

COMPANY REGISTRATION NUMBER 03925319

THEMUTUAL.NET PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 APRIL 2004



THEMUTUAL.NET PLC

FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2004

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THEMUTUAL.NET PLC

OFFICERS AND PROFESSIONAL ADVISERS

THE BOARD OF DIRECTORS

J. W. Tayler	- Chairman
M. Smith	- Managing Director
B. J. D. Heaton	- Strategic Director
P. N. Coveney	- Financial Director
A. Soobrattee	- Technology Director
V. R. Smith	- Non-executive Director
H. Gittelmon	- Non-executive Director

COMPANY SECRETARY

P. N. Coveney

REGISTERED OFFICE

Second Floor
39 Hatton Garden
London
EC1N 8EH

AUDITORS

Menzies
Chartered Accountants
& Registered Auditors
Neville House
55 Eden Street
Kingston upon Thames
Surrey
KT1 1BW

BANKERS

Barclays Bank Plc
50 Pall Mall
London
SW1Y 5AX

SOLICITORS

Field Fisher Waterhouse
35 Vine Street
London EC3N 2AA

ADVISORS AND BROKERS

Durlacher Limited
Moorgate Hall
155 Moorgate
London
EC2M 6XB

THEMUTUAL.NET PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 30 APRIL 2004

Results for the year ended 30 April 2004

I am delighted to announce your company's second full year of profitable trading and, in your director's opinion, we have firmly established ourselves as the premier on-line reward company in the UK. This is a great achievement as very few pure internet companies born in the 'dotcom' period have made the transition to sustained revenues and profitability.

The Group has maintained the growth in revenue and profitability reported at the time of the interim results to 31 October 2003. The financial highlights are set out below and demonstrate the sustainability of our revenues and profit and how far the company has progressed in the last few years.

Profit and loss account	Year ended 30/4/04 £'000	Year ended 30/4/03 £'000	Year ended 30/4/02 £'000
Turnover	2,199	1,372	821
Gross profit	2,011	1,305	716
EBITDA profit	1,015	681	62
Net profit/(loss)	650	558	(28)

Balance Sheet	30/4/04 £'000	30/4/03 £'000	30/4/02 £'000
Cash at bank	919	720	199
Net current assets	1,260	734	303
Shareholders' funds	1,797	1,091	534

Revenues, profitability, net current assets, cash at bank and shareholders' funds are all showing excellent growth and provide a strong base to continue the development of the company and to take advantage of opportunities that may arise.

In my interim statement I reported on the acquisition, on 12 September 2003, of MyPoints Europe Limited, subsequently renamed MutualPoints Limited for a consideration of £421,938. There are strong synergies between themutual.net and MutualPoints in that both companies:

1. provide a database-driven direct marketing programme that integrates highly targeted email and web-based offers enabling advertisers to identify, acquire and retain customers.
2. recognise the value of developing and maintaining a strong relationship with members through the use of reward programmes.

I am pleased to report that MutualPoints has met all our expectations and its contribution to group profitability is evident in the results for the second half-year.

We enjoy operating in a high growth market, it was recently reported that online advertising reached another record high in 2003 increasing to 2.0% of total media spend, up from 1.4% in 2002, and this growth is expected to continue through 2004. Email marketing is firmly established as part of the marketing mix, allowing advertisers to contact individuals with a personalised message targeted on their demographic profile and interests at a significant cost advantage to direct mail. themutual.net holds, and continues to collect, significant profile data and this is being utilised to better target campaigns resulting in increased response rates leading to higher revenues, and lower unsubscribe rates.

Your company is also enjoying strong growth in the membership base. At the time of the interim results I reported on plans to develop our marketing activity and I am pleased to report that in the four months from January to April new members were registering at the average rate of 36,000 per month compared to 12,000 per month in the corresponding period. Total membership at the year end was 822,000 compared to 433,000 previously.

At our last AGM members gave approval to buy back up to 10% of the company's share capital. We did not utilise this provision as we felt there were better opportunities for the available funds. We continue to monitor this position and will ask members to renew their approval at the forthcoming AGM.

Two new directors joined the board during the year and I was pleased to welcome Mark Smith who joined us as commercial director on 1st April 2004 and Harold Gittelmon who joined us as a non-executive on 14 June 2004. Mark joined the company on 12 September 2003 on the acquisition of MyPoints Europe Limited, and he led the integration of the two sites. Harold has many years experience in a diverse range of businesses and will add strength to the board. It has also been agreed that with effect from 30 June 2004 Mark Smith will become Managing Director and Ben Heaton will move to Strategic Director. Your expanded board unanimously believes that these moves will fully utilise their respective strengths and will enhance the company in its move to the next level.

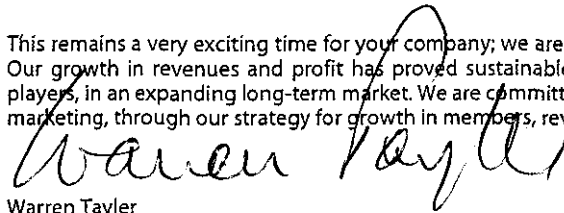
I would like to thank all the staff for their continuing dedication and hard work during the period, all of who have contributed to our success.

THEMUTUAL.NET PLC

CHAIRMAN'S STATEMENT

YEAR ENDED 30 APRIL 2004

This remains a very exciting time for your company; we are generating profits and cash and are confident for the future. Our growth in revenues and profit has proved sustainable allowing us to forge forward, becoming one of the major players, in an expanding long-term market. We are committed to developing themutual.net into a mature leader in email marketing, through our strategy for growth in members, revenue and profitability.



Warren Tayler
Chairman

THEMUTUAL.NET PLC

THE DIRECTORS' REPORT

YEAR ENDED 30 APRIL 2004

The directors present their report and the financial statements of the group for the year ended 30 April 2004.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the group during the year was internet based marketing and the provision of financial information.

A review of the business and future developments is contained in the Chairmans statements on page 2.

RESULTS AND DIVIDENDS

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 30 April 2004	At 1 May 2003 or later date of appointment
J. W. Tayler	Ordinary shares of 0.0001p each	42,505,000	42,505,000
	Deferred shares of £1 each	-	-
M. Smith	Ordinary shares of 0.0001p each	-	-
	Deferred shares of £1 each	-	-
B. J. D. Heaton	Ordinary shares of 0.0001p each	324,874,118	424,874,118
	Deferred shares of £1 each	21,665	21,665
P. N. Coveney	Ordinary shares of 0.0001p each	27,140,731	127,140,731
	Deferred shares of £1 each	2,647	2,647
A. Soobrattee	Ordinary shares of 0.0001p each	-	-
	Deferred shares of £1 each	-	-
V. R. Smith	Ordinary shares of 0.0001p each	129,184,199	274,184,199
	Deferred shares of £1 each	-	-

V.R. Smith's shares are owned by Cainsford Associates Limited, a company in which he is a director.

THEMUTUAL.NET PLC

THE DIRECTORS' REPORT (continued)

YEAR ENDED 30 APRIL 2004

D. J. Arnold resigned as a director on 29 January 2004.

M. Smith was appointed as a director on 1 April 2004.

H. Gittelmon was appointed as a director on 14 June 2004.

Share options were granted to directors during the period and details can be found in note 5.

SUBSTANTIAL SHAREHOLDINGS

On 30 April 2004 the following shareholders had a notifiable interest in the Ordinary shares of the company:

	Number of Ordinary shares	% of issued Ordinary share capital
Capita IRG Trustees Limited	484,824,369	11.996
Foresight Technology VCT plc	342,730,249	8.480
Benjamin Heaton	324,874,118	8.038
Schweco Nominees Limited	308,300,826	7.628
The Bank of New York (Nominees)	258,654,189	6.400
HSBC Global Custody Nominee (UK)	208,600,000	5.161
State Street Nominees Limited	137,092,100	3.392
Cairnsford Associates Limited	129,184,199	3.196

CORPORATE GOVERNANCE

The directors acknowledge the importance of the 'Principles of Good Governance and Code of Best Practice' published by the London Stock Exchange (usually described as the 'Combined Code') and intend to apply them as appropriate to the company given its size and nature.

The Company holds Board meetings regularly throughout the year at which financial and other reports are considered.

An Audit Committee has been established comprising three non-executive directors. A quorum shall be at least two members. A Remuneration Committee has also been established comprising of the three non-executive directors which will meet as and when necessary but at least annually to review, inter alia, the performance and salaries of the executive directors.

POLICY ON THE PAYMENT OF CREDITORS

The Group did not have a formal policy for payment of creditors during the period and invoices were paid as received and authorised. At the year end trade creditors of the Group represented 51 days purchases. The parent company did not make any trade purchases.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group at the end of the year and of the group's profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies, as described on pages 13 to 14, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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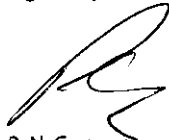
THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 APRIL 2004

AUDITORS

A resolution to re-appoint Menzies as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



P. N. Coveney
Company Secretary

Approved by the directors on 29 June 2004

THEMUTUAL.NET PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THEMUTUAL.NET PLC

YEAR ENDED 30 APRIL 2004

We have audited the financial statements on pages 8 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 13 to 14.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs and of the group as at 30 April 2004 and of the profit of the group for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

29th June 2004

Neville House
55 Eden Street
Kingston upon Thames
Surrey
KT1 1BW

Menzies

MENZIES
Chartered Accountants
& Registered Auditors

THEMUTUAL.NET PLC

GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 APRIL 2004

	Note	2004 £	£	2003 £	£
TURNOVER					
Continuing operations		1,578,438		1,372,641	
Acquisitions		620,270		-	
		<u>2,198,708</u>		<u>1,372,641</u>	
Group Turnover			2,198,708		1,372,641
Cost of sales	2		(187,409)		(67,508)
GROSS PROFIT			<u>2,011,299</u>		<u>1,305,133</u>
Net operating expenses	2		<u>1,378,474</u>		<u>757,782</u>
OPERATING PROFIT:	3				
Continuing operations		638,277		547,351	
Acquisitions		(5,452)		-	
GROUP OPERATING PROFIT			<u>632,825</u>		<u>547,351</u>
Interest receivable			17,660		11,306
Interest payable	6		-		(707)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			<u>650,485</u>		<u>557,950</u>
Tax on profit on ordinary activities	7		-		-
RETAINED PROFIT FOR THE FINANCIAL YEAR	8		<u>650,485</u>		<u>557,950</u>
Earnings per share (pence)	9		<u>0.01663</u>		<u>0.01507</u>
Diluted earnings per share (pence)			<u>0.01560</u>		<u>0.01416</u>

The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

The notes on pages 13 to 20 form part of these financial statements.

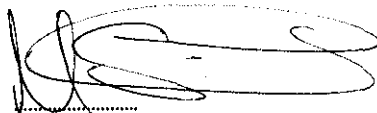
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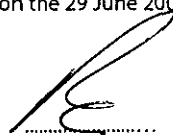
GROUP BALANCE SHEET

30 APRIL 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Intangible assets	10	717,814	343,895
Tangible assets	11	77,835	13,983
		<u>795,649</u>	<u>357,878</u>
CURRENT ASSETS			
Debtors	13	689,993	243,707
Cash at bank		919,363	720,040
		<u>1,609,356</u>	<u>963,747</u>
CREDITORS: Amounts falling due within one year	14	349,592	229,853
NET CURRENT ASSETS		<u>1,259,764</u>	<u>733,894</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,055,413</u>	<u>1,091,772</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Other Provisions	15	257,946	-
		<u>1,797,467</u>	<u>1,091,772</u>
CAPITAL AND RESERVES			
Called-up share capital	18	104,042	103,816
Share premium account	19	2,330,501	2,275,517
Other reserves	19	120,374	120,374
Profit and loss account	19	(757,450)	(1,407,935)
SHAREHOLDERS' FUNDS (including non-equity interests)	20	<u>1,797,467</u>	<u>1,091,772</u>

These financial statements were approved by the directors on the 29 June 2004 and are signed on their behalf by:


M. Smith


P. N. Coveney

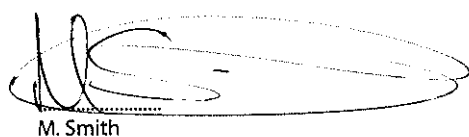
THEMUTUAL.NET PLC

BALANCE SHEET

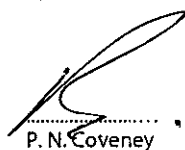
30 APRIL 2004

	Note	2004		2003	
		£	£	£	£
FIXED ASSETS					
Investments	12		1,921,609		1,965,742
CURRENT ASSETS					
Debtors	13	9		125	
Cash at bank		705,052		657,800	
		<u>705,061</u>		<u>657,925</u>	
CREDITORS: Amounts falling due within one year	14	–		51,366	
NET CURRENT ASSETS			<u>705,061</u>		<u>606,559</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,626,670</u>		<u>2,572,301</u>
CAPITAL AND RESERVES					
Called-up share capital	18		104,042		103,816
Share premium account	19		2,330,501		2,275,517
Profit and loss account	19		192,127		192,968
SHAREHOLDERS' FUNDS (including non-equity interests)			<u>2,626,670</u>		<u>2,572,301</u>

These financial statements were approved by the directors on the 29 June 2004 and are signed on their behalf by:



M. Smith



P. N. Coveney

The notes on pages 13 to 20 form part of these financial statements.

THEMUTUAL.NET PLC

GROUP CASH FLOW

YEAR ENDED 30 APRIL 2004

	2004		2003	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		701,584		777,283
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	17,660		11,306	
Interest element of hire purchase and finance lease	—		(707)	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		17,660		10,599
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT				
Payments to acquire intangible fixed assets	(280,323)		(249,923)	
Payments to acquire tangible fixed assets	(82,308)		(9,991)	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(362,631)		(259,914)
ACQUISITIONS AND DISPOSALS				
Cash paid to acquire subsidiaries	(212,500)		—	
NET CASH OUTFLOW FROM ACQUISITIONS AND DISPOSALS		(212,500)		—
CASH INFLOW BEFORE FINANCING		144,113		527,968
FINANCING				
Issue of equity share capital	226		133	
Share premium on issue of equity share capital	54,984		—	
Capital element of hire purchase and finance lease	—		(7,168)	
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		55,210		(7,035)
INCREASE IN CASH		199,323		520,933
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES				
		2004		2003
		£		£
Operating profit		632,825		547,351
Amortisation		363,810		111,063
Depreciation		18,456		22,133
(Increase)/decrease in debtors		(446,286)		113,649
Increase/(decrease) in creditors		119,739		(16,913)
Increase in provisions		13,040		—
Net cash inflow from operating activities		701,584		777,283

The notes on pages 13 to 20 form part of these financial statements.

THEMUTUAL.NET PLC

GROUP CASH FLOW (continued)

YEAR ENDED 30 APRIL 2004

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2004		2003	
	£	£	£	£
Increase in cash in the period	199,323		520,933	
Cash outflow in respect of hire purchase and finance lease	—		7,168	
		199,323		528,101
Change in net funds		199,323		528,101
Net funds at 1 May 2003		720,040		191,939
Net funds at 30 April 2004		919,363		720,040

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 May 2003 £	Cash flows £	At 30 Apr 2004 £
Net cash:			
Cash in hand and at bank	720,040	199,323	919,363
Net funds	720,040	199,323	919,363

The notes on pages 13 to 20 form part of these financial statements.

THEMUTUAL.NET PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the results of the company and all of its subsidiary undertakings up to 30 April 2004. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition.

The group financial statements consolidate the financial statements of themutual.net plc and its subsidiary undertakings. As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account is not presented in respect of the Company.

Turnover

Turnover represents sales to outside customers at invoiced amounts (or where applicable, invoiceable value of work conducted) less value added tax.

Amortisation

Amortisation 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:

Database - 2 to 4 years straight line

Intangible fixed assets

Intangible fixed assets represent various databases which are used within the internet based marketing of the business.

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 - 30 months straight line

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.

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:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

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.

THEMUTUAL.NET PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2004

1. ACCOUNTING POLICIES *(continued)*

Investments

Fixed asset investments are carried at cost unless the directors are of the opinion that an impairment in value has occurred, in which case a provision is made to reflect the impairment in value.

2. ANALYSIS OF COST OF SALES AND NET OPERATING EXPENSES

	Continuing Operations £	Acquired Operations £	Total £
YEAR ENDED 30 APRIL 2004			
Cost of sales	91,740	95,669	187,409
Gross Profit	1,486,698	524,601	2,011,299
Administrative expenses	848,421	530,053	1,378,474
YEAR ENDED 30 APRIL 2003			
Cost of sales	67,508	-	67,508
Gross Profit	1,305,133	-	1,305,133
Administrative expenses	757,782	-	757,782

3. OPERATING PROFIT

Operating profit is stated after charging:

	2004 £	2003 £
Amortisation	363,810	111,063
Depreciation of owned fixed assets	18,456	22,133
Auditors' remuneration		
- as company auditors	4,775	4,635
- as group auditors	14,860	12,360
- for other services	6,500	2,250
Operating lease costs:		
Land and buildings	14,650	11,920

4. PARTICULARS OF EMPLOYEES

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

	2004 No	2003 No
Number of administrative staff	14	10

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	600,474	389,863
Social security costs	65,898	41,337
	666,372	431,200

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2004 £	2003 £
Emoluments receivable	215,741	204,992

THEMUTUAL.NET PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2004

5. DIRECTORS' EMOLUMENTS *(continued)*

Emoluments of highest paid director:

	2004 £	2003 £
Total emoluments (excluding pension contributions)	85,000	78,333

Share options

The directors during the period and their beneficial interest in options to purchase ordinary shares in the company which were granted and vested during the period, were as follows:

	Date of grant	Number of options granted	Number of options vested in period	Exercise price	Expiry date
P Coveney	23 May 2000	25,000,000	-	0.0001p	23 May 2010
	5 April 2002	181,500,000	-	0.0550p	5 April 2012
A Soobrattee	23 May 2000	10,000,000	-	0.0001p	23 May 2010
	31 October 2000	10,000,000	-	0.2125p	31 October 2010
M Smith	6 April 2004	100,000,000	-	0.1950p	6 April 2014

Only vested options may be exercised at any time in whole or in part.

No options were exercised during the period.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
Finance charges	-	707

7. TAXATION ON ORDINARY ACTIVITIES

There is no tax charge for the year due to losses surrendered by group companies and trading losses carried forward from the previous periods.

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £	2003 £
Profit on ordinary activities before taxation	650,485	557,950
Profit/(loss) on ordinary activities by rate of tax	238,677	167,385
Expenses not deductible for tax	1,904	3,388
Capital allowances in excess of depreciation	(14,259)	(3,794)
Utilisation of tax losses	(226,322)	(166,979)
Total current tax	-	-

8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £(841) (2003 - £183,772).

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NOTES TO THE FINANCIAL STATEMENTS

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9. EARNINGS PER SHARE

	2004 pence	2003 pence
Earnings per ordinary share	0.01663	0.01507
Diluted earnings per share	0.01560	0.01416

The calculation of the profit per share is based on the profit for the period of £650,485 (2003 - £557,950) and on the weighted average number of shares in issue during the period of 3,910,972,384 (2003 - 3,701,183,080).

The calculation of the diluted profit per share is based on the same profit and weighted average shares of 4,170,555,717 (2003 - 3,940,266,413).

10. INTANGIBLE FIXED ASSETS

Group	Database £
COST	
At 1 May 2003	528,789
Additions	737,729
At 30 April 2004	1,266,518
AMORTISATION	
At 1 May 2003	184,894
Charge for the year	363,810
At 30 April 2004	548,704
NET BOOK VALUE	
At 30 April 2004	717,814
At 30 April 2003	343,895

11. TANGIBLE FIXED ASSETS

Group	Fixtures & Fittings £
COST	
At 1 May 2003	123,271
Additions	82,308
At 30 April 2004	205,579
DEPRECIATION	
At 1 May 2003	109,288
Charge for the year	18,456
At 30 April 2004	127,744
NET BOOK VALUE	
At 30 April 2004	77,835
At 30 April 2003	13,983

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12. INVESTMENTS

Company	Group companies
	£
COST	
At 1 May 2003	101,959
Additions	427,758
At 30 April 2004	529,717
LOANS	
At 1 May 2003	1,863,783
Repaid	(471,891)
At 30 April 2004	1,391,892
NET BOOK VALUE	
At 30 April 2004	1,921,609
At 30 April 2003	1,965,742

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
All held by the company:				
Hague Limited	England	Ordinary shares	100%	Permission based e-mail marketing
Freequotes.co.uk Limited	England	Ordinary shares	100%	Permission based e-mail marketing
Mutualpoints Limited	England	Ordinary shares	100%	Permission based e-mail marketing

On 12 September 2003 the group acquired Mutualpoints Limited (formerly MyPoints Europe Limited) for a consideration of £427,758 satisfied by cash. There was no goodwill arising on the acquisition of Mutualpoints Limited. The investment in Mutualpoints Limited has been included in the company's balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition of Mutualpoints Limited:

	Book value £	Revaluation £	Fair value to group £
Database	-	457,406	457,406
Debtors	209,438	-	209,438
Creditors falling due within 1 year	(244,906)	-	(244,906)
Costs of acquisition	5,820	-	5,820
	(29,648)	457,406	427,758
Satisfied by:			
Cash consideration and costs			218,320
Deferred cash			209,438
			427,758

Adjustments:

- (a) The fair value adjustment in respect of the database represents the directors valuation of the database acquired.

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13. DEBTORS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	546,871	167,253	-	-
VAT recoverable	-	-	9	5
Other debtors	-	120	-	120
Prepayments and accrued income	143,122	76,334	-	-
	<u>689,993</u>	<u>243,707</u>	<u>9</u>	<u>125</u>

14. CREDITORS: Amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade creditors	184,029	87,873	-	-
Other creditors including taxation and social security:				
PAYE and social security	30,731	14,633	-	-
VAT	47,984	30,917	-	-
Other creditors	-	51,366	-	51,366
Accruals and deferred income	86,848	45,064	-	-
	<u>349,592</u>	<u>229,853</u>	<u>-</u>	<u>51,366</u>

Included within other creditors is an amount of £- (2003 - £51,366) which relates to share options which have been granted but not taken up. These are in respect of consideration due for services provided.

15. OTHER PROVISIONS

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Other provisions	<u>257,946</u>	<u>-</u>	<u>-</u>	<u>-</u>

Other provisions relate to points accumulated by members, which will be translated into cash in future periods.

16. COMMITMENTS UNDER OPERATING LEASES

At 30 April 2004 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 1 year	-	4,967
Within 2 to 5 years	<u>16,600</u>	<u>-</u>
	<u>16,600</u>	<u>4,967</u>

At 30 April 2004 the company had annual commitments under non-cancellable operating leases as set out below.

Company	Land and buildings	
	2004	2003
	£	£
Operating leases which expire:		
Within 2 to 5 years	<u>16,600</u>	<u>-</u>

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17. RELATED PARTY TRANSACTIONS

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

There is no ultimate controlling party.

18. SHARE CAPITAL

Authorised share capital:

	2004 £	2003 £
10,000,000,000, Ordinary shares of 0.0001p each	10,000	10,000
100,000 deferred shares of £1 each	100,000	100,000
	<u>110,000</u>	<u>110,000</u>

Allotted and called up share capital:

	2004		2003	
	number	£	number	£
Ordinary shares of 0.0001p each	4,041,716,353	4,042	3,815,949,884	3,816
Deferred shares of £1 each	100,000	100,000	100,000	100,000
	<u>4,041,816,353</u>	<u>104,042</u>	<u>3,816,049,884</u>	<u>103,816</u>

During the period 99,972,000 ordinary shares were issued at a premium of 0.055p per share and a further 125,794,469 shares of 0.0001p were issued at par.

The rights and restrictions attached to and imposed on the deferred shares are as follows:

- The deferred shares shall not confer upon the holders thereof as a class, the right to receive any dividend, distribution or other participation in the profits of the company.
- The deferred shares do not entitle the holders to receive notice of or to attend and speak or vote at any general meeting of the company.
- On distribution of assets on liquidation or otherwise, the surplus assets of the company remaining after payments of its liabilities shall be applied:
 - first in repaying to holders of the deferred shares the nominal amounts and any premium paid up or credited as paid up on such shares; and
 - second, the balance of such assets shall belong to and be distributed amongst the holders of the ordinary shares in proportion to the nominal amounts paid up in the ordinary shares held by them respectively.

Other share options

At 30 April 2004 the following share options to purchase ordinary shares in the company were in issue:

Date of grant	Number of options granted	Number of options vested in period	Exercise price	Expiry date
23 May 2000	40,833,333	-	0.0001p	23 May 2010
31 October 2000	16,750,000	-	0.2125p	31 October 2010
5 April 2002	181,500,000	-	0.0550p	5 April 2012
16 May 2003	20,000,000	20,000,000	0.0700p	16 May 2013
6 April 2004	124,000,000	-	0.1950p	6 April 2014

Only vested options may be exercised at any time in whole or in part.

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YEAR ENDED 30 APRIL 2004

19. RESERVES

Group	Share premium account £	Merger reserve on consolidation £	Profit and loss account £
Balance brought forward	2,275,517	120,374	(1,407,935)
Retained profit for the year	-	-	650,485
Other movements			
New equity share capital subscribed	54,984	-	-
Balance carried forward	2,330,501	120,374	(757,450)

Company	Share premium account £	Profit and loss account £
Balance brought forward	2,275,517	192,968
Loss for the year	-	(841)
Other movements		
New equity share capital subscribed	54,984	-
Balance carried forward	2,330,501	192,127

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EQUITY SHAREHOLDERS' FUNDS

	2004 £	£	2003 £	£
Profit for the financial year		650,485		557,950
New equity share capital subscribed	226		133	
Premium on new share capital subscribed	54,984		-	
		55,210		133
Net addition to funds		705,695		558,083
Opening shareholders' equity funds		991,772		433,689
Closing shareholders' equity funds		1,697,467		991,772

NON-EQUITY SHAREHOLDERS' FUNDS

Opening and closing shareholders' non-equity funds	100,000	100,000
TOTAL SHAREHOLDERS' FUNDS	1,797,467	1,091,772

21. FINANCIAL INSTRUMENTS

Other than short term debtors and creditors, which have not been treated as financial assets and liabilities for the purposes of the disclosures required by FRS13 'Financial instruments and similar items', the group's financial assets and liabilities comprise cash at bank, investments, finance lease obligations and non-equity shares issued by the company. The group had not entered into derivatives.

Operations to date have been financed through the placing of shares and it is Board policy for the time being not to finance the groups operations through borrowings, save for a small amount of finance lease obligations.

The company is exposed to interest rate risk only in as much as surplus cash balances are placed on short term deposit, which bear interest at rates which generally moves in accordance with LIBOR. The rate on such deposits during the period end was 3.15%. Holders of the non-equity shares do not receive a return on their investment, and have no specified maturity date.

There is no material difference between the book and fair values of financial assets and liabilities, except for the non-equity shares which have an estimated fair value of £nil.