



**Asia Digital Holdings PLC** is an independent digital marketing group with operations in China, India and Southeast Asia.

Our mission is to provide online marketing products and services, managed and delivered through talented teams that result in a direct and quantifiable return on our clients' online marketing investment.

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## chairman's statement



As a result of the sale of the DGM operation in Australia, the Group has reported a profitable year in 2010. The remaining businesses in India and Southeast Asia continue to contribute, but it is the start of our operations in China that the Board sees as the driver for future growth. Whilst continuing to carefully monitor the Group's working capital requirements, the Board anticipates that the opportunity for growth in China, as well as our rationalised cost base, can return the Group to profitability.

### Operational review

The Group operated two main business units during 2010: 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.

Over 2010 DGM operated in Australia, India and Southeast Asia, soft-launching in China towards the end of the first half of the year. During the period DGM worked with advertisers such as Dell, Apple, Citibank, Vodafone, CNN, HSBC and American Express.

DGM is the largest part of Group sales representing 80% of continuing revenues in 2010 (2009: 76%) and retained 40 people or 80% of operational staff through 2010 (2009: 30 people and 77% of operational staff).

**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.

Over 2010 AKTIV operated predominantly in Southeast Asia, with some resources also in Hong Kong. During the period we ran campaigns for advertisers such as Emirates, Millennium & Copthorne, Malaysian Airlines, Nike and Nokia.

AKTIV represented 20% of continuing revenues in 2010 (2009: 24%) and retained ten people or 20% of operational staff through 2010 (2009: nine people and 23% of operational staff).

In addition to the above businesses we started the year with a third business unit, Deploy. This was never a material part of our sales mix and was discontinued in the year due to inconsistent delivery.

### Review of trading

Our performance has been materially and positively impacted by the sale of our DGM business in Australia in October 2010. This produced a one-off profit on the sale of £3.40 million, and Group profit before tax of £1.40 million (2009: £2.55 million loss) for the year including discontinued operations.

Our continuing operation, dominated by Southeast Asia and India showed no material change in sales or gross profitability for 2010, delivering sales of £6.10 million (2009: £6.16 million) and gross profit of £1.79 million (2009: £1.74 million). The Group's margins increased slightly to 29%, up from 28% in 2009.

For the year as a whole, Southeast Asia produced a marginally positive result, however, the second half of the year saw a deterioration in delivery.

A number of operational changes were made in order to reverse this trend. For the DGM business we appointed a new Managing Director in December and his appointment is already having a positive impact on results.

The AKTIV business, however, has not delivered the expected upturn in trade and the Board is currently considering the options for this business going forward.

Our Indian DGM operation delivered a consistent contribution throughout the period, showing a marginal improvement over the previous year. However, deterioration in debtor days has led to our policy of fully providing for all debts over 90 days being triggered. The Group has therefore made a further provision of £65,000 (2009: £27,000).

Our operation in China through 2010 was embryonic, in effect a soft launch, servicing Dell, our launch client, with an average headcount of less than three people. The team was supported by back office functions in Singapore and our CEO who relocated to Shanghai in September 2010. We have spent time building relationships with performance based media partners and planning our launch strategy to accommodate the nuances of the local market.

Overheads in China have therefore been kept to a minimum and have all been expensed in the period, amounting to £0.11 million (2009: £Nil). As a result reported administration expenses for the Group rose by 4% to £4.14 million (2009: £3.98 million).

The net result is that our operational loss from continuing operations has been reduced to £2.69 million (2009: £2.85 million).

The administration costs above include the costs of resource retained centrally to service the various business units that we operated in the period. This included the Australian business that we serviced for the majority of the year. After the sale of Australia we performed a cost review. The resultant initiatives, along with the announced reduction in salaries for Directors, are expected to deliver annualised cost savings of over £0.8 million.

### Working capital

The disposal of our Australian business reversed net current liabilities of £1.90 million at 31 December 2009 to £0.03 million net current assets at 31 December 2010. This is after repaying our convertible loan notes, with accumulated interest amounting to a cash payment of £617,534. This repayment eliminated an annual interest charge of £75,000.

We therefore ended the year debt free, with the exception of normal trading liabilities, with a cash balance of £538,225 as at 31 December 2010.

Since the disposal of the Australian operations the Group has been loss making. Such trading losses have been funded by the consideration from the disposal and leave the business with a cash balance of £165,000 as at 31 March 2011.

We anticipate receipt of an additional gross cash amount of £657,188 (based on year-end exchange rate) in deferred consideration on the disposal over two equal tranches, one in April 2011 and one in November 2011. The deferred payments are conditional on the execution of an insurance policy in favour of the acquirer to cover any Australian corporation tax exposure.

All support work has now been completed to facilitate this policy and we have been advised by our retained insurance broker to expect the policy to be in place in mid to late April, making the final payments unconditional. We therefore expect to receive £179,043 net from the first instalment by the end of April after the costs of the insurance policy and other deferred transaction expenses are settled. Should there be any delays in this payment we would have a working capital deficit.

The net cash expected from the final deferred consideration payment due in November is £278,594.

We still retain a lease on a property in London that we have to service. We are pleased to report that within March 2011 we have sublet the largest of three units on a short-term basis and are confident that this will convert to a longer-term arrangement. We will continue to look to sublet the remaining space. As at year end, the provision relating to outstanding commitments on these premises was £415,000 (2009: £517,000).

The Board believes that with the receipt of the deferred consideration, the expected growth in China and the material cost savings made, the Group has sufficient working capital to get back into profit. However, it acknowledges that should there be any delay in the receipt of the deferred consideration the Group may need to raise further capital. In addition, there are opportunities to expedite evolution in China for which the Company may, in any event, seek to raise additional funding.

## chairman's statement continued

### Prospects and strategy

The Board is of the opinion that China represents the largest opportunity for our Group to deliver material shareholder value. Though we expect our operations in Southeast Asia and India to deliver growth and increasing profits, it is our expectation of a successful operation in China that will increasingly dominate our trading results as we progress through the current period and beyond.

The current and potential future growth in the number of internet users and digital advertising spend in China is exciting; however, for the Group to deliver growth and profitability we must operate in a space that is relevant to our core skills, provide a service that is in demand and where the state of the supply chain presents us with an opportunity. We believe that in China we have all three.

In their July 2010 report "China's Digital Generation 2.0" the Boston Consulting Group suggested that, "To many multinationals, digital China is the mother of all untapped markets", citing the rise of e-commerce as the biggest trend shift in China. 3% of Chinese population shopped online in 2006, up to 8% in 2010 and expected to rise to 19% by 2012. The conclusion of the BCG research was that China is destined to be the world's most strategic e-commerce market.

This market is already material with reported levels of e-commerce of \$39.3 billion in 2009 that rose 97% to \$78 billion in 2010 (China E-commerce Market Statistical Report January 2011).

Our core offering since launch in 1999 has been the DGM business, focused on delivering online sales for global brands. Whether it has been via affiliate marketing, search engine marketing or soaking up remnant inventory, our clients' objectives have been dominated by the generation of e-commerce.

The Chinese market is at a similar early stage in terms of supplier chain evolution to when we launched in the UK, Australia and in India, yet the digital advertising spend and e-commerce levels are already much higher. The complexities of operating in China are undeniable; however, if one can overcome these barriers of entry they provide a degree of protection against further competition.

Our cautious approach in China through 2010 has allowed us to better study the market and prepare for a superior launch. In 2011 we have increased our headcount, launched a second client and are ready to more fully engage with the market moving forward. We have a pipeline of global brands from which we hope to launch more clients over the coming months.

We believe that we have a major opportunity to apply our skills and experience to the Chinese market to deliver a positive contribution which, along with growing contributions from our existing operations and a materially reduced central cost base, we expect will take the Group back into profit.

Furthermore we believe that China can spearhead a successful regional customer acquisition offering and that this could drive more revenues through our more established operations in Southeast Asia and India.

As stated above we are considering the options for the AKTIV business. The Board notes that any decision to terminate would have a positive impact on our immediate results and support a return to profitable trading. This is based on AKTIV's delivery in 2010 and the first quarter of 2011.

Generally the Board believes that our delivery in the current financial year will be a better indication of the Group's potential than the 2010 results.

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



**David Lees**  
Chairman

4 April 2011

## 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 Ilnet PLC to obtain its listing on the London Stock Exchange in 2003. The Group now services over 250 clients and employs more than 60 staff in five countries across Asia.



**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 Ltd**  
*(formerly Astaire Securities plc)*

46 Worship Street  
London EC2A 2EA

**Registrars**

**Capita Registrars**

The Registry  
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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 year ended 31 December 2010

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 Executive 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 20 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 5 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.

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, the Directors have a reasonable expectation that the Group has 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

4 April 2011

# report on remuneration

for the year ended 31 December 2010

## 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 20 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 20 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.

**Details of Directors' remuneration**

This report should be read in conjunction with notes 4 and 20 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**

4 April 2011

# report of the directors

for the year ended 31 December 2010

The Directors present their report together with the financial statements for the year ended 31 December 2010.

## Principal activity

The Group is principally engaged in the provision of online marketing services.

## 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 profit for the financial year after taxation amounted to £1,473,000 (2009: £2,574,000 loss). In view of the historic losses and the lack of distributable reserves, the Directors cannot recommend payment of a dividend.

## Future developments

On 22 October 2010, the Group completed the sale of its Australian subsidiary leaving a much smaller operation that is purely focused on Asia. The new China operation, which operated in a soft launch phase through the second half of 2010, delivered a loss of £73,000 which was in line with management's expectations. The market opportunity is considered in detail in the Chairman's statement on pages 2 to 4. Management is confident about the prospects in China and expects material growth in delivery as the year progresses.

## 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 page 2 to 4.

## Key trading risks and uncertainties

The Group is subject to a variety of risks which could have a negative impact on its performance and financial position. The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. The principal risks are considered to be:

- the Group's operations are affected by general economic downturns. Forward-looking indicators are regularly reviewed to identify deteriorating market conditions. The cost base is reviewed regularly and there is a management structure in place to enable a rapid response to changing circumstances;
- major customer defaults giving rise to bad debts. Customer credit worthiness is regularly reviewed and the ageing receivables are reported on a regular basis;
- the Group is affected by liquidity, currency and credit risks. Financial risks are managed at Group level as set out in note 19 to the financial statements; and
- the Directors consider the loss of key clients a key trading risk. The Directors are always reviewing the Group's reliance on key clients, and measures to diversify are always explored.

## Directors

The Directors of the Company and their interests in the shares of the Company at the start of the year, or when appointed, and at the end of the year, 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, David Lees 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 year end amount to 132 days (2009: 125 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 19 to the financial statements.

### Substantial shareholders

At 21 March 2011 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 plc                                 | 103,237,178  | 13.44 |
| William De Broë                             | 84,057,582   | 10.95 |
| JO Hambro Capital Management UK Growth Fund | 30,000,000   | 3.91  |
| J Dennis                                    | 25,000,000   | 3.26  |

### 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 2 to 4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's statement on page 2. In addition, pages 6 to 7 include the Group's objectives, policies and processes for managing its capital; note 19 to the financial statements includes its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risks.

Before account is taken of the transaction (i.e. the sale of the Group's Australian operation), the Group made losses in 2010 amounting to £1,924,000 (2009: £2,574,000). The sale of the Australian operation has, however, materially and positively impacted trading results, in addition to changing the profile of the Group's balance sheet. At year end the cash balance was £538,000 (2009: £1,617,000), net current assets of £281,000 (2009: £1,925,000 net current liabilities) and net assets of £91,000 (2009: £2,133,000 net liabilities).

In response to a repayment request the Group repaid in full the convertible loan notes of £500,000 along with accumulated interest of £117,534 leaving the Group free of long-term debt.

Within the current assets is further deferred consideration relating to the disposal of the Group's Australian operation of £657,000 at year-end exchange rates. This consideration has conditions attached but management is confident that those conditions will be met.

Moving forward, without the revenues and contributions from Australia, the business is understandably smaller in all key metrics and still losing money.

We recognise the need to deliver within our current resource and, as noted in the Chairman's statement on pages 2 to 4, we have executed multiple actions to assist our route back into profit and cash generation.

With the changes made and our experiences so far in China, we expect to return the operation to profits and positive cash generation within the current year.

The Directors, therefore, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. This is supported by forecasts prepared by management for at least 12 months from the date of signing the accounts.

# report of the directors continued

for the year ended 31 December 2010

## 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 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.

## 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

4 April 2011

# independent auditor's report

to the members of asia digital holdings PLC (formerly dealgroupmedia Plc)

We have audited the Group financial statements of Asia Digital Holdings PLC for the year ended 31 December 2010 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 12, 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 December 2010 and of its profit for the year 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.

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

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

## Matters on which we are required to report by exception

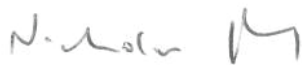
We have nothing to report in respect of the following:

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Other matter

We have reported separately on the parent company financial statements of Asia Digital Holdings PLC for the year ended 31 December 2010.



**Nicholas Page**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London

4 April 2011

## accounting policies (consolidated financial statements)

for the year ended 31 December 2010

### 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 44 to 53, which are prepared in accordance with UK GAAP.

#### Adoption of new and revised standards

In the year to 31 December 2010, the following new and revised standards and interpretations have been adopted which has had an impact on amounts reported in these financial statements:

- IFRS 3 (2008) Business Combinations, IAS 27 (2008) Consolidated and Separate Financial Statements, IAS 28 (2008) Investments in Associates – These standards have introduced a number of changes in the accounting for business combinations when acquiring a subsidiary or an associate. IFRS 3 (2008) has also introduced additional disclosure requirements for acquisitions;
- IFRIC 17 Distributions of Non-cash Assets to Owners – The interpretation provides guidance on when an entity should recognise a non-cash dividend payable, how to measure the dividend payable and how to account for any difference between the carrying amount of the assets distributed and the carrying amount of the dividend payable when the payable is settled; and
- IFRS 2 (amended) Group Cash-settled Share-based Payment Transactions – The amendment clarifies the accounting for share-based payment transactions between Group entities.

In the year to 31 December 2010, the following amendments were made as part of improvements to IFRS (2009) although none have had an impact on the amounts reported in these financial statements:

- Amendment to IFRS 2 Share-based Payment – IFRS 2 has been amended, following the issue of IFRS 3 (2008), to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2;
- Amendment to IAS 17 Leases – IAS 17 has been amended such that it may be possible to classify a lease of land as a finance lease if it meets the criteria for that classification under IAS 17; and
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – IAS 39 has been amended to state that options contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are not excluded from the scope of the standard. Although the Group does have option contracts between itself and the selling shareholder's to acquire additional shareholdings two majority-owned subsidiaries, the amendment to IAS 39 does not change the recognition or measurement of those option contracts previously adopted.

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 9 Financial Instruments;
- IAS 24 (amended) Related Party Disclosures;
- IAS 32 (amended) Classification of Rights Issues;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments; and
- IFRIC 14 (amended) Prepayments of a Minimum Funding Requirement.

#### Improvements to IFRS (May 2010)

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 January 2013 will impact both the measurement and disclosures of financial instruments.

The Directors do not expect that the adoption of the other standards listed above will have a material impact on the financial statements of the Group in future periods.



### 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 2 to 4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chairman's statement on page 2. In addition, pages 6 to 7 include the Group's objectives, policies and processes for managing its capital; note 19 to the financial statements includes its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risks.

Before account is taken of the transaction (i.e. the sale of the Group's Australian operation), the Group made losses in 2010 amounting to £1,924,000 (2009: £2,574,000). The sale of the Australian operation has, however, materially and positively impacted trading results, in addition to changing the profile of the Group's balance sheet. At year end the cash balance was £538,000 (2009: £1,617,000), net current assets of £281,000 (2009: £1,925,000 net current liabilities) and net assets of £91,000 (2009: £2,133,000 net liabilities).

In response to a repayment request the Group repaid in full the convertible loan notes of £500,000 along with accumulated interest of £117,534 leaving the Group free of long-term debt.

Within the current assets is further deferred consideration relating to the disposal of the Group's Australian operation of £657,000 at year-end exchange rates. This consideration has conditions attached but management is confident that those conditions will be met.

Moving forward, without the revenues and contributions from Australia, the business is understandably smaller in all key metrics and still losing money.

We recognise the need to deliver within our current resource and, as noted in the Chairman's statement on pages 2 to 4, we have executed multiple actions to assist our route back into profit and cash generation.

With the changes made and our experiences so far in China, we expect to return the operation to profits and positive cash generation within the current year.

The Directors, therefore, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. This is supported by forecasts prepared by management for at least 12 months from the date of signing the accounts.

### 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 purchase 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 have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

## accounting policies (consolidated financial statements) continued

for the year ended 31 December 2010

### 1c Summary of significant accounting policies continued

#### 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 year 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.

#### Software development

Development costs incurred or software purchased on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation and all research costs are expensed as incurred.

Amortisation is calculated to write down development costs over their expected useful economic life.

#### Property, plant and equipment

Depreciation is calculated to write down the purchase cost of all property, plant and equipment to residual value over their expected economic useful lives. Residual values are assessed annually.

The periods generally applicable are:

|                                   |                       |
|-----------------------------------|-----------------------|
| Leasehold improvements            | – 20% – 33% per annum |
| Furniture, fittings and equipment | – 25% – 50% per annum |
| Motor vehicles                    | – 25% – 33% per annum |

#### 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.

### 1c Summary of significant accounting policies continued

#### Share-based payments continued

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.

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 year.

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.

#### 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.

## accounting policies (consolidated financial statements) continued

for the year ended 31 December 2010

### 1c Summary of significant accounting policies continued

#### Financial instruments continued

##### 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.

##### 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 currencies other than the functional currency are recorded 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. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value is determined. Gains and losses arising on retranslation are included in net profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities such as equities classified as available for sale where the changes in fair value are recognised directly in other comprehensive income.

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 recognised as income or expenses in the period in which the operation is disposed of.

### 1c Summary of significant accounting policies continued

#### 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 Group operates two main operating segments (DGM and AKTIV) and each of these operating segments is managed separately. 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.

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

### 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.

#### Internally generated software and research costs

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred. Management monitors progress of internal research and development projects by using a project management system. Significant judgment is required in distinguishing research from the development phase. Development costs are recognised as an asset when all the criteria are met, whereas research costs are expenses as incurred.

To distinguish any research-type project phase from the development phase, it is the Group's accounting policy to also require a detailed forecast of sales or cost savings expected to be generated by the intangible asset. The forecast is incorporated into the Group's overall budget forecast as the capitalisation of development costs commences. This ensures that managerial accounting, impairment testing procedures and accounting for internally generated intangible assets is based on the same data.

The Group's management also monitors whether the recognition requirements for development costs continue to be met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems after the time of recognition.

#### 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 of changes in circumstances indicate that the balances may not be collectible. Further information on this is available in note 19 to the financial statements.

## accounting policies (consolidated financial statements) continued

for the year ended 31 December 2010

### 1d Accounting estimates and judgments continued

#### 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.

#### Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Group. The carrying amounts are analysed in notes 9 and 11. Actual results, however, may vary due to technical obsolescence, particularly relating to software and IT equipment.

#### Provisions

The Group sold its Australian subsidiary in October 2010. Certain transaction costs that are expected to be paid during 2011 have been estimated by management in the 2010 accounts.

The Group's status as a VAT registered business is currently under review by tax authorities in the UK. As the review is ongoing, management has estimated and fully provided for any potential liability to the Group.

# consolidated income statement

for the year ended 31 December 2010

|   | Notes | 2010<br>£'000  | Restated<br>2009<br>£'000 |
|---|-------|----------------|---------------------------|
| <b>Continuing operations</b>                                      |       |                |                           |
| <b>Revenue</b>  | 1     | <b>6,104</b>   | 6,164                     |
| Cost of sales   |       | <b>(4,310)</b> | (4,424)                   |
| <b>Gross profit</b>   |       | <b>1,794</b>   | 1,740                     |
| <b>Administrative expenses</b>                                    |       |                |                           |
| – amortisation  |       | –              | (404)                     |
| – depreciation  |       | <b>(76)</b>    | (51)                      |
| – share-based payments  |       | <b>(269)</b>   | (150)                     |
| – other administrative expenses                                   |       | <b>(4,135)</b> | (3,984)                   |
|   |       | <b>(4,480)</b> | (4,589)                   |
| <b>Loss from operations</b>                                       | 2     | <b>(2,686)</b> | (2,849)                   |
| Interest received   |       | –              | –                         |
| Interest payable  |       | <b>(73)</b>    | (53)                      |
| Share of loss of associates                                       | 10    | –              | (135)                     |
| <b>Loss before tax</b>  |       | <b>(2,759)</b> | (3,037)                   |
| Income tax  | 5     | <b>42</b>      | (27)                      |
| <b>Total loss after taxation from continuing operations</b>       |       | <b>(2,717)</b> | (3,064)                   |
| <b>Discontinued operations</b>                                    |       |                |                           |
| Profit before tax from discontinued operations                    | 6     | <b>766</b>     | 490                       |
| Profit on disposal of subsidiary                                  | 8     | <b>3,397</b>   | –                         |
| Income tax  | 5     | <b>27</b>      | –                         |
| <b>Profit after tax from discontinued operations</b>              |       | <b>4,190</b>   | 490                       |
| <b>Total profit/(loss)</b>  |       | <b>1,473</b>   | (2,574)                   |
| <b>Attributable to:</b>   |       |                |                           |
| Equity holders of the parent                                      |       | <b>1,473</b>   | (2,574)                   |
| <b>Earnings per share</b>   |       |                |                           |
| Basic and diluted earnings/(loss) per share                       | 7     | <b>0.19p</b>   | (0.36p)                   |
| Basic and diluted loss per share from continuing operations       | 7     | <b>(0.35p)</b> | (0.43p)                   |
| Basic and diluted earnings per share from discontinued operations | 7     | <b>0.55p</b>   | 0.07p                     |

# consolidated statement of comprehensive income

for the year ended 31 December 2010

|  | 2010<br>£'000 | 2009<br>£'000  |
|--|---------------|----------------|
| <b>Profit/(loss) for the year</b>                          | <b>1,473</b>  | <b>(2,574)</b> |
| <b>Other comprehensive income</b>                          |               |                |
| Exchange differences on translation of foreign operations: |               |                |
| – gains/(losses) recognised during the year                | <b>102</b>    | <b>(145)</b>   |
| – reclassification adjustment on disposal                  | <b>378</b>    | <b>–</b>       |
| <b>Total comprehensive income for the year</b>             | <b>1,953</b>  | <b>(2,719)</b> |
| <b>Attributable to:</b>                                    |               |                |
| Equity holders of the parent                               | <b>1,953</b>  | <b>(2,719)</b> |



# consolidated balance sheet

as at 31 December 2010

|                                     | Notes | 2010<br>£'000 | 2009<br>£'000 |
|-------------------------------------|-------|---------------|---------------|
| <b>Assets</b>                       |       |               |               |
| <b>Non-current assets</b>           |       |               |               |
| Intangible assets                   | 9     | –             | –             |
| Investment in associates            | 10    | –             | –             |
| Property, plant and equipment       | 11    | 34            | 126           |
|                                     |       | <b>34</b>     | 126           |
| <b>Current assets</b>               |       |               |               |
| Trade and other receivables         | 12    | 3,112         | 5,572         |
| Cash and cash equivalents           | 18    | 538           | 1,617         |
|                                     |       | <b>3,650</b>  | 7,189         |
| <b>Total assets</b>                 |       | <b>3,684</b>  | 7,315         |
| <b>Equity and liabilities</b>       |       |               |               |
| <b>Equity</b>                       |       |               |               |
| Called up share capital             | 15    | 4,852         | 4,792         |
| Capital redemption reserve          |       | 13,188        | 13,188        |
| Share-based payment reserve         | 16    | 1,155         | 1,033         |
| Share premium account               |       | 23,792        | 23,703        |
| Translation reserve                 |       | (135)         | (615)         |
| Retained earnings                   |       | (42,761)      | (44,234)      |
| <b>Total equity</b>                 |       | <b>91</b>     | (2,133)       |
| <b>Current liabilities</b>          |       |               |               |
| Trade and other payables            | 13    | 3,138         | 8,317         |
| Borrowings                          | 14    | –             | 546           |
| Onerous lease provisions            | 17    | 215           | 183           |
| Corporation tax                     |       | 16            | 68            |
|                                     |       | <b>3,369</b>  | 9,114         |
| <b>Non-current liabilities</b>      |       |               |               |
| Onerous lease provisions            | 17    | 224           | 334           |
| <b>Total liabilities</b>            |       | <b>3,593</b>  | 9,448         |
| <b>Total equity and liabilities</b> |       | <b>3,684</b>  | 7,315         |

These financial statements were approved by the Board, authorised for issue and signed on their behalf on 4 April 2011 by:



**Adrian Moss**  
Chief Executive Officer

# consolidated cash flow statement

for the year ended 31 December 2010

|   | Notes | 2010<br>£'000  | 2009<br>£'000 |
|---|-------|----------------|---------------|
| <b>Operating activities</b>                                     |       |                |               |
| Loss after tax  |       | (2,717)        | (3,064)       |
| Depreciation  |       | 76             | 52            |
| Amortisation  |       | –              | 404           |
| Share-based payment   |       | 269            | 150           |
| Increase in receivables   |       | (114)          | (666)         |
| (Decrease)/increase in payables                                 |       | (181)          | 915           |
| Foreign exchange differences                                    |       | 114            | (137)         |
| Finance expense   |       | 73             | 52            |
| Share of loss from associated undertakings                      |       | –              | 135           |
| Loss on disposal of property, plant and equipment               |       | –              | 2             |
| Tax (credit)/charge   |       | (42)           | 27            |
| Cash flow from operating activities in continuing operations    |       | (2,522)        | (2,130)       |
| Cash flow from operating activities in discontinued operations  | 6     | 921            | 1,578         |
| <b>Total cash flow from operating activities</b>                |       | <b>(1,601)</b> | <b>(552)</b>  |
| <b>Investing activities</b>                                     |       |                |               |
| Purchase of property, plant and equipment                       |       | (35)           | (29)          |
| Consideration for disposal of subsidiary (net of cash disposed) |       | 1,395          | –             |
| Interest received   |       | –              | 4             |
| Cash flow from investing activities in continuing operations    |       | 1,360          | (25)          |
| Cash flow from investing activities in discontinued operations  | 6     | (18)           | –             |
| <b>Total cash flow from investing activities</b>                |       | <b>1,342</b>   | <b>(25)</b>   |
| <b>Financing activities</b>                                     |       |                |               |
| Issue of ordinary share capital                                 |       | –              | 255           |
| Share premium on the issue of ordinary share                    |       | –              | 1,020         |
| Issue of convertible loan notes                                 |       | –              | 500           |
| Repayment of convertible loan notes                             |       | (500)          | –             |
| Interest paid   |       | (118)          | (109)         |
| Cash flow from financing activities in continuing operations    |       | (618)          | 1,666         |
| Cash flow from financing activities in discontinued operations  | 6     | (272)          | –             |
| <b>Total cash flow from financing activities</b>                |       | <b>(890)</b>   | <b>1,666</b>  |
| Net (decrease)/increase in cash and cash equivalents            |       | (1,149)        | 1,089         |
| Cash and cash equivalents at start of period                    |       | 1,617          | 528           |
| Exchange differences on cash and cash equivalent                |       | 70             | –             |
| <b>Cash and cash equivalents at end of period</b>               | 18    | <b>538</b>     | <b>1,617</b>  |
| <b>Cash and cash equivalents comprise:</b>                      |       |                |               |
| Cash and cash in bank   |       | 517            | 1,572         |
| Time deposits   |       | 21             | 45            |
| <b>Cash and cash equivalents at end of period</b>               | 18    | <b>538</b>     | <b>1,617</b>  |

## consolidated statement of changes in equity

for the year ended 31 December 2010

|  | Share capital<br>£'000 | Share premium<br>£'000 | Capital redemption reserve<br>£'000 | Share-based payment reserve<br>£'000 | Translation reserve<br>£'000 | Retained earnings<br>£'000 | Total equity<br>£'000 |
|--|------------------------|------------------------|-------------------------------------|--------------------------------------|------------------------------|----------------------------|-----------------------|
| <b>Balance at 1 January 2010</b>                           | <b>4,792</b>           | <b>23,703</b>          | <b>13,188</b>                       | <b>1,033</b>                         | <b>(615)</b>                 | <b>(44,234)</b>            | <b>(2,133)</b>        |
| 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  | –                      | –                      | –                                   | –                                    | –                            | 1,473                      | 1,473                 |
| Other comprehensive income:                                |                        |                        |                                     |                                      |                              |                            |                       |
| – historical exchange differences on translation           | –                      | –                      | –                                   | –                                    | 378                          | –                          | 378                   |
| – exchange difference on translation of foreign operations | –                      | –                      | –                                   | –                                    | 102                          | –                          | 102                   |
| Total comprehensive income for the year                    | –                      | –                      | –                                   | –                                    | 480                          | 1,473                      | 1,953                 |
| <b>Balance at 31 December 2010</b>                         | <b>4,852</b>           | <b>23,792</b>          | <b>13,188</b>                       | <b>1,155</b>                         | <b>(135)</b>                 | <b>(42,761)</b>            | <b>91</b>             |
| Balance at 1 January 2009                                  | 4,537                  | 22,683                 | 13,188                              | 883                                  | (470)                        | (41,660)                   | (839)                 |
| Share options issued in share-based payments               | –                      | –                      | –                                   | 150                                  | –                            | –                          | 150                   |
| Issue of share capital                                     | 255                    | 1,020                  | –                                   | –                                    | –                            | –                          | 1,275                 |
| Transactions with owners                                   | 255                    | 1,020                  | –                                   | 150                                  | –                            | –                          | 1,425                 |
| Loss for the year  | –                      | –                      | –                                   | –                                    | –                            | (2,574)                    | (2,574)               |
| Other comprehensive income:                                |                        |                        |                                     |                                      |                              |                            |                       |
| – historical exchange differences on translation           | –                      | –                      | –                                   | –                                    | –                            | –                          | –                     |
| – exchange difference on translation of foreign operations | –                      | –                      | –                                   | –                                    | (145)                        | –                          | (145)                 |
| Total comprehensive income for the year                    | –                      | –                      | –                                   | –                                    | (145)                        | (2,574)                    | (2,719)               |
| Balance at 31 December 2009                                | 4,792                  | 23,703                 | 13,188                              | 1,033                                | (615)                        | (44,234)                   | (2,133)               |

# notes to the consolidated financial statements

for the year ended 31 December 2010

## 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 segments are DGM and AKTIV. The other operating segments 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.

The AKTIV segment is an advertising sales network working with digital media owners to monetise their inventory of advertising slots (banners, emails, SMS) through an in-house team selling to both agencies representing advertisers and direct advertisers.

## 1 Revenue and segmental information continued

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

| Year ended 31 December 2010          | China<br>£'000 | India*<br>£'000 | SE Asia<br>£'000 | Other**<br>£'000 | Operating†<br>central<br>costs<br>£'000 | Holding††<br>company<br>costs<br>£'000 | Total<br>£'000 |
|--------------------------------------|----------------|-----------------|------------------|------------------|---|--|----------------|
| <b>External revenue</b>              |                |                 |                  |                  |   |  |                |
| All operations (£'000)               |                |                 |                  |                  |   |  |                |
| DGM                                  | 456            | 1,816           | 2,632            | 14,433           | –                                       | –                                      | 19,337         |
| AKTIV                                | –              | –               | 1,200            | –                | –                                       | –                                      | 1,200          |
| Other                                | –              | –               | 158              | –                | –                                       | –                                      | 158            |
|                                      | 456            | 1,816           | 3,990            | 14,433           | –                                       | –                                      | 20,695         |
| Discontinued operations (£'000)      |                |                 |                  |                  |   |  |                |
| DGM                                  | –              | –               | –                | (14,433)         | –                                       | –                                      | (14,433)       |
| AKTIV                                | –              | –               | –                | –                | –                                       | –                                      | –              |
| Other                                | –              | –               | (158)            | –                | –                                       | –                                      | (158)          |
|                                      | –              | –               | (158)            | (14,433)         | –                                       | –                                      | (14,591)       |
| Continuing operations (£'000)        |                |                 |                  |                  |   |  |                |
| DGM                                  | 456            | 1,816           | 2,632            | –                | –                                       | –                                      | 4,904          |
| AKTIV                                | –              | –               | 1,200            | –                | –                                       | –                                      | 1,200          |
| Other                                | –              | –               | –                | –                | –                                       | –                                      | –              |
| Continuing operations (£'000)        | 456            | 1,816           | 3,832            | –                | –                                       | –                                      | 6,104          |
| Continuing operations (%)            | 7              | 30              | 63               | –                | –                                       | –                                      | 100            |
| <b>Segment result</b>                |                |                 |                  |                  |   |  |                |
| DGM                                  | (73)           | 21              | (74)             | 788              | (621)                                   | –                                      | 41             |
| AKTIV                                | –              | –               | 93               | –                | –                                       | –                                      | 93             |
| Other                                | –              | –               | 23               | (104)            | –                                       | (1,628)                                | (1,709)        |
|                                      | (73)           | 21              | 42               | 684              | (621)                                   | (1,628)                                | (1,575)        |
| Amortisation                         |                |                 |                  |                  |   |  | –              |
| Depreciation                         |                |                 |                  |                  |   |  | (76)           |
| Share-based payment                  |                |                 |                  |                  |   |  | (269)          |
| Interest                             |                |                 |                  |                  |   |  | (73)           |
| Profit on disposal of subsidiary     |                |                 |                  |                  |   |  | 3,397          |
| Tax                                  |                |                 |                  |                  |   |  | 69             |
| <b>Total profit for the year</b>     |                |                 |                  |                  |   |  | <b>1,473</b>   |
| Segmental assets (£'000)             | 498            | 916             | 1,129            | –                | –                                       | 1,140                                  | 3,683          |
| Segmental liabilities (£'000)        | 439            | 728             | 887              | –                | –                                       | 1,538                                  | 3,592          |
| 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 continued

for the year ended 31 December 2010

## 1 Revenue and segmental information continued

| Year ended 31 December 2009 (restated) | China<br>£'000 | India<br>£'000 | SE Asia<br>£'000 | Other*<br>£'000 | Operating<br>central<br>costs<br>£'000 | Holding**<br>company<br>costs<br>£'000 | Total<br>£'000 |
|--|----------------|----------------|------------------|-----------------|--|--|----------------|
| <b>External revenue</b>                |                |                |                  |                 |  |  |                |
| All operations (£'000)                 |                |                |                  |                 |  |  |                |
| DGM                                    | –              | 1,401          | 3,297            | 12,437          | –                                      | –                                      | 17,135         |
| AKTIV                                  | –              | –              | 1,466            | –               | –                                      | –                                      | 1,466          |
| Other                                  | –              | –              | 272              | 64              | –                                      | –                                      | 336            |
|  | –              | 1,401          | 5,035            | 12,501          | –                                      | –                                      | 18,937         |
| Discontinued operations (£'000)        |                |                |                  |                 |  |  |                |
| DGM                                    | –              | –              | –                | (12,437)        | –                                      | –                                      | (12,437)       |
| AKTIV                                  | –              | –              | –                | –               | –                                      | –                                      | –              |
| Other                                  | –              | –              | (272)            | (64)            | –                                      | –                                      | (336)          |
|  | –              | –              | (272)            | (12,501)        | –                                      | –                                      | (12,773)       |
| Continuing operations (£'000)          |                |                |                  |                 |  |  |                |
| DGM                                    | –              | 1,401          | 3,297            | –               | –                                      | –                                      | 4,698          |
| AKTIV                                  | –              | –              | 1,466            | –               | –                                      | –                                      | 1,466          |
| Other                                  | –              | –              | –                | –               | –                                      | –                                      | –              |
| Continuing operations (£'000)          | –              | 1,401          | 4,763            | –               | –                                      | –                                      | 6,164          |
| Continuing operations (%)              | –              | 23             | 77               | –               | –                                      | –                                      | 100            |
| <b>Segment result</b>                  |                |                |                  |                 |  |  |                |
| DGM                                    | –              | 71             | (16)             | 815             | (697)                                  | –                                      | 173            |
| AKTIV                                  | –              | –              | 286              | –               | (203)                                  | –                                      | 83             |
| Other                                  | –              | –              | (146)            | (528)           | (24)                                   | (1,220)                                | (1,918)        |
|  | –              | 71             | 124              | 287             | (924)                                  | (1,220)                                | (1,662)        |
| Amortisation                           |                |                |                  |                 |  |  | (404)          |
| Depreciation                           |                |                |                  |                 |  |  | (91)           |
| Share-based payment                    |                |                |                  |                 |  |  | (150)          |
| Interest                               |                |                |                  |                 |  |  | (105)          |
| Share of loss of associates            |                |                |                  |                 |  |  | (135)          |
| Profit on disposal of subsidiary       |                |                |                  |                 |  |  | –              |
| Tax                                    |                |                |                  |                 |  |  | (27)           |
| <b>Total loss for the year</b>         |                |                |                  |                 |  |  | <b>(2,574)</b> |
| Segmental assets (£'000)               | –              | 719            | 2,044            | 4,209           | –                                      | 343                                    | 7,315          |
| Segmental liabilities (£'000)          | –              | 536            | 1,945            | 5,413           | –                                      | 1,554                                  | 9,448          |
| Major customers‡                       | –              | 1              | 4                | 2               | –                                      | –                                      | –              |
| Revenue from major customers (£'000)   | –              | 322            | 2,989            | 5,849           | –                                      | –                                      | –              |

\* Included in "Other" segment result is a positive contribution from the Group's former Australian operation (£815,000) and £382,000 in non-recurring senior management settlement cost.

\*\* Included in "Holding company costs" is £79,000 in placing costs.

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

## 2 Loss from operations

Loss from operations is stated after charging:

|   | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| Amortisation of intangible assets               | –             | 404           |
| Depreciation of property, plant and equipment   | 76            | 91            |
| Auditors' remuneration for auditing of accounts | 65            | 76            |
| Auditors' remuneration for non-audit services*  | 19            | 32            |
| Operating lease rentals                         | 276           | 244           |
| Lease commitment provision                      | 81            | –             |
| Share-based payment costs                       | 269           | 150           |

\* Auditors' remuneration for non-audit services comprised other services relating to taxation of £65,463 (2009: £32,389) and all other services £Nil (2009: £Nil).

## 3 Staff costs

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

|                                 | 2010 | 2009 |
|---------------------------------|------|------|
| Directors and senior management | 8    | 6    |
| Management                      | 9    | 7    |
| Non-management                  | 80   | 75   |
| Total                           | 97   | 88   |

The aggregate payroll costs for these persons were as follows:

|                              | 2010            |              |              |
|------------------------------|-----------------|--------------|--------------|
|                              | Continuing      | Discontinued | Total        |
| Aggregate wages and salaries | 2,055           | 1,621        | 3,676        |
| Social security costs        | 73              | 146          | 219          |
| Share-based payments         | 245             | 24           | 269          |
| Pensions costs               | 56              | –            | 56           |
|                              | <b>2,429</b>    | <b>1,791</b> | <b>4,220</b> |
|                              | 2009 (restated) |              |              |
|                              | Continuing      | Discontinued | Total        |
| Aggregate wages and salaries | 2,140           | 1,707        | 3,847        |
| Social security costs        | 43              | 123          | 166          |
| Share-based payments         | 136             | 14           | 150          |
| Pensions costs               | 6               | –            | 6            |
|                              | 2,325           | 1,844        | 4,169        |

# notes to the consolidated financial statements continued

for the year ended 31 December 2010

## 4 Directors and senior management

### Directors' remuneration

|                                       | 31 December 2010 |               |                  |                  |                |
|---------------------------------------|------------------|---------------|------------------|------------------|----------------|
|                                       | Salary<br>£'000  | Fees<br>£'000 | Pension<br>£'000 | Equity*<br>£'000 | Total<br>£'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          |

\* The Directors of the Company on 29 December 2010 received shares resulting in the issue of 59,162,200 new shares issued at a price of 0.5 pence per share. Further details are available in note 20 (related party transactions).

|                                     | 31 December 2009 |               |                  |                 |                |
|-------------------------------------|------------------|---------------|------------------|-----------------|----------------|
|                                     | Salary<br>£'000  | Fees<br>£'000 | Pension<br>£'000 | Equity<br>£'000 | Total<br>£'000 |
| <b>Executive</b>                    |                  |               |                  |                 |                |
| A Moss                              | 297              | –             | –                | –               | 297            |
| Z Tang (resigned 30 April 2009)     | 37               | –             | –                | –               | 37             |
| <b>Non-Executive</b>                |                  |               |                  |                 |                |
| D Lees                              | –                | 15            | –                | –               | 15             |
| K Lassman                           | –                | 10            | –                | –               | 10             |
| T Beattie (appointed 7 August 2009) | –                | –             | –                | –               | –              |
|                                     | 334              | 25            | –                | –               | 359            |
| Other senior management             | 420              | –             | –                | –               | 420            |
|                                     | 754              | 25            | –                | –               | 779            |

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

The Directors who held office at 31 December 2010 had the following interests in the shares of the Company:

|           | 2010                |       | 2009                |      |
|-----------|---------------------|-------|---------------------|------|
|           | Number<br>of shares | %     | Number<br>of shares | %    |
| A Moss    | 99,510,053          | 12.96 | 51,510,053          | 7.27 |
| D Lees    | 12,175,456          | 1.59  | 5,511,456           | 0.78 |
| K Lassman | 5,683,494           | 0.74  | 1,185,294           | 0.17 |

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

|                         | Date of grant | As at               | Exercise<br>price | Exercise<br>period |
|-------------------------|---------------|---------------------|-------------------|--------------------|
|                         |               | 31 December<br>2010 |                   |                    |
| A Moss                  | May 2008      | 17,400,000          | 1.125 pence       | 10 years           |
| D Lees                  | May 2008      | 1,750,000           | 1.125 pence       | 10 years           |
| K Lassman               | May 2008      | 1,250,000           | 1.125 pence       | 10 years           |
| Other senior management | May 2008      | 400,000             | 1.250 pence       | 10 years           |
| Other senior management | January 2010  | 9,600,000           | 0.50 pence        | 10 years           |



#### 4 Directors and senior management continued

Directors' and senior management's share options continued

|                         | Date of grant | As at<br>31 December<br>2009 | Exercise<br>price | Exercise<br>period |
|-------------------------|---------------|------------------------------|-------------------|--------------------|
| A Moss                  | May 2008      | 17,400,000                   | 1.125 pence       | 10 years           |
| D Lees                  | May 2008      | 1,750,000                    | 1.125 pence       | 10 years           |
| K Lassman               | May 2008      | 1,250,000                    | 1.125 pence       | 10 years           |
| Other senior management | May 2008      | 3,000,000                    | 1.250 pence       | 10 years           |
| Other senior management | February 2009 | 5,000,000                    | 1.250 pence       | 10 years           |

The market price of the ordinary shares at 31 December 2010 was 0.27 pence (31 December 2009: 0.48 pence) and the range during the year was 0.64 pence to 0.21 pence (2009: 0.40 pence to 2.42 pence).

New share options were granted during the year by the Company for staff at the new exercise price of 0.50 pence. The share options for the Directors and staff have an exercise period of ten years.

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

|                         | 2010<br>£'000 | 2009<br>£'000 |
|-------------------------|---------------|---------------|
| Directors               | 170           | 98            |
| Other senior management | 80            | 37            |
| Non-management          | 19            | 15            |

#### 5 Tax

| Year ended 31 December 2010  | Continuing<br>operations<br>£'000 | Discontinued<br>operations<br>£'000 | All<br>operations<br>£'000 |
|--|-----------------------------------|-------------------------------------|----------------------------|
| Current tax  |                                   |                                     |                            |
| UK tax   | –                                 | –                                   | –                          |
| Foreign tax – adjustment in respect of prior period                          | (42)                              | (27)                                | (69)                       |
|  | (42)                              | (27)                                | (69)                       |
| Deferred tax – relating to origination and reversal of temporary differences | –                                 | –                                   | –                          |
| <b>Tax credit</b>  | <b>(42)</b>                       | <b>(27)</b>                         | <b>(69)</b>                |

| Year ended 31 December 2009  | Continuing<br>operations<br>£'000 | Discontinued<br>operations<br>£'000 | All<br>operations<br>£'000 |
|--|-----------------------------------|-------------------------------------|----------------------------|
| Current tax  |                                   |                                     |                            |
| UK tax   | –                                 | –                                   | –                          |
| Foreign tax – adjustment in respect of prior period                          | 27                                | –                                   | 27                         |
|  | 27                                | –                                   | 27                         |
| Deferred tax – relating to origination and reversal of temporary differences | –                                 | –                                   | –                          |
| Tax expense  | 27                                | –                                   | 27                         |

As at 31 December 2010 the Group had unrecognised tax losses of £5,568,000 (2009: £4,903,000) of which £2,473,000 (2009: £2,596,000) relates to the UK based parent company and £3,095,000 (2009: £2,307,000) 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.

## notes to the consolidated financial statements continued

for the year ended 31 December 2010

### 5 Tax continued

#### Tax reconciliation

|  | 2010<br>£'000 | 2009<br>£'000 |
|--|---------------|---------------|
| Profit/(loss) before tax                     | 1,404         | (2,546)       |
| Tax at 28% on loss before tax                | 393           | (713)         |
| Effects of:                                  |               |               |
| Other expenses not deductible                | (293)         | 159           |
| Non-trading losses                           | –             | –             |
| UK substantial shareholding exemption relief | (362)         | –             |
| Losses carried forward to be offset against: |               |               |
| Future taxable trading profits               | 262           | 554           |
| Foreign withholding tax                      | (69)          | 27            |
| Adjustment in respect of previous periods    | –             | –             |
| Current tax (credit)/expense                 | (69)          | 27            |

### 6 Discontinued operations

|                        | 2010<br>£'000 | Restated<br>2009<br>£'000 |
|------------------------|---------------|---------------------------|
| Revenue                | 14,591        | 12,773                    |
| Cost of sales          | (11,403)      | (9,880)                   |
| Administrative expense | (2,422)       | (2,403)                   |
| Profit before tax      | 766           | 490                       |
| Income tax             | 27            | –                         |
| Profit after tax       | 793           | 490                       |

Two operations were discontinued during the year: the Australian operation which was sold during the year and a Southeast Asian operation. The discontinued operation in the prior year is the Group's former South African operation.

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

|  | 2010<br>£'000 | Restated<br>2009<br>£'000 |
|--|---------------|---------------------------|
| Net cash flows from operating activities | 921           | 1,578                     |
| Net cash flows from investing activities | (18)          | –                         |
| Net cash flows from financing activities | (272)         | –                         |
|  | 631           | 1,578                     |

### 7 Earnings per share

Earnings per share has been calculated on a profit after tax of £1,473,000 (2009: £2,574,000 loss) and the number of shares in issue for the year of 767,930,884 (2009: 708,768,684).

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

| 2010                       | Continuing | Discontinued | Total   |
|----------------------------|------------|--------------|---------|
| (Loss)/profit (£'000)      | (2,717)    | 4,190        | 1,473   |
| Earnings per share (pence) | (0.35)     | 0.55         | 0.19    |
| <hr/>                      |            |              |         |
| 2009 (restated)            | Continuing | Discontinued | Total   |
| (Loss)/profit (£'000)      | (3,064)    | 490          | (2,574) |
| Earnings per share (pence) | (0.43)     | 0.07         | (0.36)  |

## 7 Earnings per share continued

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 year end, the weighted average exercise price of the share options exceeded the market price of 0.43 pence.

## 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). Revenue, expenses, gains and losses relating to the discontinuation of this subsidiary have been eliminated from the profit or loss from the Group's continuing operations and reported under profit from discontinued operations in the income statement. As a result of the disposal, the 2009 income statement has been restated in accordance with IFRS 5.

The carrying amounts of assets and liabilities disposed (with prior year comparatives) is summarised as follows:

|                                  | 2010<br>£'000  | 2009<br>£'000 |
|----------------------------------|----------------|---------------|
| Non-current assets               |                |               |
| Property, plant and equipment    | 32             | 32            |
| Deferred tax asset               | 29             | –             |
|                                  | <b>61</b>      | 32            |
| Current assets                   |                |               |
| Trade receivables                | 2,359          | 3,033         |
| Other receivables                | 59             | 109           |
| Cash and cash equivalent         | 263            | 1,064         |
|                                  | <b>2,681</b>   | 4,206         |
| Current liabilities              |                |               |
| Trade payables                   | (1,968)        | (2,973)       |
| Accruals and deferred income     | (1,022)        | (968)         |
| Other payables                   | (893)          | (554)         |
| Receivable financing obligations | (718)          | (918)         |
|                                  | <b>(4,601)</b> | (5,413)       |
| Net current liabilities          | <b>(1,920)</b> | (1,207)       |
| Net liabilities                  | <b>(1,859)</b> | (1,175)       |

Deal Group Media Pty Limited was sold for a gross consideration of £4,831,000 resulting in a profit on disposal of £3,397,000.

|   | 2010<br>£'000 |
|---|---------------|
| Gross consideration                             | 4,831         |
| Adjustment for net asset deficiency             | (1,859)       |
| Net consideration (after net asset adjustments) | 2,972         |
| Share of net assets disposed (100%)             | 1,859         |
| Historical exchange differences on translation  | (378)         |
| Transaction costs                               | (1,056)       |
| Profit on disposal                              | <b>3,397</b>  |

Discounting is omitted where the effect of discounting is immaterial.

Of the net consideration of £2,972,000, £657,000 remained outstanding at year end. This is expected to be received by the Group during 2011.

# notes to the consolidated financial statements continued

for the year ended 31 December 2010

## 8 Disposal of subsidiary continued

Cash flows generated by Deal Group Media Pty Limited for the reporting period until the disposal is summarised as follows:

|                                 | 2010<br>£'000 | 2009<br>£'000 |
|---------------------------------|---------------|---------------|
| Operating activities            | (539)         | (475)         |
| Investing activities            | (18)          | (14)          |
| Financing activities            | (244)         | 1,191         |
| Net (decrease)/increase in cash | (801)         | 702           |

Cash flow from investing activities relates to fixed asset purchases and interest paid.

Cash flow from financing activities relates to a receivable financing facility in operation with Commonwealth Bank of Australia, as well as movements in intercompany loan accounts.

## 9 Intangible assets

|                            | Development<br>costs<br>£'000 |
|----------------------------|-------------------------------|
| <b>Cost</b>                |                               |
| At 1 January 2009          | 1,082                         |
| Additions                  | –                             |
| Disposals                  | –                             |
| At 1 January 2010          | 1,082                         |
| Additions                  | –                             |
| Disposals                  | –                             |
| <b>At 31 December 2010</b> | <b>1,082</b>                  |
| <b>Amortisation</b>        |                               |
| At 1 January 2009          | 678                           |
| Provided in year           | 404                           |
| Disposals                  | –                             |
| At 1 January 2010          | 1,082                         |
| Provided in year           | –                             |
| Disposals                  | –                             |
| <b>At 31 December 2010</b> | <b>1,082</b>                  |
| <b>Net book amount</b>     |                               |
| <b>At 31 December 2010</b> | <b>–</b>                      |
| At 31 December 2009        | –                             |

The development costs are costs incurred in the development of dgmPro and dgmIntegra which are internally generated software developed by the Group.

## 10 Investments in associates

|                            | DC Storm<br>Limited<br>£'000 | dealgroupmedia<br>(UK) Limited<br>£'000 | Total<br>£'000 |
|----------------------------|------------------------------|---|----------------|
| At 1 January 2010          | –                            | –                                       | –              |
| Addition                   | –                            | –                                       | –              |
| Share of profit            | 11                           | –                                       | 11             |
| Impairment                 | (11)                         | –                                       | (11)           |
| <b>At 31 December 2010</b> | <b>–</b>                     | <b>–</b>                                | <b>–</b>       |

### 10 Investments in associates continued

dealgroupmedia (UK) Limited, a former subsidiary of the Group, was placed in administration in July 2010. The Group, the original owner of this company, sold a controlling stake to a management buyout team in 2007. The Group had a residual holding of 49% in dealgroupmedia (UK) Limited making it an associated undertaking, however, the value of this holding was written off in the 2008 accounts due to its financial performance. The Group has no exposure to the outstanding debts of dealgroupmedia (UK) Limited.

The Group retained a 20.6% holding in DC Storm Limited, a company incorporated in England and Wales. Its principal activity is web and software development. The Directors have not recognised the Group's share of profits from this investment as it is fully impaired.

Summary financial information for DC Storm Limited for the year ended 31 December 2010 is set out below:

|                         | 2010<br>£'000 | 2009<br>£'000 |
|-------------------------|---------------|---------------|
| Revenue                 | 1,280         | 726           |
| Profit/(loss) after tax | 55            | (259)         |
| Non-current assets      | 93            | 76            |
| Current assets          | 704           | 515           |
| Current liabilities     | 163           | 101           |
| Non-current liabilities | 33            | 55            |

The Group has no exposure to the outstanding debts of DC Storm Limited. There are no unrecognised losses relating to the DC Storm Limited investment.

### 11 Property, plant and equipment

|                            | Leasehold<br>improvements<br>£'000 | Furniture,<br>fittings and<br>equipment<br>£'000 | Total<br>£'000 |
|----------------------------|------------------------------------|--|----------------|
| <b>Cost</b>                |                                    |  |                |
| At 1 January 2009          | 339                                | 384  | 723            |
| Additions                  | –                                  | 29   | 29             |
| Disposals                  | –                                  | (8)  | (8)            |
| At 1 January 2010          | 339                                | 405  | 744            |
| Additions                  | –                                  | 35   | 35             |
| Disposals                  | (9)                                | (193)  | (202)          |
| <b>At 31 December 2010</b> | <b>330</b>                         | <b>247</b>                                       | <b>577</b>     |
| <b>Depreciation</b>        |                                    |  |                |
| At 1 January 2009          | 306                                | 227  | 533            |
| Provided in year           | 19                                 | 72   | 91             |
| Disposals                  | –                                  | (6)  | (6)            |
| At 1 January 2010          | 325                                | 293  | 618            |
| Provided in year           | 9                                  | 67   | 76             |
| Disposals                  | (4)                                | (147)  | (151)          |
| <b>At 31 December 2010</b> | <b>330</b>                         | <b>213</b>                                       | <b>543</b>     |
| <b>Net book amount</b>     |                                    |  |                |
| <b>At 31 December 2010</b> | <b>–</b>                           | <b>34</b>  | <b>34</b>      |
| At 31 December 2009        | 14                                 | 112  | 26             |

# notes to the consolidated financial statements continued

for the year ended 31 December 2010

## 12 Trade and other receivables

|   | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| Trade receivables                             | 1,494         | 4,924         |
| Other receivables                             | 305           | 186           |
| Deferred consideration on sale of subsidiary* | 657           | –             |
| Prepayments and accrued income                | 656           | 462           |
|   | <b>3,112</b>  | <b>5,572</b>  |

\* This relates to the deferred element of the consideration from the sale of the Group's Australian operation. The full amount is expected to be received during 2011.

## 13 Trade and other payables

|                                 | 2010<br>£'000 | 2009<br>£'000 |
|---------------------------------|---------------|---------------|
| Trade payables                  | 1,061         | 4,881         |
| Social security and other taxes | 53            | 608           |
| Other payables                  | 282           | 38            |
| Amounts owed to associates      | –             | 56            |
| Receivable financing*           | –             | 918           |
| Accruals and deferred income    | 1,742         | 1,816         |
|                                 | <b>3,138</b>  | <b>8,317</b>  |

\* This relates to a sales ledger funding facility with Commonwealth Bank of Australia. The debt was secured on the Group's Australia entity's debtor book.

## 14 Borrowings

|                        | 2010<br>£'000 | 2009<br>£'000 |
|------------------------|---------------|---------------|
| Convertible loan notes | –             | 546           |

The convertible loan note issued in May 2009 to River Don Limited, a company controlled by a major shareholder in the Group (see note 20), and carries a 15% coupon payable with principal on repayment, was repaid in full in December 2010. The total repayment (including interest) was £617,534.

## 15 Share capital

|   | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| <b>Authorised capital</b>   |               |               |
| 9,999,520,000 ordinary shares of 0.1 pence each                   | 10,000        | 10,000        |
| 54,952,000 deferred shares of 24 pence each                       | 13,188        | 13,188        |
|   | <b>23,188</b> | <b>23,188</b> |
| <b>Allotted, called up and fully paid capital</b>                 |               |               |
| 769,730,884 (2009: 708,768,684) ordinary shares of 0.1 pence each | 768           | 708           |
| 4,083,918,516 deferred shares of 0.1 pence each                   | 4,084         | 4,084         |
|   | <b>4,852</b>  | <b>4,792</b>  |

## 15 Share capital continued

### Allotments during the year

During the year the Company allotted the following ordinary shares:

|  | 2010               |
|--|--------------------|
| Shares in issue at 1 January 2010          | 708,768,684        |
| Shares issued during the year              | 59,162,200         |
| <b>Shares in issue at 31 December 2010</b> | <b>767,930,884</b> |

|                                     | 2009        |
|-------------------------------------|-------------|
| Shares in issue at 1 January 2009   | 453,768,684 |
| Shares issued during the year       | 255,000,000 |
| Shares in issue at 31 December 2009 | 708,768,684 |

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.

## 16 Share-based payments

During the year 17,080,000 options (2009: 10,975,000) were issued at an average fair value of 0.50 pence per share (2009: 0.35 pence).

The fair values of the options granted during the year ended 31 December 2010 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 150%, which has been derived from historical experience. A weighted average risk-free interest rate of 3.07% has been applied. The weighted average share price at grant date was 0.50 pence and the weighted average exercise price was 0.50 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 £121,000 (2009: £150,000).

The average remaining life of vested options is seven years and number of options exercisable at year end is 35,486,667 (2009: 8,933,000). This includes 10,626,667 options which were issued to employees of the Group's former Australian based subsidiary.

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) | 0.50       | 0.50           | 0.50             |
| Exercise price (pence)            | 0.50       | 0.50           | 0.50             |
| Expected life (years)             | 5          | 4              | 5                |
| Annualised volatility             | 1.50       | 1.50           | 1.50             |
| Risk-free interest rate           | 0.031      | 0.031          | 0.031            |
| Fair value determined (pence)     | 0.450      | 0.433          | 0.450            |
| Options granted ('000)            | 16,830     | 250            |                  |

## notes to the consolidated financial statements continued

for the year ended 31 December 2010

### 16 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 2009 | Granted during year | Exercised during year | Forfeited during year | Lapsed during year | Cancelled during year | Held at 31 December 2010 |
|------------------------|----------------|--------------------------|---------------------|-----------------------|-----------------------|--------------------|-----------------------|--------------------------|
| 1.2468                 | October 2003   | 251,559                  | –                   | –                     | –                     | –                  | –                     | 251,559                  |
| 3.5650                 | December 2003  | 300,001                  | –                   | –                     | –                     | –                  | –                     | 300,001                  |
| 5.1000                 | April 2004     | 30,000                   | –                   | –                     | –                     | –                  | –                     | 30,000                   |
| 6.5000                 | April 2004     | 25,000                   | –                   | –                     | –                     | –                  | –                     | 25,000                   |
| 4.5000                 | January 2006   | 500,000                  | –                   | –                     | –                     | –                  | –                     | 500,000                  |
| 3.7500                 | June 2006      | 750,000                  | –                   | –                     | –                     | –                  | –                     | 750,000                  |
| 4.2500                 | September 2006 | 66,666                   | –                   | –                     | (33,333)              | –                  | –                     | 33,333                   |
| 3.5000                 | April 2007     | 965,106                  | –                   | –                     | –                     | –                  | –                     | 965,106                  |
| 1.2500                 | May 2008       | 12,605,000               | 1,250,000           | –                     | –                     | –                  | –                     | 13,855,000               |
| 1.2500                 | February 2009  | 9,850,001                | –                   | –                     | (33,333)              | (700,000)          | –                     | 9,116,668                |
| 0.5000                 | January 2010   | –                        | 17,080,000          | –                     | (250,000)             | –                  | –                     | 16,830,000               |
|                        |                | 25,343,333               | 18,330,000          | –                     | (316,666)             | (700,000)          | –                     | 42,656,667               |

The above table excludes Directors' options.

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

| Exercise price (pence) | Issue date     | Held at 31 December 2008 | Granted during year | Exercised during year | Forfeited during year | Lapsed during year | Cancelled during year | Held at 31 December 2009 |
|------------------------|----------------|--------------------------|---------------------|-----------------------|-----------------------|--------------------|-----------------------|--------------------------|
| 1.2468                 | October 2003   | 251,559                  | –                   | –                     | –                     | –                  | –                     | 251,559                  |
| 3.5650                 | December 2003  | 300,001                  | –                   | –                     | –                     | –                  | –                     | 300,001                  |
| 5.1000                 | April 2004     | 30,000                   | –                   | –                     | –                     | –                  | –                     | 30,000                   |
| 6.5000                 | April 2004     | 25,000                   | –                   | –                     | –                     | –                  | –                     | 25,000                   |
| 4.5000                 | January 2006   | 500,000                  | –                   | –                     | –                     | –                  | –                     | 500,000                  |
| 3.7500                 | June 2006      | 750,000                  | –                   | –                     | –                     | –                  | –                     | 750,000                  |
| 4.2500                 | September 2006 | 66,666                   | –                   | –                     | –                     | –                  | –                     | 66,666                   |
| 3.5000                 | April 2007     | 965,106                  | –                   | –                     | –                     | –                  | –                     | 965,106                  |
| 1.2500                 | May 2008       | 13,530,000               | –                   | –                     | (925,000)             | –                  | –                     | 12,605,000               |
| 1.2500                 | February 2009  | –                        | 10,975,000          | –                     | (1,124,999)           | –                  | –                     | 9,850,001                |
|                        |                | 16,418,332               | 10,975,000          | –                     | (2,049,999)           | –                  | –                     | 25,343,333               |

The above table excludes Directors' options.

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

### 17 Onerous lease provisions

The Group has made the following operating and financial lease provisions:

|                            | Operating leases<br>£'000 | Finance leases<br>£'000 | All leases<br>£'000 |
|----------------------------|---------------------------|-------------------------|---------------------|
| At 1 January 2010          | 517                       | –                       | 517                 |
| Additions                  | 81                        | 24                      | 105                 |
| Utilisation                | (183)                     | –                       | (183)               |
| <b>At 31 December 2010</b> | <b>415</b>                | <b>24</b>               | <b>439</b>          |



**17 Onerous lease provisions continued**

Analysis of total provision is:

|  | Operating<br>leases<br>£'000 | Finance<br>leases<br>£'000 | All<br>leases<br>£'000 |
|--|------------------------------|----------------------------|------------------------|
| Within one year                          | 191                          | 24                         | 215                    |
| More than one year and within five years | 224                          | –                          | 224                    |
|  | 415                          | 24                         | 439                    |

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 relates to computer equipment required to maintain the Group's affiliate tracking technology.

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

|  | 2010<br>£'000 | 2009<br>£'000 |
|--|---------------|---------------|
| Lease payments to be made:             |               |               |
| – within one year                      | 40            | 225           |
| – after one year and within five years | 493           | 68            |

**18 Cash and cash equivalents**

Cash and cash equivalents comprise the following:

|   | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| Cash and cash in bank:                            |               |               |
| Australia dollar                                  | –             | 1,019         |
| Chinese yuan                                      | 10            | –             |
| Hong Kong dollar                                  | 4             | 16            |
| Indian rupee                                      | 56            | 27            |
| Pound sterling                                    | 218           | 81            |
| Singapore dollar                                  | 44            | 45            |
| South Africa rand                                 | –             | 34            |
| US dollar   | 185           | 350           |
|   | 517           | 1,572         |
| <b>Time deposits</b>                              |               |               |
| Australia dollar                                  | –             | 45            |
| US dollar   | 21            | –             |
|   | 21            | 45            |
| <b>Cash and cash equivalents at end of period</b> | <b>538</b>    | <b>1,617</b>  |

## notes to the consolidated financial statements continued

for the year ended 31 December 2010

### 19 Financial instruments

The Group uses various financial instruments which include cash and cash equivalents and various items such 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:

| <b>As at 31 December 2010</b> | <b>Singapore<br/>dollars<br/>£'000</b> | <b>Other<br/>£'000</b> |
|-------------------------------|--|------------------------|
| Financial assets              | <b>1,370</b>                           | <b>2,314</b>           |
| Financial liabilities         | <b>(1,072)</b>                         | <b>(2,521)</b>         |
| Short-term exposure           | <b>298</b>                             | <b>(207)</b>           |
| <hr/>                         |  |                        |
| As at 31 December 2009        | Singapore<br>dollars<br>£'000          | Other<br>£'000         |
| Financial assets              | 2,394                                  | 2,711                  |
| Financial liabilities         | (1,546)                                | (2,224)                |
| Short-term exposure           | 848                                    | 487                    |

The following table illustrates the sensitivity of the net results for the year 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 year ended 31 December 2010 (2009: 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<br>dollars<br>£'000 |
|------------------------------|-------------------------------|
| 5% strengthening of sterling |                               |
| Net results for the year     | (14)                          |
| Equity                       | (15)                          |
| <hr/>                        |                               |
| 5% weakening of sterling     |                               |
| Net results for the year     | 14                            |
| Equity                       | 15                            |

Exposures to foreign exchange rates vary during the year 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. The Directors are re-evaluating the Group's risk from foreign currency exposure and are considering some hedging to mitigate foreign currency exposure.

## 19 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:

| Classes of financial assets – carrying amounts | 2010<br>£'000 | 2009<br>£'000 |
|--|---------------|---------------|
| Cash and cash equivalents                      | 538           | 1,617         |
| Trade receivables                              | 1,494         | 4,924         |
|  | <b>2,032</b>  | <b>6,541</b>  |

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:

|                   | 2010                  |                  | 2009                  |                  |
|-------------------|-----------------------|------------------|-----------------------|------------------|
|                   | Within terms<br>£'000 | Overdue<br>£'000 | Within terms<br>£'000 | Overdue<br>£'000 |
| Trade receivables | 1,002                 | 632              | 4,028                 | 1,012            |
| Of which provided | –                     | (140)            | –                     | (116)            |
|                   | <b>1,002</b>          | <b>492</b>       | <b>4,028</b>          | <b>896</b>       |

The amount overdue for one month is £288,000 (2009: £379,000), two to four months is £220,000 (2009: £446,000), for five to six months £65,000 (2009: £116,000) and for more than six months £59,000 (2009: £71,000).

Changes in the bad debts provision are as follows:

|                               | Total<br>£'000 |
|-------------------------------|----------------|
| As at 1 January 2009          | 116            |
| Additions                     | 116            |
| Utilisation                   | (116)          |
| As at 1 January 2010          | 116            |
| Additions                     | 121            |
| Utilisation                   | (97)           |
| <b>As at 31 December 2010</b> | <b>140</b>     |

### Debtor concentration

|                | 2010         |            | 2009         |            |
|----------------|--------------|------------|--------------|------------|
|                | £'000        | %          | £'000        | %          |
| Largest client | 177          | 12         | 2,140        | 44         |
| Others         | 1,317        | 88         | 2,784        | 56         |
|                | <b>1,494</b> | <b>100</b> | <b>4,924</b> | <b>100</b> |

# notes to the consolidated financial statements continued

for the year ended 31 December 2010

## 19 Financial instruments continued

### Debtor concentration continued

|                      | 2010         |            | 2009  |     |
|----------------------|--------------|------------|-------|-----|
|                      | £'000        | %          | £'000 | %   |
| Five largest clients | 552          | 37         | 3,510 | 71  |
| Others               | 942          | 63         | 1,414 | 29  |
|                      | <b>1,494</b> | <b>100</b> | 4,924 | 100 |

### 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

|                             | 2010                   |                            | 2009                   |                            |
|-----------------------------|------------------------|----------------------------|------------------------|----------------------------|
|                             | Within 1 year<br>£'000 | Later than 1 year<br>£'000 | Within 1 year<br>£'000 | Later than 1 year<br>£'000 |
| Trade payables              | 1,061                  | –                          | 4,881                  | –                          |
| Convertible loan notes      | –                      | –                          | 546                    | –                          |
| Receivable financing        | –                      | –                          | 918                    | –                          |
| Other payables              | 2,093                  | –                          | 2,586                  | –                          |
| Lease commitments provision | 215                    | 224                        | 183                    | 334                        |
|                             | <b>3,369</b>           | <b>224</b>                 | 9,114                  | 334                        |

### 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.

Capital for the reporting periods under review is summarised below:

|                                    | 2010<br>£'000 | 2009<br>£'000 |
|------------------------------------|---------------|---------------|
| Total equity                       | 91            | (2,133)       |
| Capital                            | 91            | (2,133)       |
| Total equity                       | 91            | (2,133)       |
| Convertible loan note              | –             | 500           |
| Overall financing                  | 91            | (1,633)       |
| Capital-to-overall financing ratio | 1.00          | 1.31          |

In December 2010 the Group repaid in full a convertible loan issued in 2009. Further details of this are available in note 20 (Related party transactions). Following this repayment, the Group became free of any long-term debt.

## 20 Related party transactions

During the year 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 year the Group paid £12,241 (2009: £18,475) in respect of legal services provided to the Group. The balance due to Howard Kennedy LLP Solicitors at the year end was £6,499 (2009: £7,074).

### DC Storm Limited

DC Storm Limited is an associated undertaking company of the Group. During the year the Group paid £52,329 in respect of software licensing provided to the Group (2009: £58,892). The balance due to DC Storm Limited at the year end was £24,360 (2009: £13,383).

### dealgroupmedia (UK) Limited

dealgroupmedia (UK) Limited was an associated undertaking company of the Group. During the year the Group paid £120,000 in respect of technical services provided to the Group. The Group also charged dealgroupmedia (UK) Limited £44,101 (2009: £122,741) relating to office rental and other premises costs. The balance due to dealgroupmedia (UK) Limited at the year end was £Nil (2009: £56,208).

dealgroupmedia (UK) Limited ceased trading in July 2010 after it was placed into administration. The Group secured assets from dealgroupmedia (UK) Limited's administrators which are essential for the running of the Group's performance advertising business.

### Deal Group Media Pty Limited

This is the Group's former Australian based subsidiary. Following the sale of this subsidiary in October 2010, the Group provided accounting and technical services and a total of £13,813 was received. The balance owed to the Group at year end was £50,873 (2009: £Nil).

### Transactions involving major shareholder

The Group repaid a convertible loan note issued on 26 May 2009 to River Don Limited, a company controlled by John Porter, the Group's former Chairman and major shareholder. The note, which carried a 15% coupon payable with principal on redemption or repayment, was repaid in full in December 2010. The repayment (including interest charges) was £617,534.

### Issue of equity to Directors

On 29 December 2010, the Directors received shares resulting in the issue of 59,162,200 new ordinary shares. The shares were issued at a price of 0.5 pence per share.

Adrian Moss, Chief Executive, received 48,000,000 new ordinary shares.

David Lees, Non-Executive Chairman, received 6,664,000 new ordinary shares.

Keith Lassman, Non-Executive Director, received 4,498,200 new ordinary shares.

The issue of equity to the Directors is treated as a related party transaction under AIM Rule 13. The 59,162,200 new shares have been admitted to trading on AIM.

## 21 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 year are disclosed in notes 3 and 4 to the financial statements.

## 22 Events after the balance sheet date

There were no significant events after the balance sheet date which may impact the financial statements.

## independent auditor's report

to the members of asia digital holdings PLC (formerly dealgroupmedia Plc)

We have audited the parent company financial statements of Asia Digital Holdings PLC for the year ended 31 December 2010 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 12, 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 December 2010;
- 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.

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

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

### Matters on which we are required to report by exception

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

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

### Other matter

We have reported separately on the Group financial statements of Asia Digital Holdings PLC for the year ended 31 December 2010.



### Nicholas Page

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

4 April 2011

# accounting policies (parent company financial statements)

for the year ended 31 December 2010

## 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 is reliant on its trading subsidiaries for income and cash generation. As per the information in the Report of the Directors, the Directors have undertaken a detailed review of the Group's trading budgets, cash flow forecasts and available financial facilities in order to ensure that the preparation of the financial statements on the going concern basis is appropriate.

The Directors consider the forecasts to have been prepared on a reasonable basis representing management's best estimates of the Group's trading and cash flows.

Based on their review of the forecasts, the Directors have assessed that the Group has access to adequate resources to enable it to continue in operational existence for the foreseeable future. Accordingly, they continue to 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 Group 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) continued

for the year ended 31 December 2010

### Basis of preparation continued

#### 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 year end date. Gains and losses arising on translation are included in net profit or loss for the year.

#### 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 December 2010

|  | Notes | 2010    |          | 2009    |          |
|--|-------|---------|----------|---------|----------|
|  |       | £'000   | £'000    | £'000   | £'000    |
| <b>Fixed assets</b>  |       |         |          |         |          |
| Tangible assets  | 1     |         | –        |         | 7        |
| Fixed asset investments  | 2     |         | 50       |         | 1,014    |
|  |       |         | 50       |         | 1,021    |
| <b>Current assets</b>  |       |         |          |         |          |
| Debtors  | 3     | 1,181   |          | 2,467   |          |
| Cash at bank and in hand                                       |       | –       |          | 11      |          |
|  |       | 1,181   |          | 2,478   |          |
| <b>Creditors: amounts falling due within one year</b>          |       |         |          |         |          |
| Creditors  | 4     | (875)   |          | (386)   |          |
| Short-term loan  | 5     | –       |          | (500)   |          |
| Onerous lease provisions                                       | 6     | (215)   |          | (183)   |          |
| Corporation tax  |       | –       |          | (56)    |          |
| Bank overdraft   |       | (10)    |          | –       |          |
|  |       | (1,100) |          | (1,125) |          |
| <b>Net current assets</b>                                      |       |         | 81       |         | 1,353    |
| <b>Creditors: amounts falling due after more than one year</b> |       |         |          |         |          |
| Onerous lease provisions                                       | 6     |         | (224)    |         | (334)    |
| <b>Total assets less current liabilities</b>                   |       |         | (93)     |         | 2,040    |
| <b>Capital and reserves</b>                                    |       |         |          |         |          |
| Called up share capital  | 7     | 4,852   |          | 4,792   |          |
| Capital redemption reserve                                     | 9     | 13,188  |          | 13,188  |          |
| Share premium account  | 9     | 23,792  |          | 23,703  |          |
| Share-based payment reserve                                    | 8     | 1,155   |          | 1,033   |          |
|  |       |         | 42,987   |         | 42,716   |
| Profit and loss account  | 9     |         | (43,080) |         | (40,676) |
| <b>Shareholders' funds</b>                                     |       |         | (93)     |         | 2,040    |

The financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 4 April 2011:



**Adrian Moss**  
Chief Executive Officer

Company registration number: 03904195

# notes to the company financial statements

for the year ended 31 December 2010

## 1 Tangible assets

|                            | Leasehold<br>improvements<br>£'000 | Fixtures,<br>fittings and<br>equipment<br>£'000 | Total<br>£'000 |
|----------------------------|------------------------------------|---|----------------|
| <b>Cost</b>                |                                    |   |                |
| At 1 January 2010          | 72                                 | 16  | 88             |
| Additions                  | –                                  | 25  | 25             |
| <b>At 31 December 2010</b> | <b>72</b>                          | <b>41</b>                                       | <b>113</b>     |
| <b>Depreciation</b>        |                                    |   |                |
| At 1 January 2010          | 65                                 | 16  | 81             |
| Provided in year           | 7                                  | 25  | 32             |
| <b>At 31 December 2010</b> | <b>72</b>                          | <b>41</b>                                       | <b>113</b>     |
| <b>Net book amount</b>     |                                    |   |                |
| <b>At 31 December 2010</b> | <b>–</b>                           | <b>–</b>  | <b>–</b>       |
| At 31 December 2009        | 7                                  | –   | 7              |

## 2 Fixed asset investments

|                            | Subsidiaries<br>£'000 | Associates<br>£'000 | Total<br>£'000 |
|----------------------------|-----------------------|---------------------|----------------|
| <b>Cost</b>                |                       |                     |                |
| At 1 January 2010          | 1,106                 | 3,713               | 4,819          |
| Additions                  | –                     | –                   | –              |
| <b>At 31 December 2010</b> | <b>1,106</b>          | <b>3,713</b>        | <b>4,819</b>   |
| <b>Impairment</b>          |                       |                     |                |
| At 1 January 2010          | 92                    | 3,713               | 3,805          |
| Impairment in the year     | 964                   | –                   | 964            |
| <b>At 31 December 2010</b> | <b>1,056</b>          | <b>3,713</b>        | <b>4,769</b>   |
| <b>Net book amount</b>     |                       |                     |                |
| <b>At 31 December 2010</b> | <b>50</b>             | <b>–</b>            | <b>50</b>      |
| At 31 December 2009        | 1,014                 | –                   | 1,014          |

After an impairment review, the Directors have written down investments in the Company's Singapore based subsidiaries. The impact on the Company's financial statements is £964,000. A further £1,741,000 in intercompany receivables was written off following this review.

The impairment loss was measured by discounting future cash flows to estimate the net realisable value of the investment at a discount rate of 8% over a three year period.

## 2 Fixed asset investments continued

As at 31 December 2010 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      |
| DC Storm Limited                                  | England and Wales        | Ordinary             | 20.6%           | Development of digital marketing software |

## 3 Debtors

|   | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| Amounts owed by Group undertakings            | 348           | 2,358         |
| Other debtors                                 | 106           | 38            |
| Deferred consideration on sale of subsidiary* | 657           | –             |
| Prepayments and accrued income                | 70            | 71            |
|   | <b>1,181</b>  | <b>2,467</b>  |

\* This relates to the deferred element of the consideration from the sale of the Group's Australian operation. The full amount is expected to be received during 2011.

## 4 Creditors

|                              | 2010<br>£'000 | 2009<br>£'000 |
|------------------------------|---------------|---------------|
| Other creditors              | 407           | 266           |
| Accruals and deferred income | 468           | 120           |
|                              | <b>875</b>    | <b>386</b>    |

## 5 Short-term loan

|                        | 2010<br>£'000 | 2009<br>£'000 |
|------------------------|---------------|---------------|
| Convertible loan notes | –             | 500           |

The convertible loan note issued in May 2009 to River Don Limited, a company controlled by a major shareholder in the Group (note 19) and which carries a 15% coupon payable with principal on repayment, was repaid in full in December 2010. The total repayment (including interest) was £617,534.

# notes to the company financial statements continued

for the year ended 31 December 2010

## 6 Onerous lease provisions

The provision (£191,000) 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.

A second provision (£24,000) was made for finance leases on computer equipment.

## 7 Share capital

|   | 2010<br>£'000 | 2009<br>£'000 |
|---|---------------|---------------|
| <b>Authorised capital</b>   |               |               |
| 9,999,520,000 ordinary shares of 0.1 pence each                   | <b>10,000</b> | 10,000        |
| 54,952,000 deferred shares of 24 pence each                       | <b>13,188</b> | 13,188        |
|   | <b>23,188</b> | 23,188        |
| <b>Allotted, called up and fully paid capital</b>                 |               |               |
| 769,730,884 (2009: 708,768,684) ordinary shares of 0.1 pence each | <b>768</b>    | 708           |
| 4,083,918,516 deferred shares of 0.1 pence each                   | <b>4,084</b>  | 4,084         |
|   | <b>4,852</b>  | 4,792         |

### Allotments during the year

During the year the Company allotted the following ordinary shares:

|  | 2010               |
|--|--------------------|
| Shares in issue at 1 January 2010          | 708,768,684        |
| Shares issued during the year              | 59,162,200         |
| <b>Shares in issue at 31 December 2010</b> | <b>767,930,884</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.

## 8 Share-based payments

During the year 17,080,000 options (2009: 10,975,000) were issued at an average fair value of 0.50 pence per share (2009: 0.35 pence).

The fair values of the options granted during the year ended 31 December 2010 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 150%, which has been derived from historical experience. A weighted average risk-free interest rate of 3.07% has been applied. The weighted average share price at grant date was 0.50 pence and the weighted average exercise price was 0.50 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 £121,000 (2009: £150,000).

The average remaining life of vested options is seven years and number of options exercisable at year end is 35,486,667 (2009: 8,933,000). This includes 10,626,667 options which were issued to employees of the Group's former Australian based subsidiary.

### 8 Share-based payments continued

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) | 0.50       | 0.50           | 0.50             |
| Exercise price (pence)            | 0.50       | 0.50           | 0.50             |
| Expected life (years)             | 5          | 4              | 5                |
| Annualised volatility             | 1.50       | 1.50           | 1.50             |
| Risk-free interest rate           | 0.031      | 0.031          | 0.031            |
| Fair value determined (pence)     | 0.450      | 0.433          | 0.450            |
| Options granted ('000)            | 16,830     | 250            |                  |

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 2009 | Granted during year | Exercised during year | Forfeited during year | Lapsed during year | Cancelled during year | Held at 31 December 2010 |
|------------------------|----------------|--------------------------|---------------------|-----------------------|-----------------------|--------------------|-----------------------|--------------------------|
| 1.2468                 | October 2003   | 251,559                  | –                   | –                     | –                     | –                  | –                     | 251,559                  |
| 3.5650                 | December 2003  | 300,001                  | –                   | –                     | –                     | –                  | –                     | 300,001                  |
| 5.1000                 | April 2004     | 30,000                   | –                   | –                     | –                     | –                  | –                     | 30,000                   |
| 6.5000                 | April 2004     | 25,000                   | –                   | –                     | –                     | –                  | –                     | 25,000                   |
| 4.5000                 | January 2006   | 500,000                  | –                   | –                     | –                     | –                  | –                     | 500,000                  |
| 3.7500                 | June 2006      | 750,000                  | –                   | –                     | –                     | –                  | –                     | 750,000                  |
| 4.2500                 | September 2006 | 66,666                   | –                   | –                     | (33,333)              | –                  | –                     | 33,333                   |
| 3.5000                 | April 2007     | 965,106                  | –                   | –                     | –                     | –                  | –                     | 965,106                  |
| 1.2500                 | May 2008       | 12,605,000               | 1,250,000           | –                     | –                     | –                  | –                     | 13,855,000               |
| 1.2500                 | February 2009  | 9,850,001                | –                   | –                     | (33,333)              | (700,000)          | –                     | 9,116,668                |
| 0.5000                 | January 2010   | –                        | 17,080,000          | –                     | (250,000)             | –                  | –                     | 16,830,000               |
|                        |                | 25,343,333               | 18,330,000          | –                     | (316,666)             | (700,000)          | –                     | 42,656,667               |

The above table excludes Directors' options.

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

| Exercise price (pence) | Issue date     | Held at 31 December 2008 | Granted during year | Exercised during year | Forfeited during year | Lapsed during year | Cancelled during year | Held at 31 December 2009 |
|------------------------|----------------|--------------------------|---------------------|-----------------------|-----------------------|--------------------|-----------------------|--------------------------|
| 1.2468                 | October 2003   | 251,559                  | –                   | –                     | –                     | –                  | –                     | 251,559                  |
| 3.5650                 | December 2003  | 300,001                  | –                   | –                     | –                     | –                  | –                     | 300,001                  |
| 5.1000                 | April 2004     | 30,000                   | –                   | –                     | –                     | –                  | –                     | 30,000                   |
| 6.5000                 | April 2004     | 25,000                   | –                   | –                     | –                     | –                  | –                     | 25,000                   |
| 4.5000                 | January 2006   | 500,000                  | –                   | –                     | –                     | –                  | –                     | 500,000                  |
| 3.7500                 | June 2006      | 750,000                  | –                   | –                     | –                     | –                  | –                     | 750,000                  |
| 4.2500                 | September 2006 | 66,666                   | –                   | –                     | –                     | –                  | –                     | 66,666                   |
| 3.5000                 | April 2007     | 965,106                  | –                   | –                     | –                     | –                  | –                     | 965,106                  |
| 1.2500                 | May 2008       | 13,530,000               | –                   | –                     | (925,000)             | –                  | –                     | 12,605,000               |
| 1.2500                 | February 2009  | –                        | 10,975,000          | –                     | (1,124,999)           | –                  | –                     | 9,850,001                |
|                        |                | 16,418,332               | 10,975,000          | –                     | (2,049,999)           | –                  | –                     | 25,343,333               |

The above excludes Directors' options.

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

# notes to the company financial statements continued

for the year ended 31 December 2010

## 9 Share premium account and reserves

|                                       | Capital redemption reserve<br>£'000 | Share premium reserve<br>£'000 | Share-based payment reserve<br>£'000 | Profit and loss account<br>£'000 |
|---------------------------------------|-------------------------------------|--------------------------------|--------------------------------------|----------------------------------|
| At 1 January 2010                     | 13,188                              | 23,703                         | 1,033                                | (40,676)                         |
| Retained profit for the year          | –                                   | –                              | –                                    | (2,404)                          |
| Premium on allotments during the year | –                                   | 89                             | –                                    | –                                |
| Share-based payment                   | –                                   | –                              | 122                                  | –                                |
| <b>At 31 December 2010</b>            | <b>13,188</b>                       | <b>23,792</b>                  | <b>1,155</b>                         | <b>(43,080)</b>                  |

## 10 Profit 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 £2,404,000 (2009: £1,327,000).

## 11 Directors and employees

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

|                         | 2010 | 2009 |
|-------------------------|------|------|
| Average number employed | 4    | 2    |

Directors' remuneration was as follows:

|                                       | 31 December 2010 |               |                  |                  |                |
|---------------------------------------|------------------|---------------|------------------|------------------|----------------|
|                                       | Salary<br>£'000  | Fees<br>£'000 | Pension<br>£'000 | Equity*<br>£'000 | Total<br>£'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>     |

\* The Directors of the Company on 29 December 2010 received shares resulting in the issue of 59,162,200 new shares issued at price of 0.5 pence per share. Further details are available in note 20 to the consolidated financial statements (Related party transactions).

|                                     | 31 December 2009 |               |                  |                 |                |
|-------------------------------------|------------------|---------------|------------------|-----------------|----------------|
|                                     | Salary<br>£'000  | Fees<br>£'000 | Pension<br>£'000 | Equity<br>£'000 | Total<br>£'000 |
| <b>Executive</b>                    |                  |               |                  |                 |                |
| A Moss                              | 297              | –             | –                | –               | 297            |
| Z Tang (resigned 30 April 2009)     | 37               | –             | –                | –               | 37             |
| <b>Non-Executive</b>                |                  |               |                  |                 |                |
| D Lees                              | –                | 15            | –                | –               | 15             |
| K Lassman                           | –                | 10            | –                | –               | 10             |
| T Beattie (appointed 7 August 2009) | –                | –             | –                | –               | –              |
|                                     | <b>334</b>       | <b>25</b>     | <b>–</b>         | <b>–</b>        | <b>359</b>     |

## 12 Reconciliation of shareholders' funds

|                               | 2010<br>£'000  | 2009<br>£'000 |
|-------------------------------|----------------|---------------|
| Opening shareholders' funds   | 2,040          | 1,942         |
| Loss for the financial period | <b>(2,404)</b> | (1,327)       |
| Share-based payment           | 122            | 150           |
| Issue of shares               | 149            | 1,275         |
| Closing shareholders' funds   | <b>(93)</b>    | 2,040         |

## 13 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 year 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 year the Company paid £12,241 (2009: £18,475) in respect of legal services provided to the Company. The balance due to Howard Kennedy LLP Solicitors at the year end was £6,499 (2009: £7,050).

### DC Storm Limited

DC Storm Limited is an associated undertaking company. During the year the Group paid £52,329 in respect of software licensing provided to the Company (2009: £58,892). The balance due to DC Storm Limited at the year end was £24,360 (2009: £13,383).

### dealgroupmedia (UK) Limited

dealgroupmedia (UK) Limited was an associated undertaking company. During the year the Company paid £120,000 in respect of technical services provided to the Company. The Company also charged dealgroupmedia (UK) Limited £44,101 relating to office rental and other premises costs. The balance due to dealgroupmedia (UK) Limited at the year end was £Nil (2009: £56,208).

dealgroupmedia (UK) Limited ceased trading in July 2010 after it was placed into administration. The Company secured assets from dealgroupmedia (UK) Limited's administrators which are essential for the running of the Group's performance advertising business.

### Deal Group Media Pty Limited

This is the Company's former Australian based subsidiary. Following the sale of this subsidiary in October 2010, the Company and its subsidiaries provided accounting and technical services and a total of £13,813 was received. The balance owed to the Group at year end was £50,873 (2009: £Nil).

### Transactions involving major shareholder

The Company repaid a convertible loan note issued on 26 May 2009 to River Don Limited, a company controlled by John Porter, the Group's former Chairman and major shareholder. The note, which carried a 15% coupon payable with principal on redemption or repayment, was repaid in full in December 2010. The repayment (including interest charges) was £617,534.

### Issue of equity to Directors

On 29 December 2010, the Directors received shares resulting in the issue of 59,162,200 new ordinary shares. The shares were issued at a price of 0.5 pence per share.

Adrian Moss, Chief Executive, received 48,000,000 new ordinary shares.

David Lees, Non-Executive Chairman, received 6,664,000 new ordinary shares.

Keith Lassman, Non-Executive Director, received 4,498,200 new ordinary shares.

The issue of equity to the Directors is treated as a related party transaction under AIM Rule 13. The 59,162,200 new shares have been admitted to trading on AIM.

# notice of annual general meeting

of asia digital holdings PLC

Notice is hereby given that the Annual General Meeting of Asia Digital Holdings PLC will be held on 15 June 2011 at 19 Cavendish Square, London W1A 2AW at 11.00am. The business of the Meeting will be as follows:

## Resolutions

To consider and, if thought fit, pass the following resolutions 1–4 as ordinary resolutions, and resolutions 5–6 as special resolutions:

1. To receive and adopt the Company's audited accounts for the period ended 31 December 2010, together with the report of the auditor and the Directors thereon.
2. To re-elect David Lees as a Director who retires in accordance with the Company's Articles of Association.
3. To re-appoint Grant Thornton to hold office as auditors of the Company until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and authorise the Directors to determine their remuneration.
4. That, in accordance with Section 551 of the Companies Act 2006, the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any securities into shares within the terms of the restrictions and provisions following, namely:
  - 4.1.1 this authority shall (unless previously revoked, varied or renewed) expire five years from the date of this resolution, but shall be capable of renewal from time to time by the Company in general meeting for a further period not exceeding five years; and
  - 4.1.2 this authority shall be limited to the allotment of, or grant of rights to subscribe for or to convert any securities into, shares up to an aggregate nominal value of £2,000,000.
- 4.2 For the purpose of paragraph 4.1 above:
  - 4.2.1 the said authority shall allow and enable the Company to make an offer or agreement before the expiry of that authority which would or might require shares to be allotted or rights to be granted after such expiry and the Directors may allot, or grant of rights to subscribe for or to convert any securities into, shares in pursuance of such an offer or such agreement notwithstanding the expiry of such power; and
  - 4.2.2 words and expressions defined in or for the purposes of Part 17 of the Companies Act 2006 shall bear the same meaning herein.
- 4.3 The authority conferred by paragraph 4.1 above shall be in substitution for all previous authorities conferred upon the Directors to allot shares or to grant rights to subscribe for or to convert any securities into shares.
- 5.1 That, in accordance with Section 570(1) of the Companies Act 2006, the Directors be and are hereby given power to allot equity securities for cash pursuant to the general authority conferred upon the Directors in resolution 4 above as if sub-section (1) of Section 561 of the Companies Act 2006 did not apply to such allotment, provided that the power hereby granted:
  - 5.1.1 shall be limited to:
    - 5.1.1.1 the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares in the capital of the Company and other persons entitled to participate therein for cash in proportion (as nearly as may be) to the holdings of ordinary shares of such holders (or, as appropriate, to the numbers of ordinary shares which such other persons are for these purposes deemed to hold), subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body in any territory; and
    - 5.1.1.2 the allotment (other than pursuant to paragraph 5.1.1.1 of this proviso) of equity securities up to an aggregate nominal amount of £500,000.
  - 5.1.2 shall (unless previously revoked, varied or renewed) expire at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution, and in any event on 15 months from this Annual General Meeting.
- 5.2 The said power shall allow and enable the Company to make an offer or agreement before the expiry of that power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or such agreement notwithstanding the expiry of such power.



### Resolutions continued

- 5.3 Words and expressions defined in or for the purposes of Part 17 of the Companies Act 2006 shall bear the same meaning herein.
- 6.1 That, the Company is hereby authorised to make one or more market purchases (within the meaning of Section 701 of the Companies Act 2006) of ordinary shares of 0.1 pence each in the capital of the Company (the "Shares") provided that:
- 6.1.1 the maximum aggregate number of Shares that is purchased is an amount equal to 25% of the issued Shares at the date of this resolution;
  - 6.1.2 the minimum price paid for a Share is 0.1 pence;
  - 6.1.3 the maximum price paid for a Share is an amount, exclusive of expenses, equal to 105% of the average market value of Shares for the five business days immediately preceding the day on which that Share is purchased;
  - 6.1.4 the Company may validly make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may validly make a purchase of Shares in pursuance of any such contract.
- 6.2 Unless renewed, the authority conferred in paragraph 6.1 above shall expire either at the conclusion of the next Annual General Meeting of the Company or on the expiry of 15 months following the passing of this resolution, whichever is the later to occur, save that the Company may, prior to such expiry, enter into a contract to purchase Shares which will or may be completed or executed wholly or partly after such expiry.

By order of the Board



**Keith Lassman**  
Company Secretary  
4 April 2011

Information regarding the Annual General Meeting, including the information required by Section 311A of the Companies Act 2006, is available from [www.adhplc.asia](http://www.adhplc.asia).

### Notes

- (a) Any member of the Company entitled to attend and vote at the Annual General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent his appointor. A member entitled to attend and vote at the Annual General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these notes. Please read note (h) below. Under Section 319A of the Companies Act 2006, the Company must answer any question a member asks relating to the business being dealt with at the Annual General Meeting unless:
- answering the question would interfere unduly with the preparation for the Annual General Meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the Annual General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Annual General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.

## notice of annual general meeting continued

of asia digital holdings PLC

### Notes continued

- (c) In order to revoke a proxy instruction a member will need to inform the Company using the following method:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- The revocation notice must be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU before the Annual General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the Annual General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' Letters of Appointment, the Register of Directors' interests in the Shares of the Company kept and a copy of the current Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11.00am on 13 June 2011 or, in the event that the Annual General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said Annual General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 11.00am on 13 June 2011 or, in the event that the Annual General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
- (g) As at 5 April 2011, the Company's issued share capital comprised 767,930,884 Shares. The total number of voting rights in the Company as at 5 April 2011 is 767,930,884. The website referred to above will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under Section 146 of the Companies Act 2006 to enjoy information rights ("Nominated Person"):
- you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the Annual General Meeting;
  - if you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights; and
  - your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (k) Except as provided above, members who have general queries about the General Meeting should contact the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- (l) Members may not use any electronic address provided either in this notice of Annual General Meeting, or any related documents (including the Chairman's letter and proxy form), to communicate with the Company for any purposes other than those expressly stated.
- (m) Resolution 2: Information about the Director who is proposed by the Board for re-election at the Annual General Meeting is shown in the annual report and accounts 2010.

## financial calendar

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|------------------|--|
| 15 June 2011     | Annual General Meeting                     |
| 30 June 2011     | Financial half year end 2011               |
| September 2011   | Interim results announcement               |
| 31 December 2011 | Financial year end 2011                    |
| April 2012       | Annual results announcement                |
| May 2012         | Mailing of 2011 annual report and accounts |
| June 2012        | Annual General Meeting                     |





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