COMPANIES HOUSE

Alphanumeric Limited

Financial statements

For the year ended 31 March 2011

Grant Thornton

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COMPANIES HOUSE

Company no 03749871

Company information

Company registration number:	03749871
Registered office:	Arclite House Century Road Peatmoor SWINDON SN5 5YN
Director:	K J Sadler
Secretary:	K J Sadler
Bankers:	Barclays Bank plc 1 Princes Street IPSWICH IP1 1PB
Auditor:	Grant Thornton UK LLP Statutory Auditor Chartered Accountants 2 Broadfield Court SHEFFIELD S8 0XF

Index to the financial statements

Report of the director

The director presents his report and the financial statements of the company for the year ended 31 March 2011

Principal activity

The company is principally engaged in information strategy

Results and dividends

There was a profit for the year after taxation amounting to £440,367 (2010 loss £912,961)

The company has paid the following dividends during the year

	2011 £	2010 £
Dividend in specie	-	3,084,768
Dividends paid	-	600,000
	-	3,684,768

Key performance indicators

Key performance indicators of the company include gross profit margin (2011 32%, 2010 36%), contribution margin (2011, 82%, 2010 63%) which is defined as gross margin less direct labour costs and net operating margin before share based payment charges (2011, 7%, 2010 13%) These are monitored and reviewed on a regular basis by the directors, and the company has performed to expected levels during the year

Business review

During the year under review, Alphanumeric Limited has seen the continued cutbacks of consultancy led project budgets by existing clients due to economic conditions, placing more emphasis on new client wins to provide growth In order to increase success rates in new business, changes have been made to create a larger pipeline of opportunities and an increased new business team with a more focused conversion process

Financial risk management objectives and policies

The company uses financial instruments, other than derivatives, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance for the company's operations The main risks arising from the company financial instruments are liquidity risk and currency risk The directors review and agree policies for managing these risks and they are summarised below The policies have remained unchanged from previous periods

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably Primarily this is achieved through maintaining control over debtors and creditors Short term flexibility is achieved by overdraft facilities

Currency risk

The company is exposed to transaction and translation foreign exchange risk This is not significant and not considered a major risk Exchange rate movements are monitored on a regular basis and pricing contracts take into account potential fluctuations

Report of the director

Directors

The directors who served the company during the year were

R B Langdon (resigned 4 April 2011)
C I Tate (resigned 30 June 2010))
K J Sadler

Statement of director's responsibilities

The director is responsible for preparing the Report of the directors and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law the director has elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) Under company law the director must not approve the financial statements unless they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards 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 director is responsible for keeping proper 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 He is 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

In so far as the director is aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

The director is 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

Auditor

The company's articles require annual reappointment of the auditors Grant Thornton UK LLP have expressed willingness to continue in office In accordance with s485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting

ON BEHALF OF THE BOARD

K J Sadler
Director
2 August 2011

Grant Thornton

Independent auditor's report to the members of Alphanumeric Limited

We have audited the financial statements of Alphanumeric Limited for the year ended 31 March 2011 which comprise the principal accounting policies, the profit and loss account, the 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 on page 2 the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- 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 Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Grant Thornton

Independent auditor's report to the members of Alphanumeric Limited

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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Grant Thornton UK LLP

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
SHEFFIELD
3 August 2011

Principal accounting policies

Basis of accounting

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

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

Consolidated financial statements

The company has taken advantage of the exemption permitted by Section 400 of the Companies Act 2006 and not produced consolidated financial statements as it is itself a wholly owned subsidiary

These financial statements present information about the individual undertaking and not about its group

Cash flow statement

The company is a wholly owned subsidiary and the cash flows of the company are included in the consolidated cash flow statement Consequently, the company is exempt under the terms of FRS 1 "Cash Flow Statements" from publishing a cash flow statement

Turnover

The turnover shown in the profit and loss account represents amounts in relation to work undertaken during the year

Turnover is the revenue arising from the sale of services It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts

Revenue is recognised in accordance with the stage of completion of contractual obligations to the customer The stage of completion is ascertained by assessing the fair value of the services provided to the balance sheet date as a proportion of the total fair value of the contract Losses on contracts are recognised in the period in which the loss first becomes foreseeable

Goodwill

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised over the its estimated useful life up to a maximum of 20 years This length of time is presumed to be the maximum useful life of the goodwill because it is difficult to make projections beyond this period Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable

Development costs

Development costs incurred in the year are capitalised and amortised on a straight line basis over four years

Fixed assets

All fixed assets are stated at cost, net of depreciation and any provision for impairment

Principal accounting policies

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Fixtures and Fittings	- 20 - 33%
Equipment	- 33%

Work in progress

Work in progress is valued on the basis of direct costs Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of work in progress

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Investments

Investments are included at cost less amounts written off

Principal accounting policies

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Share based payments

The fair value at the date of grant of share based remuneration, principally share options, is calculated using a binomial pricing model and charged to the income statement on a straight line basis over the vesting period of the award The charge to the income statement takes account of the estimated number of shares that will vest All share based remuneration is equity settled

Profit and loss account

	Note	2011	2010
		£	£
Turnover	1	**5,955,572**	7,771,841
Cost of sales		**(4,069,004)**	(4,936,623)
Gross profit		**1,886,568**	2,835,218
Administrative expenses		**(1,455,660)**	(2,489,830)
Share based payments charge		**(22,311)**	(1,310,823)
Total administrative expenses		**(1,477,971)**	(3,800,653)
Operating profit/(loss)	2	**408,597**	(965,435)
Other income		**127,715**	166,585
Interest receivable and similar income		**-**	54
Profit/(loss) on ordinary activities before taxation		**536,312**	(798,796)
Tax on profit/(loss) on ordinary activities	5	**(95,945)**	(114,165)
Profit/(loss) for the financial year after taxation	17	**440,367**	(912,961)

All of the activities of the company are classed as continuing

There are no recognised gains or losses other than the result for the year

The accompanying accounting policies and notes form an integral part of these financial statements

Balance sheet

	Note	2011 £	2010 £
Fixed assets			
Intangible assets	6	96,959	54,588
Tangible assets	7	109,097	120,651
		206,056	175,239
Current assets			
Stocks	8	-	15,082
Debtors	9	2,217,576	3,382,114
Cash at bank and in hand		1,504,663	216,737
		3,722,239	3,613,933
Creditors: amounts falling due within one year	10	(1,919,588)	(2,243,143)
Net current assets		1,802,651	1,370,790
Total assets less current liabilities		2,008,707	1,546,029
Capital and reserves			
Called up share capital	15	1,196,934	1,196,934
Profit and loss account	16	811,773	349,095
Shareholders' funds	17	2,008,707	1,546,029

The financial statements were approved and authorised by the director on 2 August 2011

K J Sadler
Director

Company number 03749871

The accompanying accounting policies and notes form an integral part of these financial statements

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company An analysis of turnover is given below

	2011 £	2010 £
United Kingdom	**5,541,571**	7,339,674
Rest of Europe	**414,001**	422,058
USA	**-**	5,913
Other	**-**	4,196
Total	**5,955,572**	7,771,841

2 Operating loss

Operating loss is stated after charging	2011 £	2010 £
Depreciation of owned fixed assets	**84,475**	89,549
Impairment of development costs and purchased goodwill	**-**	661,406
Amortisation of development costs	**18,196**	64,421
Auditors' remuneration		
Audit fees	**11,500**	11,500
Taxation	**3,500**	3,500
Operating lease costs Land and buildings	**63,600**	63,600

3 Directors and employees

The average number of staff employed by the company during the financial year amounted to

	2011 Number	2010 Number
Information strategists	**36**	70
Management and administration staff	**11**	9
	47	79

The aggregate payroll costs of the above were

	2011 £	2010 £
Wages and salaries	**3,146,776**	4,328,231
Compensation for loss of office	**22,040**	-
Share based payments	**22,311**	1,310,823
Social security costs	**365,446**	506,243
Pension costs	**5,040**	-
	3,561,613	6,145,297

Notes to the financial statements

4 Directors

Remuneration in respect of directors was as follows

	2011 £	2010 £
Emoluments receivable	**49,712**	77,749

No directors received contributions to company pension schemes during the year

5 Tax on ordinary activities

(a) Analysis of charge in the year

Current tax	2011 £	2010 £
In respect of the year		
UK corporation tax based on the results for the year at 28% (2010 28%)	**97,605**	107,244
Adjustment in respect of the prior year	**13,721**	(10,773)
Total current tax	**111,326**	96,471
Deferred tax		
Origination and reversal of timing differences	**(15,381)**	17,694
Tax on profit on ordinary activities	**95,945**	114,165

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2010 28%)

	2011 £	2010 £
Profit/(loss) on ordinary activities before taxation	**536,312**	(798,796)
Profit/(loss) on ordinary activities by rate of tax	**150,167**	(223,663)
Expenses not deductible for tax purposes	**606**	416,205
Depreciation for period in excess of capital allowances	**9,987**	-
Capital allowances in excess of depreciation	**-**	(7,295)
Other	**-**	1
Net effect of share options scheme	**(63,156)**	(78,004)
Adjustment in respect of the prior year	**13,721**	(10,773)
Total current tax (note 5 (a))	**111,325**	96,471

Notes to the financial statements

6 Intangible assets

	Purchased goodwill £	Development Costs £	Total £
Cost			
At 1 April 2010	245,394	610,514	855,908
Additions	-	60,567	60,567
At 31 March 2011	245,394	671,081	916,475
Amounts written off			
At 1 April 2010	245,394	555,926	801,320
Amortisation	-	18,196	18,196
At 31 March 2011	245,394	574,122	819,516
Net book amount			
At 31 March 2011	**-**	**96,959**	**96,959**
At 31 March 2010	-	54,588	54,588

7 Tangible fixed assets

	Fixtures & fittings £	Equipment £	Total £
Cost			
At 1 April 2010	36,372	588,599	624,971
Additions	-	72,921	72,921
At 31 March 2011	36,372	661,520	697,892
Depreciation			
At 1 April 2010	36,105	468,215	504,320
Charge for the year	162	84,313	84,475
At 31 March 2011	36,267	552,528	588,795
Net book amount			
At 31 March 2011	**105**	**108,992**	**109,097**
At 31 March 2010	267	120,384	120,651

8 Stocks

	2011 £	2010 £
Work in progress	**-**	15,082

Notes to the financial statements

9 Debtors

	2011 £	2010 £
Trade debtors	**1,302,235**	1,436,395
Amounts owed by group undertakings	**713,675**	1,725,759
Prepayments and accrued income	**160,315**	193,990
Deferred tax asset (see note 11)	**41,351**	25,970
	2,217,576	3,382,114

10 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	**174,754**	350,111
Amounts owed to group undertakings	**941,601**	1,449,529
Corporation tax	**97,605**	14,549
Other taxation and social security	**347,146**	394,910
Other creditors	**50,970**	-
Accruals and deferred income	**307,512**	34,044
	1,919,588	2,243,143

11 Deferred taxation

The movement in the deferred taxation provision during the year was

	2011 £	2010 £
Asset brought forward	**(25,970)**	(43,664)
Profit and loss account movement arising during the year	**(15,381)**	17,694
Asset carried forward (note 9)	**(41,351)**	(25,970)

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

	2011 £	2010 £
Excess of depreciation over taxation allowances on fixed assets	**(41,351)**	(25,970)

12 Derivatives

The company had no financial derivatives at 31 March 2011 or 31 March 2010

Notes to the financial statements

13 Leasing commitments

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2011 £	2010 £
Operating leases which expire		
Less than 1 year	-	18,850
Within 2 to 5 years	**50,300**	20,300
	50,300	39,150

14 Dividends

Dividends paid during the year comprised

	2011 £	2010 £
Dividends on ordinary shares	-	600,000
Dividend in specie	-	3,084,768
	-	3,684,768

15 Share capital

Authorised share capital

	2011 £	2010 £
1,196,934 Ordinary shares of £1 each	**1,196,934**	1,196,934

Allotted, called up and fully paid

	2011 No	2011 £	2010 No	2010 £
1,196,934 ordinary shares of £1 each (2010 Ordinary shares of £1 each)	**1,196,934**	**1,196,934**	1,196,934	1,196,934

On 19 April 2011, the issued ordinary shares were reduced by a capital reduction resolution to 100 ordinary shares of £1 each

Notes to the financial statements

16 Profit and loss account

	Profit and loss account £
At 1 April 2010	349,095
Profit for the year	440,367
Credit in respect of share based payments	22,311
At 31 March 2011	811,773

17 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit/(loss) for the financial year	440,367	(912,961)
Dividends paid (note 14)	-	(3,684,768)
Credit in respect of share based payments	22,311	1,310,823
Net addition/(reduction) to shareholders' funds	462,678	(3,286,906)
Opening shareholders' funds	1,546,029	4,832,935
Closing shareholders' funds	2,008,707	1,546,029

18 Performance share plan

The parent company, Digital Marketing Group plc, grants share options under the Digital Marketing Group Performance Share Plan and has granted share options to employees of the Company

Details of the share options granted during and outstanding at the end of the year are as follows

	2011 Number of share options	2011 Weighted average exercise price (pence)	2010 Number of share options	2010 Weighted average exercise price (pence)
At 1 April 2010	1,863,768	13 40	3,156,524	9 54
Granted during year	246,800	37 00	1,267,000	0 00
Lapsed during the year	(272,326)	17 00	(1,790,588)	2 80
Exercised during year	(1,042,715)	0 00	(769,168)	0 00
At 31 March 2011	795,527	37 00	1,863,768	13 40
Exercisable at 31 March 2011	674,927		1,863,768	

Share options outstanding at 31 March 2011 have a range of exercise prices from nil p to 0 60p per share and a weighted average remaining vesting period of 1 3 years

Notes to the financial statements

18 Performance share plan (continued)

Charge to profit and loss account

Under FRS 20 the company is required to recognise as an expense in their financial statements apportioned over the vesting period based upon the number of options which are expected to vest and the fair value of those options at the date of grant

In considering the appropriate expense in respect of options granted prior to 1 April 2009 the parent company commissioned an independent valuation from American Appraisal UK Limited and have fully adopted their findings

The weighted average fair value of the options granted prior to 1 April 2009 was £1 07

In respect of options granted after 1 April 2009, the directors prepared a valuation using the Black Scholes model with the following inputs

Share price at date of grant	53 00p
Exercise prices	0 00p
Expected volatility	30 20%
Dividend yield	0 00%
Risk free rate	4 07%
Option life	3 years

The weighted average fair value of the options granted after 1 April 2009 was 53 00p

Accordingly a charge of £22,311(2010 charge £1,310,823) has been made in the accounts of the company

19 Transactions with related parties

As a wholly owned subsidiary of Digital Marketing Group plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by that company

20 Capital commitments

There were no capital commitments at 31 March 2011 or 31 March 2010

21 Contingent liabilities

There is a cross guarantee between members of the Digital Marketing Group plc group of companies on all bank overdrafts and borrowings with Barclays Bank plc At 31 March 2011 the amount thus guaranteed by the company was £13,526,000 (2010 £14,788,000)

22 Ultimate parent undertaking

The ultimate parent undertaking and controlling related party of this company is Digital Marketing Group plc, by virtue of its 100% ownership of the company's share capital

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Digital Marketing Group plc Copies of the group accounts can be obtained at Arclite House, Century Road, Peatmoor, Swindon, SN5 5YN