retained loss for the period	-	-	-	(286)
Share-based payment	-	-	21	-
<b>At 31 December 2011</b>	<b>13,188</b>	<b>23,792</b>	<b>1,176</b>	<b>(43,366)</b>

## 8 Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not shown separately as part of these accounts. The parent company's loss for the financial period amounted to £286,000 (year to 31 December 2010 £2,404,000)

## 9 Directors and employees

The average number of persons employed by the Company (including Directors) during the period was as follows

	31 March 2012	31 December 2010
Average number employed	3	4

Directors' remuneration was as follows

	15 months ended 31 March 2012				
	Salary £'000	Fees £'000	Pension £'000	Equity £'000	Total £'000
<b>Executive</b>					
A Moss	260	-	11	-	271
<b>Non-Executive</b>					
D Lees	-	-	-	-	-
K Lassman	-	-	-	-	-
	<b>260</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>271</b>

	Year ended 31 December 2010				
	Salary £'000	Fees £'000	Pension £'000	Equity £'000	Total £'000
<b>Executive</b>					
A Moss	292	-	56	240	588
<b>Non-Executive</b>					
D Lees	-	15	-	33	48
K Lassman	-	10	-	23	33
T Beattie (resigned 15 November 2010)	-	-	-	-	-
	<b>292</b>	<b>25</b>	<b>56</b>	<b>296</b>	<b>669</b>

# notes to the company financial statements

for the 15 months ended 31 March 2012

## 10 Reconciliation of shareholders' funds

	31 March 2012 £'000	31 December 2010 £'000
Opening shareholders' funds	(93)	2,040
Loss for the financial period	(286)	(2,404)
Share-based payment	21	122
Issue of shares	-	149
Closing shareholders' funds	(358)	(93)

## 11 Related party transactions

The Company is exempt under the terms of FRS 8 Related Parties from disclosing related party transactions with entities that are wholly owned and part of the Asia Digital Holdings PLC Group

During the period the Company entered into the following related party transactions. All transactions were made on an arm's length basis

### *Howard Kennedy LLP*

Keith Lassman, Non-Executive Director and shareholder, is a partner of Howard Kennedy LLP Solicitors. During the period the Company paid £12,134 (year to 31 December 2010 £12,241) in respect of legal services provided to the Company. The balance due to Howard Kennedy LLP Solicitors at the period end was £4,766 (31 December 2010 £6,499)

### *DC Storm Limited*

The Company completed the sale of its 20.6% shareholding in DC Storm Limited in August 2011 for net consideration of £194,500 (£200,000 less transaction costs)

During the 15 months to 31 March 2012 the Company paid £81,302 in respect of software licensing provided to the Company (year to 31 December 2010 £52,329). The balance due to DC Storm Limited at the period end was £37,681 (31 December 2010 £24,360)

### *Deal Group Media Pty Limited*

This is the Company's former Australian based subsidiary which was disposed of in October 2010. The Company and other subsidiaries provided technical and other services during the 15 months to 31 March 2012 and charged a total of £120,625 (year to 31 December 2010 £13,813). The balance owed to the Company and other subsidiaries at period end was £13,011 (31 December 2010 £50,873)

### *Transaction involving director*

During the period Adrian Moss, Director and shareholder of the Company, made an interest-free loan of £27,145 to the Company. The loan remained outstanding at period end but was repaid in full in May 2012

### *Share Options*

20,400,000 share options (revised to 204,000 share options after capital reorganisation) held by the directors under an approved share option scheme were rebased with an exercise price of 0.5 pence per option during the period. The share options will be fully vested on the second anniversary of date of issue.

The number of share options, which are the subject of the re-pricing, held by members of the Board remains unchanged as follows

Adrian Moss - 17,400,000 options (revised to 174,000 after capital reorganisation)

David Lees - 1,750,000 options (revised to 17,500 after capital reorganisation)

Keith Lassman - 1,250,000 options (revised to 12,500 after capital reorganisation)

The exercise price of 0.5 pence per option was subsequently revised to 50 pence per option following the approval of a capital reorganisation in May 2012

The re-pricing of share options held by members of the Board, in accordance with IFRS 2, triggered an additional share based payments charge which has been recognised in the income statement

The rebasing of the share options is treated as a related party transaction under AIM Rule 13