dealgroupmedia plc

more performance more return

Interim Report

Six months ended
30 June 2004

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Contents

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Highlights

- **Business transformed by merger of The Deal Group and IBNet plc**
- **Combined turnover £6.55 million (£878,000 by former IBNet plc)***
- **Pre-tax profit £619,000 (before amortisation of goodwill)**
- **Pre-tax profit £45,000 (£646,000 loss by former IBNet plc)***
- **New blue chip clients being won**
- **Core business achieving record growth month on month**
- **An increasingly positive online marketing outlook**
- **Further progress anticipated in the second half of 2004**

(* Comparisons to IBNet plc period ended 30 September 2003)

Directors and advisers

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

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Broad Street
Reading
Berks
RG1 2BU

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EC2R 8PA

David Lees, Chairman

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

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 Group which has now become Deal Group Media plc and has developed the business as chief executive officer.

Nicky Iapino, Chief Operating Officer

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

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

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.

During the six months ended 30 June 2004, the Group continued its transformation into a fully integrated business.

The Group is now firmly focused on three key areas of online marketing which are aimed at delivering maximum return on investment for advertisers: performance based online marketing, online advertising and search engine marketing.

The former IBNet internet monitoring and intelligence service has been reviewed and the Board decided not to proceed with this product. The benefits of this decision will mean lower costs and an improved focus on our core online marketing offer.

Additional complementary channels are also in development and these will be expected to contribute in late Q4 2004/Q1 2005.

The Group has adopted a range of successful strategies. These include an increased focus on a better quality client base (mentioned in our Annual Report for the period to 31 December 2003), improved relationships with the UK's main media buying agencies and other key strategic partners, and an increased corporate and trade brand profile.

Results

With our first full six month period of combined operations included in the interim results, the full benefits of the acquisition of The Deal Group by IBNet are starting to be reflected in the Group's performance. Financial performance for the six months is very encouraging and reflects the speed with which the business has been successfully transformed following the merger.

In reporting these interim results, the Directors note that the two previous reported periods do not represent true comparisons for the Group as it now stands. The interim results for IBNet plc for the six months ended 30 September 2003 did not contain any contribution from Deal Group Media, and the results for the nine months ended 31 December 2003 only contained a contribution from Deal Group Media for just over two months.

Turnover for the six months ended 30 June 2004 was £6,555,000. Operating profit on ordinary activities after goodwill amortisation and depreciation was £47,000 and EBITDA for the period was £763,000. Profit before taxation was £45,000 and profit before taxation adjusted for amortisation of goodwill was £619,000. This financial performance reflects a significant change in the business, from IBNet's previous activities to the robust, new entity that is Deal Group Media plc.

Operational review

We are extremely pleased with the performance of the Group in this first significant period of trading for the combined entity. The proven strength of key management and highly driven sales and account management teams are delivering new clients and the results needed to retain them.

During the period, we have won business or further developed existing activities with clients including: AOL, Autotrader, American Express, BT, B&Q, Cancer Research, Comet, Coral, Dial-a-phone, easyjet, esure, Halifax, Interflora, John Lewis, Littlewoods, Ladbrokes, Lloyds TSB, Match, MBNA, MoreThan, Nestlé, phones 4U, Tiscali, Virgin Megastore, 888 and many more.

The business development strategy continues to target clients directly as well as a growing roster of agency partners that amongst others includes: Carat, I-level, initiative, phd media, Tribal DDB, Manning Gottlieb, Universal McCann and WWAV Rapp Collins. Agencies have emerged as clients in themselves and key partners in acquiring new advertisers. We look forward to further developing these and other agency relationships over the next six months.

Key growth sectors are: mobile telecommunications, broadband, financial and automotive, with further growth coming from gaming, travel and retail.

We continue to lead best practice within the industry by adopting a firm ethical stance on online marketing for our clients and their customers. Publisher quality is constantly monitored and we have developed our search engine marketing service to sit within guidelines set by Google and our other key search partners.

These initiatives will continue to provide a platform to build business for the Group over the second half of 2004.

Outlook

We anticipate that the second half of 2004 will continue to progress successfully. Turnover exceeded the £1 million a month landmark for the first time in 2004 and has consistently remained there. Month-on-month, the performance network channel is enjoying record growth. The online advertising channel is now establishing itself with regular repeat orders. Search remains a strong growth opportunity and the newly launched affinity channel shows early signs of success. Our key channels are growing and we anticipate they will continue to do so.

With nine months of the new business operating and significantly outperforming the previous entities, we have a solid base to continue delivering for our clients and shareholders. We can only repeat the sentiments of our 2003 Annual Report – we remain confident and excited about the Group's prospects.

There are also numerous positive indicators for the sector. Growth in online marketing continues to outpace other forms of marketing. A recent Institute of Practitioners in Advertising report highlighted 26% of companies confirming an upward revision in their online marketing budgets and that many favour online spend over classic media. According to AC Nielsen, search is the preferred method of finding an advertiser for 42% of internet users. The 2004 e-consultancy affiliate marketing report highlighted that leading retail websites receive up to 20% of their online sales from affiliate marketing and estimates of market size are at least double that of 2003. Continued growth in the adoption of broadband, currently at 18% in the UK compared to 28.5% penetration in the US, is expected to increase internet media consumption threefold. Last September's Mediapost survey rated online advertising first, as the most measurable media, generating the greatest return on investment.

Taking into account this all round growth, increased support from marketing decision makers and the positive consequences of broadband adoption, the outlook for online marketing grows ever more positive.

David Lees
Chairman
13 September 2004

Independent review report to Deal Group Media plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2004 which comprise the consolidated profit and loss account, balance sheet, cash flow statement and associated notes. We have read the other information contained in the interim report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the Company, in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the Company those matters we are required to state in a review 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, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority, which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

GRANT THORNTON UK LLP
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

	NOTES	6 months to 30 Jun '04 Unaudited £'000	9 months to 31 Dec '03 Audited £'000	6 months to 30 Sep '03 Unaudited £'000
TURNOVER		6,555	2,965	878
COST OF SALES		(3,821)	(2,038)	(393)
GROSS PROFIT		2,734	927	485
ADMINISTRATIVE EXPENSES				
- Amortisation of goodwill		(574)	(485)	(228)
- Depreciation of tangible fixed assets		(142)	(119)	(57)
- Other administrative expenses		(1,971)	(1,853)	(823)
		(2,687)	(2,457)	(1,108)
OPERATING PROFIT / (LOSS)		47	(1,530)	(623)
Exceptional items		-	(280)	-
Profit / (loss) after exceptional items		47	(1,810)	(623)
NET INTEREST		(2)	(22)	(23)
PROFIT / (LOSS) ON ORDINARY ACTIVITIES		45	(1,832)	(646)
TAXATION		-	-	-
TOTAL PROFIT / (LOSS) AFTER TAXATION FOR PERIOD		45	(1,832)	(646)
BASIC PROFIT / (LOSS) PER SHARE	2	0.01p	(1.15p)	(0.76p)

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

Consolidated balance sheet as at 30 June 2004

	As at 30 Jun '04 Unaudited £'000	As at 31 Dec '03 Audited £'000	As at 30 Sep '03 Unaudited £'000
FIXED ASSETS			
Intangible fixed assets	7,537	8,111	1,317
Tangible fixed assets	673	622	63
	8,210	8,733	1,380
CURRENT ASSETS			
Debtors	2,158	2,698	245
Cash at bank and in hand	590	561	-
	2,748	3,259	245
CURRENT LIABILITIES			
Creditors:			
- Amounts falling due within one year	(3,050)	(4,541)	(875)
Net current liabilities	(302)	(1,282)	(630)
Total assets less current liabilities	7,908	7,451	750
Creditors:			
- Amounts falling due after more than one year	(91)	(193)	(736)
Provision for liabilities and charges	-	-	(177)
	7,817	7,258	(163)
CAPITAL AND RESERVES			
Called up share capital	3,588	3,504	14,067
Capital redemption reserve	13,188	13,188	-
Share premium account	21,116	20,686	14,704
Profit and loss account	(30,075)	(30,120)	(28,934)
Shareholders' funds	7,817	7,258	(163)

Consolidated cash flow statement
for the six months ended 30 June 2004

	NOTES	6 months to 30 Jun '04 Unaudited £'000	9 months to 31 Dec '03 Audited £'000	6 months to 30 Sep '03 Unaudited £'000
Net cash inflow /(outflow) from operating activities	3	169	(817)	(222)
Return on investments and serving of finance				
Interest received		2	5	-
Interest paid		(4)	(25)	(23)
		(2)	(20)	(23)
Capital expenditure and financial investments				
Purchase of tangible fixed assets		(274)	(332)	(2)
Sale of current asset investment		78	84	84
		(196)	(248)	82
Acquisition				
Cash acquired on acquisition		-	169	-
Expenses paid in connection with acquisition		-	(342)	-
		-	(173)	-
Net cash outflow before financing		(29)	(1,258)	(163)
Financing				
Issue of ordinary share capital		35	1,750	-
Inception of finance lease		23	-	-
Capital element of finance lease rentals		-	(7)	(4)
Repayment of loan notes		-	(28)	-
		58	1,715	(4)
Increase/(decrease) in cash		29	457	(167)

1. BASIS OF PREPARATION

The six months to 30 June 2004 reflect the first accounting period with the combined operations following the acquisition of The Deal Group Limited.

The interim information for the six months ended 30 June 2004 and 30 September 2003 is unaudited and does not comprise statutory accounts. The comparative figures for the period ended 31 December 2003 are not statutory accounts but are extracted from the audited statutory accounts. The statutory accounts for the period ended 31 December 2003 have been filed with the Registrar of Companies. They received an unqualified audit report which did not contain a statement under Section 237(2) or 237(3) of the Companies Act 1985. The interim report should be read in conjunction with the statutory accounts for the period ended 31 December 2003. The interim figures have been prepared on the same basis and applying the same accounting policies as in prior periods.

2. PROFIT/(LOSS) PER SHARE

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

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

	6 months to 30 Jun '04 Unaudited	9 months to 31 Dec '03 Audited	6 months to 30 Sep '03 Unaudited
Profit/(loss) on ordinary activities (£'000)	45	(1,832)	(646)
Weighted average number of shares	355,301,512	159,517,300	84,952,000
Amount of profit/(loss) per share in pence	0.01	(1.15)	(0.76)

3. NET CASH FLOW FROM OPERATING ACTIVITES

	6 months to 30 Jun '04 Unaudited £'000	9 months to 31 Dec '03 Audited £'000	6 months to 30 Sep '03 Unaudited £'000
Operating profit/(loss)	47	(1,530)	(623)
Exceptional items	-	(280)	-
Depreciation	142	119	57
Amortisation	574	485	228
Loss on sale of fixed assets / current asset investment	3	42	23
(Increase) / decrease in debtors	540	(1,864)	23
(Decrease) / increase in creditors and provisions	(1,137)	2,211	70
Net cash flow from operating activities	169	(817)	(222)

4. COPIES OF THE INTERIM RESULTS

Copies of the Interim Results are being sent to shareholders and are available to the public from the Company's registered office at 19 Cavendish Square, London, W1A 2AW. Copies of the Interim Results can also be viewed online at www.dealgroupmediaplc.com

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Registered office: 19 Cavendish Square, London W1A 2AW. Company Registration 3904195

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Printed by Océ (UK) Ltd