dealgroupmedia plc

annual report and accounts 2004

Deal Group Media plc is an online marketing group that specialises in three core areas of online marketing through its operation 'dgm': advertising, search engine optimisation and affiliate marketing.

'dgm' provides services to more than 250 clients and has the ability to trace a consumer's activity online to a specific advertisement and therefore, regardless of the pricing model or product, dgm can report on the direct correlation between advertising spend and consumer take-up. This ability to measure results is highly attractive to advertisers who can choose a product and pricing model to match the level of risk they wish to take with their spend.

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.

dgm at a glance

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.

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.

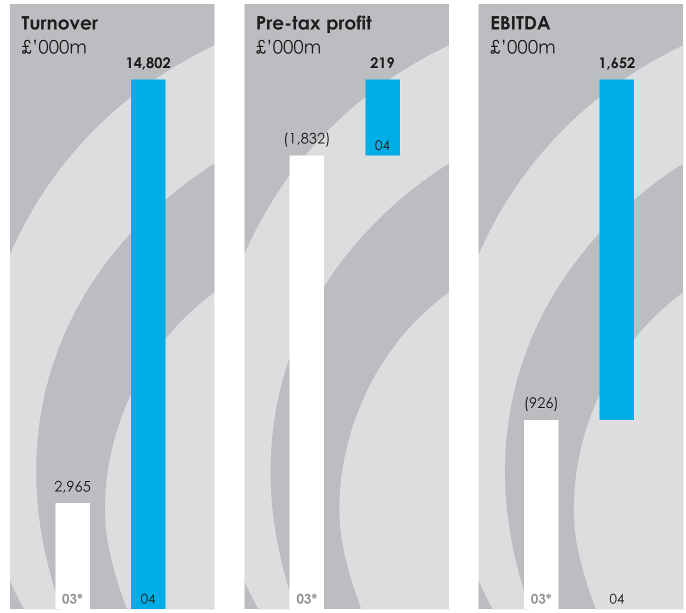
dgmSearchLab

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.

Turnover	Gross profit
£12,665,000	£4,600,000
86%	**80%**

Turnover	Gross profit
£1,150,000	£676,000
8%	**12%**

Turnover	Gross profit
£987,000	£481,000
6%	**8%**



*nine month period

highlights

- Pre-tax profit up to £219,000 as against a loss of £1,832,000 in 2003 (nine months only)
- Turnover increased to £14,802,000 (nine months in 2003: £2,965,000)
- EBITDA increased to £1,652,000 (nine months in 2003: loss £926,000)
- Diluted earnings per share up to 0.50p (2003: loss per share 1.15p)

chairman's statement: Deal Group Media plc has seen a complete transformation in the performance of the business since the reverse takeover of The Deal Group in October 2003.

Summary of the chairman's statement

- During 2004, the Group achieved an above-market growth rate with turnover increasing to £14,802,000
- The growth of the Group has been driven by an increase in online advertising spend and a focus on selling our range of products to our existing client base
- The Group is looking to diversify its portfolio of services through complementary acquisitions

Deal Group Media plc has seen a complete transformation in the performance of the business since the reverse takeover of The Deal Group in October 2003.

The Group has moved from being loss making to a profitable Group with three distinct products sold through the UK trading name 'dgm'.

During 2004, the Group achieved an above-market growth rate with turnover increasing to £14,802,000 (nine months in 2003: £2,965,000) that produced pre-tax profit of £219,000 (nine months in 2003: loss £1,832,000).

On an EBITDA basis, the Group generated £1,652,000 in 2004 (nine months in 2003: loss £926,000). The Group generated operating cash flow of £1,450,000 which led to an overall increase in cash during the year of £1,376,000.

Performance in the final quarter of 2004 when compared to that of 2003 on a like-for-like basis shows that turnover has increased 170% and the Group has moved from an operating loss of £662,000 to an operating profit of £965,000 for that period.

Key business drivers

The growth of the Group has been driven by a number of factors, both external and internal:

- There has been an increase in online advertising spend, which in the UK has been influenced by a combination of consumers' propensity to purchase goods online and broadband penetration.
- An internal focus on selling our range of products to our existing client base alongside a drive to acquire new clients. Our client base reflects closely what consumers are purchasing online, in particular, retail, travel, gaming, telecoms and financial products.

Strategy

The Board's aim is to continue to grow dgm above the industry average and we believe that we will be able to do this through a combination of approaches:

- Continuing to optimise the existing clients' return on online spending. Last year 67% of the Group's gross profit growth can be attributed to this approach.
- Winning new clients is a key part of the Group's continuing success. To ensure a regular pipeline of additional business, dgm tripled the size of its sales team in 2004 and is targeting blue-chip companies that are capable of delivering at a material gross profit level. This strategy is already proving to be a success.
- In addition, the Group is looking to diversify its portfolio of services through complementary acquisitions.

Management will continue to focus on the UK operations, although advantage will be taken of any acquisition opportunities in Europe.

→dgmPerformance is successful because it produces results; the network consistently delivers targeted reach and response for our advertisers.

William Hill is one of the world's leading betting companies and specialises in offering legal off-track wagering. The company was founded in 1934 and has over 65 years' experience of offering betting services. Currently, William Hill operates over 1,500 licensed betting offices in the UK. William Hill also has over 300,000 telephone clients worldwide, making it the world's largest telephone betting organisation. The company also boasts the fastest growing online gambling site of any UK based betting company.

The brief
William Hill is known as a high street betting shop. The company wanted to use online marketing to build awareness of its online presence and take advantage of the growing base of potential online customers. The extensive growth of internet use and constantly increasing size of the online gaming market meant William Hill needed to build and maintain market share in this hugely competitive environment.

The solution
A program was devised that would incentivise affiliates in the dgmPerformance network to heavily promote the William Hill brand, prominently display key offers and promotions and drive potential new customers to the William Hill site. The program was marketed to affiliates through the dgm newsletter and specific promotions where offered to key affiliates; the dgmPlatinumPublishers.

Results
- Over 3.2 million impressions delivered
- Over 240,500 clicks delivered
- Over 1,300 registrations

Results tracked over a three month period. (Source: dgmAdReports)

"Through dgm's extensive and high quality online network William Hill has been able to build and maintain its market share in a very competitive affiliate market. Both the quality of the account management and the resulting return on investment has been impressive. Through the tiered commission structure, dgm's online network is motivated to heavily promote our campaigns making Affiliate Marketing a very cost effective way to recruit new customers"

Nathan Hallam, Affiliate Marketing Manager, William Hill

→within the dgmAdNetwork there are now more than 200 websites which are reviewed and changed on an ongoing basis. This keeps the network fresh and means that we are always reaching new audiences.

The AA is primarily a motoring organisation. The company's core motoring business is to provide services that get customers from A to B. These include breakdown cover, insurance and other related products and services. The AA has also developed other service areas including loans, finance, holiday accommodation and overseas breakdown cover.

The brief

The AA is most closely associated with its breakdown and recovery services. The other products and services offered by the AA enjoy lower levels of awareness. This was typified by the fact that their UK breakdown service generates more sales than all the other products in their portfolio put together. There was a great opportunity to raise awareness of their other products and services to drive growth across the entire product range.

The solution

The performance network, supported by email marketing activity was used to drive the sale of the complete range of AA products. The network drove the acquisition of new customers – partner affiliates were recruited then provided with new copy and creative on a regular basis. Campaigns were then promoted via a weekly AA newsletter and individual e-shots. The strategy also targeted existing AA members.

Results

- 33,804,748 impressions
- 1,930,939 clicks
- 17,238 sales

Results tracked over a ten month period (Source: dgmAdReports)

"The AA.com has a very strong commitment to the development of its online business. We chose dgm to assist in our online affinity activity based on its experience, streamlined processes and the account management skills. The power of the AA brand demands only the most respected partners are ever chosen and dgm has certainly fulfilled its remit in terms of business development and marketing support. Growth for the AA.com has been spectacularly cost-efficient. dgm's online marketing services have proved their worth beyond all doubt. We set out to achieve the most for less without sacrificing the brand values and marketing focus – dgm has certainly helped us achieve that."

Ben Walton, Head of E-commerce Marketing: The AA

Any target company needs to have an immediate positive impact on the Group's earnings and a committed, experienced management team.

Board changes
In January 2005 I was appointed to the Board as non-executive Chairman. My appointment was announced at the same time as Andrew Dickson, who was appointed as Finance Director. I believe the appointment of a Finance Director is a sign of an evolving business and facilitates growth within an environment of strong financial governance. Additionally, it frees up the Chief Executive to focus on the strategic evolution of the Group in a rapidly changing sector.

David Lees stepped down as non-executive Chairman but remains on the board as a non-executive director, and I am pleased to have retained his knowledge of the business on the Board.

Review of operations
The Group has undergone a massive transformation at an operational level to reflect the increase in the size of the business and to provide a structure for the anticipated growth. Aside from the integration of The Deal Group into IBNet plc, the UK operations have been restructured, the product channels have been rebranded and the technical infrastructure has been upgraded.

Products
The rebranding of the UK operations as 'dgm' has coincided with the rebrand of the three distinct product channels: dgmPerformance, dgmAdNetwork, dgmSearchLab:

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.

Advertisers pay once a predetermined action has been completed by a consumer, such as the ordering of a brochure or the sale of a product. The fee paid for this cost-per-acquisition model is influenced by market forces and by how much an advertiser is willing to pay to generate a result.

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.

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Technology
In the last quarter of 2004, the Group invested approximately £300,000 into dgm in anticipation of future growth. Much of this was spent on enhancing dgm's online reporting systems that allows the user to track the success of their campaigns and to improve the robustness of our systems.

Such improvements are necessary to maintain a competitive advantage and provide a service that befits dgm's evolving blue-chip client base. The changes have allowed dgm to compete successfully for larger customers who have stringent procurement processes in place and require an extensive level of real time reporting and high availability of service.

People
As a young company we have an enthusiastic and talented team delivering for our clients. They are supported through training programmes to develop them to meet the future challenges and their goals are aligned through share options and bonus schemes.

The management of the Group has been strengthened by the appointment of Mark Hopwood as Chief Technical Officer, who has extensive experience in interactive marketing and best practice IT management having spent time with PwC Technology Consulting and WPP Group companies, and Jonathan Lines as Chief Marketing Officer, who was formerly sales and marketing Director at fish4 and the BBC's commercial web operation.

With these two key appointments, and our approach to developing our team, I feel that the Group is well placed to achieve its objectives.

Market
The online advertising market has been extremely buoyant in the last 12 months, currently accounting for 3.4% of total advertising spend (IAB H1 2004) and forecasters remain optimistic of further growth.

The growth is being fuelled by online consumer spending and broadband penetration. Online consumer spending is forecast to more than double from £28 billion in 2004 to £72 billion in 2007 (IMRG & Forester Research), whilst broadband penetration in the UK is expected to grow from 10.4% in 2004 to 42.3% in 2010 (The Future Foundation/ Technology Futures/Volterra 2004). This level of growth is also reflected in analyst estimates for UK online advertising spend which predicts that it will double by 2010 (PWC/Interactive Advertising Bureau/Keynote 2005).

The perception that online goods are more attractively priced than goods on the high street and the visibility between online advertising and consumer response is likely to make the online advertising industry more robust to economic pressures than other advertising channels.

Within this context and the highly positive market forecasts, the outlook for the Group remains strong.

Stone of Blackheath

Lord Stone of Blackheath
Chairman
24 March 2005

➔dgmSearchLab works with some of the UK's most recognisable, competitive and demanding brands. Our objective is to achieve the highest standards in natural and paid search to retain their business.

learndirect is the largest government supported e-learning network in the world. learndirect courses are available to individual adults looking to improve existing skills or learn new ones, and to employers looking to invest in their workforce. The courses fall into three main categories • Skills for Life (literacy, numeracy and ESOL) • Business and management • IT skills

The brief
learndirect had identified that it needed to generate greater awareness of its online learning resource. It needed to ensure that the widest possible audience understood what learndirect had to offer. Particular emphasis was put on acquiring new customers, as well as targeting the existing customer base with specific courses.

The solution
dgm SearchLab adopted a natural search engine optimisation strategy to deliver learndirect's objectives. The strategy used a seven point plan:

- Link popularity
- Code structure optimisation
- Code copy optimisation
- Visible copy optimisation
- Internal link architecture
- URL optimisation
- Pay-per-click management

Results

- Over 450,000 clicks delivered
- Over 1,200 orders delivered
- An increase of number one positions on search engines from 0 to 33 was achieved within three months. This volume of positions has been maintained.
- An increase of top ten position search engines from 0 to 119 was achieved after campaign initiation. This volume of positions has been maintained.

"dgm has proved to be highly responsive and proative in promoting the Learndirect brand online, providing considerable results in a relatively short period of time."

Dougal Scaife, Web Marketing Manager: Ufi/Learndirect

directors and advisors

Lord Stone of Blackheath
Chairman, aged 62

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.

Adrian Moss ACA
Chief Executive, aged 33

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 chief executive officer.

Andrew Dickson ACA
Finance Director, aged 33

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 4, returning the group to a £3.2 million profit in 2003.

Company Secretary
Keith Lassman

Registered office
19 Cavendish Square
London W1A 2AW

David Lees ACA
Non-executive director, aged 57

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). He is currently a director of Namesco Limited (a domain registration and hosting company), Rift Oil plc (Oil exploration in PNG), Triple Plate Junction plc (Gold exploration in Vietnam, PNG and Australia), Metis Biotechnologies plc (biotech in food testing), Network Estates Limited (Industrial Property) and The Accident Exchange plc (vehicle hire while car in accident repair).

Keith Lassman LLB, MSI
Non-executive director, aged 46

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 (whose shares are traded on AIM), deputy chairman of the EIS Association and a member of the Securities Institute.

Dominic Trigg
Non-executive director, aged 36

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.

Nominated advisers and brokers
Durlacher Limited
Moorgate Hall
155 Moorgate
London EC2M 6XB

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

Auditors
Grant Thornton UK LLP
London Thames Valley Office
Churchill House
Chalvey Road East
Slough SL1 2LS

Bankers
HSBC Bank plc
Broad Street
Reading RG1 2BU

Solicitors
Howard Kennedy
19 Cavendish Square
London W1A 2AW

Memery Crystal
31 Southampton Row
London WC1B 5HT

report of the directors

for the year ended 31 December 2004

The directors present their report together with financial statements for the year ended 31 December 2004.

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 2 to 7.

The profit for the financial period after taxation amounted to £1,943,000 (2003: loss of £1,832,000). 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 and have put Resolutions to allow this into the AGM agenda.

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 14.

In accordance with the terms of article 113.1 of the Company's Articles of Association, Lord Stone of Blackheath, David Lees and Andrew Dickson will retire and will offer themselves for re-election at the AGM.

Payment policy

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

Substantial shareholders

At 10 March 2005 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 14.

	Shareholding	%
I-Spire Corporation Limited	69,055,360	18.54%
JO Hambro Capital Management Limited	24,850,000	6.67%
Fidelity International Limited	18,591,388	4.99%

Directors' responsibilities for the financial statements

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

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable donations

The Group made charitable donations of £3,750 to Just Giving and JNF Charitable Trust.

Auditors

On 1 July 2004 the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under Section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004. 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
24 March 2005

corporate governance

for the year ended 31 December 2004

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 two 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 23. 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 Lord Stone of Blackheath. David Lees is the senior independent non-executive director. The Board members are described on pages 8 and 9. 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.

Lord Stone of Blackheath
Chairman
24 March 2005

report on remuneration

for the year ended 31 December 2004

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. 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)
Keith Lassman
Lord Stone of Blackheath

The members are independent non-executive directors. None of them have any personal financial interest in the matters to be decided (other than as shareholders, share option holders, and those disclosed in note 23 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 annually 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. Executive directors' fees were last reviewed in October 2004.

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 14 of the financial statements.

Details of directors' remuneration
This report should be read in conjunction with notes 2, 14 and 23 to the financial statements, which also form part of this report. Full details of all elements of the remuneration package of each director are given in note 2 to the financial statements. Details of directors' share interests are given in note 14 to the financial statements.

David Lees
Chairman of the
Remuneration Committee
24 March 2005

report of the independent auditors

to the members of Deal Group Media plc

We have audited the financial statements of Deal Group Media plc for the year ended 31 December 2004 which comprise the principal accounting policies, the profit and loss account, the balance sheets, the cash flow statement and notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 December 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London Thames Valley Office, Slough
24 March 2005

consolidated profit and loss account

for the year ended 31 December 2004

	notes	Year to 31 Dec 04 £'000	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000	Nine months to 31 Dec 03 £'000
Turnover	1				
– Continuing activities		14,802		1,097	
– Acquisition		—		1,868	
			14,802		2,965
Cost of sales			(9,045)		(2,038)
Gross profit			5,757		927
Administrative expenses					
– Amortisation of goodwill	8	(1,149)		(485)	
– Depreciation of tangible fixed assets	9	(283)		(119)	
– Other administrative expenses		(4,105)		(1,853)	
			(5,537)		(2,457)
Operating profit/(loss)					
– Continuing activities	1	220		(1,247)	
– Acquisition		—		(283)	
			220		(1,530)
Exceptional items	3		—		(280)
Profit/(loss) after exceptional items			220		(1,810)
Net interest	4		(1)		(22)
Profit/(loss) on ordinary activities			219		(1,832)
Taxation	5		1,724		—
Total profit/(loss) after taxation for the period			1,943		(1,832)
Basic earnings/(loss) per share	6		0.54p		(1.15p)
Fully diluted earnings/(loss) per share	6		0.50p		(1.15p)

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 2004

	notes	As at 31 Dec 04 £'000	As at 31 Dec 04 £'000	As at 31 Dec 03 £'000	As at 31 Dec 03 £'000
Fixed assets					
Intangible fixed assets	8		6,962		8,111
Tangible fixed assets	9		498		622
			7,460		8,733
Current assets					
Debtors	11	4,751		2,698	
Cash at bank and in hand		1,937		561	
		6,688		3,259	
Current liabilities					
Creditors:					
Amounts falling due within one year	13	(4,039)		(4,541)	
Net current assets/(liabilities)			2,649		(1,282)
Total assets less current liabilities			10,109		7,451
Creditors:					
Amounts falling due after more than one year	13		(121)		(193)
			9,988		7,258
Capital and reserves					
Called up share capital	14	3,715		3,504	
Capital redemption reserve	15	13,188		13,188	
Share premium account	15	21,262		20,686	
			38,165		37,378
Profit and loss account	15		(28,177)		(30,120)
Shareholders' funds	16		9,988		7,258

The financial statements were approved by the Board of directors and signed on their behalf on 24 March 2005.

Andrew Dickson
Director

company balance sheet

as at 31 December 2004

	notes	As at 31 Dec 04 £'000	As at 31 Dec 04 £'000	As at 31 Dec 03 £'000	As at 31 Dec 03 £'000
Fixed assets					
Intangible fixed assets	8		665		1,107
Fixed asset investments	10		7,075		7,075
			7,740		8,182
Current assets					
Debtors	11	944		809	
Cash at bank and in hand		1		254	
		945		1,063	
Current liabilities					
Creditors:					
Amounts falling due within one year	13	(291)		(970)	
Net current assets			654		93
Total assets less current liabilities			8,394		8,275
Creditors:					
Amounts falling due after more than one year	13		(77)		(125)
			8,317		8,150
Capital and reserves					
Called up share capital	14	3,715		3,504	
Capital redemption reserve	15	13,188		13,188	
Share premium account	15	21,262		20,686	
			38,165		37,378
Profit and loss account	15		(29,848)		(29,228)
Shareholders' funds			8,317		8,150

The financial statements were approved by the Board of directors and signed on their behalf on 24 March 2005.

Andrew Dickson
Director

consolidated cash flow statement

for the year ended 31 December 2004

	notes	Year to 31 Dec 04 £'000	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000	Nine months to 31 Dec 03 £'000
Net cash inflow/(outflow) from operating activities	20		**1,450**		(817)
Returns on investments and servicing of finance					
Interest received		**6**		5	
Interest paid		**(7)**		(25)	
			(1)		(20)
Corporation tax paid			**(56)**		—
Capital expenditure and financial investments					
Purchase of tangible fixed assets		**(240)**		(332)	
Sale of current asset investment		**—**		84	
Sale of tangible fixed assets		**199**		—	
			(41)		(248)
Acquisition					
Cash acquired on acquisition		**—**		169	
Expenses paid in connection with acquisition		**—**		(342)	
			—		(173)
Net cash inflow/(outflow) before financing			**1,352**		(1,258)
Financing					
Issue of ordinary share capital		**287**		1,750	
Capital element of finance lease rentals		**(169)**		(7)	
Repayment of loan notes		**(94)**		(28)	
			24		1,715
Increase in cash	21/22		**1,376**		457

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 financial statements have been prepared for the year ended 31 December 2004. Comparative figures were prepared for the nine month period ended 31 December 2003.

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.

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 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.

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 and Europe.

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

	Turnover Year to 31 Dec 04 £'000	Turnover Nine months to 31 Dec 03 £'000	Operating profit/(loss) Year to 31 Dec 04 £'000	Operating profit/(loss) Nine months to 31 Dec 03 £'000
United Kingdom	**13,422**	2,146	**368**	(1,145)
Overseas	**1,380**	819	**(148)**	(385)
	14,802	2,965	**220**	(1,530)

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:

	Year to 31 Dec 04 £'000	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000	Nine months to 31 Dec 03 £'000
Auditors' remuneration				
– Audit services	**33**		31	
– Non-audit services	**18**		20	
		51		51
Operating lease rentals				
– Land and buildings	**125**		70	
– Equipment	**29**		—	
		154		70
Depreciation and amortisation				
– Tangible fixed assets (owned)	**251**		110	
– Tangible fixed assets (held under hire purchase contracts)	**32**		9	
– Goodwill amortisation	**1,149**		485	
		1,432		604

2 Directors and employees

Staff costs during the year were as follows:

	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000
Wages	**2,734**	936
Social security costs	**294**	113
Pension costs	**25**	23
Payment for third party services	**79**	50
	3,132	1,122
Average number of employees (excluding directors)	**64**	40

Directors' emoluments

	Directors' salaries and fees		Other benefits and payments for director services		Pension contributions		Total	
	Year to Dec 04 £'000	Nine months to Dec 03 £'000	**Year to Dec 04 £'000**	Nine months to Dec 03 £'000	**Year to Dec 04 £'000**	Nine months to Dec 03 £'000	**Year to Dec 04 £'000**	Nine months to Dec 03 £'000
Executive directors								
A Moss (appointed 17 October 2003)	**125**	26	**—**	7	**6**	1	**131**	34
N Iapino (appointed 17 October 2003 and resigned 9 November 2004)	**144**	12	**—**	—	**—**	—	**144**	12
T Smallpeice (resigned 2 December 2003)	**—**	67	**—**	—	**—**	3	**—**	70
C Lister (appointed 26 June 2003 and resigned 17 October 2003)	**—**	20	**—**	—	**—**	1	**—**	21

2 Directors and employees (continued)

Directors' emoluments (continued)

	Directors' salaries and fees		Other benefits and payments for director services		Pension contributions		Total	
	Year to Dec 04 £'000	Nine months to Dec 03 £'000	**Year to Dec 04 £'000**	Nine months to Dec 03 £'000	**Year to Dec 04 £'000**	Nine months to Dec 03 £'000	**Year to Dec 04 £'000**	Nine months to Dec 03 £'000
Non-executive directors								
D Lees	**25**	15	**—**	—	**—**	—	**25**	15
M Bull (resigned 17 October 2003)	**—**	8	**—**	—	**—**	—	**—**	8
R Saul (resigned 17 October 2003)	**—**	8	**—**	—	**—**	—	**—**	8
K Lassman (appointed 17 October 2003)	**15**	3	**—**	—	**—**	—	**15**	3
D Trigg (appointed 17 October 2003)	**15**	3	**—**	—	**—**	—	**15**	3
D Heynes (deceased 20 July 2003)	**—**	12	**—**	—	**—**	—	**—**	12
	324	174	**—**	7	**6**	5	**330**	186

During the year one (2003: two) director participated in money purchase pension schemes.

On resignation N Iapino exercised share options resulting in a total gain of £112,000.

Lord Stone of Blackheath and Andrew Dickson were appointed to the Board on 26 January 2005.

3 Exceptional item

Following the acquisition of Dealgroupmedia (UK) Limited (formerly The Deal Group Limited) and the subsequent reorganisation of the business in the nine month period ended 31 December 2003, the Group was left with an onerous lease in respect of one its former premises. Full provision for future obligations under this lease was made resulting in an exceptional charge to the profit and loss account of £237,000. The remaining £43,000 is in respect of other reorganisation costs incurred.

4 Net interest

	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000
Interest payable and other similar charges	**(7)**	(27)
Interest receivable and other similar income	**6**	5
	(1)	(22)

5 Taxation

There are tax losses of approximately £5,747,000 (31 December 2003: £7,200,000) to carry forward and use against future profits of the same trades. These losses represent a potential deferred tax asset of approximately £1,724,000 (31 December 2003: £1,368,000) at a corporation tax rate of 30% (31 December 2003: 19%). This deferred tax asset has been recognised in the year (see note 12) resulting in a credit to the profit and loss account of £1,724,000.

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:

	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000
Profit/(loss) on ordinary activities before taxation	**219**	(1,832)
Profit/(loss) on ordinary activities before taxation multiplied by corporation tax rate of 30% (2003: 19%)	**66**	(348)
Effect of:		
Surplus of depreciation compared to capital allowances	**(30)**	32
Amortisation of goodwill	**345**	74
Other expenses not deductible	**38**	13
Loss carried forward to be offset against future taxable trading profits	**189**	229
Accumulated losses utilised in the year	**(609)**	—
Other differences	**1**	—
Current tax charge for the period	**—**	—

6 Earnings/(loss) per share

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

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

	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000
Profit/(loss) on ordinary activities after tax (£'000)	**1,943**	(1,832)
Weighted average number of shares	**358,342,580**	159,517,300
Amount of earnings/(loss) per share in pence	**0.54p**	(1.15p)

On a fully diluted basis the weighted average number of shares is 389,699,303 and amount of earnings per share is 0.5p.

7 Loss of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial period amounted to £620,000 (31 December 2003: £940,000).

8 Intangible fixed assets

Purchased goodwill	Cost £'000	Amortisation /impairment £'000	Net book value £'000
Group			
As at 1 January 2004	9,474	(1,363)	8,111
Charge for the year	—	(1,149)	(1,149)
As at 31 December 2004	**9,474**	**(2,512)**	**6,962**
Company			
As at 1 January 2004	2,326	(1,219)	1,107
Charge for the year	—	(442)	(442)
As at 31 December 2004	**2,326**	**(1,661)**	**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.

9 Tangible fixed assets

Group	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2004	244	758	102	1,104
Additions	40	130	215	385
Disposals	—	(11)	(256)	(267)
At 31 December 2004	**284**	**877**	**61**	**1,222**
Depreciation				
At 1 January 2004	11	447	24	482
Provided in year	54	207	22	283
Elimination on disposal	—	(2)	(39)	(41)
At 31 December 2004	**65**	**652**	**7**	**724**
Net book value				
At 31 December 2004	**219**	**225**	**54**	**498**
At 31 December 2003	233	311	78	622

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

	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
Net book value				
At 31 December 2004	**—**	**—**	**54**	**54**
At 31 December 2003	—	10	78	88

10 Fixed asset investments

Subsidiary undertaking	Cost £'000	Net book value £'000
Company		
As at 1 January 2004	7,075	7,075
As at 31 December 2004	7,075	7,075

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

As at 31 December 2004 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
IBNet (UK) Limited	England and Wales	Ordinary	100%	Dormant
Webgravity Limited	England and Wales	Ordinary	100%	Dormant
IBNet Limited	England and Wales	Ordinary	100%	Dormant
Metatank Limited	England and Wales	Ordinary	100%	Dormant
The Deal Group (Marketing) Limited	England and Wales	Ordinary	100%	Dormant holding company
Affiliate Marketing Limited	England and Wales	Ordinary	100%	Online marketing services
Thedeal.net Limited	England and Wales	Ordinary	100%	Online consumer focussed marketing services
E-Mortgages Limited	England and Wales	Ordinary	100%	Dormant
Finance-Direct.com Limited	England and Wales	Ordinary	100%	Dormant

11 Debtors

	Group As at 31 Dec 04 £'000	Group As at 31 Dec 03 £'000	**Company As at 31 Dec 04 £'000**	Company As at 31 Dec 03 £'000
Trade debtors	**2,416**	2,164	**—**	—
Amounts owed by group undertakings	**—**	—	**943**	799
Deferred taxation (note 12)	**1,724**	—	**—**	—
Other debtors	**81**	85	**—**	10
Prepayments and accrued income	**530**	449	**1**	—
	4,751	2,698	**944**	809

12 Deferred taxation

A deferred tax asset of £1,724,000 has been recognised at 31 December 2004 (2003: £Nil). This asset relates to trading losses of £5,747,000. The directors are of the opinion, based on recent and forecast trading, that the level of future taxable profits in the next two financial years will exceed the taxable losses carried forward at 31 December 2004.

13 Creditors

	Group As at 31 Dec 04 £'000	Group As at 31 Dec 03 £'000	**Company As at 31 Dec 04 £'000**	Company As at 31 Dec 03 £'000
Amounts falling due within one year				
Loan notes	**45**	591	**45**	591
Amounts owed to group undertakings	**—**	—	**6**	379
Trade creditors	**2,293**	1,032	**—**	—
Corporation tax	**50**	106	**—**	—
Social security and other taxes	**592**	316	**—**	—
Other creditors	**315**	1,285	**226**	—
Accruals and deferred income	**730**	1,197	**14**	—
Amount due under hire purchase contracts	**14**	14	**—**	—
	4,039	4,541	**291**	970
Amounts falling due after more than one year				
Loan notes	**77**	125	**77**	125
Amounts due under hire purchase contracts	**44**	68	**—**	—
	121	193	**77**	125

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 (see note 14).

14 Share capital

	As at 31 Dec 04 £'000	As at 31 Dec 03 £'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		
371,493,716 (2003: 350,358,086) ordinary shares of 1p each	**3,715**	3,504

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
Capitalisation of loan note (see note 13)	6,896,552	£0.073	69	431
Other share issues	9,524,078	£0.012	95	23
	300,000	£0.025	3	5
	4,225,000	£0.036	42	107
	20,000	£0.038	—	1
	90,000	£0.051	1	4
	80,000	£0.067	1	5
	21,135,630		211	576

The market price of the ordinary shares at 31 December 2004 was 14.12p and the range during the year was 4.00p to 14.25p.

Directors' interests

The beneficial interests of the directors holding office at 31 December 2004 and 31 December 2003 in the shares of the Company are set out below:

	Ordinary shares of 1p each 31 Dec 04	31 Dec 04 %	Ordinary shares of 1p each 31 Dec 03	31 Dec 03 %
A Moss	**40,419,144**	**10.88%**	40,419,144	12.0%
K Lassman	**1,323,294**	**0.36%**	1,323,294	0.4%
D Lees	**5,511,456**	**1.48%**	5,511,456	2.0%

14 Share capital (continued)

Directors' interests (continued)

Executive share options schemes	Exercise price (pence)	Issue date	Held at 31 Dec 03	Granted during year	Exercised during year	Expired, lapsed, cancelled	Held at 31 Dec 04
A Moss	3.5650	Dec 03	2,400,000	—	—	—	**2,400,000**
	11.5000	Nov 04	—	15,000,000	—	—	**15,000,000**
N Lapino	3.5650	Dec 03	2,400,000	—	(1,200,000)	(1,200,000)	**—**
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**
			4,800,000	17,250,000	(1,200,000)	(1,200,000)	**19,650,000**

Other staff	Exercise price (pence)	Issue date	Held at 31 Dec 03	Granted during year	Exercised during Year	Expired, lapsed, cancelled	Held at 31 Dec 04
	5.1000	Jul 02	450,000	—	—	(450,000)	**—**
	2.5000	Jul 03	310,000	—	—	(310,000)	**—**
	1.2468	Oct 03	13,434,788	—	(9,524,078)	—	**3,910,710**
	3.5650	Dec 03	9,100,000	—	(3,025,000)	(75,000)	**6,000,000**
	2.5000	Apr 04	—	360,000	(300,000)	—	**60,000**
	5.1000	Apr 04	—	150,000	(90,000)	(30,000)	**30,000**
	5.1000	Jul 04	—	30,000	—	—	**30,000**
	3.8000	Jul 04	—	120,000	(20,000)	—	**100,000**
	6.5000	Apr 04	—	825,000	—	—	**825,000**
	6.6300	Jul 04	—	3,200,000	(80,000)	—	**3,120,000**
	6.6300	Sep 04	—	3,150,000	—	—	**3,150,000**
	11.3750	Nov 04	—	1,750,000	—	—	**1,750,000**
	11.8750	Dec 04	—	150,000	—	—	**150,000**
			23,294,788	9,735,000	(13,039,078)	(865,000)	**19,125,710**

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.

15 Share premium accounts and reserves

Group	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2004	13,188	20,686	(30,120)	3,754
Retained profit for the year	—	—	1,943	1,943
Premium on allotments during the year	—	576	—	576
At 31 December 2004	**13,188**	**21,262**	**(28,177)**	**6,273**

Company	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2004	13,188	20,686	(29,228)	4,646
Retained loss for the year	—	—	(620)	(620)
Premium on allotment during the year	—	576	—	576
At 31 December 2004	**13,188**	**21,262**	**(29,848)**	**4,602**

16 Reconciliation of movement in shareholders' funds

	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000
Profit/(loss) for the financial period	**1,943**	(1,832)
Issue of shares	**787**	8,949
Share issue costs written off to share premium account	**—**	(342)
Net increase in shareholders' funds	**2,730**	6,775
Shareholders' funds at beginning of period	**7,258**	483
Shareholders' funds at end of period	**9,988**	7,258

17 Capital commitments

At 31 December 2004 and 31 December 2003 the Group had no capital commitments.

18 Contingent liabilities

There are no contingent liabilities in the Group at 31 December 2004 (2003: Nil).

19 Leasing commitments

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

	Group As at 31 Dec 04 £'000	Group As at 31 Dec 03 £'000	Company As at 31 Dec 04 £'000	Company As at 31 Dec 03 £'000
Leases which relate to land and buildings which expire:				
– After one year and within five years	**210**	118	**113**	—
Leases which relate to furniture and fittings which expire:				
– After one year and within five years	**53**	—	**53**	—
	263	118	**166**	—

20 Net cash flow from operating activities

	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000
Operating profit/(loss)	**220**	(1,530)
Exceptional items	**—**	(280)
Depreciation	**283**	119
Loss on sale of fixed assets	**27**	20
Loss on sale of investment	**—**	22
Amortisation	**1,149**	485
(Increase) in debtors	**(329)**	(1,864)
Increase in creditors and provisions	**100**	2,211
Net cash flow from operating activities	**1,450**	(817)

21 Analysis of changes in net (debt)/funds

	As at 31 Dec 03 £'000	Cash flow £'000	Non-cash items £'000	As at 31 Dec 04 £'000
Cash at bank and in hand	561	1,376	—	**1,937**
Loan notes	(716)	94	500	**(122)**
Finance leases	(82)	169	(145)	**(58)**
Net (debt)/funds	(237)	1,639	355	**1,757**

22 Reconciliation of net cash flow to movement in net funds/(debt)

	Year to 31 Dec 04 £'000	Nine months to 31 Dec 03 £'000
Increase in cash in the period	**1,376**	457
Cash inflow/(outflow) from debt and leasing financing	**263**	(35)
Change in net debt resulting from cash flows	**1,639**	422
Capitalisation of loan notes	**500**	35
Inception of finance leases	**(145)**	(75)
Change in net debt during the year	**1,994**	382
Net debt as at 1 January 2004	**(237)**	(619)
Net funds/(debt) as at 31 December 2004	**1,757**	(237)

23 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:

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 £25,000 (31 December 2003: £18,750) in respect of directors fees of David Lees.

An amount of £Nil (31 December 2003: £17,168) was due to D Squared Management Limited as at 31 December 2004.

Howard Kennedy

Keith Lassman, non-executive director and shareholder, is a partner of Howard Kennedy Solicitors. During the period the Group paid £13,846 (31 December 2003: £109,195) in respect of legal services provided to the Group.

An amount of £Nil (31 December 2003: £5,575) was due to Howard Kennedy as at 31 December 2004.

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 £159,743 (31 December 2003: £288,271) in respect of purchase of online advertising space.

An amount of £Nil (31 December 2003: £155,762) was due from Matrix Technology Networks SA as at 31 December 2004.

24 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.

25 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 agm

of Deal Group Media plc

Notice is hereby given that the Annual General Meeting (AGM) of Deal Group Media plc will be held on 1 June 2005, 10.00 am at Abchurch Communications Limited, 100 Cannon 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 Resolutions 7-9 as special resolutions:

1. To receive and adopt the Company's audited accounts for the period ended 31 December 2004, together with the report of the auditors and the directors thereon.
2. To re-elect Andrew Dickson as a director.
3. To re-elect Lord Stone as a non-executive director.
4. To re-elect David Lees as a non-executive director.
5. To re-appoint Grant Thornton LLP 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 £1,857,469.

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. That subject to the confirmation of the High Court of Justice in England and Wales, the sum standing to the credit of the Share Premium Account of the Company as at the date of this Resolution be cancelled.

8. That subject to the confirmation of the High Court of Justice in England and Wales, the amount standing to the credit of the capital redemption reserve of the Company as at the date of this Resolution be cancelled.

9.1 That in accordance with Section 95 of the Companies Act 1985, the directors be and are hereby given power to allot equity securities for cash pursuant to the general authority conferred upon the directors in Resolution 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:

9.1.1 shall be limited to:

9.1.1.1 the allotment of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares in the capital of the Company and other persons entitled to participate therein for cash in proportion (as nearly as may be) to the holdings of ordinary shares of such holders (or, as appropriate, to the numbers of ordinary shares which such other persons are for these purposes deemed to hold), subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body in any territory; and

9.1.1.2 the allotment (other than pursuant to paragraph 9.1.1.1 of this proviso) of equity securities up to an aggregate nominal amount of £565,105

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

9.2 The said power shall allow and enable the Company to make an offer or agreement before the expiry of that power which would or might require equity securities to be allotted after such expiry, and the directors may allot equity securities in pursuance of such an offer or such agreement notwithstanding the expiry of such power.

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

By order of the Board

Keith Lassman
Secretary
13 April 2005

notes to the notice of agm

of Deal Group Media plc

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.

form of proxy

I/We (note 8) ____________________
(block letters)
of ____________________

being a member/members of Deal Group Media plc ("the Company") hereby appoint the duly appointed Chairman of the Meeting or failing him (note 5)

____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 10.00 am on 1 June 2005, and at any adjournment thereof, in the manner specified below.

Resolutions	For	Against	Withheld
1. To receive and adopt the directors' report and accounts			
2. To re-elect Andrew Dickson as a director			
3. To re-elect Lord Stone as a non-executive director			
4. To re-elect David Lees as a non-executive director			
5. To re-appoint Grant Thornton LLP to hold office as auditors of the Company and authorise the directors to determine their remuneration			
6. To authorise the directors to allot shares (Section 80 Companies Act 1985)			
7. To approve the cancellation of the amount standing to the credit of the Company's Share Premium Account			
8. To approve the cancellation of the amount standing to the credit of the Company's Capital Redemption Reserve			
9. To authorise the directors to allot shares other than pro rata to shareholders. (Section 95 Companies Act 1985)			

Signature ____________________

Dated ____________________2005

Notes:

1. Please indicate by an 'X' in the space provided how you wish your votes to be cast. Without such directions the proxy will vote or abstain at his/her discretion.
2. In the case of a corporation, this form of proxy must be given under the common seal, or under the hand of an officer, attorney or other person duly authorised to sign it.
3. In the case of joint holders, the vote of the senior who tenders the vote will be accepted to the exclusion of all others, seniority being determined by the order in which names stand on the Register of Members.
4. To be valid, this form of proxy, duly executed, and the power of attorney or other authority (if any) under which it is executed or a certified copy of such power or authority must be received at the Company's Registrars, Capita IRG plc at PO Box 25, Beckenham, Kent BR3 4BR not later than 48 hours before the time appointed for the Meeting.
5. If a member wishes to appoint any other person to act as proxy, insert the name in the space provided and strike out all other appointees. The proxy need not be a member of the Company.
6. Completion of this form will not preclude you from attending and voting at the Meeting if you wish.
7. Any alteration to this form of proxy must be initialled.
8. Please insert your name and address.
9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic appointment service may do so for the AGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ("Crest Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent by the latest time for receipt of proxy appointments specified in the Notice of AGM and in Note 4 of this form of proxy. CREST members and, where applicable, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.

FOLD 2

BUSINESS REPLY SERVICE
Licence No. MB 122

1

Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent BR3 4BR

FOLD 1

FOLD 3 AND TUCK IN

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