



**dealgroupmedia plc**  
more performance more return

**Deal Group Media plc**  
(formerly IBNet plc)

*company no. 3904195*

**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2003**



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## **Directors and advisors**

### **Directors**

David Lees  
Chairman

Adrian Moss  
Chief Executive

Nicola Iapino  
Chief Operating Officer

Dominic Trigg  
Non-Executive

Keith Lassman  
Non-Executive

### **Company Secretary**

Keith Lassman

### **Registered Office**

19 Cavendish Square  
London  
W1A 2AW

### **Nominated advisors and brokers**

KBC Peel Hunt  
111 Old Broad Street  
London, EC2N 1PH

### **Registrars**

Capita IRG plc  
Bourne House  
34, Beckenham Road  
Beckenham  
Kent, BR3 4TU

### **Auditors**

Grant Thornton  
London Thames Valley Office  
Churchill House  
Chalvey Road East  
Slough  
Berks, SL1 2LS

### **Solicitors**

Howard Kennedy  
19 Cavendish Square  
London, W1A 2AW

Memery Crystal  
31 Southampton Row  
London, WC1B 5HT

### **Bankers**

HSBC Bank plc  
Broad Street  
Reading  
Berks, RG1 2BU

Barclays Bank plc  
5, High Road  
Willesden  
London, W4 2QN

Natwest  
1 Princes Street  
London, EC2R 8PA

## **Directors and Advisors (Continued)**

### **David Lees, Chairman, aged 56**

David qualified as a chartered accountant in Australia. From 1987 to 1994 he was finance director of Medeva plc. His responsibilities extended to the completion of a number of substantial acquisitions. Between 1995 and 1999 he was a non-executive founding director of SkyePharma plc and chief executive of Flare Group plc. He is also currently chairman of Names.co Limited, Network Estates Limited and Metis Biotechnologies plc and a non-executive director of Accident Exchange Group plc.

### **Adrian Moss, ACA, Chief Executive Officer, aged 32**

Adrian qualified as a chartered accountant with Price Waterhouse in 1996. After working in corporate finance at Price Waterhouse he became head of strategy and securitisation for I-Group Limited and was responsible for group budgeting, negotiating funding lines and managing the securitisation of mortgage receivables. In 1999 he founded The Deal Group Limited, now known as dealgroupmedia (UK) Limited and has developed the business as chief executive officer.

### **Nicky Iapino, Chief Operating Officer, aged 32**

Nicky joined Deal Group Media plc in September 2003 as chief operating officer. She moved to the Group having spent three years building Commission Junction's UK & Ireland operation and has significant sales, marketing and operational management experience. She was previously sales manager of Affiliate Marketing Limited, one of the Group companies.

### **Keith Lassman, LLB, MSI, Non Executive Director, aged 45**

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 director of Longbridge International plc and The Wigmore Group plc (companies whose shares are traded on AIM), deputy chairman of the EIS Association and a member of the Securities Institute.

### **Dominic Trigg, Non Executive Director, aged 35**

Dominic has a background in traditional and online media advertising. He is currently director of advertising operations Europe for Yahoo! Inc. Before this he was media director at Music Choice Europe plc, and advertising director at MSN, Hotmail, Expedia and BT Internet. He gained traditional media experience as advertising manager for Focus magazine G&J, and BBC Worldwide.

## **Chairman's statement for the period ended 31 December 2003**

### **Introduction**

Your Board has the pleasure of reporting the results of the Group for the nine months ending 31 December 2003.

### **Acquisition of The Deal Group Limited**

On 24 September 2003 we announced the acquisition of The Deal Group Limited by IBNet plc. The acquisition was completed on 17 October 2003, including the name change to Deal Group Media plc and a move to a calendar year end for the Group. As expected, the two businesses have now been fully integrated with one management structure and a new marketing strategy designed to maximise the combined potential.

Client growth and cross sell of the new, more comprehensive range of products focused on delivering advertisers a return on their spend has rewarded the Group with a successful first Quarter in 2004.

This success has been secured through the cohesion and dynamic approach of the new, strengthened management team and a consolidated offering, effectively presented to the market by motivated staff.

The Group has adopted a results-focused remuneration strategy including the issuing of share options motivating staff and management to enhance shareholder value.

### **Results**

With only two and a half months of the combined operations included in the period, the full benefits of the acquisition are not reflected in the period end results, nor are they representative of the Group in its current form. Figures for the two and a half months post-acquisition are encouraging and provide a firm foundation for 2004.

### **Operational review**

Following the acquisition, strategic relationships have been established with leading global companies in the sectors in which we operate. We have also adopted a strategy of assisting traditional media and marketing agencies to provide effective online marketing to their larger clients. We will continue to concentrate our resources on these key strategic areas.

The Group continues to build on its blue chip client profile. Group resource is being further dedicated to the clients who offer the potential to yield higher volume business.

The IBNet flagship internet monitoring and intelligence product, netdetec, has also been further developed.

### **The Board**

The Group is led by CEO, Adrian Moss. As part of the strengthening of the Board, Nicky Iapino, former head of Commission Junction's UK and Ireland operation, was appointed as Chief Operating Officer in September 2003. Following the reverse takeover of The Deal Group Limited, now known as dealgroupmedia (UK) Limited, Toby Smallpeice retired from the Board in December 2003 and subsequent to the period end converted £500,000 of his outstanding loan notes into shares in the Group, thereby further improving the short and medium term cash flow.

## Chairman's statement (continued)

### Outlook

The Board continues to be confident about the performance of the Group. 2004 is seeing strong order book growth. Consistent performance has been achieved over the first quarter.

Particularly encouraging is the success in building on IBNet's former search product, webgravity, now marketed under the dealgroupmedia brand as the Group's search product. Further growth is anticipated in this area. The re-launch of netdetec is expected to increase Group profitability in the second half of the year and the Group's performance based network also continues to grow successfully.

The Company has strengthened its shareholder base with the addition of several large institutions. These include JO Hambro, now holding 8.12% of the Company's shares and the Eureka Fund, holding 5.56%. Their continued support should give the Group increased flexibility with regard to growth options, particularly with a view to international expansion.

The market outlook for the online sector is positive. The target growth rate set by the Interactive Advertising Bureau (IAB) of 2% of overall advertising spend by Autumn 2004 has been reached ahead of schedule. The most recent figures published by the IAB in June 2003 expected spend to exceed £300 million for the first time. 2004 is building upon this success.

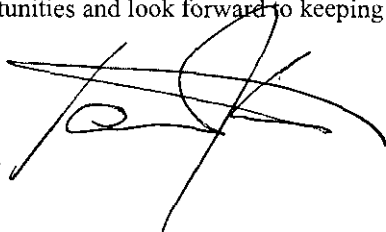
Customer volumes and internet usage are also on the increase. Recent figures published by the European Interactive Advertising Association show online media consumption at 10% of overall media consumption whereas traditional magazine consumption stands at 8%. The Group is well positioned to continue leading the online marketing sector by anticipating industry developments.

Adrian Moss, CEO, commenting on the Group's prospects said: "2004 is already proving a very exciting year. We have the foundations and people to excel in our marketplace, to grow in the UK and internationally and to continue delivering for our shareholders. We will be active in seeking to secure growth opportunities and look forward to keeping shareholders abreast of developments."

David Lees

Chairman

20 April 2004



## **Corporate governance for the period ended 31 December 2003**

The Company is committed to applying the highest principles of Corporate Governance commensurate with its size.

### **Compliance**

As the Company is listed on the Alternative Investment Market, it is not required to comply with the provisions set out in the Combined Code prepared by the committee on corporate governance. Neither 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. It meets monthly and has a schedule of matters specifically reserved to it for decision. Executive management supply 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 two executive directors, who hold key operational positions in the Company and three non-executive directors, who bring a breadth of experience and knowledge. All of the non-executive directors are independent. This provides a balance whereby an individual or small group cannot dominate the Board's decision making.

The chairman of the Board is David Lees. Keith Lassman is the senior non-executive director. The Board members are described on page 3. All directors are subject to re-election every three years and at the first Annual General Meeting (AGM) after 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 private 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 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 auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money.

## Corporate governance (continued)

### **Internal controls**

The Board is responsible for maintaining a sound system of internal control 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 monthly 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.

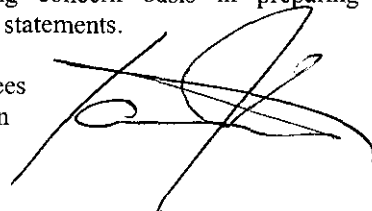
### **Monitoring system the Board uses to check the system is operating effectively**

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. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

David Lees  
Chairman



## **Report on remuneration for the period ended 31 December 2003**

### **Directors' remuneration**

The Board recognises that directors' remuneration is of legitimate concern to the 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 and 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 contain incentives to deliver the Company's objectives. The notice period for termination of all the executive directors' service contracts is between three and twelve 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)  
Keith Lassman  
Dominic Trigg

The members are independent non-executive directors. None of them have any personal financial interest in the matters to be decided (other than as shareholders and those disclosed in note 24 related party transactions), 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 directors' remuneration package:

- i. Fees
- ii. Annual bonus payments
- iii. Share option incentives
- iv. Pension contributions

### **Fees**

Each executive director's basic fee is reviewed annually by the Committee. In deciding upon appropriate levels of remuneration, the Committee believes that the Company 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. Executive directors' fees were last reviewed in October 2003.

### **Annual bonus payments**

The Committee establishes the objectives, which must be met for a cash bonus to be paid. A performance related award scheme incorporating Audited EPS, share price performance and Group profitability has been established which recognises the success of the business for which the executive directors are responsible for a bonus to be awarded. Bonus payments are non-pensionable.

### **Pensions**

All pension entitlements for the directors are disclosed in note 2.

### **Non-executive directors**

The executive directors, within the limits set out in the Articles of Association, determine the remuneration of the non-executive directors. A share option scheme specific to the non-executive directors was implemented in February 2004. Non-executive directors do not have contracts of service.

### **Share options incentives**

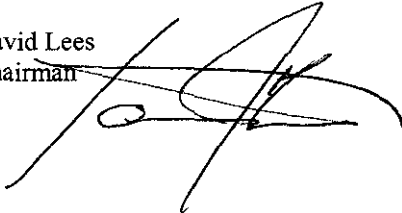
The interests of directors' in the Company's share option scheme are detailed in Note 15 of the financial statements.

## Report on remuneration (continued)

### Details of directors' remuneration

This report should be read in conjunction with notes 2, 15 and 24 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 2 to the financial statements. Details of directors' share interests are given in note 15 to the financial statements.

David Lees  
Chairman

A handwritten signature in black ink, appearing to be 'David Lees', written over the printed name and title.

## **Report of the directors for the period ended 31 December 2003**

The directors present their report together with financial statements for the nine months ended 31 December 2003.

### **Principal activity**

The Group is principally engaged in the provision of online marketing services through the mediums of performance based marketing, search engine positioning, optimisation and marketing services and the provision of internet surveillance and competitive intelligence gathering services.

### **Business review**

A review of the business during the period and an indication of likely future developments may be found in the Chairman's statement on pages 4 to 5.

The loss for the financial period/(year) after taxation amounted to £1,832,000 (31 March 2003: £1,405,000). In view of the retained loss the directors cannot recommend payment of a dividend.

### **Redemption of deferred shares**

On 17 October 2003 Company obtained shareholder approval to redeem the 54,952,000 deferred shares for an aggregate consideration of 1p, the credit being transferred to a capital redemption reserve (see note 16).

### **Directors**

The directors of the Company and their interests in the shares of the Company at the start of the period or when appointed and at the end of the period or on resignation are set out in note 15.

In accordance with the terms of article 113.1 of the Company's Articles of Association, Adrian Moss, Nicola Iapino, Keith Lassman, Dominic Trigg and David Lees will retire and will offer themselves for re-election at the AGM.

### **Substantial shareholders**

At 13 April 2004 the following had notified the Company of disclosable interests in three per cent or more of the nominal value of the Company's shares, save for the directors whose interests are disclosed in note 15.

	<b>Shareholding</b>	<b>%</b>
I-Spire Corporation Limited	76,555,360	21.43%
JO Hambro Capital Management	29,015,000	8.12%
New Opportunities Investment Trust	18,500,000	5.18%
The Eureka Interactive Fund Ltd	19,851,827	5.56%
Toby Smallpeice	15,761,655	4.41%

### **Payment policy**

It is the Company's policy to agree the terms of payment with each supplier. Trade creditors at the period end amount to 62 days (31 March 2003: 135 days) average supplies for the period.

### **Directors' responsibilities for the financial statements**

United Kingdom company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:


- select suitable accounting policies 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
- prepare the financial statements on a 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, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Auditors**

Grant Thornton offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

On behalf of the Board

  
Adrian Moss  
Chief Executive  
20 April 2004

## **Report of the independent auditors to the members of Deal Group Media plc**

We have audited the financial statements of Deal Group Media plc for the period ended 31 December 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheets, the cash flow statement and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, 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 members 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 members 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 United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

*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 Company 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 chairman's statement, the corporate governance statement, the report on remuneration and the report of the directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to any other information.

### **Basis of opinion**

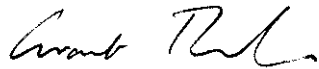
We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

**Report of the independent auditors to the members of Deal Group  
Media plc (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2003 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
LONDON THAMES VALLEY OFFICE  
SLOUGH**

*20 April 2004*

## **Accounting policies**

### **Basis of preparation**

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

The financial statements have been prepared for the nine month period ended 31 December 2003. Comparative figures were prepared for the year ended 31 March 2003.

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

The Group financial statements incorporate the financial statements of the Company and its subsidiaries. The companies make up their accounts to the same date.

The directors have reviewed the accounting policies adopted by the Group and consider them to be the most appropriate.

### **Turnover**

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT.

Income for services, which are invoiced in advance, is deferred and recognised in the period in which the services are provided. Income from other services and products is recognised at the point of sale and when any obligation has been fulfilled.

### **Goodwill and intangible fixed assets**

Goodwill represents the excess of the fair value attributed to investments in businesses or subsidiary undertakings over the fair value of the underlying net assets at the date of their acquisition.

The directors deem it appropriate to capitalise goodwill as an intangible asset and amortise it over its useful life between 5-10 years.

### **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:

Leasehold Improvements	Over the term of the lease
Computer equipment	33%-50% per annum
Fixtures and fittings	25% per annum
Motor Vehicles	25% per annum

### **Contributions to defined contribution pension schemes**

The pension costs charged against profits represents the amount of the contributions payable to the scheme in respect of the accounting period.

## **Accounting policies - continued**

### **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 using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### **Research and development**

Development costs, both internal and external, associated with the Group's products are written off as incurred.

### **Leased assets**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

### **Financial instruments**

Financial assets are recognised in the balance sheet at the lower of cost or net realisable value. Provision is made for diminution in value where appropriate. Interest receivable is accrued and credited to the profit and loss account in the period in which it relates.

### **Liquid resources**

Cash held on greater than 24 hours notice is disclosed as liquid resources in the cash flow statement.

### **Foreign currencies**

Foreign currency transactions arising from normal trading activities are recorded in local currency at current exchange rates. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated at the year-end exchange rate. Foreign currency gains and losses are credited or charged to the profit and loss account as they arise. The profit and loss accounts of overseas subsidiary undertakings are translated into pounds sterling at average exchange rates and the year-end net assets of these companies are translated at year-end exchange rates.

### **True and fair override on valuation of subsidiary undertaking**

Immediately following the acquisition of Webgravity Limited by IBNet plc, the trade, assets and liabilities of that company were transferred to IBNet plc at their book value. The cost of the Company's investment in its subsidiary undertaking reflects the underlying fair value of the net assets acquired at that time. As a result of this transfer, the cost of the Company's investment is greater than the net asset value of the subsidiary company.

Schedule 4 of the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the directors consider that, as there has been no overall loss to the Group, it would fail to give a true and fair view to charge such diminution to the Company's profit and loss account.

Accordingly, the investment is considered to represent goodwill and is amortised over its useful economic life of five years from the date of acquisition. The investment is reviewed annually for impairment.

**Consolidated profit and loss account for the period ended 31 December 2003**

	NOTES	£'000	Nine months to 31-Dec-03 £'000	£'000	Year to 31-Mar-03 £'000
TURNOVER	1				
- Continuing activities		1,097		1,881	
- Acquisition		<u>1,868</u>		<u>-</u>	
			2,965		1,881
COST OF SALES			<u>(2,038)</u>		<u>(580)</u>
GROSS PROFIT			927		1,301
ADMINISTRATIVE EXPENSES					
- Fixed asset impairment	1	-		(452)	
- Amortisation of goodwill	8	(485)		(485)	
- Fixed assets depreciation	9	(119)		(226)	
- Other administrative expenses		<u>(1,853)</u>		<u>(1,674)</u>	
			(2,457)		(2,837)
OPERATING LOSS					
- Continuing activities		(1,247)		(1,536)	
- Acquisition		<u>(283)</u>		<u>-</u>	
			(1,530)		(1,536)
Exceptional items	3		<u>(280)</u>		<u>-</u>
Loss after exceptional items			(1,810)		(1,536)
NET INTEREST	4		<u>(22)</u>		<u>(48)</u>
LOSS ON ORDINARY ACTIVITIES			(1,832)		(1,584)
TAXATION	5		<u>-</u>		<u>179</u>
TOTAL LOSS AFTER TAXATION FOR PERIOD			<u>(1,832)</u>		<u>(1,405)</u>
BASIC AND FULLY DILUTED LOSS PER SHARE	6		1.15p		1.76p

There were no other recognised gains or losses other than the loss for the period.


All operations are continuing.

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

## Consolidated balance sheet as at 31 December 2003

	NOTES	As at 31-Dec-03		As at 31-Mar-03	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Intangible fixed assets	8		8,111		1,545
Tangible fixed assets	9		<u>622</u>		<u>118</u>
			8,733		1,663
<b>CURRENT ASSETS</b>					
Investments	11	-		107	
Debtors	12	2,698		268	
Cash at bank and in hand	22	<u>561</u>		<u>104</u>	
		3,259		479	
<b>CURRENT LIABILITIES</b>					
Creditors: Amounts falling due within one year	13	(4,541)		(746)	
Net current liabilities			<u>(1,282)</u>		<u>(267)</u>
Total assets less current liabilities			7,451		1,396
<b>Creditors: Amounts falling due after more than one year</b>					
Creditors: Amounts falling due after more than one year	13		(193)		(736)
Provision for liabilities and charges	14		<u>-</u>		<u>(177)</u>
			<u>7,258</u>		<u>483</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15	3,504		14,067	
Capital redemption reserve	16	13,188		-	
Share premium account	16	<u>20,686</u>		<u>14,704</u>	
			37,378		28,771
Profit and loss account	16		<u>(30,120)</u>		<u>(28,288)</u>
Equity shareholders' funds	17		<u>7,258</u>		<u>483</u>

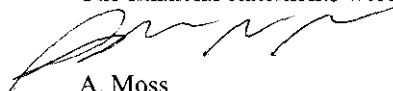
The financial statements were approved by the board of directors and signed on their behalf on 20 April 2004.

  
A. Moss  
Director

## Company balance sheet as at 31 December 2003

	NOTES	As at 31-Dec-03		As at 31-Mar-03	
		£'000	£'000	£'000	£'000
<b>FIXED ASSETS</b>					
Tangible fixed assets	9		-		118
Fixed asset investments	10		8,182		1,545
			<u>8,182</u>		<u>1,663</u>
<b>CURRENT ASSETS</b>					
Investments	11	-		107	
Debtors	12	809		268	
Cash at bank and in hand		<u>254</u>		<u>104</u>	
		1,063		479	
<b>CURRENT LIABILITIES</b>					
Creditors: Amounts falling due within one year	13	(970)		(746)	
Net current assets			<u>93</u>		<u>(267)</u>
Total assets			8,275		1,396
Creditors: Amounts falling due after more than one year	13		(125)		(736)
Provision for liabilities and charges	14		<u>-</u>		<u>(177)</u>
			<u>8,150</u>		<u>483</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15	3,504		14,067	
Capital redemption reserve	16	13,188		-	
Share premium account	16	<u>20,686</u>		<u>14,704</u>	
			37,378		28,771
Profit and loss account	16		<u>(29,228)</u>		<u>(28,288)</u>
Equity shareholders' funds			<u>8,150</u>		<u>483</u>

The financial statements were approved by the board of directors and signed on their behalf on 20 April 2004.

  
A. Moss  
Director

**Consolidated cash flow statement for the period ended  
31 December 2003**

	NOTES	Nine months To 31-Dec-03		Year To 31-Mar-03	
		£'000	£'000	£'000	£'000
<b>Net cash outflow from operating activities</b>	21		(817)		(283)
<b>Returns on investments and servicing of finance</b>					
Interest received		5		8	
Interest paid		(25)		(56)	
			(20)		(48)
<b>Tax credit</b>			-		185
<b>Capital expenditure and financial investments</b>					
Purchase of tangible fixed assets		(332)		(105)	
Sale of current asset investment		84		450	
			(248)		345
<b>Acquisition</b>					
Cash acquired on acquisition		169		-	
Expenses paid in connection with acquisition		(342)		-	
			(173)		-
<b>Net cash (outflow) / inflow before financing</b>			(1,258)		199
<b>Financing</b>					
Issue of ordinary share capital		1,750		125	
Capital element of finance lease rentals		(7)		(4)	
Expenses paid in connection with share issues		-		(6)	
Repayment of loan notes		(28)		(253)	
			1,715		(138)
<b>Increase in cash</b>	22		457		61

## Notes to the financial statements for the period 31 December 2003

### 1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAX

The turnover is attributable to the principal activities, which are mainly carried out in the United Kingdom and Europe.

An analysis of turnover and operating loss by geographical market is given below:

	Turnover		Operating Loss	
	Nine months to 31-Dec-03 £'000	Year to 31-Mar-03 £'000	Nine months to 31-Dec-03 £'000	Year to 31-Mar-03 £'000
United Kingdom	2,146	1,681	(1,145)	(1,373)
Overseas	819	200	(385)	(163)
	<u>2,965</u>	<u>1,881</u>	<u>(1,530)</u>	<u>(1,536)</u>

No segmental analysis of net assets has been provided, as the assets and liabilities attributable to overseas sales are not separately identified.

The loss on ordinary activities before taxation is stated after charging:

	Nine months to 31-Dec-03		Year to 31-Mar-03	
	£'000	£'000	£'000	£'000
Auditors' remuneration				
- Audit services	31		14	
- Non audit services	<u>20</u>		<u>4</u>	
		51		18
Operating lease rentals land and buildings		70		79
Depreciation and amortisation				
- Tangible fixed assets (owned)	110		217	
- Tangible fixed assets (held under hire purchase contracts)	9		9	
- Goodwill amortisation	<u>485</u>		<u>485</u>	
		604		711
Fixed asset impairment losses				
- Software write down	-		215	
- Impairment to short term investments	<u>-</u>		<u>237</u>	
				<u>452</u>

## Notes (Continued)

### 2 DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	Nine months to 31-Dec-03 £'000	Year to 31-Mar-03 £'000
Wages and salaries	936	940
Social security costs	113	101
Pension costs	23	35
Payment for third party services	50	60
	<u>1,122</u>	<u>1,136</u>
Average number of employees (excluding directors)	<u>40</u>	<u>23</u>

#### Directors' emoluments

	Directors' salaries		Other benefits and payments for director services		Pension contributions		Total	
	Nine months to	Year to	Nine months to	Year to	Nine months to	Year to	Nine months to	Year to
	31-Dec-03 £'000	31-Mar-03 £'000	31-Dec-03 £'000	31-Mar-03 £'000	31-Dec-03 £'000	31-Mar-03 £'000	31-Dec-03 £'000	31-Mar-03 £'000
<b>Executive directors</b>								
A. Moss (appointed 17 October 2003)	26	-	7	-	1	-	34	-
N. Iapino (appointed 14 November 2003)	12	-	-	-	-	-	12	-
T. Smallpeice (resigned 2 December 2003)	67	100	-	-	3	5	70	105
R. Saul (resigned 17 October 2003)	-	27	-	-	-	-	-	27
C. Lister (appointed 26 June 2003 and resigned 17 October 2003)	20	-	-	-	1	-	21	-
<b>Non-Executive directors</b>								
D. Lees	15	15	-	-	-	-	15	15
M. Bull (resigned 17 October 2003)	8	15	-	-	-	-	8	15
R. Saul (resigned 17 October 2003)	8	-	-	-	-	5	8	5
K. Lassman (appointed 17 October 2003)	3	-	-	-	-	-	3	-
D. Trigg (appointed 17 October 2003)	3	-	-	-	-	-	3	-
D. Heynes (deceased 20 July 2003)	12	35	-	-	-	-	12	35
	<b>174</b>	<b>192</b>	<b>7</b>	<b>-</b>	<b>5</b>	<b>10</b>	<b>186</b>	<b>202</b>

During the period 2 (31 March 2003: Nil) directors participated in money purchase pension schemes.

## Notes (Continued)

### 3 EXCEPTIONAL ITEM

Following the acquisition of Dealgroupmedia (UK) Limited (formerly The Deal Group Limited) and the subsequent reorganisation of the business, the Group was left with an onerous lease in respect of one its former premises. Full provision for future obligations under this lease has been made resulting in an exceptional charge to the profit and loss account of £237,000. The remaining £43,000 is in respect of other reorganisation costs incurred.

### 4 NET INTEREST

	Nine months to 31-Dec-03 £'000	Year to 31-Mar-03 £'000
Interest payable and other similar charges	(27)	(56)
Interest receivable and other similar income	<u>5</u>	<u>8</u>
	<u>(22)</u>	<u>(48)</u>

### 5 TAXATION

There are tax losses of approximately £7,200,000 (31 March 2003: £4,435,000) to carry forward and use against future profits of the same trades. Should suitable taxable profits arise, these losses would represent a deferred tax asset of approximately £1,368,000 (31 March 2003: £887,000) at a corporation tax rate of 19% (31 March 2003: 20%).

There is no tax charge or credit for the period. An explanation of the tax position compared to the Group's reported results is set out below:

	Nine months to 31-Dec-03 £'000	Year to 31-Mar-03 £'000
Loss on ordinary activities before taxation	<u>(1,832)</u>	<u>(1,584)</u>
Loss on ordinary activities before taxation multiplied by small companies corporation tax rate of 19% (20%)	(348)	(301)
<u>Effect of:</u>		
Surplus of depreciation compared to capital allowances	32	84
Amortisation of goodwill	74	137
Other expenses not deductible	13	11
Loss carried forward to be offset against future taxable trading profits	229	69
Refunds in respect of prior year	<u>-</u>	<u>(179)</u>
Current tax charge for the period	<u>-</u>	<u>(179)</u>

## **Notes (Continued)**

### **6 LOSS PER SHARE**

The calculation for the basic loss per share is based upon the loss attributable to ordinary shareholders divided by the weighted average number of shares on issue during the period.

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

	<b>Nine months to 31-Dec-03</b>	<b>Year to 31-Mar-03</b>
Loss on ordinary activities before tax (£'000)	(1,832)	(1,405)
Weighted average number of shares	159,517,300	80,069,808
Amount of loss per share in pence	1.15p	1.76p

In view of the loss for the period there is no dilutive effect of the options in issue at 31 December 2003.

### **7 LOSS OF PARENT COMPANY**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial period amounted to £940,000 (31 March 2003: £1,405,000).

### **8 INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Cost</b>	<b>Amortisation /impairment losses</b>	<b>Net book value</b>
<b>Purchased goodwill</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>As at 1 April 2003</b>	2,423	(878)	1,545
Goodwill arising upon acquisition	7,073	-	7,073
Charge for the year	-	(485)	(485)
Reassessment of acquisition consideration	(22)	-	(22)
<b>As at 31 December 2003</b>	<b>9,474</b>	<b>(1,363)</b>	<b>8,111</b>

## Notes (Continued)

### 8 INTANGIBLE FIXED ASSETS (continued)

On 17 October 2003, the Company acquired the entire share capital of dealgroupmedia (UK) Limited (formerly The Deal Group Limited) for a consideration of £7,000,100 satisfied by the issues of 205,221,335 ordinary shares of 1p each (see note 15).

	<b>Book value and fair value £'000</b>
<b>Net assets acquired</b>	
Tangible fixed assets	311
Debtors	2,043
Cash	169
Creditors	<u>(2,596)</u>
	(73)
Goodwill	<u>7,073</u>
	<u>7,000</u>
<b>Satisfied by</b>	
Shares issued	<u>7,000</u>
	<u>7,000</u>

The results of the acquired undertaking for the period 1 June to 17 October 2003 were as follows:

Turnover	<u>3,205</u>
Operating profit	<u>20</u>
Loss before tax	<u>(241)</u>
Loss after taxation	<u>(241)</u>

The acquired undertaking's profit after taxation for the year ended 31 May 2003 was £485,000.

## Notes (Continued)

### 9 TANGIBLE FIXED ASSETS

Group	Leasehold improvements £'000	Fixture, fittings & equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 April 2003	-	432	-	432
Acquisitions	25	466	102	593
Additions	219	113	-	332
Disposals	-	(253)	-	(253)
<b>At 31 December 2003</b>	<b>244</b>	<b>758</b>	<b>102</b>	<b>1,104</b>
Depreciation				
At 1 April 2003	-	314	-	314
Acquisitions	8	252	22	282
Provided in period	3	114	2	119
Eliminated on disposal	-	(233)	-	(233)
<b>At 31 December 2003</b>	<b>11</b>	<b>447</b>	<b>24</b>	<b>482</b>
<b>Net Book Value</b>				
<b>At 31 December 2003</b>	<b>233</b>	<b>311</b>	<b>78</b>	<b>622</b>
At 31 March 2003	-	118	-	118

The figures stated above include assets held under hire purchase contracts as follows:

Net book value	Leasehold improvements £'000	Fixture, fittings & equipment £'000	Motor vehicles £'000	Total £'000
At 31 December 2003	-	10	78	88
At 31 March 2003	-	13	-	13

## Notes (Continued)

### 9 TANGIBLE FIXED ASSETS (continued)

Company	Fixture, fittings & equipment £'000	Total £'000
<b>Cost</b>		
At 1 April 2003	383	383
Additions	2	2
Transferred to group undertaking	(385)	(385)
At 31 December 2003	<u>-</u>	<u>-</u>
<b>Depreciation</b>		
At 1 April 2003	265	265
Provided in period	66	66
Transferred to group undertaking	(331)	(331)
At 31 December 2003	<u>-</u>	<u>-</u>
<b>Net Book Value</b>		
At 31 December 2003	<u>-</u>	<u>-</u>
At 31 March 2003	<u>118</u>	<u>118</u>

The figures stated above include assets held under hire purchase contracts as follows:

Net book value	Fixture, fittings & equipment £'000	Total £'000
At 31 December 2003	<u>-</u>	<u>-</u>
At 31 March 2003	<u>13</u>	<u>13</u>
Depreciation provided in period	<u>5</u>	<u>5</u>

### 10 FIXED ASSET INVESTMENTS

Subsidiary undertaking	Cost £'000	Amortisation / impairment losses £'000	Net book value £'000
As at 1 April 2003	2,423	(878)	1,545
Addition	7,000	-	7,000
Charge for the period	-	(341)	(341)
Reassessment of acquisition consideration	(22)	-	(22)
As at 31 December 2003	<u>9,401</u>	<u>(1,219)</u>	<u>8,182</u>

On 17 October 2003, the Company acquired the entire share capital of dealgroupmedia (UK) Limited (formerly The Deal Group Limited) for a consideration of £7,000,100. The consideration was in the form of 205,221,335 ordinary shares of 1p each with a market value of £0.03411 per share.

## Notes (Continued)

### 10 FIXED ASSET INVESTMENTS (continued)

As at 31 December 2003 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
dealgroupmedia (UK) Limited (formerly The Deal Group Limited)	England and Wales	Ordinary	100%	Online search and marketing services
Deal Group Media SL	Spain	Ordinary	100%	Online search and marketing services
Deal Group Media Pty Limited	Australia	Ordinary	100%	Online search and marketing services
IBNet (UK) Limited	England and Wales	Ordinary	100%	Dormant
Webgravity Limited	England and Wales	Ordinary	100%	Dormant
IBNet Limited (formerly Deal Group Media Limited)	England and Wales	Ordinary	100%	Dormant
Metatank Limited	England and Wales	Ordinary	100%	Dormant
The Deal Group (Marketing) Limited	England and Wales	Ordinary	100%	Dormant holding Company
Affiliate Marketing Limited	England and Wales	Ordinary	100%	Online marketing services
Thedeal.net Limited	England and Wales	Ordinary	100%	Online consumer focussed marketing services
E-Mortgages Limited	England and Wales	Ordinary	100%	Dormant
Finance-Direct.com Limited	England and Wales	Ordinary	100%	Dormant

The aggregate capital and reserves were as follows:

Surplus / (Deficit)	As at 31-Dec-03 £'000	As at 31-Mar-03 £'000
dealgroupmedia (UK) Limited	2,354	-
Deal Group Media SL	(33)	-
Deal Group Media Pty Limited	(175)	-
IBNet (UK) Limited	(564)	(564)
Webgravity Limited	(73)	(73)
IBNet Limited	268	-
Metatank Limited	1	-
The Deal Group (Marketing) Limited	-	-
Affiliate Marketing Limited	(1,621)	-
Thedeal.net Limited	(1,123)	-
E-Mortgages Limited	-	-
Finance-Direct.com Limited	-	-

## Notes (Continued)

### 11 CURRENT ASSET INVESTMENT

	As at 31-Dec-03 £'000	As at 31-Mar-03 £'000
Investments in listed companies	-	107

### 12 DEBTORS

	Group		Company	
	As at 31-Dec-03 £'000	As at 31-Mar-03 £'000	As at 31-Dec-03 £'000	As at 31-Mar-03 £'000
Trade debtors	2,164	250	-	250
Amounts owed by group undertakings	-	-	799	-
Other debtors	85	4	10	4
Prepayments and accrued income	449	14	-	14
	<u>2,698</u>	<u>268</u>	<u>809</u>	<u>268</u>

### 13 CREDITORS

	Group		Company	
	As at 31-Dec-03 £'000	As at 31-Mar-03 £'000	As at 31-Dec-03 £'000	As at 31-Mar-03 £'000
<u>Amounts falling due within one year</u>				
Loan notes	591	-	591	-
Amounts owed to group undertakings	-	-	379	-
Trade creditors	1,032	288	-	288
Corporation tax	106	-	-	-
Social security and other taxes	316	182	-	182
Other creditors	1,285	-	-	-
Accruals and deferred income	1,197	268	-	268
Amounts due under hire purchase contracts	14	8	-	8
	<u>4,541</u>	<u>746</u>	<u>970</u>	<u>746</u>
<u>Amounts falling due after more than one year</u>				
Loan notes on issue	125	198	125	198
Loan notes due for issue	-	531	-	531
Amounts due under hire purchase contracts	68	7	-	7
	<u>193</u>	<u>736</u>	<u>125</u>	<u>736</u>

All amounts fall due after one and within five years.

The loan notes represent part of the consideration for the acquisition of Webgravity Limited. The loan notes are interest free.

Subsequent to the acquisition, a loan note repayment schedule was approved by the Board to discharge this liability by monthly instalments by August 2007.

## Notes (Continued)

### 14 PROVISIONS FOR LIABILITIES AND CHARGES

	<b>Other provisions £'000</b>
At 1 April 2003	177
Released during the period	<u>(177)</u>
At 31 December 2003	<u><u>-</u></u>

### 15 SHARE CAPITAL

	<b>As at 31-Dec-03 £'000</b>	<b>As at 31-Mar-03 £'000</b>
<b>Authorised capital</b>		
881,152,000 ordinary shares of 1p each	8,812	5,812
54,952,000 deferred shares of 24p each	<u>13,188</u>	<u>13,188</u>
	<u><u>22,000</u></u>	<u><u>19,000</u></u>

	<b>As at 31-Dec-03 £'000</b>	<b>As at 31-Mar-03 £'000</b>
<b>Allotted, called up and fully paid capital</b>		
350,358,086 ordinary shares of 1p each	3,504	879
Deferred shares of 24p each	<u>-</u>	<u>13,188</u>
	<u><u>3,504</u></u>	<u><u>14,067</u></u>

#### **Allotments during the year**

During the period the Company allotted the following ordinary shares:

	<b>Number of Shares</b>	<b>Issue price</b>	<b>Share capital £'000</b>	<b>Share premium £'000</b>
Consideration for the acquisition of dealgroupmedia (UK) Limited	205,221,335	£0.034	2,053	4,947
Capitalisation of loan notes	5,865,103	£0.034	59	140
New share issues	<u>51,319,648</u>	<u>£0.034</u>	<u>513</u>	<u>1,237</u>
	<u><u>262,406,086</u></u>		<u><u>2,625</u></u>	<u><u>6,324</u></u>

The market price of the ordinary shares at 31 December 2003 was 3.75p and the range during the period was 1.75p to 4.75p.

On 17 October 2003, the Company received shareholder approval to purchase the entire issued deferred share capital for an aggregate consideration of 1p. The balance was credited to a capital redemption reserve (see note 16).

The Company intends to cancel the authorised deferred share capital and its share premium account.

## Notes (Continued)

### 15 SHARE CAPITAL (Continued)

#### Directors' interests

The beneficial interests of the directors holding office at 31 December 2003 and 31 March 2003 in the shares of the Company are set out below:

	Deferred shares of 24p each 31-Dec-03	Ordinary shares 1p each 31-Dec-03	Dec-03 %	Deferred shares of 24 p each 31-Mar-03	Ordinary shares 1p each 31-Mar-03	Mar-03 %
Adrian Moss	-	40,419,144	12%	-	-	-
Keith Lassman	-	1,323,294	0.4%	-	-	-
David Lees	-	5,511,456	2%	6,511,456	6,511,456	8.7%

Executive share option schemes	Exercise price (pence)	Issue date	Held at 01-Apr-03	Granted during period	Expired, lapsed, cancelled	Held at 31-Dec-03
Adrian Moss	3.565	Dec-02	-	2,400,000	-	2,400,000
Nicola Iapino	3.565	Dec-03	-	2,400,000	-	2,400,000
			-	4,800,000	-	4,800,000

	Exercise price (pence)	Issue date	Held at 01-Apr-03	Granted during period	Expired, lapsed, cancelled	Held at 31-Dec-03
<b>Other Staff</b>						
Various	5.1	Jul-02	450,000	-	-	450,000
Various	2.5	Jul-03	-	310,000	-	310,000
Issue of replacement options to staff of dealgroupmedia (UK) Limited	1.2468	Oct-03	-	14,036,346	(601,558)	13,434,788
Various	3.565	Dec-03	-	9,100,000	-	9,100,000
			450,000	23,446,346	(601,558)	23,294,788

The options may only be exercised between the first and tenth anniversaries of the date of grant by a person who remains a director or employee.

The 'replacement options' were issued to those employees of dealgroupmedia (UK) Limited who held options at the date of acquisition; the basis of issue was similar to that of the offer from the Company to dealgroupmedia (UK) Limited's shareholders.

None of the share options were exercised at 31 December 2003 (31 March 2003: Nil).

Apart from the interest disclosed above, none of the directors had any other interest in the share capital of the Company or other Group companies during the year.

## Notes (Continued)

### 16 SHARE PREMIUM ACCOUNT AND RESERVES

Group	Capital Redemption Reserve £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2003	-	14,704	(28,288)	(13,584)
Redemption of deferred shares	13,188	-	-	13,188
Retained loss for the period	-	-	(1,832)	(1,832)
Premium on allotment during the period	-	6,324	-	6,324
Transfer of share issue costs	-	(342)	-	(342)
At 31 December 2003	13,188	20,686	(30,120)	3,754

Company	Capital Redemption Reserve £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total £'000
At 1 April 2003	-	14,704	(28,288)	(13,584)
Redemption of deferred shares	13,188	-	-	13,188
Retained loss for the period	-	-	(940)	(940)
Premium on allotment during the period	-	6,324	-	6,324
Transfer of share issue costs	-	(342)	-	(342)
At 31 December 2003	13,188	20,686	(29,228)	4,646

### 17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Nine months to 31-Dec-03 £'000	Year to 31-Mar-03 £'000
Loss for the financial period	(1,832)	(1,405)
Issue of shares	8,949	469
Share issue costs written off to share premium	(342)	(7)
Net increase/(decrease) in shareholders' funds	6,775	(943)
Shareholders' funds at 1 April 2003	483	1,426
Shareholders' funds at 31 December 2003	7,258	483
<b>Attributable to:</b>		
Ordinary shareholders	7,258	483
Deferred shareholders	-	-
	7,258	483

## Notes (Continued)

### 18 CAPITAL COMMITMENTS

At 31 December 2003 and 31 March 2003 the Company had no capital commitments.

### 19 CONTINGENT LIABILITIES

The Directors are of the opinion that there are no contingent liabilities in the Company at 31 December 2003.

### 20 LEASING COMMITMENTS

The following annual commitments under non-cancellable operating leases existed:

	Group		Company	
	As at 31-Dec-03 £'000	As at 31-Mar-03 £'000	As at 31-Dec-03 £'000	As at 31-Mar-03 £'000
Leases which related to land and buildings which expire:				
- Within one year	-	79	-	79
- After one year and within five years	118	-	-	-
	<u>118</u>	<u>79</u>	<u>-</u>	<u>79</u>

### 21 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	As at 31-Dec-03 £'000	As at 31-Mar-03 £'000
Operating loss	(1,530)	(1,526)
Exceptional items	(280)	-
Depreciation	119	226
Fixed asset investment amortisation/impairment	-	237
Loss on sale of fixed assets	20	215
Loss on sale of investment	22	-
Amortisation	485	485
(Increase) / decrease in debtors	(1,864)	346
Increase / (decrease) in creditors and provisions	<u>2,211</u>	<u>(266)</u>
Net cash flow from operating activities	<u>(817)</u>	<u>(283)</u>

### 22 ANALYSIS OF CHANGES IN NET DEBTS

	As at 01-Apr-03 £'000	Cash flow £'000	Non Cash Items £'000	As at 31-Dec-03 £'000
Cash in hand and at bank	104	457	-	561
Debt	(709)	28	(35)	(716)
Finance leases	(15)	7	(75)	(83)
Net debt	<u>(620)</u>	<u>492</u>	<u>(110)</u>	<u>(238)</u>

## Notes (Continued)

### 23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS DEBT

	Nine months to 31-Dec-03 £'000	Year to 31-Mar-03 £'000
Increase in cash in the period	457	61
Cash inflow from decrease in liquid resources	-	-
Cash (outflow)/inflow from debt and leasing financing	(35)	4
Change in net debt resulting from cash flows	422	65
Adjustment to loan notes	35	191
Liabilities acquired	(75)	(6)
Change in net debt during the period	382	250
Net debt as at 1 April 2003	(620)	(870)
Net debt as at 31 December 2003	(238)	(620)

### 24 RELATED PARTY TRANSACTIONS

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

#### **D Squared Management Limited**

David Lees, non-executive director and shareholder, is a director and shareholder of D Squared Management Limited. During the period the Group paid £18,750 (31 March 2003: £24,250) in respect of management consultancy services of David Lees.

An amount of £17,168 (31 March 2003: £51,501) was due to D Squared Management Limited as at 31 December 2003.

#### **Howard Kennedy**

Keith Lassman, non-executive director and shareholder, is a partner of Howard Kennedy. During the period the Group paid £109,195 (31 March 2003: £Nil) in respect of legal services provided to the Group.

An amount of £5,575 (31 March 2003: £Nil) was due to Howard Kennedy as at 31 December 2003.

#### **Matrix Technology Networks SA**

Adrian Moss, executive director and shareholder, is a director and shareholder of Matrix Technology Networks SA. During the period the Group received £288,271 (31 March 2003: £Nil) in respect of services provided.

An amount of £155,762 (31 March 2003: £Nil) was due from Matrix Technology Networks SA as at 31 December 2003.

## **Notes (Continued)**

### **25 PENSIONS**

The Group operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees, in a fund independent from those of the Group. The pension costs charged for the period are disclosed in note 2.

### **26 FINANCIAL INSTRUMENTS**

The Group uses financial instruments comprising cash and borrowings that arise from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

#### **Short-term debtors and creditors**

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosure.

#### **Currency risk**

The Group operates mainly within the UK and Europe and all transactions are denominated in sterling or euros. As such the Group is exposed to transaction foreign exchange risk. The mix of currencies and terms of trade is such that the directors believe that the Group's exposure is minimal and consequently they do not specifically seek to hedge that exposure.

#### **Fair values**

The fair values of the Group's instruments are considered equal to the book value.

#### **Liquidity risk**

Liquidity risk is the risk that the Group will have insufficient funds to meet its liabilities as they fall due. The directors monitor cash flow on a regular basis and at monthly board meetings in the context of their expectations for the business to ensure sufficient liquidity is available to meet foreseeable needs.

#### **Interest rate risk**

The directors do not consider that the business is exposed to material interest rate risk. The Group finances its operations through a mixture of cash reserves, finance leases and loan notes. The Group has not used significant interest bearing short-term borrowings other than loan notes.

## Notice of Annual General Meeting

Deal Group Media plc

Notice is hereby given that the Annual General Meeting (AGM) of Deal Group Media plc will be held at 11:00 am on Tuesday 15 June 2004 at 105 Piccadilly, London W1. The business of the Meeting will be as follows:

### **Resolutions**

To consider and, if thought fit, pass the following resolutions 1 - 8 as ordinary resolutions, and resolution 9 as a special resolution:

1. To receive and adopt the Company's audited accounts for the period ended 31 December 2003, together with the report of the independent auditors and the directors thereon.
2. To re-elect David Lees as a director.
3. To re-elect Adrian Moss as a director.
4. To re-elect Nicola Iapino as a director
5. To re-elect Dominic Trigg as a director
6. To re-elect Keith Lassman as a director
7. 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.
- 8.1 That, in accordance with Section 80 of the Companies Act 1985, the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities within the terms of the restrictions and provisions following, namely:
  - 8.1.1 this authority shall (unless previously revoked, varied or renewed) expire at the conclusion of the next Annual General Meeting following the passing of this Resolution and, in any event, on 15 September 2005 expire; and
  - 8.1.2 this authority shall be limited to the allotment of relevant securities up to an aggregate nominal value of £1,167,860.
- 8.2 For the purpose of paragraph 8.1 above:
  - 8.2.1 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 relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or such agreement notwithstanding the expiry of such power; and
  - 8.2.2 words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meaning herein.
- 8.3 The authority conferred by paragraph 8.1 above shall be in substitution for all previous authorities conferred upon the directors to allot relevant securities.

## **Notice of Annual General Meeting (continued)**

- 9.1 That, in accordance with Section 95 of the Companies Act 1985, 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 8 above as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to such allotment, provided that the power hereby granted:
- 9.1.1 shall be limited to:
- 9.1.1.1 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
- 9.1.1.2 the allotment (other than pursuant to paragraph 9.1.1.1 of this proviso) of equity securities up to an aggregate nominal amount of £535,882.
- 9.1.2 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 16 September 2005.
- 9.2 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.
- 9.3 Words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meaning herein.

By Order of the Board

Keith Lassman  
Secretary  
19 May 2004

## Notice of Annual General Meeting (continued)

### Notes:

- (i) Each director referred to in Resolutions 3-6 above was appointed by the Board as an additional director since the Company's last general meeting and whose appointment would expire, if not re-elected, under the Company's Articles of Association. One-third of the remaining Board are required to retire and, hence the retirement of David Lees, who also stands for re-election.
- (ii) A Member entitled to attend and vote at the Meeting convened by this Notice is entitled to appoint one or more proxies to attend and, on a poll, to vote in his or her stead. A proxy need not be a Member of the Company. The appointment of a proxy will not preclude a Member from being present at the Meeting and voting in person if he or she should subsequently decide to do so.
- (iii) To be valid, forms of proxy must be lodged with the Company's registrars at:  
Capita IRG plc  
PO BOX 25  
Beckenham  
Kent  
BR3 4BR  
not later than 48 hours before the time appointed for the holding of the meeting.
- (iv) The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only persons registered in the register of members of the Company 48 hours before the AGM shall be entitled to attend or vote at the AGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries in that register after that time shall be disregarded in determining the rights of any holder to attend and vote at the AGM.
- (v) The following documents will available for inspection at the Company's registered office at:  
19 Cavendish Square  
London  
W1A 2AW  
during normal business hours on any weekday (public holidays excepted) from the date of this Notice until the date of the Annual General Meeting and at the Annual General Meeting for 15 minutes prior to and during the Meeting:
  - (a) the register of directors' interests in the ordinary shares of the Company kept in accordance with Section 325 of the Companies Act 1985;
  - (b) copies of the service contracts and letters of appointment of all directors of the Company; and
  - (c) a copy of the Memorandum and Articles of Association of the Company.

