

INTERIM RESULTS

For the six months ended 31 December 2012

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dotDigital Group Plc (AIM:DOTD), the leading provider of services based upon intuitive 'Email Marketing - Software as a Service' ("SaaS Products") to digital marketing professionals, announces its interim results for the six months ended 31 December 2012.

SaaS Products is predominantly centered on the core dotMailer platform.

Six Month Key Highlights

- Group revenues up 24% (from £5.5m to £6.8m)
- Group operating profit before exceptionals increased by 40% (from £1.3m to £1.8m)
- SaaS Products operating profit before exceptionals increased by 66% (from £1.3m to £2.2m)
- Revenues in SaaS Products up 39% (from £4.1m to £5.7m)
- Net cash generated from operating activities of £1.4m
- Strong cash position of £4.6m as at 31 December 2012
- dotMailer
 - 551 new clients signed in the period including Investec, BBC Worldwide, ITV, Odeon Cinemas, and Balfour Beatty
 - Lower than the 831 in the equivalent period but importantly reflects the Group's increased focus on higher value clients under longer term contracts – 12-36 months
- dotSurvey
 - Steady progress made with the pilot testing of the newly launched online-survey product
- Services Division
 - Strategic review continues with discussions continuing following a number of indicative offers received for the division
- International Initiatives
 - Sales office in New York opened in November and the level of orders and sales pipeline is showing an encouraging trend
 - New sales office recently opened in Melbourne, Australia
 - dotMailer interface now translated into eight languages with the plan to trial sell into selected European countries

On outlook, Peter Simmonds, Chief Executive said:

"The core email marketing business continues to perform very strongly and the strategy to increase sales activity in the corporate sector is showing good results with a strong pitch to win ratio, which is adding to recurring revenues and providing a cohort of higher value clients whose expenditure should continue to increase over time. Our ability to offer multinational businesses, a centrally managed parent account with locally accessible child accounts in local language and local currency billing is attracting interest from some very large businesses.

Overall we continue to see the results of our strategy to drive recurring revenues and the level of monthly recurring revenue in the six months now represents 76.5% of total billing up from 73% at the full year ended June 2012. Our efforts to secure longer term agreements has also proved successful with 66% of new contracts in the last 6 months having terms of between 12-36 months.

We look forward to providing further updates on progress within the Group during 2013, including progress with the strategic review of the services division and culminating in a full annual update on trading in our full year results in October 2013.

CHIEF EXECUTIVE REPORT

Overview

As announced in the trading update on 11 January 2013, the Group continued to deliver revenue growth in line with plan and profits, before exceptional items, ahead of expectation.

Revenues for the period to 31 December 2012 increased by 24% compared to the same period in 2011 and profit before tax and exceptional items grew by 40%.

The table below shows that performance in the core SaaS Products division under the dotMailer brand has performed strongly with revenue growth of 39% and profit before tax growing from £1.3 to £2.2m, an increase of 66%.

This is in contrast to the Services Division (web design and search) which has seen revenues charged to third parties decline by 21% and profits fall from £0.18m to a loss of £0.14m.

The Board has been reviewing the strategic options for this division and has received a number of indicative offers from parties interested in acquiring this division in its entirety and also for component parts. Although discussions are still on-going at the date of this announcement the Board feels that it is prudent to recognise the potential impact this change will have on the level of goodwill being carried from the division's Netcallidus acquisition in 2009. These interim accounts therefore contain an exceptional goodwill impairment charge of £1.5m which is explained in more detail below.

Trading Performance by Division

	Products			Services			Central Costs			Consolidated		
	Dec 12	Dec 11	% inc*	Dec 12	Dec 11	% inc*	Dec 12	Dec 11	% inc*	Dec 12	Dec 11	% inc*
	£'m	£'m		£'m	£'m		£'m	£'m		£'m	£'m	
Sales	5.7	4.1	39%	1.1	1.4	-21%				6.8	5.5	24%
Cost of Sales	0.4	0.3	34%	0.6	0.5	29%				1.0	0.7	31%
Gross Profit	5.3	3.8	40%	0.5	0.9	-46%				5.8	4.8	23%
Administrative Expenses	3.1	2.5	24%	0.6	0.7	-15%	0.3	0.3	-24%	4.0	3.5	16%
Operating Profit before tax before exceptionals	2.2	1.3	66%	-0.1	0.2	-174%	-0.3	-0.3	-24%	1.8	1.3	40%

* Actual % increase is based on unrounded numbers.

Email Marketing - Software as a Service ("SaaS Products")

Overall performance was driven by very strong revenue growth of 39% across the core high margin SaaS Products based email marketing platform, known as dotMailer.

This strong growth was helped by a combination of successful new client wins (particularly in the corporate sector) growth in recurring spending from existing clients and improved client retention. The total number of clients signed via our sales team in the period was 551. This is lower than the 831 in the equivalent period last year but importantly reflects the realignment of the sales team on higher value clients under longer term contracts of between 12-36 months.

In addition to our sales team based client wins, our new credit card self-service product, launched in September, has attracted over 500 "freemium" users who are predominantly smaller SME sized businesses with budgets below £100 per month. Of these approximately 100 have so far been converted to paying status.

Focus on the corporate sector has resulted in the following notable client wins in the past six months include BBC Worldwide, e-Consultancy, Harveys, England Hockey Board, Investec, Osprey London, BP International, ITV, Odeon Cinemas, Ryman, Delice de France, Surrey County Council, City & Guilds, Cartridge World, Balfour Beatty and Help for Heroes.

As previously announced over the last six months within dotMailer the focus has been on increasing the proportion of recurring monthly revenues that are under long term contract

In the period July to December 2012 66% of new contracts signed have been on long term agreements ranging from 12-36 months. The remainder have been signed on pay as you go contracts. The Board continues to recognise the merits behind long term agreements and will continue the approach of winning new business on this basis.

Overall the ratio of monthly billing has increased from 51% contract: 49% pay as you go in December 2011 to 65% contract: 35% pay as you go in December 2012 and the average monthly spend by active clients has risen by a further 6% compared to the corresponding period 12 months ago (excluding those on prepay self service).

Our sales office in New York opened at the end of November with the first corporate client win achieved just before the Christmas holiday and since then the level of orders and sales pipeline has shown an encouraging trend. In late January we opened a sales office in Melbourne Australia and have started building an order book.

Now that the user interface of dotMailer has been translated into eight languages we plan to trial selling into selected European countries using native speakers based from our London offices during 2013 and working with international channel partners.

The overall strong revenue growth combined with management of overhead costs growth at 24% gave rise to a 66% increase in profit before tax in this division.

New SaaS Products

Steady progress has been made with the pilot testing of our newly launched online-survey product 'dotSurvey', and we have continued to trial various marketing methods for attracting new clients and to establish reliable costs of winning and retaining these clients against the estimated lifetime values. We will review the progress of this pilot during this financial year, before committing to significantly increased marketing spend in the next financial year.

In October we test launched a credit card self-service version of dotMailer to cater cost effectively for the needs of the smaller SME clients with smaller customer lists and lower monthly budgets. Early results from this activity are promising and we are continuing to refine the website experience for new trialists and paying customers.

We expect to devote more development and marketing resources to building these two segments of our business during 2013 as results are reviewed and resources become available from other projects.

Services Division

Notwithstanding the strenuous efforts of the divisional management team, performance in dotAgency, the services side of the business, which includes our search marketing business, was disappointing. Although the six months saw a growth in revenues from sale of ecommerce sites to higher value, medium sized businesses, we have yet to see this translate into profit due to higher costs of project delivery. Despite our efforts to reposition the search marketing business to mitigate the impact of the changes made by Google™ to their search engine algorithms in 2012, it has become clear in recent months that the original strategy of cross-selling SEO to the SME clients of dotMailer is now less attractive and less profitable because of reduced operating margins and is increasingly seen as a distraction to the core strategy of growing email marketing revenues. Revenues from SEO declined faster than expected at 21% in the period and now represent around 6% of total group revenue.

Faced with a declining performance and as set out in our Trading Update on 11 January 2013, the Board has been reviewing all strategic options for this division. A number of changes have been implemented to both the strategy and the cost base in order to turn around the decline in profitability of this division and we expect results for the second half to reflect these changes.

Following our trading update on 11 January 2013 the Board commenced a formal process to gauge the level of interest for the division and has to date received a number of enquiries from parties interested in discussing the acquisition of this division in its entirety and also for acquiring component parts. Following the production of an outline Information Memorandum discussions are on-going with several parties who have prepared indicative offers for this division of the business.

Revenues shrinking by 21% have resulted in this division reporting a trading loss of £0.1m in the period.

Financial Summary

Consolidated EBITDA

Overall group EBITDA rose from £1.5m to £2.2m, an increase of 45%, reflecting the strong performance in the core products division.

Consolidated Profits – impact of IFRS3 impairment of goodwill

Consolidated operating profit before exceptional items grew by 43% from £1.2m to £1.8m.

Following the decision to carry out the strategic review of the services and SEO activity with the expectation this division will be sold, the Board has reviewed the IFRS3 implications and made two adjustments to the goodwill originally attributed to the purchase of Netcallidus.

The first adjustment is a further write down of the contingent consideration originally attributed to the purchase price at the date of acquisition on 2009. This amounts to an impairment of £1m.

The second adjustment is impairment from the actual purchase price of £1.3m paid for the business to adjust to the current expected value. This has resulted in a goodwill impairment in the current period of £0.5m.

The net combined effect of these two accounting adjustments is to reduce the consolidated profit before tax to £0.2m and the profit after tax to £0.1m.

Cash Generation

The business continues to be cash generative with £1.6m of cash generated from operations and at the end of the period, cash at bank stood at £4.6m after capital expenditure of £0.1m to fit out the new head office, hardware upgrades of £0.1m and research and product development of £0.6m.

Dividend Policy

Given the current positive cash position and the strong operational cash generation of the business the Board have committed to review the group's dividend policy before the publication of the annual results in October 2013. The future projected operational cash flows will be considered along with the requirements for cash to maintain the high growth objectives and ensure sufficient liquidity to finance potential acquisition opportunities.

Outlook

The core email marketing business continues to perform very strongly and the strategy to increase sales activity in the corporate sector is showing good results with a strong pitch to win ratio, which is adding to recurring revenues and providing a cohort of higher value clients whose expenditure should continue to increase over time. Our ability to offer multinational businesses, a centrally managed parent account with locally accessible child accounts in local language and local currency billing is attracting interest from some very large businesses.

Whilst the initiatives to expand international revenues are at an early stage we have confidence from prospect feedback that the dotMailer product is well received in markets outside the UK and given management bandwidth and good hiring policies we should see overseas revenues increase steadily over the next 18 months.

Our new online self service offerings (dotSurvey and dotMailer Self Service) are starting to generate revenues and as a Board we will be reviewing at the end of this financial year the level of marketing and technical resource to dedicate to building this revenue stream.

Overall we continue to see the results of our strategy to drive recurring revenues and the level of monthly recurring revenue in the six months now represents 76.5% of total billing up from 73% at the full year ended June 2012. Our efforts to secure longer term agreements has also proved successful with 66% of new contracts in the last 6 months having terms of between 12-36 months.

We look forward to providing further updates on progress within the Group during 2013, including progress with the strategic review of the services division and culminating in a full annual update on trading in our full year results in October 2013.

dotDigital Group Plc

Consolidated Income Statement
For the six months ended 31 December 2012

		<i>(restated)</i>	<i>(restated)</i>
	6 months to 31 Dec 2012	6 months to 31 Dec 2011	12 months to 30 June 2012
	Unaudited	Unaudited	Audited
<i>note</i>	£'000s	£'000s	£'000s
Revenue	6,799	5,486	11,987
Cost of sales	<u>(972)</u>	<u>(742)</u>	<u>(1,269)</u>
Gross profit	5,827	4,744	10,718
Administrative expenses including exceptional items	<u>(5,553)</u>	<u>(4,404)</u>	<u>(9,032)</u>
Operating profit before exceptional items	1,813	1,271	2,873
Exceptional items:			
Impairment of goodwill due to adjustment to contingent consideration	(1,007)	(931)	(1,187)
Impairment of goodwill in respect of acquisition	(532)	-	-
Operating profit	274	340	1,686
Finance income including exceptional items	4	1,083	1,088
Finance costs	<u>(64)</u>	<u>(22)</u>	<u>(1)</u>
Profit before tax before exceptional items	1,750	1,253	2,880
Exceptional item: Financial income adjustment for contingent consideration	4	1,079	1,079
Profit before income tax	211	1,401	2,773
Income tax expense	<u>(87)</u>	<u>(193)</u>	<u>(306)</u>
Profit for the period from continuing operations attributable to shareholders	124	1,208	2,467
Earnings per share:			
Basic (pence)	5	0.44	0.90
Diluted (pence)	5	0.43	0.88
Adjusted excluding exceptional items (pence)	5	0.39	0.94
Adjusted diluted excluding exceptional items (pence)	<u>5</u>	<u>0.38</u>	<u>0.92</u>

dotDigital Group Plc

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2012

	6 months to 31 Dec 2012 Unaudited £'000s	6 months to 31 Dec 2011 Unaudited £'000s	12 months to 30 June 2012 Audited £'000s
Profit for the period	124	1,208	2,467
Other comprehensive income	-	-	-
Total comprehensive income attributable to:			
Owners of the parent	124	1,208	2,467

dotDigital Group Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2012

	As at 31 Dec 2011 Unaudited £'000s	As at 31 Dec 2011 Unaudited £'000s	As at 30 June 2012 Audited £'000s
Assets			
<i>Non current assets</i>			
Goodwill	1,395	3,190	2,934
Intangible assets	2,104	1,338	1,753
Property, plant and equipment	519	295	404
	<u>4,018</u>	<u>4,823</u>	<u>5,091</u>
<i>Current assets</i>			
Trade and other receivables	2,634	2,132	2,199
Cash and cash equivalents	4,617	2,915	4,020
	<u>7,251</u>	<u>5,047</u>	<u>6,219</u>
Total assets	<u>11,269</u>	<u>9,870</u>	<u>11,310</u>
Equity attributable to the owners of the parent			
Called up share capital	1,379	1,375	1,377
Share premium	4,781	4,737	4,754
Reverse acquisition reserve	(4,695)	(4,695)	(4,695)
Other reserves	98	85	127
Retained earnings	8,326	6,942	8,202
Total equity	<u>9,889</u>	<u>8,444</u>	<u>9,765</u>

dotDigital Plc

Consolidated Statement of Financial Position
For the six months ended 31 December 2012

	6 months to 31 Dec 2012 Unaudited £'000s	6 months to 31 Dec 2011 Unaudited £'000s	12 months to 30 June 2012 Audited £'000s
Liabilities			
<i>Non current liabilities</i>			
Deferred tax	25	-	25
	<u>25</u>	<u>-</u>	<u>25</u>
<i>Current liabilities</i>			
Trade and other payables	1,240	1,137	1,334
Tax payable	115	289	186
	<u>1,355</u>	<u>1,426</u>	<u>1,520</u>
Total liabilities	<u>1,380</u>	<u>1,426</u>	<u>1,545</u>
Total equity and liabilities	<u>11,269</u>	<u>9,870</u>	<u>11,310</u>

dotDigital Group Plc

**Consolidated Statement of Changes in Equity
For the six months ended 31 December 2012**

	Share capital	Share premium	Retained earnings	Other reserves	Reverse acquisition reserve	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
As at 1 July 2011	1,375	4,737	5,734	70	(4,695)	7,221
Profit after tax for the period	-	-	1,208	-	-	1,208
Share based payment	-	-	-	15	-	15
As at 31 December 2011	1,375	4,737	6,942	85	(4,695)	8,444
As at 1 July 2011	1,375	4,737	5,735	70	(4,695)	7,222
Profit after tax for the year	-	-	2,467	-	-	2,467
Issue of share capital	2	18	-	-	-	20
Share based payment	-	-	-	57	-	57
As at 30 June 2012	1,377	4,755	8,202	127	(4,695)	9,766
As at 1 July 2012	1,377	4,755	8,202	127	(4,695)	9,766
Profit after tax for the period	-	-	124	-	-	124
Share issue	2	26	-	-	-	28
Share based payment	-	-	-	(29)	-	(29)
As at 31 December 2012	1,379	4,781	8,326	98	(4,695)	9,889

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

dotDigital Group Plc

Consolidated Statement of Cash Flows
For the six months ended 31 December 2012

		6 months to 31 Dec 2012 Unaudited £'000s	6 months to 31 Dec 2011 Unaudited £'000s	12 months to 30 June 2012 Audited £'000s
	<i>note</i>			
Cash flow from operating activities	6	1,625	1,174	3,275
Interest paid		(64)	(22)	(1)
Tax paid		(158)	-	(193)
Net cash generated from operating activities		1,403	1,152	3,081
Cash flow from investing activities				
Contingent consideration on acquisition of subsidiary		-	-	(164)
Purchase of intangible fixed assets		(615)	(520)	(1,173)
Purchase of tangible fixed assets		(220)	(120)	(315)
Sale of tangible fixed assets		-	-	1
Interest received		1	4	8
Net cash used in investing activities		(834)	(636)	(1,643)
Cash flows from financing activities				
Loan repayments in period		-	(170)	(7)
Share issues		28	-	20
Net cash generated from financing activities		28	(170)	13
Increase in cash and cash equivalents		597	346	1,451
Cash and cash equivalents at beginning of period		4,020	2,569	2,569
Cash and cash equivalents at end of period.		4,617	2,915	4,020

dotDigital Group Plc

Notes to interim financial statements For the six months ended 31 December 2012

1. GENERAL INFORMATION

dotDigital Group Plc is a company incorporated in England and Wales and quoted on the AIM market.

2. BASIS OF INFORMATION

These consolidated interim financial have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a historical basis, using the accounting policies which are consistent with those set out in the Group's annual report and accounts for the year ended 30 June 2012. The interim financial information for the six months to 31 December 2012, which complies with IAS 34 'Interim Financial Reporting' has been approved by the Board of Directors on 26 February 2013.

The unaudited interim financial information for the period ended 31 December 2012 does not constitute statutory statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 June 2012 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2012, as described in those financial statements.

There are no IFRSs or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total earnings.

4. FINANCE INCOME

Finance income for the comparative periods includes the effect of the elimination of the financial instrument created in relation to the acquisition of dotSearch Limited (previously known as "Netcallidus Limited") in 2010 as required by IFRS 3. The Directors of the Group have elected apply this to the interim figures as a final settlement in regards to the consideration due to the previous owners of Netcallidus has been agreed and paid. The amount of the adjustment is £1,079,000.

dotDigital Group Plc

Notes to interim financial statements
For the six months ended 31 December 2012

5. EARNINGS PER SHARE

	6 months to 31 Dec 2012 Unaudited	6 months to 31 Dec 2011 Unaudited	12 months to 30 June 2012 Audited
Earnings per Ordinary share			
Basic (pence)	0.04	0.44	0.90
Diluted (pence)	0.04	0.43	0.88
Adjusted excluding exceptional items (pence)	0.60	0.39	0.94
Adjusted diluted excluding exceptional items (pence)	0.59	0.38	0.92

Adjusted earnings represents earnings normalised for unique charges and income in the period:

	6 months to 31 Dec 2012 Unaudited £'000s	6 months to 31 Dec 2011 Unaudited £'000s	12 months to 30 June 2012 Audited £'000s
Profit attributable to shareholders	124	1,208	2,467
Impairment of goodwill	1,539	931	1,187
Revisions to financial instruments	-	(1,079)	(1,079)
Profit figure utilised for adjusted EPS	1,663	1,060	2,575

Weighted average number of shares in issue as follows:

	6 months to 31 Dec 2012 Unaudited	6 months to 31 Dec 2011 Unaudited	12 months to 30 June 2012 Audited
<i>Weighted average number</i>			
Basic	275,932,065	274,972,065	275,019,565
Diluted	282,567,459	279,154,323	281,111,611
Adjusted excluding exceptional items (pence)	275,932,065	274,972,065	275,019,565
Adjusted diluted excluding exceptional items (pence)	282,567,459	279,154,323	281,111,611

dotDigital Group Plc

Notes to interim financial statements
For the six months ended 31 December 2012

6. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	6 months to 31 Dec 2012 Unaudited £'000s	6 months to 31 Dec 2011 Unaudited £'000s	12 months to 30 June 2012 Audited £'000s
Profit before income tax	211	1,401	2,773
Adjustments for:			
Exceptional items: impairment of goodwill	1,539	931	1,187
Depreciation and amortisation	371	233	557
Loss on disposal of fixed assets	-	-	1
Share based payments	(29)	15	57
Finance costs	64	22	1
Finance income	(1)	(1,083)	(1,088)
Increase in trade and other receivables	(436)	(474)	(540)
(Decrease)/Increase in trade and other payables	(94)	129	327
Net cash from operating activities	1,625	1,174	3,275

7. CALLED UP SHARE CAPITAL

The issued share capital as at 31 December 2012 was 275,932,065, Ordinary Shares of 0.5p per share (30 June 2012: 275,362,065 Ordinary Shares of 0.5p per share as per the audited accounts).

8. SHARE BASED PAYMENTS

The measurement requirements of IFRS2 have been implemented in respect of the share options that were granted after 7 November 2002. The credit recognised for share based payments made during the period is £29,819, (31 Dec 2011: £14,634, 30 June 2012: £57,183).

In addition to the options issued up to 30 June 2012, as outlined in the statutory financial statements, The Board of Directors also granted 1,500,000 options to employees of the Group exercisable on or after 1 December 2014 until 30 November 2017. Vesting conditions of the options dictate that the employee must remain part of the Group up to the date they choose to exercise their options to qualify.

dotDigital Group Plc

Notes to interim financial statements
For the six months ended 31 December 2012

9. SEGMENTAL REPORTING

IFRS 8 requires that operating segments be identified on the basis of internal reporting and decision making. The operating segments below represent those assessed by the board as relevant to the groups internal management structure, organisation and basis of providing services and products to clients.

Period ended 31 December 2012	Products £'000s	Services £'000s	Central costs £'000s	TOTAL £'000s
Sales	5,714	1,085	-	6,799
Cost of sales	<u>(383)</u>	<u>(588)</u>	<u>-</u>	<u>(972)</u>
Gross profit	5,331	497	-	5,827
Overheads	(3,054)	(633)	(327)	(4,014)
Finance income	1	-	-	1
Finance costs	<u>(64)</u>	<u>-</u>	<u>-</u>	<u>(64)</u>
Profit before tax and exceptional items	<u>2,214</u>	<u>(136)</u>	<u>(327)</u>	<u>1,750</u>
Period ended 31 December 2011	Products £'000s	Services £'000s	Central costs £'000s	TOTAL £'000s
Sales	4,103	1,383	-	5,486
Cost of sales	<u>(287)</u>	<u>(455)</u>	<u>-</u>	<u>(742)</u>
Gross profit	3,816	928	-	4,744
Overheads	(2,464)	(745)	(264)	(3,473)
Finance income	4	-	-	4
Finance costs	<u>(22)</u>	<u>-</u>	<u>-</u>	<u>(22)</u>
Profit before tax and exceptional items	<u>1,334</u>	<u>183</u>	<u>(264)</u>	<u>1,253</u>
Year ended 30 June 2012	Products £'000s	Services £'000s	Central costs £'000s	TOTAL £'000s
Sales	9,542	2,445	-	11,987
Cost of sales	<u>(439)</u>	<u>(830)</u>	<u>-</u>	<u>(1,269)</u>
Gross profit	9,103	1,615	-	10,718
Overheads	(5,826)	(1,314)	(705)	(7,845)
Finance income	8	-	-	8
Finance costs	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Profit before tax and exceptional items	<u>3,284</u>	<u>301</u>	<u>(705)</u>	<u>2,880</u>

Notes to interim financial statements
For the six months ended 31 December 2012

10. RELATED PARTY NOTE

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

Key management remuneration:

Key management includes, Directors, Associate Directors, Members of the Executive Committee and the Company Secretary. The remuneration paid for key management employee services are as follows:

	6 months to 31 Dec 2012 Unaudited £'000s	6 months to 31 Dec 2011 Unaudited £'000s	12 months to 30 June 2012 Audited £'000s
Remuneration and other short term benefits	301	303	911
Share based payments	(1)	5	10
	<u>300</u>	<u>308</u>	<u>921</u>

Directors & Non-Executive Directors

Aggregate emoluments	272	263	602
Company contributions to pension scheme	13	18	48
	<u>285</u>	<u>281</u>	<u>650</u>

The following transactions were carried out with related parties

Purchase of services

Entities controlled by non - executive directors of the Group:

F Beechinor Collins - Consultancy for international expansion and channel partner development	7	30	54
N Nelson: Hansard Communications Ltd - Financial PR	-	15	-
	<u>7</u>	<u>45</u>	<u>54</u>

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10. RELATED PARTY DISCLOSURE (cont....)

	6 months to 31 Dec 2012 Unaudited £'000s	6 months to 31 Dec 2011 Unaudited £'000s	12 months to 30 June 2012 Audited £'000s
Payables to related parties from sales/(purchases) of services			
F Beechinor Collins - Consultancy for international expansion and channel partner development	-	(10)	-
Hansard Communications Ltd - Financial PR	-	-	3
	<u>-</u>	<u>(10)</u>	<u>3</u>

11. PRIOR PERIOD ADJUSTMENT

On 1 July 2011 the Board of Directors re-categorised the nature of some expenditure items which related to direct operational costs incurred by a group company from administrative to cost of sales. The impact of this on the comparative figures on the income statement are as follows:

	6 months to 31 Dec 2011 Unaudited £'000s	Effect of change £'000s	(restated) 6 months to 31 Dec 2011 Unaudited £'000s
Revenue	5,486	-	5,486
Cost of sales	-	(742)	(742)
Gross profit	5,486	(742)	4,744
Administrative expenses	(5,146)	742	(4,404)
Operating profit	<u>340</u>	<u>-</u>	<u>340</u>

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11. PRIOR PERIOD ADJUSTMENT (cont.....)

	12 months to 30 June 2012	Effect of change £'000s	(restated) 12 months to 30 June 2012
	Audited £'000s		Audited £'000s
Revenue	11,987	-	11,987
Cost of sales	<u>(875)</u>	<u>(394)</u>	<u>(1,269)</u>
Gross profit	11,112	(394)	10,718
Administrative expenses	<u>(9,426)</u>	<u>394</u>	<u>(9,032)</u>
Operating profit	<u><u>1,686</u></u>	<u><u>-</u></u>	<u><u>1,686</u></u>

12. SUBSEQUENT EVENTS TO 31 DECEMBER 2012

As at the date of these statements and the date they were approved by the Board of Directors the board has been reviewing the strategic options for this division and has received a number of enquiries from parties interested in acquiring this division in its entirety and also for component parts. Although discussions are still on-going at the date of this announcement the board feel that it is prudent to recognise the potential impact this change will have on the level of goodwill being carried from the Netcallidus acquisition in 2009. These interim accounts therefore contain an exceptional goodwill impairment charge of £1.5m.

13. COPIES OF INTERIM FINANCIAL STATEMENTS

Copies of this interim statement are available from the Company at its registered office at, Fingsgate, 5-7 Cranwood Street, London EC1V 9EE. The interim financial information document will also be available on the Company's website www.dotdigitalgroup.com.