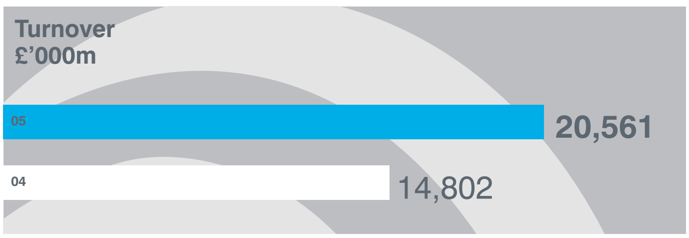
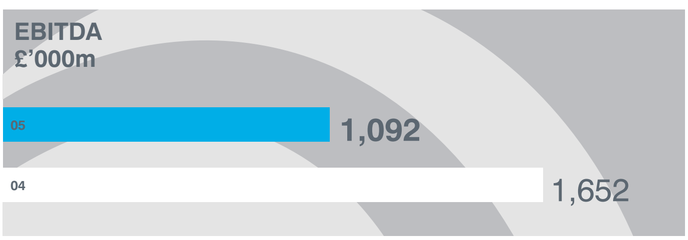
dealgroupmedia plc

annual report and accounts 2005

highlights

- Turnover increased 39% to £20,561,000 (2004: £14,802,000)
- Gross profit increased by 16% to £6,685,000 (2004: £5,757,000)
- Achieved operating profit of £800,000 before amortisation
- Cash at bank of £1,682,000
- Refined and well-positioned products capturing a growing search market
- Challenges with technology and an unexpected change with dgm's largest customer impacted profitability. Excluding these, the Group saw 48% growth in underlying turnover and 29% growth at the underlying gross profit level





Deal Group Media plc is a leading independent online marketing group that uses three key online channels through its operation 'dgm': search engine marketing, affiliate marketing and online advertising.

A range of the biggest UK brand names use dgm and the Company has over 250 clients worldwide. The Group has a balanced portfolio of customers with the top ten representing 44% of the gross profit, and the largest customer representing 10%.

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

dgmSearchLab

dgmSearchLab operates in two distinct areas of search engine marketing. The first is the fine tuning of clients' websites to allow superior listings on search engines. Revenues are based on fixed fees and on improved listings on search engines. The second area involves the management of clients 'pay for performance' search engine campaigns. dgm bids on behalf of advertisers for listings on specific 'keyword' search terms. The advertiser is listed as a 'Sponsored Link'. dgm derives its revenue from fees for the management of campaigns and commission from the search engines on the media spend.

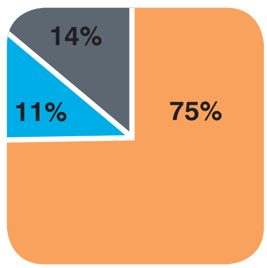
dgmAdNetwork

dgmAdNetwork offers low-cost advertising on a variety of large portals and content websites. dgm acquires inventory at a low-cost from various media owners which is bundled and sold to advertisers at a discounted rate. The advantage to advertisers is that the space is acquired at relatively inexpensive rates on high-traffic websites that enhance the prospect of a return on spend.

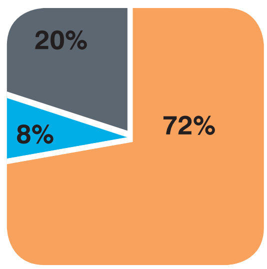
dgmPerformance

dgmPerformance is the longest established affiliate network in the UK. The affiliate marketing payment model is based on Cost Per Action (CPA) which means you only pay when a valid action occurs on your site – e.g. an online sale. Our publishers span a broad range of sectors including Travel, Finance, Shopping, Telecoms and Automotive. They use a variety of online media channels to promote our advertiser offerings from online advertising on their sites, to Natural Search Engine Optimisation (SEO), Paid Search (Pay Per Click), and Email marketing.

Turnover 2005



Turnover 2004



dgmSearchLab

The **dgmSearchLab** team works with some of the UK's most recognisable brands, providing them with bespoke search solutions to help acquire and retain new business. Clients include EasyJet, Avis Europe, MBNA, Post Office, Teletext and Pipex.

Due to the scale and track record of the dgmSearchLab operation, we have been able to build strong and close relationships with the world's leading providers of search:

Yahoo! Search Marketing

Google

MSN

Ask

Lycos

AOL

Miva

Natural search engine optimisation

Search engine optimisation is the most bespoke of all our search services. Through enhancing the site, we attract more customers for our clients and improve their positions on search engines. A detailed analysis of the content and architecture of a website, followed by recommendations and support whilst changes are implemented, are all part of our integrated service.

The **dgmSearchLab** also provides a series of training programmes, search engine guides and maintenance packages that give constant 'helpdesk' access to the team.

Pay-per-click

The **dgmSearchLab** bid management team takes care of all pay-per-click campaigns. Our team manages payment and performance on specific keywords in order to enhance our clients' positions on all the major search engines.

The continual monitoring of the keywords as clients' competitors are bidding on additionally enables **dgmSearchLab** to position our clients most effectively within search results.

Our in-house proprietary management software is tailored to market and individual requirements, including bid management, ranking and competitor reporting.

Reporting

dgmSearchLab's reporting suite provides all its customers full through to order tracking for total transparency and tracking of return on advertising spend. The bespoke reporting and optimisation tool allows marketing professionals to monitor and gauge all metrics of their campaign. All online reporting is supported by dedicated account management with bespoke supporting management reports.

dgmAdNetwork

Through hundreds of advertiser and publisher sites, **dgmAdNetwork** provides access to one of the largest and most comprehensive online advertising networks in the UK. We continually strive to expand the reach of our network, and so constantly look for new, high quality, publishers.

dgmAdNetwork represents hundreds of publishers including:

2,405,310,846 impressions

3,462,761 clicks

Total for 2005

In 2006 **dgmAdNetwork** will deliver in excess of 5.4 billion impressions

"dgm has consistently worked with us to drive sales and awareness of our brand and deliver positive results every time. They understand the nature of our business and are proactive in developing new ideas and initiatives which reinforce our position as the UK's number 1 gifts and gadgets online retailer. They keep us ahead of our competitors."
IWantOneOfThose.com

dgmAdNetwork affords tangible benefits to hundreds of advertisers, driving revenue through increased sales and leads, as well as conducting targeted campaigns to ensure the most important users are always reached.

dgmAdNetwork enables advertisers to enjoy increased online visibility, alongside highly specific audience targeting, significantly strengthening brands. Continuous feedback enables advertisers to understand which targeting, creative and site-specific advertising is most effective for their business, delivering real return on investment.

The dgmAdNetwork offering:

- 15 million unique users, covering up to 200 websites
- AdNetwork is ethical and operates a strictly no spyware, adware or peer-to-peer policy, in order to ensure brand protection and user satisfaction
- Close monitoring of return on investment
- Live up to the minute monitoring of campaigns
- Full campaign details disclosed including creative, publisher sites and vertical sector
- Full rich media functionality i.e. stream video
- Full targeting capabilities
  – Online e.g. ISP, browser, IP address
  – Geographical and local
  – Keyword targeting.

case study: BT

"**dgm** and their affiliates are a valuable and important element to our online sales strategy."

Amy Hill,
Head of Affiliate Sales, BT

BT is a leading provider of communications solutions serving customers throughout the world

Brief
BT's key objectives are to:

- Increase volume of sales driven online
- Drive sales within agreed financial targets

Solution

dgmPerformance

The performance network is used to increase the volume of online sales. Partner affiliates are recruited and provided with creative and copy which is updated on a regular basis in order to drive new customer acquisition. Campaigns are promoted to them via the dgm weekly newsletter and bespoke e-shots.

dgm's coordinated approach to return on investment (orchestrating multiple channels for optimum overall effect) is employed ensuring that BT gains additional customer reach and maximum coverage, further increasing online sales.

dgmAdNetwork

A strategy has been adopted to place cost-effective banner inventory across top UK websites and portals. Campaigns are continuously optimised to maximise conversion rates. This channel enables further reach and brand exposure, and generates significant sales volumes within agreed return on investment targets.

4,893,142 impressions

853,286 clicks

38,791 sales

BT Broadband campaign results, tracked over the period from 1 October 2005 to 31 March 2006.

dgmPro

dgmPro is the Company's return of investment tool, a software product that is leading the way in online campaign management. dgmPro advises clients on which campaigns deliver the highest volume of transactions and gives them the ability to optimise their campaigns to generate the maximum return.

Functions include:

- Tracking for multiple products (e.g. performance, paid search and CPM) with one set of tracking tags, easing implementation and eliminating duplication across those products
- A single reporting interface for all channels the advertiser is using
- Fast, customisable reporting that allows for analysis of hundreds of different measurements in many dimensions, including by banner, campaign, publisher, site URL and sales data
- Flexible commission structures that support payments on CPA campaigns and CPC campaigns to vary across unlimited numbers of products and actions
- Support for advertisers who want to adopt a self-service model, allowing them to create their own online advertising campaigns 24 hours per day
- The ability to create and serve multi-banner content units with a wide range of trafficking and serving options at the content unit and campaign level
- The ability to optimise campaigns for specific hours of the day and days of the week, on a weekly or ongoing basis

dgmPro measures response rates both from consumers clicking on advertisements and those that transact with advertisers after seeing advertisements. The software tracks what action customers take once they've clicked through to a website and is therefore able to track impressions, sales, information requests, registrations as well as validations and deletions.

743,265,678 impressions

40,431,079 clicks

1,606,021 sales for our customers

To April 2006

"dgm has responded really well to their research findings. The Pro interface is far smoother with greatly enhanced usability and transparency from a media agency perspective. I believe the new suite strikes a nice balance between agency involvement and the application of dgm affiliate expertise."
Diarmid Farquhar, Starcom Digital's Telewest Broadband Affiliate Program Manager

chairman's statement

Summary of the Chairman's statement

- Underlying business shows 48% growth in turnover and a 29% growth at the gross profit level
- Challenges with technology and an unexpected change with dgm's largest customer impacted profitability
- The Group is looking to increase its resources in search engine marketing in 2006

Since being appointed as Chairman in November 2005 I have had the opportunity to conduct a detailed review of operations and the market place.

dgm is in an extremely high growth market. With a 5.8% share, the online advertising market has now exceeded radio (3.6%), outdoor (5.1%) and cinema (0.8%) (IAB/PwC, September 2005). dgm is well positioned to be a leader in this market that has a long-term future.

The management team is committed to tackling the challenges and lessons of 2005 and is putting in place a business model that allows us to move forward in the UK, whilst initiating growth overseas.

In 2005 the Group made an operating profit of £805,000 before amortisation. Turnover has grown by 39% and gross profit by 16% to £6,685,000. There was a fall in the gross profit margin from 39% (2004) to 33% as well as an increase in the cost base of £1,500,000, due to increased technology spend. The Group did not hit its profit expectations due to an unexpected change in terms of trade with dgm's largest customer and disappointing implementation of our new technology in 2005.

> "The Group has completed a review of each area of the business and is well positioned to be a leader in this market that has a long-term future."

The Group now has a more balanced portfolio of customers with the top ten representing 44% (2004: 69%) of the gross profit, and the largest customer representing 10% (2004: 36%). Once the major customer is stripped from the figures for 2004 and 2005, the underlying business shows 48% growth in turnover and a 29% growth at the gross profit level. There is a fall of 5% in the underlying gross profit margin from 2004.

Technology

Since its launch dgmPro, our proprietary tracking and serving software has delivered 600 million impressions and 35 million clicks which have led to 1.4 million sales for our customers. The technology team continue to work on improving the interface and adding new features on the performance business. Change is never easy for users and internal plans to overhaul all dgm core technology with an "inhouse" solution led to a delayed roll out of dgmPro in the performance business. Going forward dgm will concentrate on making the software interface as intuitive as possible to make it easier for our publishers to find the information they require to run their businesses.

Management

The Board has made changes to the management structure to ensure a better focus on the business. Andrew Dickson, Chief Financial Officer, is now combining this role with Chief Operating Officer, reporting directly to the Chairman. Andrew is responsible for Group operations and technology. As part of the internal review the Chief Technical Officer resigned. Adrian Moss continues as CEO, and will focus on the international expansion of the business and developing new areas of business in this fast evolving market.

Market review

62% of the UK population are online (NOP World, June 2005). Broadband now accounts for 64% of all users in the UK, and this is evidenced by UK shoppers spending £5 billion online during the ten week run-up to Christmas 2005. The infrastructure for delivery of online advertising is now in place.

dgm is well placed to provide advertisers with cost effective ways of marketing to customers while measuring the results of that marketing and calculating the return on investment. There are a range of pricing models the advertiser can choose from depending on the marketing requirement and the level of risk the advertiser wishes to take.

dgmSearchLab

dgmSearchLab operates in two distinct areas of search engine marketing. The first is the fine tuning of clients' websites to achieve superior listings on natural search engines. The second area

> "The Group now has a more balanced portfolio of customers and I am pleased with the greater focus on each of dgm's product areas."

involves the management of clients' 'pay for performance' search engine campaigns.

Given the growth of search engine marketing, dgm will increase its resources in this area in 2006. In line with our new approach to technology, Search will be using third party technology from the second quarter. The new technology will allow for more sophisticated tracking and optimisation to increase the return on investment using a variety of indicators and the introduction of natural search tools and web analytics.

dgmAdNetwork

dgmAdNetwork offers advertising on a variety of large portals and content websites. The team are now representing websites such as Streetmap.co.uk, IWantOneOfThose.com, Match.com and Ecademy.com.

This has been successful in 2005. Revenues have doubled to £2,300,000. In 2006 the AdNetwork team will use a third party system which will give their advertisers a new suite of services such as day time parting, regional and IP targeting and rich media serving capabilities. The costs of this software are expected to be compensated by increased volume and better managed campaigns.

In order to give this area an additional boost our new commercial director for this division, Alex Khan, will be looking to expand this offering overseas.

dgmPerformance

dgmPerformance delivers sales, leads and email capture or other commercially valuable actions through a network of several thousand small online media owners and entrepreneurs. dgm receives a revenue share from the advertisers for every action that is taken.

dgmPerformance represents 67% of the Group's gross profit margin. dgmPerformance works in a competitive environment with new entrants in 2005 from both Europe and the USA. This leads to lower gross profit margins in the future which will be offset by higher volumes of trade at the same time. We believe that advertisers will want to ensure that publishers get as much of the cost per action as possible. We have reshaped our cost structures to anticipate this.

dgm will demonstrate real added value to our clients with a transparent pricing model. A network of affiliate businesses is complex and we have to ensure that our clients' programmes will work and be a success with our publishers, before we accept them onto the network. In 2005 there was insufficient filtering

> I am happy to find a committed team who are implementing the changes required.

to ensure that programmes were attractive enough to work. This lesson has been learned by the sales team.

Our aim is that our technology should be intuitive, efficient and allow all stakeholders to choose their level of involvement, from complete “self-serve” to a fully managed service and we believe the roll out of dgmPro is starting to achieve this.

Whilst the bulk of our operations are in the UK, we have growing operations in Australia and Spain, we are looking at the technology options to roll out a tried and tested system to overseas territories in a low-cost way without having to replicate further head count.

People

The high turnover of staff in 2005 has been a reaction to the technology problems and a lack of clarity about roles within the business. We are pleased to note that this has stabilised in the last quarter, and we are confident that this now provides a platform to drive further growth and recruitment. In December the Board offered staff (but not directors) the opportunity to cancel their current options and to be re-issued options at 5p. There was a strong response to this initiative. The Board consider the holding of options important for the motivation of staff and goal congruence.

In 2005 we introduced management training for all levels of the staff and will continue this programme into 2006 with the introduction of skills training in all areas of the business. As part of the recruitment policy going forward, dgm introduced a graduate scheme and had nine graduates join us in January 2006. We are highly satisfied with their progress within the business.

Overall

I am pleased with the greater focus on each of dgm’s product areas. This combined with improved technology and a growing marketplace gives me a positive outlook for 2006.

John Porter
Chairman
13 March 2006

board of directors

John Porter
Executive Chairman

John Porter was appointed to the Board as Executive Chairman in November 2005. He has an active role within the business and oversees the Group's strategy and operations. John has substantial PLC experience particularly within the technology and online sectors. He is also Chairman of i-spire Plc, a new media investment company with a shareholding in Deal Group Media plc. As a founder of Redbus Interhouse PLC he served as chairman during its early stages and in November 2005 the company was merged with Telecity. John Porter was the co-founder of Verifone Inc, the market innovator and leader in credit verification equipment and service, which was sold to Hewlett Packard in 1997. John is a graduate of Oxford University, Institute d'Etudes Politiques, Paris and Stanford University.

Andrew Dickson ACA
Chief Financial Officer and Chief Operations Officer

Andrew started his career as a trainee accountant at Coopers & Lybrand in 1995. In 1999 he moved to PA Consulting to become a financial controller. He joined Ministry of Sound group of companies as group chief accountant in 2000 before being appointed finance director, where he was instrumental in restructuring the business from 38 companies to four companies returning the group to a £3.2 million profit in 2003.

Adrian Moss ACA
Chief Executive

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 since developed the business as the Chief Executive.

Lord Stone of Blackheath
Deputy Chairman (non-executive)

Lord Stone of Blackheath was raised to the peerage as Baron Stone of Blackheath in 1997. He joined Marks and Spencer plc as a trainee in 1966 and retired his position as joint managing director of the company in 1999. He is currently a director of several non-government organisations, a retail company and is involved in several charities. He also chairs the charity DIPEx that helps patients gain information on their condition and their options.

David Lees
Non-executive director

David is a qualified chartered accountant with many years' experience in the public company arena. He has been a founding director of several public companies (such as Medeva PLC, Skyepharma PLC, Names.co Internet PLC) and a director of many other successful companies. He is currently a director of NamesCo Limited, Triple Plate Junction PLC, Rift Oil PLC, Metis Biotechnologies PLC, Network Estates Limited and Accident Exchange PLC.

Keith Lassman LLB, MSI
Non-executive director

Keith is a senior partner in the corporate finance department of London law firm, Howard Kennedy. Keith brings considerable experience to the Board in a broad range of corporate finance transactions including acquisitions, disposals and capital raising. He is also a non-executive director of greatfleetplc (whose shares are traded on AIM), deputy chairman of the EIS Association and a member of the Securities Institute.

Dominic Trigg
Non-executive director

Dominic is vice president of Search and Directories for Infospace Europe. He has a strong background in on-line and traditional media advertising. Previous roles include director of advertising operations for Yahoo! Europe and advertising director for Microsoft's MSN UK, Hotmail UK and Expedia as well as ad manager for BT's Internet portfolio. During 2001 he took a foray into Digital TV as media director at Music Choice Europe plc, returning to web and Yahoo! in 2003. Previous to his online career he held roles as ad manager to Gruner & Jahr's Focus magazine and BBC Worldwide magazine.

company information and advisors

Company Secretary
Keith Lassman

Registered office
19 Cavendish Square
London W1A 2AW

Nominated advisors and brokers
Panmure Gordon & Co plc
Moorgate Hall
155 Moorgate
London EC2M 6XB

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

Auditors
Grant Thornton UK LLP
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
Barclays Bank plc
27 Soho Square
London W1D 3QR

report of the directors

for the year ended 31 December 2005

The directors present their report together with the financial statements for the year ended 31 December 2005.

Principal activity

The Group is principally engaged in the provision of online marketing services including performance based marketing, search engine positioning & optimisation and the sale of advertising space.

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 6 to 9.

The loss for the financial year after taxation amounted to £313,000 (2004: profit of £1,943,000). In view of the historic losses the directors cannot recommend payment of a dividend. The directors are considering a capital reconstruction to allow the future payment of dividends.

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 13.

In accordance with the terms of Article 113.1 of the Company's Articles of Association, John Porter, Adrian Moss and Keith Lassman will retire and will offer themselves for re-election at the AGM.

Payment policy

It is the Group's policy to agree the terms of payment with each supplier. Trade creditors at the year end amount to 55 days (31 December 2004: 62 days) average supplies for the period.

Financial risk management objectives and policies

The directors constantly monitor the risks and uncertainties facing the Group with particular reference to the exposure to price, credit, liquidity and cash flow risk. They are confident that suitable policies are in place and that all material financial risks have been considered.

Substantial shareholders

At 10 March 2006 the following had notified the Company of disclosable interests in 3% or more of the nominal value of the Company's shares, save for the directors whose interests are disclosed in note 13.

	Shareholding	%
I-Spire Corporation Limited	85,055,360	22.41%
JO Hambro Capital Management Limited	41,235,000	10.86%

Directors' responsibilities for the financial statements

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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; and
- 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 that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985, 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 UK LLP 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
13 March 2006

corporate governance

for the year ended 31 December 2005

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, nor is it required to comment on its compliance with such provisions.

However, the following information is provided which describes how the principles of corporate governance, are applied by the Company.

Directors

The Company supports the concept of an effective Board leading and controlling the Group. The Board is responsible for approving Group policy and strategy. 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 three executive directors, who hold key operational positions in the Company and four non-executive directors, who bring a breadth of experience and knowledge. Certain non-executive directors have interests in shares of the Company and all the non-executive directors hold share options. The non-executive directors have each considered their independence in light of the above interests and other business relationships as laid out in note 22. The directors and the Board as a whole consider that these factors do not impinge upon their objectivity or independence and so, all non-executive directors are considered to be independent from the Group and management. This provides a balance whereby an individual or small group cannot dominate the Board's decision making.

The Chairman of the Board is John Porter. David Lees is the senior independent non-executive director. The Board members are described on pages 10 and 11. All directors are subject to re-election every three years and at the first Annual General Meeting (AGM) after their appointment. The Board has not appointed a Nomination Committee.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. It, therefore, holds regular meetings with its institutional shareholders to discuss objectives.

The AGM is used to communicate with 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), Keith Lassman and Lord Stone of Blackheath all of whom are independent non-executive directors. The terms of reference of the Committee include keeping under review the scope and results of external audits and their cost effectiveness. The Committee reviews the independence and objectivity of the external 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.

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.

John Porter
Chairman

report on remuneration
for the year ended 31 December 2005

Directors' remuneration
The Board recognises that directors' remuneration is of legitimate concern to shareholders and is committed to following current best practice. The Group operates within a competitive environment and its performance depends on the individual contributions of the directors and employees 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 include incentives to deliver the Company's objectives. Where relevant the notice period for termination of 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)
John Porter
Lord Stone of Blackheath

David Lees and Lord Stone of Blackheath are independent non-executive directors. Neither of them have any personal financial interest in the matters to be decided (other than as shareholders, share option holders, and those disclosed in note 22 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 salary is reviewed by the Committee. In deciding upon appropriate levels of remuneration, the Committee believes that the Group should offer average levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies, as well as internal factors such as performance.

Annual bonus payments
The Committee establishes the objectives, which must be met for a bonus to be paid. A performance related award scheme incorporating audited earnings per share, share price performance and Group profitability has been established which recognises the success of the business for which the executive 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 13 of the financial statements.

Details of directors' remuneration
This report should be read in conjunction with notes 2, 13 and 22 to the accounts, 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 accounts. Details of directors' share interests are given in note 13 to the accounts.

David Lees
Chairman of the Remuneration Committee

report of the independent auditors

to the members of Deal Group Media plc

We have audited the Group and parent company financial statements (the "financial statements") of Deal Group Media plc for the year ended 31 December 2005 which comprise the principal accounting policies, the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement and notes 1 to 24. 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 applicable law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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 report of the directors 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 report, 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group at 31 December 2005 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London Thames Valley Office
Slough
13 March 2006

consolidated profit and loss account

for the year ended 31 December 2005

		2005		2004	
	Notes	£'000	£'000	£'000	£'000
Turnover			20,561		14,802
Cost of sales			(13,876)		(9,045)
Gross profit			6,685		5,757
Administrative expenses					
– Amortisation of intangible assets	7	(1,149)		(1,149)	
– Fixed assets depreciation	8	(292)		(283)	
– Other administrative expenses		(5,593)		(4,105)	
			(7,034)		(5,537)
Operating (loss)/profit			(349)		220
Net interest	3		36		(1)
(Loss)/profit on ordinary activities			(313)		219
Taxation	4		—		1,724
Total (loss)/profit after taxation for the period			(313)		1,943
Basic (loss)/earnings per share	5		(0.08p)		0.54p
Fully diluted (loss)/earnings per share	5		(0.08p)		0.50p

There were no other recognised gains or losses other than the results for the periods.
All operations are continuing.
The accompanying accounting policies and notes form part of these financial statements.

consolidated balance sheet

as at 31 December 2005

	Notes	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Intangible assets	7		5,857		6,962
Tangible assets	8		647		498
			6,504		7,460
Current assets					
Debtors	10	6,150		4,751	
Cash at bank and in hand	20	1,682		1,937	
		7,832		6,688	
Creditors: amounts falling due within one year	12	(4,317)		(4,039)	
Net current assets			3,515		2,649
Total assets less current liabilities			10,019		10,109
Creditors: amounts falling due after more than one year	12		(65)		(121)
			9,954		9,988
Capital and reserves					
Called up share capital	13	3,798		3,715	
Capital redemption reserve	14	13,188		13,188	
Share premium account	14	21,458		21,262	
			38,444		38,165
Profit and loss account	14		(28,490)		(28,177)
Shareholders' funds	15		9,954		9,988

The financial statements were approved by the Board of directors and signed on its behalf on 10 March 2006.

Andrew Dickson
Director

company balance sheet

as at 31 December 2005

	Notes	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Intangible assets	7		224		665
Tangible assets	8		16		—
Fixed asset investments	9		7,095		7,075
			7,335		7,740
Current assets					
Debtors	10	382		944	
Cash at bank and in hand		9		1	
		391		945	
Creditors: amounts falling due within one year	12	(52)		(291)	
Net current assets			339		654
Total assets less current liabilities			7,674		8,394
Creditors: amounts falling due after more than one year	12		(32)		(77)
			7,642		8,317
Capital and reserves					
Called up share capital	13	3,798		3,715	
Capital redemption reserve	14	13,188		13,188	
Share premium account	14	21,458		21,262	
			38,444		38,165
Profit and loss account	14		(30,802)		(29,848)
Shareholders' funds			7,642		8,317

The financial statements were approved by the Board of directors and signed on its behalf on 10 March 2006.

Andrew Dickson
Director

consolidated cash flow statement

for the year ended 31 December 2005

	Notes	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Net cash inflow from operating activities	19		**32**		1,450
Returns on investments and servicing of finance					
Interest received		**40**		6	
Interest paid		**(4)**		(7)	
			36		(1)
Tax credit			**(44)**		(56)
Capital expenditure and financial investments					
Purchase of tangible fixed assets		**(454)**		(240)	
Sale of tangible fixed assets		**—**		199	
Purchase of intangible assets		**(44)**		—	
			(498)		(41)
Net cash (outflow)/inflow before financing			**(474)**		1,352
Financing					
Issue of ordinary share capital		**279**		287	
Capital element of hire purchase payments		**(15)**		(169)	
Repayment of loan notes		**(45)**		(94)	
			219		24
(Decrease)/increase in cash	20/21		**(255)**		1,376

accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, including a true and fair override as described below, and under the historical cost convention.

The principal accounting policies of the Group are set out below and have remained unchanged from the previous year. The directors have reviewed the accounting policies adopted by the Group and consider them to be the most appropriate. Financial Reporting Standards 21, 22, 25 (presentation only) and 28 have all been adopted for the first time this year. These had no effect on the Group's financial statements.

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

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 and is amortised over its useful economic life.

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% – 33% 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.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the Group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Software 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 carrying value of subsidiary undertaking

Immediately following the acquisition of Webgravity Limited by Deal Group Media plc (then 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 cost of investment was transferred to goodwill and is amortised over its useful economic life of five years from the date of acquisition. This affects only the company's profit and loss and balance sheet and has no impact on the consolidated financial statements.

Investments

Investments are held at cost less amounts written off.

1 Turnover and operating profit

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

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

	Turnover		Operating (loss)/profit	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
United Kingdom	**18,551**	13,422	**(433)**	368
Overseas	**2,010**	1,380	**84**	(148)
	20,561	14,802	**(349)**	220

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

Operating profit is stated after charging:

	2005		2004	
	£'000	**£'000**	£'000	£'000
Auditors' remuneration				
– Audit services	**33**		33	
– Other assurance services	**4**		4	
– Transaction services	**9**		—	
– Taxation services	**9**		9	
– Other services	**22**		5	
		77		51
Operating lease rentals				
– Land and buildings	**109**		125	
– Fixtures, fittings and equipment	**110**		29	
		219		154
Depreciation and amortisation				
– Tangible assets (owned)	**272**		251	
– Tangible assets (held under hire purchase contracts)	**20**		32	
– Goodwill amortisation	**1,149**		1,149	
		1,441		1,432

2 Directors and employees

Staff costs during the year were as follows:

	2005 £'000	2004 £'000
Wages	**3,017**	2,734
Social security costs	**292**	294
Pension costs	**25**	25
Sums paid to third parties in respect of directors' fees	**40**	79
	3,374	3,132
Average number of employees (excluding directors)	**71**	64

Directors' emoluments

	Directors' salaries and fees		Other benefits and payments for director services		Pension contributions		Total	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Executive directors								
A Moss	**125**	125	**—**	—	**6**	6	**131**	131
N Iapino (resigned 9 November 2004)	**—**	144	**—**	—	**—**	—	**—**	144
A Dickson (appointed 26 January 2005)	**78**	—	**—**	—	**—**	—	**78**	—
J Porter (appointed 21 November 2005)	**—**	—	**—**	—	**—**	—	**—**	—
Non-executive directors								
Lord Stone of Blackheath (appointed 26 January 2005)	**23**	—	**—**	—	**—**	—	**23**	—
D Lees	**17**	25	**—**	—	**—**	—	**17**	25
K Lassman	**15**	15	**—**	—	**—**	—	**15**	15
D Trigg	**15**	15	**—**	—	**—**	—	**15**	15
	273	324	**—**	—	**6**	6	**279**	330

During the year one (2004: one) director participated in money purchase pension schemes.

3 Net interest

	2005 £'000	2004 £'000
Interest payable and other similar charges	**(4)**	(7)
Interest receivable and other similar income	**40**	6
	36	(1)

4 Taxation

There are tax losses of approximately £7,136,000 (2004: £5,747,000) and excess capital allowances of £618,000 (2004: £422,000) to carry forward and use against future profits of the same trade. These losses represent a potential deferred tax asset of approximately £2,140,000 (2004: £1,850,000) at a corporation tax rate of 30%. Of this amount £1,724,000 was recognised at 31 December 2004. No additional deferred tax asset has been recognised during 2005 (see note 11).

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

	2005 £'000	2004 £'000
(Loss)/profit on ordinary activities before taxation	**(313)**	219
(Loss)/profit on ordinary activities before taxation multiplied by small companies corporation tax rate of 30%	**(94)**	66
Effect of:		
Surplus of depreciation compared to capital allowances	**46**	(30)
Tax deduction in respect of share options	**(413)**	—
Amortisation of goodwill	**345**	345
Other expenses not deductible	**38**	38
Loss carried forward to be offset against future taxable trading profits	**104**	189
Accumulated losses utilised in the year	**(29)**	(609)
Other differences	**3**	1
Current tax charge for the period	**—**	—

5 (Loss)/earnings per share

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

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

	2005	2004
(Loss)/profit on ordinary activities after tax (£'000)	**(313)**	1,943
Weighted average number of shares	**376,573,277**	358,342,580
Amount of (loss)/profit per share in pence	**(0.08p)**	0.54p

On a fully diluted basis the weighted average number of shares is 411,393,393 (2004: 389,699,303) and amount of loss per share is 0.08p. (2004: profit per share of 0.5p)

6 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 £954,000 (2004: £620,000).

7 Intangible fixed assets

Group	Purchased goodwill £'000
Cost	
At 1 January 2005	9,474
Additions	44
At 31 December 2005	**9,518**
Amortisation	
At 1 January 2005	2,512
Provided in year	1,149
At 31 December 2005	**3,661**
Net book value	
At 31 December 2005	**5,857**
At 31 December 2004	6,962

7 Intangible fixed assets (continued)

Company	Purchased goodwill £'000
Cost	
At 1 January 2005 and at 31 December 2005	**2,326**
Amortisation	
At 1 January 2005	1,661
Provided in year	441
At 31 December 2005	**2,102**
Net book value	
At 31 December 2005	**224**
At 31 December 2004	665

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 issue of 205,221,335 ordinary shares of 1p each. The goodwill arising on acquisition is amortised over its useful economic life which is ten years, the remainder of the goodwill is in respect of the acquisition of Webgravity in 2002 and is amortised over its useful economic life which is five years.

8 Tangible fixed assets

Group	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2005	284	877	61	1,222
Additions	17	437	—	454
Disposals	—	(320)	—	(320)
At 31 December 2005	**301**	**994**	**61**	**1,356**
Depreciation				
At 1 January 2005	65	652	7	724
Provided in year	57	215	20	292
Elimination on disposal	—	(307)	—	(307)
At 31 December 2005	**122**	**560**	**27**	**709**
Net book value				
At 31 December 2005	**179**	**434**	**34**	**647**
At 31 December 2004	219	225	54	498

8 Tangible fixed assets (continued)

Company	Fixtures, fittings and equipment £'000
Cost	
At 1 January 2005	—
Additions	16
At 31 December 2005	**16**
Depreciation	
At 1 January 2005	—
Provided in year	—
At 31 December 2005	**—**
Net book value	
At 31 December 2005	**16**
At 31 December 2004	—

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

Group	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Net book value				
At 31 December 2005	**—**	**—**	**34**	**34**
At 31 December 2004	—	—	54	54

9 Fixed asset investments

Company	Cost and net book value £'000
Subsidiary undertakings	
As at 1 January 2005	7,075
Additions	20
As at 31 December 2005	**7,095**

As at 31 December 2005 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	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
Zapa (Publishing) Ltd	England and Wales	Ordinary	100%	Dormant
IBNet (UK) Limited	England and Wales	Ordinary	100%	In members' voluntary liquidation
Webgravity Limited	England and Wales	Ordinary	100%	In members' voluntary liquidation
IBNet Limited	England and Wales	Ordinary	100%	In members' voluntary liquidation
Metatank Limited	England and Wales	Ordinary	100%	In members' voluntary liquidation
The Deal Group (Marketing) Limited	England and Wales	Ordinary	100%	In members' voluntary liquidation
Affiliate Marketing Limited	England and Wales	Ordinary	100%	In members' voluntary liquidation
Thedeal.net Limited	England and Wales	Ordinary	100%	In members' voluntary liquidation
E-Mortgages Limited	England and Wales	Ordinary	100%	In members' voluntary liquidation
Finance-Direct.com Limited	England and Wales	Ordinary	100%	In members' voluntary liquidation

10 Debtors

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Trade debtors	**3,638**	2,416	**—**	—
Amounts owed by Group undertakings	**—**	—	**297**	943
Deferred taxation (refer note 11)				
– Less than one year	**570**	—	**—**	—
– More than one year	**1,154**	1,724	**—**	—
Other debtors	**197**	81	**60**	—
Prepayments and accrued income	**591**	530	**25**	1
	6,150	4,751	**382**	944

11 Deferred taxation

A deferred tax asset of £1,724,000 recognised in 2004 remains unchanged at 31 December 2005. The asset represents the value of the unrelieved tax losses and excess capital allowances (see note 4) the benefit of which is expected to be realised in the foreseeable future.

12 Creditors

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Amounts falling due within one year				
Loan notes	**45**	45	**45**	45
Amounts owed to Group undertakings	**—**	—	**—**	6
Trade creditors	**2,599**	2,293	**—**	—
Corporation tax	**6**	50	**—**	—
Social security and other taxes	**445**	592	**—**	—
Other creditors	**1**	315	**—**	226
Accruals and deferred income	**1,211**	730	**7**	14
Amount due under hire purchase contracts	**10**	14	**—**	—
	4,317	4,039	**52**	291
Amounts falling due after more than one year				
Loan notes	**32**	77	**32**	77
Amounts due under hire purchase contracts	**33**	44	**—**	—
	65	121	**32**	77

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 and unsecured.

Subsequent to the acquisition, a loan note repayment schedule was approved by the Board to discharge this liability by monthly instalments by August 2007. During 2004 £500,000 of loan notes were converted into equity shares.

13 Share capital

	2005 £'000	2004 £'000
Authorised capital		
881,152,000 ordinary shares of 1p each	**8,812**	8,812
54,952,000 deferred shares of 24p each	**13,188**	13,188
	22,000	22,000
Allotted, called up and fully paid capital		
379,756,456 ordinary shares of 1p each	**3,798**	3,715

Allotments during the year

During the period the Company allotted the following ordinary shares:

	Number of shares	Issue price	Share capital £'000	Share premium £'000
New share issues	3,060,922	£0.012	31	8
	30,000	£0.025	—	1
	3,321,818	£0.036	33	85
	60,000	£0.038	1	2
	70,000	£0.051	1	3
	175,000	£0.065	2	10
	1,545,000	£0.066	15	87
	8,262,740		83	196

The market price of the ordinary shares at 31 December 2005 was 4.75p and the range during the year was 3.75p to 25.04p.

Directors' interests

The beneficial interests of the directors holding office at 31 December 2005 and 31 December 2004 in the shares of the Company are set out below:

	Ordinary shares of 1p each 2005	**2005 %**	Ordinary shares of 1p each 2004	2004 %
A Moss	**44,419,144**	**11.7%**	40,419,144	10.9%
A Dickson	**100,000**	**0.0%**	—	0.0%
D Lees	**5,511,456**	**1.5%**	5,511,456	1.5%
D Trigg	**60,000**	**0.0%**	—	0.0%
J Porter (see page 34)	**85,055,360**	**22.4%**	—	0.0%
K Lassman	**1,323,294**	**0.4%**	1,323,294	0.4%
Lord Stone of Blackheath	**150,000**	**0.0%**	—	0.0%

13 Share capital (continued)

John Porter has an indirect interest in the Group as he is a director and shareholder of i-spire Plc, a company which holds shares in Deal Group Media PLC. John Porter was appointed on 21 November 2005 and his indirect holding on appointment was 85,055,360 shares.

	Exercise price (pence)	Issue date	Held at 31 December 2004	Granted during year	Exercised during year	Expired, lapsed, cancelled	**Held at 31 December 2005**
Executive share options schemes							
A Moss	3.5650	Dec 02	2,400,000	—	—	—	**2,400,000**
	11.5000	Nov 04	15,000,000	—	—	—	**15,000,000**
A Dickson	11.3750	Nov 04	1,000,000	—	—	—	**1,000,000**
	20.4300	Apr 05	—	1,000,000	—	—	**1,000,000**
Lord Stone of Blackheath (non-executive)	19.7500	Jan 05	—	500,000	—	—	**500,000**
D Lees (non-executive)	6.7500	Feb 04	750,000	—	—	—	**750,000**
D Trigg (non-executive)	6.7500	Feb 04	750,000	—	—	—	**750,000**
K Lassman (non-executive)	6.7500	Feb 04	750,000	—	—	—	**750,000**
			20,650,000	1,500,000	—	—	**22,150,000**
Other staff	1.2468	Oct 03	3,910,710	—	(3,060,922)	(396,150)	**453,638**
	3.5650	Dec 03	6,000,000	—	(3,321,818)	(1,733,331)	**944,851**
	2.5000	Apr 04	60,000	—	(30,000)	(10,000)	**20,000**
	5.1000	Apr 04	30,000	60,000	(60,000)	—	**30,000**
	6.5000	Apr 04	825,000	—	(175,000)	(300,000)	**350,000**
	3.8000	Jul 04	100,000	—	(60,000)	—	**40,000**
	5.1000	Jul 04	30,000	—	(10,000)	(20,000)	**—**
	6.6300	Jul 04	3,120,000	—	(1,045,000)	(1,124,999)	**950,001**
	6.6300	Sep 04	3,150,000	—	(500,000)	(1,575,000)	**1,075,000**
	11.3750	Nov 04	750,000	—	—	(750,000)	**—**
	11.8750	Dec 04	150,000	—	—	(75,000)	**75,000**
	17.1250	Jan 05	—	400,000	—	(325,000)	**75,000**
	24.6250	Feb 05	—	325,000	—	(75,000)	**250,000**
	22.3750	Mar 05	—	1,275,000	—	(1,275,000)	**—**
	22.1250	May 05	—	225,000	—	(225,000)	**—**
	21.3750	Jun 05	—	75,000	—	(75,000)	**—**
	21.3750	Aug 05	—	1,050,000		(1,050,000)	**—**
	6.6875	Oct 05	—	4,350,000	—	(3,675,000)	**675,000**
	5.0000	Dec 05	—	5,400,000	—	—	**5,400,000**
			18,125,710	13,160,000	(8,262,740)	(12,684,480)	**10,338,490**

All staff (except directors) who were issued options between September 2004 and October 2005 were offered the option to have their options cancelled and reissued at 5p. 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.

14 Share premium account and reserves

Group	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2005	13,188	21,262	(28,177)	6,273
Retained loss for the year	—	—	(313)	(313)
Premium on allotment during the year	—	196	—	196
At 31 December 2005	**13,188**	**21,458**	**(28,490)**	**6,151**

Company	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2005	13,188	21,262	(29,848)	4,602
Retained loss for the year	—	—	(954)	(954)
Premium on allotment during the year	—	196	—	196
At 31 December 2005	**13,188**	**21,458**	**(30,802)**	**3,844**

15 Reconciliation of movement in shareholders' funds

	2005 £'000	2004 £'000
(Loss)/profit for the financial period	**(313)**	1,943
Issue of shares	**279**	787
Net increase in shareholders' funds	**(34)**	2,730
Shareholders' funds at beginning of year	**9,988**	7,258
Shareholders' funds at end of year	**9,954**	9,988

16 Capital commitments

There are no capital commitments in the Group at 31 December 2005 (2004: Nil).

17 Contingent liabilities

There are no contingent liabilities in the Group at 31 December 2005 (2004: Nil).

18 Leasing commitments

The following commitments under non-cancellable operating leases existed:

	Group		Company	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Leases which relate to land and buildings which expire:				
– Within one year	**24**	—	**—**	—
– After one year and within five years	**181**	210	**113**	113
Leases which relate to furniture and fittings which expire:				
– After one year and within five years	**53**	53	**53**	53
	258	263	**166**	166

19 Net cash flow from operating activities

	2005 £'000	2004 £'000
Operating (loss)/profit	**(349)**	219
Depreciation	**292**	283
Loss on disposals of fixed asset	**13**	28
Amortisation	**1,149**	1,149
Increase in debtors	**(1,399)**	(329)
Increase in creditors and provisions	**326**	100
Net cash flow from operating activities	**32**	1,450

20 Analysis of changes in net funds

	2004 £'000	Cash flow £'000	**2005 £'000**
Cash at bank and in hand	1,937	(255)	**1,682**
Debt	(122)	45	**(77)**
Finance leases	(58)	15	**(43)**
	1,757	(195)	**1,562**

21 Reconciliation of net cash flow to movement in net funds

	2005 £'000	2004 £'000
(Decrease)/increase in cash in the period	(255)	1,376
Cash inflow from debt and leasing financing	60	263
Change in net debt resulting from cash flows	(195)	1,639
Adjustment to loan notes	—	500
Inception of finance leases	—	(145)
Change in net funds during the year	(195)	1,994
Net funds/(debt) as at 1 January 2005	1,757	(237)
Net funds as at 31 December 2005	1,562	1,757

22 Related party transactions

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

A & E Everywhere Ltd

Lord Stone of Blackheath, non-executive director and shareholder, is a director and shareholder of A & E Everywhere Ltd. During the period the Group paid £22,917 (2004: £Nil) in respect of directors' fees for Lord Stone of Blackheath.

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 £16,667 (2004: £25,000) in respect of directors' fees for David Lees.

Howard Kennedy

Keith Lassman, non-executive director and shareholder, is a partner of Howard Kennedy Solicitors. During the period the Group paid £10,504 (2004: £13,846) in respect of legal services provided to the Group.

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 £Nil (2004: £159,743) in respect of purchase of online advertising space.

23 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.

24 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.

notice of annual general meeting

of Deal Group Media plc

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Deal Group Media plc will be held on 6 June 2006, 11.00am at Abchurch Communications, 100 Canon Street, London EC4N 6EU. The business of the Meeting will be as follows:

Resolutions

To consider and, if thought fit, pass the following resolutions 1-6 as ordinary resolutions, and resolution 7 as a special resolution:

1. To receive and adopt the Company's audited accounts for the period ended 31 December 2005, together with the report of the auditors and the directors thereon.
2. To re-elect John Porter as a director.
3. To re-elect Dominic Trigg as a director.
4. To re-elect Keith Lassman as a director.
5. 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.

6.1 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:

6.1.1 this authority shall (unless previously revoked, varied or renewed) expire five years from the date of this resolution, but shall be capable of renewal from time to time by the Company in general meeting for a further period not exceeding five years; and

6.1.2 this authority shall be limited to the allotment of relevant securities up to an aggregate nominal value of £5,013,955.

6.2 For the purpose of paragraph 6.1 above:

6.2.1 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

6.2.2 words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meaning herein.

6.3 The authority conferred by paragraph 6.1 above shall be in substitution for all previous authorities conferred upon the directors to allot relevant securities.

7.1 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 6 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:

7.1.1 shall be limited to:

7.1.1.1 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

7.1.1.2 the allotment (other than pursuant to paragraph 7.1.1.1 of this proviso) of equity securities up to an aggregate nominal amount of £5,013,955.

7.1.2 shall (unless previously revoked, varied or renewed) expire at the conclusion of the Annual General Meeting of the Company next following the passing of this resolution, and in any event on 15 months from this Annual General Meeting.

7.2 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.

7.3 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
24 April 2006

Notes:

(i) 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.

(ii) 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.

(iii) 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.

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dealgroupmedia plc

Unit 800 Highgate Studios
53–79 Highgate Road
London NW5 1TL

t: +44 (0)20 7691 1880
f: +44 (0)20 7691 1881
dealgroupmediaplc.com