dealgroupmedia plc

more performance more return

annual report and accounts 2007

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

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.

chairman's statement

Having been involved with this Group for several years it gives me pleasure, as recently appointed Non Executive Chairman, to present the financial results for 2007.

These are the first full year results reported under International Financial Reporting Standards ('IFRS') and after our sale of a controlling interest in the UK operations on 12 December 2007, the Group's overseas operations now represent our continuing business.

As the residual holding in the UK business is 49%, this operation has been classified as an associated undertaking, with the results attributed to the UK treated as discontinued operations for both 2007 and 2006.

The Board is very encouraged with progress in the continuing operations, which showed a 45% increase in sales to £9.4 million (2006: £6.5 million) along with a 30% increase in gross profit to £2.95 million (2006: £2.27 million).

The loss on continuing operations after tax of £6.9 million (2006: £3.8 million) is stated after accounting for a loss on disposal of a controlling interest in the UK business of £4.8 million (2006: £Nil). This loss on disposal is after the write off of £6.0 million of associated goodwill remaining from the 2003 purchase of the Deal Group Media plc ('DGM') UK business. This leaves the balance sheet with no goodwill moving forward.

The two key drivers of our 2007 business (continuing operations) were:

Continued growth in our Australian operation

The Australian operation saw continued growth with sales increasing by 49% to £8.5 million with a resultant improvement in segment contribution of 24% to £0.91 million.

This operation was launched in the second half of 2003 and produced a positive segment contribution for the first time in 2005 from sales of £1.5 million. Growth since then has been impressive and the team have developed a strong market presence and a relevant market offering.

The business model pursued has been further refined and stands as a solid blueprint for expansion of that business model elsewhere in the region, led by the same proven management.

The net impact of our Asia Pacific expansion strategy

At the beginning of 2007 the Group embarked on an Asia Pacific expansion on the back of its success in Australia. The net cost of that investment in 2007 was £0.71 million, 30% less than anticipated.

The expansion involved the launch of satellite operations in India and Singapore, along with the relocation of much of the holding Company team. The Group is pursuing three business models there, all of which are focused on different aspects of digital advertising and all are expected to show positive contribution within less than 12 months of their respective launches.

Capital raising

Within the year, trading in the UK combined with the funding requirements of the Asia Pacific business expansion led to a need to raise capital. In January and September 2007 the Group completed two separate fundraisings totalling £1.9 million.

Sale of a controlling 51% interest in the UK business

A continued decline in the performance of the UK operation in 2007 led the Board to consider the divestment of the UK operations to facilitate cash generation and strategic focus. The overall trading performance in the UK operation showed sales falling 28% to £11.6 million and a loss of £0.27 million for the year compared to a contribution to central overheads of £0.66 million in 2006.

In the second half of 2007, the Managing Director of that business along with our then Chairman, John Porter, tabled an offer for a controlling interest in the UK operation. This was accepted and the transaction was completed at the end of the year.

The sale of a 51% interest in the Group's UK operation to a management team has been positive for the residual business:

- cash raised of £1.5 million;
- undiluted focus in the Asia Pacific region;
- retained 49% interest in the UK operation with upside exposure and mitigated risk; and
- immediate material reduction in the Group's technical and central cost base.

The Group has an ongoing relationship with the UK operation, with the Group providing accounting services to the UK business and the UK business supplying technology maintenance services under contract for the Group's core technology products.

Board changes

Following the sale of the majority stake in the UK business, it was decided that the requirement for UK based Board Directors was reduced. Accordingly, John Porter, Lord Stone of Blackheath, Paul Alexander and Martin Chalmers stepped down from the Board. The Group now has a Board that is more appropriate to the size, nature and location of the continuing business.

Since the year-end, the Non Executive Directors agreed to forego part of their salary in return for options in order to align the Board with the Group's strategy and objectives to deliver long-term growth.

chairman's statement continued

Outlook

The Group is encouraged by the trading in the first quarter of 2008. Asia represents 39% of global internet usage or approximately 511 million users out of a 1.4 billion worldwide internet population (source: Internetworldstats.com). Despite the early stage of evolution for online advertising the Board feels that the opportunities in the Asia Pacific region are considerable.

As a result, in the last year the Group has forged relationships with key partners and has won contracts with significant brand names such as Barclays, Deutsche Bank, Citibank, Travel Guru, Jetstar, Panasonic, Dulux and Dyson. This has led the business to create satellite operations in regions where there is an immediate demand for our services.

This, combined with the Group's lower cost base following the transaction mentioned earlier, provides an efficient platform for future growth in the Asia Pacific region.

David Lees
Chairman
17 April 2008

directors

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

Adrian Moss, ACA
Chief Executive
Adrian qualified as a chartered accountant with Price Waterhouse in 1996. After working in corporate finance at Price Waterhouse he became head of strategy and securitisation for I-Group Limited and was responsible for group budgeting, negotiating funding lines and managing the securitisation of mortgage receivables. In 1999 he founded The Deal Group Limited, now known as dealgroupmedia (UK) Limited and has been Chief Executive Officer of Deal Group Media plc since December 2006.

Dominic Trigg
Non Executive Director
Dominic was formerly Vice President of Search and Directories for Infospace Europe. He has a strong background in online and traditional media advertising. Previous roles include Director of advertising operations for Yahoo! Europe and advertising director for Microsoft's MSN UK, Hotmail UK and Expedia as well as advertising manager for BT's Internet portfolio. During 2001 he took a foray into Digital TV as media director at Music Choice Europe Plc, returning to web and Yahoo! in 2003. Previous to his online career he held roles as advertising manager to Gruner & Jahr's Focus magazine and BBC Worldwide magazine.

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

corporate governance

for the year ended 31 December 2007

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 and meets regularly. 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 one Executive Director, who holds a key operational position in the Company and three Non Executive Directors, who bring a breadth of experience and knowledge. This provides a balance whereby an individual or small group cannot dominate the Board's decision making. Certain Non Executive Directors have interests in shares of the Company and all the Non Executive Directors hold share options, as set out in note 5. The Non Executive Directors have each considered their independence in light of the above interests and other business relationships as laid out in note 19. 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.

The Chairman of the Board is David Lees. The Board members are described on page 5. 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 investors and they are encouraged to participate. The Chairman of the Audit and Remuneration Committees is available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution after it has been dealt with by a show of hands.

Accountability and audit

The Board presents a balanced and understandable assessment of the Group's position and prospects in all interim and price sensitive reports and reports to regulators, as well as in the information required to be presented by statutory requirements.

The Audit Committee meets as required and comprises David Lees (Chairman) and Keith Lassman both of whom are 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 auditor. This includes reviewing the nature and extent of non-audit services supplied by the external auditor 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 regular 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 auditor review the control procedures to the extent necessary for expressing their audit opinion, and report on any weakness arising during the course of their audit work. The Board has reviewed the operation and effectiveness of the Group's system of internal financial control for the financial period and for the period up to the date of the approval of these financial statements.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

David Lees
Chairman
17 April 2008

report on remuneration

for the year ended 31 December 2007

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 Director service contract 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

David Lees and Keith Lassman are Independent Non Executive Directors. Neither of them have any personal financial interest in the matters to be decided (other than as shareholders, share option holders, and those disclosed in note 19 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; and

iv. pension contributions.

Fees

The Executive Director's basic salary is reviewed by the Committee. In deciding upon appropriate levels of remuneration, the Committee believes that the Group should offer average levels of base pay reflecting individual responsibilities compared to similar jobs in comparable companies, as well as internal factors such as performance.

Annual bonus payments

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

Pensions

All pension entitlements for the Directors are disclosed in note 5.

Non executive directors

The Board as a whole, within the limits set out in the Articles of Association, determines the remuneration of the Non Executive Directors. Share options were granted to the Non Executive Directors in February 2004. Non Executive Directors do not have contracts of service but letters of appointment.

Share options incentives

The interests of Directors in the Company's share options are detailed in note 5 of the financial statements.

Details of directors' remuneration

This report should be read in conjunction with notes 5 and 19 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 5 to the financial statements, together with details of Directors' share interests.

David Lees
Chairman of the Remuneration Committee
17 April 2008

report of the directors
for the year ended 31 December 2007

The Directors present their report together with financial statements for the year ended 31 December 2007.

Principal activity
The Group is principally engaged in the provision of online marketing services.

Business review
A review of the business during the period and an indication of likely future developments may be found in the chairman's statement.

On 12 December 2007 the Group sold a 51% share of dealgroupmedia (UK) Limited to ISCO Technical Services Limited (a related party) for a consideration of £1.5 million. Further details of the sale are set out in the chairman's statement.

The loss for the financial year after taxation amounted to £7,135,000 (2006: £3,157,000). 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.

Key performance indicators ('KPIs')
The Directors consider revenue, gross profit and profit before tax as key performance indicators ('KPIs') in measuring Group performance. Staff turnover and client retention are examples of non-financial KPIs considered important to the Directors.

Performance against financial KPIs is discussed in the chairman's statement. Performance against non-financial KPIs is not disclosed as the Directors consider this commercially sensitive.

Key trading risks and uncertainties
The Directors consider the loss of key clients as a key trading risk. Uncertainty exists in the performance of the start up operations in Asia Pacific.

Directors
The Directors of the Company and their interests in the shares of the Company at the start of the year or when appointed and at the end of the year or on resignation are set out in note 5.

In accordance with the terms of the Company's Articles of Association, Keith Lassman will retire and will offer himself for re-election at the AGM.

Payment policy
It is the Group's policy to agree the terms of payment with each supplier. Trade creditors at the year-end amount to 60 days' (2006: 57 days') average supplies for the period. The Company's policy is also to agree the terms of payment with each supplier.

Research and development
During the year the Group capitalised development costs of £386,000, this related to the development of the Group's bespoke software dgmPro and dgmIntegra.

Financial risk management objectives and policies
The Directors constantly monitor the financial risks and uncertainties facing the Group with particular reference to the exposure to price, credit, liquidity and cash flow risk. They are confident that suitable policies are in place and that all material financial risks have been considered. More detail is given in note 18 to the financial statements.

Substantial shareholders
At 27 March 2008 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 5.

	Shareholding	%
I-Spire Corporation Limited	103,237,178	23.22
Hambro Capital Management	57,235,000	12.87
William De Broë	40,257,582	9.05

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') and Company financial statements under United Kingdom Accounting Standards ('UK GAAP'). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period.

In preparing these 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 IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Website

A copy of the financial statements is placed on the Company's website. The maintenance and integrity of the website is the responsibility of the Directors and the work carried out by the auditor does not involve consideration of those matters. Accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Auditor

Grant Thornton UK LLP offer themselves for re-appointment as auditor in accordance with Section 385 of the Companies Act 1985.

On behalf of the Board

Adrian Moss
Chief Executive
17 April 2008

report of the independent auditor

to the members of deal group media plc

We have audited the consolidated financial statements of Deal Group Media plc for the year ended 31 December 2007 which comprise the principal accounting policies, the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and notes 1 to 23. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Deal Group Media plc for the year ended 31 December 2007.

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 auditor's 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 auditor

The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with United Kingdom law and International Financial Reporting Standards ('IFRS') as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements. The information in the report of the directors includes that specific information presented in the chairman's statement that is cross referenced from the report of the directors.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

Basis of audit opinion continued

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 Group 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 Group financial statements.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London Thames Valley Office
Slough SL1 2LS
17 April 2008

accounting policies (consolidated financial statements)
for the year ended 31 December 2007

1a Presentation of financial statements
These consolidated financial statements have been prepared for the first time in accordance with the requirements of IFRS as adopted by the European Union and as developed and published by the International Accounting Standards Board and under the historic cost convention.

The Group's consolidated financial statements were prepared in accordance with UK GAAP until 31 December 2006. The transition date to IFRS was 1 January 2006. The comparative figures in respect of 2006 have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in note 23.

Separate financial statements of the parent Company have been prepared as the parent Company's financial statements have been prepared in accordance with UK GAAP.

Going concern
The Directors have undertaken a detailed review of the Group's trading budgets, cash flow forecasts and available financial facilities in order to ensure that the preparation of the financial statements on the going concern basis is appropriate.

The Directors consider the forecasts to have been prepared on a reasonable basis representing management's best estimates of the Group's trading and cash flows. The Directors further note that management information for the first two months of 2008 indicate that the Group is, to date, performing in line with forecast.

Based on their review of the forecasts, the Directors have assessed that the Group has, with a reasonable degree of headroom, access to sufficient financial facilities to enable it to continue trading and to meet its liabilities as they fall due for the foreseeable future. On this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis, and have done so.

Accounting estimates and judgements
Significant accounting estimates and judgements used by the Group in applying its accounting policies are detailed in note 22.

1b New significant standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

IFRS 8 – Operating segments (effective for accounting periods beginning on or after 1 January 2009).

IFRS 8 – Introduces the 'management approach' to segment reporting. This standard will require disclosure of segment information based on internal reports regularly reviewed by the Group's Board in order to assess each segment's performance and to allocate resources to them. This standard is concerned only with disclosure and replaces IAS 14 Segment reporting.

IAS 1 – Presentation of financial statements (revised 2007).

This standard is applicable for accounting periods beginning on or after 1 January 2009. The main changes triggered by this standard result in a separate presentation of changes in equity that arise from transactions with owners in their capacity as owners from other changes in equity. The amended version of this standard also changes the terminology and presentation of the primary financial statements.

Other standards which will become effective in future periods, but which are not materially expected to impact on the Group are:

- Revised IAS 23 – Borrowing Costs;
- IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions;
- IFRIC 12 – Service Concession Agreements;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- IFRS 3 – Business Combinations (revised 2008);
- IAS 27 – Consolidated and Separate Financial Statements (revised 2008); and
- Amendment to IFRS 2 Share-Based Vesting Conditions and Cancellations.

1c Summary of significant accounting policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below:

Consolidation

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, in accordance with IFRS 3. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Subsidiaries are consolidated from the date control passes, until such time as control ceases.

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 January 2006. Accordingly the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRS, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS, unless IFRS requires fair value measurement. Deferred tax and minority interest are adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

Where a part disposal of a subsidiary results in that entity subsequently being treated as an associate, cost is deemed to be the Group's share of net assets at the date of partial disposal.

Associates

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recorded at cost. Where a part disposal of a subsidiary results in that entity subsequently being treated as an associate, cost is deemed to be the Group's share of net assets at the date of partial disposal.

The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Revenue

All revenue relates to the rendering of services. Revenue is measured by reference to the fair value of consideration received or receivable by the Group for services provided, excluding VAT (or overseas equivalents) and trade discounts. Revenue is recognised when the provision of services is complete, the amount of revenue can be reliably estimated and it is probable that the economic benefits associated with the transaction will flow to the entity.

On occasions, revenue for services is invoiced in advance of the services being provided. In such cases revenue is deferred and subsequently recognised on completion in accordance with the criteria set out above.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units where possible for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to provide benefit from the business combination in which the goodwill arose.

accounting policies (consolidated financial statements) continued

for the year ended 31 December 2007

1c Summary of significant accounting policies continued

Impairment

The Group's goodwill is tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value reflecting market conditions less costs to sell, and the value in use based on internal discounted cash flow evaluation. Impairment losses recognised are credited to the carrying amount of goodwill. If at the balance sheet date there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

Software development

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the Group intends to complete the intangible asset and use or sell it;
- the Group has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself or, if it is to be used internally, the asset will be used in generating such benefits;
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting the criteria for capitalisation and all research costs are expensed as incurred.

Property, plant and equipment

Depreciation is calculated to write down the purchase cost of all property, plant and equipment to residual value over their expected economic useful lives. Residual values are assessed annually.

The periods generally applicable are:

Leasehold improvements	– 20% per annum
Computer equipment	– 33% – 50% per annum
Fixtures and fittings	– 25% per annum
Motor vehicles	– 25% – 33% per annum

Employee benefits

Pensions

The Group pays contributions to a defined contribution plan. The pension costs charged against profits represents the amount of the contributions payable to the scheme in respect of the accounting period.

Share-based payments

Share-based payments that are within the scope of IFRS 2 Share-based payment have been recognised in the financial statements in accordance with that standard.

1c Summary of significant accounting policies continued

Employee benefits continued

Share-based payments continued

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to equity.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

Fair values of share options/awards, measured at the date of the grant of the option/award, are calculated using a binomial model methodology.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

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 income statement over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight-line basis over the lease term.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual terms of the instrument.

accounting policies (consolidated financial statements) continued

for the year ended 31 December 2007

1c Summary of significant accounting policies continued

Financial instruments continued

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and changes to debtor payment patterns are considered indicators that the trade receivable may be impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade payables

Trade payables are not interest bearing and are stated at their fair value on initial recognition. They are then accounted for using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks that are readily convertible into known amounts of cash and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct costs.

Equity

Equity comprises the following:

Share capital	– represents the nominal value of equity shares
Share premium	– represents the excess over the nominal value of the fair value of consideration for shares issued
Retained earnings	– represents the accumulated retained profits
Share-based payment reserve	– represents the cumulative charges for Share-based payments
Translation reserve	– represents the cumulative foreign exchange differences on translating subsidiaries

Foreign currencies

The presentational currency is sterling. The parent Company's functional currency is sterling. The functional currencies of significant subsidiaries and associated undertakings are sterling, Australian dollar and Singapore dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value is determined. Gains and losses arising on retranslation are included in net profit or loss for the year, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of. Exemptions available in IFRS 1 have been used, as set out in note 23.

1c Summary of significant accounting policies continued

Segmental reporting

A business segment is a Group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

The Group has identified UK, Australia, Asia Pacific and the Rest of the World as the geographical segments which they operate in. The Directors consider the Group's operations to be a single business segment.

Discontinued operations

A discontinued operation is a cash-generating unit that either has been disposed of, or is classified as held for sale and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- a subsidiary acquired exclusively with a view to resale.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the balance sheet date.

consolidated income statement

for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Continuing operations			
Revenue	1	**9,432**	6,508
Cost of sales		**(6,487)**	(4,242)
Gross profit		**2,945**	2,266
Administrative expenses			
– amortisation		**(293)**	(202)
– depreciation		**(23)**	(53)
– share-based payments		**(177)**	(298)
– other administrative expenses		**(4,598)**	(3,728)
		(5,091)	(4,281)
Loss from operations	2	**(2,146)**	(2,015)
Interest received		**16**	8
Interest payable		**(4)**	(2)
Share of/(loss) of associates	11	**(10)**	—
Loss on disposal of subsidiary	9	**(4,804)**	—
Loss before tax		**(6,948)**	(2,009)
Income tax	6	**81**	(1,806)
Total loss after taxation from continuing operations	3	**(6,867)**	(3,815)
Discontinued operations			
Loss after tax from discounted operations	3	**(268)**	658
Total loss		**(7,135)**	(3,157)
Earnings per share			
Basic and diluted loss per share	7	**(1.69p)**	(0.83p)
Basic and diluted loss per share from continuing operations	7	**(1.63p)**	(1.00p)
Basic and diluted loss per share from continuing operations	7	**(0.06p)**	(0.17p)

consolidated balance sheet

as at 31 December 2007

	Notes	2007 £'000	2006 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**234**	503
Goodwill	8	**—**	6,003
Other intangible assets	10	**678**	627
Investment in associates	11	**478**	—
Deferred tax		**3**	—
Available for sale financial assets		**—**	152
		1,393	7,285
Current assets			
Trade and other receivables	13	**3,163**	4,962
Cash and cash equivalents		**670**	584
		3,833	5,546
Total assets		**5,226**	12,831
Equity and liabilities			
Equity			
Called up share capital	15	**4,537**	3,816
Capital redemption reserve		**13,188**	13,188
Share-based payment reserve	16	**704**	527
Share premium account		**22,683**	21,505
Translation reserve		**54**	(18)
Retained earnings		**(38,823)**	(31,688)
Total equity		**2,343**	7,330
Current liabilities			
Trade and other payables	14	**2,883**	5,419
Corporation tax		**—**	82
Total liabilities		**2,883**	5,501
Total equity and liabilities		**5,226**	12,831

These financial statements were approved by the Board, authorised for issue and signed on their behalf on 17 April 2008 by:

Adrian Moss
Director

consolidated cash flow statement

for the year ended 31 December 2007

	2007 £'000	2006 £'000
Operating activities		
Loss after tax	**(7,135)**	(3,157)
Depreciation	**320**	344
Amortisation	**293**	145
Share-based payment	**177**	298
Loss on sale of property, plant and equipment	**—**	44
Decrease/(increase) in receivables	**32**	(538)
(Decrease)/increase in payables	**(938)**	973
Foreign exchange differences	**72**	—
Finance income	**(7)**	(16)
Share of loss from associated undertakings	**10**	—
Loss on disposal of subsidiary	**4,804**	—
Tax (credit)/charge	**(81)**	1,803
Net cash outflow from operations	**(2,453)**	(104)
Investing activities		
Purchase of property, plant and equipment	**(118)**	(396)
Purchase of shares in associated undertakings	**(42)**	(119)
Sale of current asset investment	**—**	32
Consideration for disposal of subsidiary (net of cash disposed)	**924**	—
Disposal of subsidiary net assets	**268**	—
Purchase of intangible assets	**(399)**	(642)
Interest received	**21**	27
Net cash generated/(used) in investing activities	**654**	(1,098)
Net cash outflow before financing activities	**(1,799)**	(1,202)
Financing activities		
Issue of ordinary share capital	**1,899**	203
Interest paid	**(14)**	(11)
Capital element of finance lease payments	**—**	(43)
Repayment of loan notes	**—**	(45)
Net cash generated from financing activities	**1,885**	104
Net increase/(decrease) in cash and cash equivalents	**86**	(1,098)
Cash and cash equivalents at start of period	**584**	1,682
Cash and cash equivalents at end of period	**670**	584

consolidated statement of changes in equity

for the year ended 31 December 2007

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share-based payment reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2006	3,798	21,458	13,188	229	—	(28,531)	10,142
Exchange difference on translation of foreign operations	—	—	—	—	(18)	—	(18)
Net income recognised directly in equity	—	—	—	—	(18)	—	(18)
Retained loss for the year	—	—	—	—	—	(3,157)	(3,157)
Total recognised (expense)/income for the year	—	—	—	—	(18)	(3,157)	(3,175)
Share option grants	—	—	—	298	—	—	298
Shares issued in the year	18	47	—	—	—	—	65
As at 31 December 2006	3,816	21,505	13,188	527	(18)	(31,688)	7,330
Exchange difference on translation of foreign operations	—	—	—	—	72	—	72
Net income recognised directly in equity	—	—	—	—	72	—	72
Retained loss for year	—	—	—	—	—	(7,135)	(7,135)
Total recognised (expense)/income for the year	—	—	—	—	72	(7,135)	(7,063)
Share option grants	—	—	—	177	—	—	177
Shares issued in the year	721	1,178	—	—	—	—	1,899
As at 31 December 2007	**4,537**	**22,683**	**13,188**	**704**	**54**	**(38,823)**	**2,343**

notes to the consolidated financial statements

for the year ended 31 December 2007

1 Revenue and segmental information

All revenue relates to the supply of online marketing services. The Directors regard this as a single class of business.

Geographical segments have been identified as UK, Australia, Asia Pacific and Rest of the World.

The 'Central and plc' segment is not allocated to geographical segments as it is represented by the costs of the Company and central overheads. This cannot be specifically allocated to provide meaningful comparison so is deemed by Directors to constitute a separate segment for reporting purposes.

Year to 31 December 2007	**Australia £'000**	**Asia Pacific £'000**	**Rest of World £'000**	**Central and plc £'000**	**Total £'000**	**UK (Discontinued)**	**UK Associates £'000**
External sales	**8,489**	**139**	**804**	**—**	**9,432**	**11,639**	**336**
Segment result*	**914**	**(709)**	**(90)**	**(6,982)**	**(6,867)**	**(268)**	**(96)**
Segment assets	**2,615**	**393**	**385**	**1,833**	**5,226**	**2,281**	**196**
Segment liabilities	**1,587**	**211**	**588**	**407**	**2,883**	**1,757**	**147**
Capital expenditure	**25**	**70**	**—**	**—**	**95**	**23**	**30**
Additions to other intangibles	**—**	**—**	**—**	**399**	**399**	**—**	**—**
Depreciation and amortisation	**27**	**7**	**45**	**237**	**316**	**297**	**10**

Year to 31 December 2006	Australia £'000	Asia Pacific £'000	Rest of World £'000	Central and plc £'000	Total £'000	UK (Discontinued)	UK Associates £'000
External sales	5,741	—	767	—	6,508	16,159	—
Segment result	735	—	48	(4,598)	(3,815)	658	—
Segment assets	2,006	—	723	6,678	9,407	3,424	—
Segment liabilities	1,622	—	765	719	3,106	2,395	—
Capital expenditure	63	—	—	—	63	374	—
Additions to other intangibles	—	—	—	505	505	—	—
Depreciation and amortisation	8	—	45	436	489	274	—

* Included in Central and plc for the year ended 31 December 2007, is the loss on sale of the UK business of £4,804,000.

2 Loss from operations

Loss from operations is stated after charging:

	2007 £'000	2006 £'000
Foreign exchange gains and losses	**5**	1
Amortisation of intangible assets	**293**	145
Depreciation of property, plant and equipment	**320**	344
Auditor's remuneration for audit services	**40**	30
Auditor's remuneration for non-audit services	**61**	50
Operating lease rentals	**249**	258
Share-based payment costs	**177**	298

Auditor's remuneration for non-audit services comprised other assurance services £43,000 (2006: £33,000), compliance work for corporation tax of £8,000 (2006: £9,000) and tax advisory work of £10,000 (2006: £8,000).

3 Discontinued operations

	2007 £'000	2006 £'000
Revenue	**11,639**	16,159
Cost of sales	**9,279**	11,750
Administrative expenses	**2,628**	3,751
Pre-tax profit/(loss)	**(268)**	658
Loss on disposal	**(4,804)**	—

Discontinued operations relate to the part disposal of dealgroupmedia (UK) Limited, details of which are disclosed in note 9.

Cash flows from discontinued operations included in the consolidated cash flow statement are as follows:

	2007 £'000	2006 £'000
Net cash flows from operating activities	**(2,053)**	20
Net cash flows from investing activities	**(374)**	(275)
Net cash flows from financing activities	**—**	—
	(2,427)	(255)

4 Staff costs

The average number of persons employed by the Group (including Directors) during the period was as follows:

	2007	2006
	103	93

The aggregate payroll costs for these persons were as follows:

	2007		
	Continuing	**Discontinued**	**Total**
Aggregate wages and salaries	**1,707**	**2,049**	**3,756**
Social security costs	**15**	**243**	**258**
Share option grant costs	**144**	**33**	**177**
Pensions costs	**16**	**51**	**67**
	1,882	**2,376**	**4,258**

	2006		
	Continuing	Discontinued	Total
Aggregate wages and salaries	1,117	2,357	3,474
Social security costs	58	321	379
Share option grant costs	180	118	298
Pensions costs	13	41	54
	1,368	2,837	4,205

notes to the consolidated financial statements continued

for the year ended 31 December 2007

5 Directors and senior management

Directors' and other senior management remuneration

	31 December 2007				
	Salary £'000	**Bonus £'000**	**Fees £'000**	**Pension £'000**	**Total £'000**
Executive					
A Moss	**177**	**—**	**—**	**6**	**183**
M Chalmers (appointed 25 April 2007, resigned 31 December 2007)	**90**	**—**	**—**	**—**	**90**
Non Executive					
J Porter (resigned 31 December 2007)	**—**	**—**	**—**	**—**	**—**
D Lees	**—**	**—**	**15**	**—**	**15**
K Lassman	**—**	**—**	**15**	**—**	**15**
D Trigg	**—**	**—**	**15**	**—**	**15**
P Alexander (resigned 31 December 2007)	**32**	**—**	**15**	**—**	**47**
Lord Stone of Blackheath (resigned 31 December 2007)	**—**	**—**	**15**	**—**	**15**
Other senior management	**272**	**—**	**—**	**—**	**272**
	571	**—**	**75**	**6**	**652**

	31 December 2006				
	Salary £'000	Bonus £'000	Fees £'000	Pension £'000	Total £'000
Executive					
A Moss	135	—	—	6	141
Non Executive					
J Porter	—	—	—	—	—
D Lees	—	—	15	—	15
K Lassman	—	—	15	—	15
D Trigg	—	—	15	—	15
P Alexander	—	—	9	—	9
Lord Stone of Blackheath	—	—	15	—	15
Other senior management	160	—	—	—	160
	295	—	69	6	370

Directors' interests in shares

The Directors who held office at 31 December 2007 had the following interests in the shares of the Company:

	2007		2006	
	Number of shares	**%**	Number of shares	%
A Moss	**53,510,053**	**11.8**	44,419,144	11.6
D Lees	**5,511,456**	**1.2**	5,511,456	1.4
K Lassman	**1,323,294**	**0.3**	1,323,294	0.3
D Trigg	**60,000**	**—**	60,000	—

5 Directors and senior management continued

Director's share options

	Date of grant	As at 31 December 2006 and 31 December 2007	Exercise price	Exercise period
A Moss	December 2003	2,400,000	3.565 pence	10 years
	November 2004	15,000,000	11.50 pence	10 years
D Lees	February 2004	750,000	6.75 pence	10 years
K Lassman	February 2004	750,000	6.75 pence	10 years
D Trigg	February 2004	750,000	6.75 pence	10 years

The market price of the ordinary shares at 31 December 2007 was 1.5 pence (31 December 2006: 3.25 pence) and the range during the year was 1.25 pence to 3.75 pence (2006: 2.13 pence to 5.5 pence).

6 Tax

	2007 £'000	2006 £'000
Current tax		
UK tax	—	—
Foreign tax – adjustment in respect of prior period	(81)	82
	(81)	82
Deferred tax – relating to origination and reversal of temporary differences	—	1,724
Tax (credit)/expense	(81)	1,806

As at 31 December 2007 the Group had an unrecognised deferred tax asset of £642,000 (2006: £517,000) in respect of trading losses of which £518,000 relates to UK losses and £124,000 relates to overseas losses, and a further unrecognised deferred tax asset of £433,000 in respect of non-trading losses. These assets have not been recognised due to uncertainty over the existence of future taxable profits against which the losses can be used. In particular the UK trading losses are not expected to be used as the Group now derives income entirely from overseas.

Tax reconciliation

	2007 £'000	2006 £'000
Loss before tax	(7,216)	(1,351)
Tax at 30% on loss before tax	(2,165)	(405)
Effects of:		
Surplus of depreciation compared to capital allowances	102	105
Tax deduction in respect of share options	—	(2)
Amortisation of goodwill	—	303
Other expenses not deductible	88	102
Non-trading losses	1,443	—
Losses carried forward to be offset against		
Future taxable trading profits	532	—
Accumulated losses utilised in the year	—	(21)
Adjustment in respect of previous periods	(81)	—
Current tax (credit)/expense	(81)	82

notes to the consolidated financial statements continued

for the year ended 31 December 2007

7 Loss per share

Earnings per share has been calculated on a loss after tax of £7,135,000 (2006: £3,157,000) split between continuing and discontinued activities and the weighted average number of shares in issue for the year of 422,111,897 (2006: 380,831,210).

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

Reconciliation of earnings per share:

2007	**Continuing**	**Discontinued**	**Total**
Loss (£'000)	**(6,867)**	**(268)**	**(7,135)**
Loss per share in pence	**(1.63)**	**(0.06)**	**(1.69)**

2006	Continuing	Discontinued	Total
Loss (£'000)	(3,815)	658	(3,157)
Loss per share in pence	(1.00)	0.17	(0.83)

In view of the loss for the year, options in issue have no dilutive effect.

8 Goodwill

Cost and net book amount

	£'000
At 1 January 2006	5,857
Additions during year	146
At 31 December 2006	6,003
Allocated on disposal	(6,003)
At 31 December 2007	**—**

On 17 October 2003, the Group acquired the entire share capital of dealgroupmedia (UK) Limited (formerly The Deal Group Limited). The goodwill which arose as a result of this was being amortised under UK GAAP over its useful economic life of ten years.

The balance brought forward at 1 January 2007 is the goodwill which had been frozen as a result of the Group's transition to IFRS, the date of transition was 1 January 2006. On the 12 December 2007 a 51% share of dealgroupmedia (UK) Limited was sold to ISCO Technical Services for a consideration of £1.5 million. As a result of this sale the Group have allocated the entire brought forward balance of the goodwill originally recognised on the purchase of dealgroupmedia (UK) Limited to this disposal.

The Directors consider that allocating the whole of the goodwill against the disposal is appropriate given that the Company no longer has a controlling share of dealgroupmedia (UK) Limited and the original goodwill was created as a result of the acquisition of the Company.

As all goodwill has now been allocated to the disposal no further impairment review is necessary.

9 Disposal of subsidiary

On 12 December 2007 a 51% share of dealgroupmedia (UK) Limited was sold to ISCO Technical Services Limited.

The calculation of loss on disposal is detailed below:

	£'000
Non-current assets	154
Current assets	1,652
Current liabilities	(1,281)
Fair value and book value of net assets disposed	525
Share of net assets disposed (51%)	(268)
Consideration	1,500
Legal fees	(33)
	1,199
Allocation of goodwill	(6,003)
Loss on disposal	(4,804)

Of the consideration of £1.5 million, £1 million was received on 21 December 2007 and the remaining £0.5 million is included in other receivables. Of this amount, £0.3 million was received on 31 January 2008 and £0.2 million remains receivable.

10 Other intangible assets

	Development costs £'000	Software £'000	Total £'000
Cost			
At 1 January 2006	257	159	416
Additions	455	50	505
Disposals	—	(41)	(41)
At 1 January 2007	712	168	880
Additions	370	13	383
Disposals	—	(181)	(181)
At 31 December 2007	**1,082**	**—**	**1,082**
Amortisation			
At 1 January 2006	76	36	112
Provided in year	88	57	145
Disposals	—	(4)	(4)
At 1 January 2007	164	89	253
Provided in year	240	53	293
Disposals	—	(142)	(142)
At 31 December 2007	**404**	**—**	**404**
Net book amount			
At 31 December 2007	**678**	**—**	**678**
At 31 December 2006	548	79	627

The development costs are costs incurred in the development of dgmPro and dgmIntegra which are internally generated software developed by the Group. Software relates to purchased software.

notes to the consolidated financial statements continued

for the year ended 31 December 2007

11 Investments in associates

Included in the Group's non-current assets are investments in the following associated companies: DC Storm Limited and dealgroupmedia (UK) Limited. The carrying amount is stated at cost and amounts to £478,000. £221,000 relates to DC Storm Limited and £257,000 to dealgroupmedia (UK) Limited. Summary financial information for the associates, for the year ended 31 December 2007 is set out below:

	dealgroupmedia (UK) Limited £'000	DC Storm Limited £'000
Revenue	11,639	336
Loss after tax	(268)	(96)
Non-current assets	154	59
Current assets	1,652	136
Current liabilities	1,281	105

The Group has a 28.2% holding in the share capital of DC Storm Limited, a company incorporated in England and Wales. Its principal activity is web and software development. Deal Group Media plc is not severally liable for the liabilities of DC Storm Limited.

As a result of the part disposal of dealgroupmedia (UK) Limited on 12 December 2007 this is also an associated undertaking.

12 Property, plant and equipment

	Leasehold improvements £'000	Furniture, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2006	301	803	1,104
Additions	4	433	437
Disposals	—	(250)	(250)
At 1 January 2007	305	986	1,291
Additions	7	111	118
Disposals	—	(790)	(790)
At 31 December 2007	**312**	**307**	**619**
Depreciation			
At 1 January 2006	122	535	657
Provided in year	61	283	344
Disposals	—	(213)	(213)
At 1 January 2007	183	605	788
Provided in year	58	262	320
Disposals	—	(723)	(723)
At 31 December 2007	**241**	**144**	**385**
Net book amount			
At 31 December 2007	**71**	**163**	**234**
At 31 December 2006	122	381	503

13 Trade and other receivables

	2007 £'000	2006 £'000
Trade receivables	**2,196**	4,213
Amounts owed by associates	**42**	—
Other receivables	**580**	162
Prepayments and accrued income	**345**	587
	3,163	4,962

14 Trade and other payables

	2007 £'000	2006 £'000
Loan notes	**—**	32
Trade payables	**1,160**	3,666
Social security and other taxes	**227**	392
Other payables	**378**	205
Amounts owed to associates	**19**	—
Accruals and deferred income	**1,099**	1,124
	2,883	5,419

15 Share capital

	2007 £'000	2006 £'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		
453,768,684 (2006: 381,586,866) ordinary shares of 1p each	**4,537**	3,816

Allotments during the year

During the period the Company allotted the following ordinary shares:

	2007
Shares in issue at 1 January 2007	**381,586,866**
Shares issued during the year	**72,181,818**
Shares in issue at 31 December 2007	**453,768,684**

	2006
Shares in issue at 1 January 2006	379,756,456
Shares issued during the year	1,830,410
Shares in issue at 31 December 2006	381,586,866

notes to the consolidated financial statements continued

for the year ended 31 December 2007

15 Share capital continued

Details of the shares issued in the year:

New share issues	Number of shares	Issue price	Share capital £'000	Share premium £'000
January 2007	38,181,818	2.75 pence	381	668
September 2007	34,000,000	2.50 pence	340	510
	72,181,818		**721**	**1,178**

The market price of the ordinary shares at 31 December 2007 was 1.5 pence and the range during the year was 1.25 pence to 3.75 pence.

16 Share-based payments

During the year 23,633,439 options (2006: 13,700,000) were issued at an average fair value of 2.08 pence per share (2006: 1.94 pence).

The fair values of the options granted during the year ended were determined using the binomial valuation model. The valuation was performed by Chiltern plc. The model has been applied to each issue of options at the price prevailing at the time the options were issued. The value of the options has been adjusted for future dividends, the assumption being that they will be paid from 2009. The payment of dividends is to be facilitated by a capital reorganisation.

The model takes into account a volatility rate between 20% – 100%, being the assumed ongoing volatility for the future Share-based on historical experience and a risk free interest of between 3.8% – 5.1%.

The remaining life of options is assumed on the following basis:

Executives and Non Executives	– eight years
Management	– six years
Non-management	– three and a half years

The amount of employee remuneration expense in respect of the share options granted amounts to £177,000 (2006: £298,000).

The general terms and conditions of the share option scheme is that the shares are issued under the Enterprise management scheme rules and the shares vest equally over a three year period.

Exercise price (pence)	Issue date	Held at 31 Dec 06	Granted during year	Exercised during year	Forfeited	**Held at 31 Dec 07**
1.2468	Oct 03	251,559	—	—	—	**251,559**
3.5650	Dec 03	750,001	—	—	(325,000)	**425,001**
2.5000	Apr 04	20,000	—	—	—	**20,000**
5.1000	Apr 04	30,000	—	—	—	**30,000**
6.5000	Apr 04	125,000	—	—	(25,000)	**100,000**
3.8000	Jul 04	20,000	—	—	—	**20,000**
6.6300	Jul 04	725,001	—	—	(450,000)	**275,001**
6.6300	Sep 04	1,075,000	—	—	(1,000,000)	**75,000**
5.0000	Dec 05	1,150,000	—	—	(1,150,000)	**—**
4.5000	Jan 06	500,000	—	—	—	**500,000**
4.3800	Feb 06	2,300,000	—	—	(100,000)	**2,200,000**
4.2500	Apr 06	1,050,000	—	—	(916,667)	**133,333**
3.7500	Jun 06	1,125,000	—	—	(375,000)	**750,000**
4.2500	Sep 06	1,350,000	—	—	(966,667)	**383,333**
3.5000	Apr 07	—	16,601,362	—	(5,975,000)	**10,626,362**
3.5000	Jun 07	—	2,482,077	—	(300,000)	**2,182,077**
1.7500	Oct 07	—	4,550,000	—	—	**4,550,000**
		10,471,561	23,633,439	—	(11,583,334)	**22,521,666**

Options forfeited in the year are in respect of employees leaving the employment of the Group, including in respect of the sale of dealgroupmedia (UK) Limited.

16 Share-based payments continued

Exercise price (pence)	Issue date	Held at 31 Dec 05	Granted during year	Exercised during year	Forfeited	Held at 31 Dec 06
1.2468	Oct 03	453,638	—	(202,079)	—	251,559
3.5650	Dec 03	944,851	—	(69,850)	(125,000)	750,001
2.5000	Apr 04	20,000	—	—	—	20,000
5.1000	Apr 04	30,000	—	—	—	30,000
6.5000	Apr 04	350,000	—	—	(225,000)	125,000
3.8000	Jul 04	40,000	—	(20,000)	—	20,000
6.6300	Jul 04	950,001	—	(150,000)	(75,000)	725,001
6.6300	Sep 04	1,075,000	—	—	—	1,075,000
11.3750	Nov 04	—	—	—	—	—
11.8750	Dec 04	75,000	—	—	(75,000)	—
17.1250	Jan 05	75,000	—	—	(75,000)	—
24.6250	Feb 05	250,000	—	—	(250,000)	—
22.3750	Mar 05	—	—	—	—	—
22.1250	May 05	—	—	—	—	—
21.3750	Jun 05	—	—	—	—	—
21.3750	Aug 05	—	—	—	—	—
6.6875	Oct 05	675,000	—	—	(675,000)	—
5.0000	Dec 05	5,400,000	—	—	(4,250,000)	1,150,000
4.5000	Jan 06	—	575,000	—	(75,000)	500,000
4.3800	Feb 06	—	4,075,000	—	(1,775,000)	2,300,000
4.2500	Apr 06	—	1,450,000	—	(400,000)	1,050,000
3.7500	Jun 06	—	1,125,000	—	—	1,125,000
4.2500	Sep 06	—	1,725,000	—	(375,000)	1,350,000
		10,338,490	8,950,000	(441,929)	(8,375,000)	10,471,561

Options forfeited in 2006 are in respect of employees leaving employment of the group.

17 Leasing commitments

The Group had outstanding commitment for future minimum lease payments under non-cancellable operating leases:

	2007 £'000	2006 £'000
Leases which relate to land and buildings which expire:		
– within one year	**185**	179
– after one year and within five years	**475**	661

As at 31 December 2007 the Group entered into a sublease with dealgroupmedia (UK) Limited, the total expected sublease rentals due to be received from dealgroupmedia (UK) Limited at 31 December 2007 is £74,250 lease over a period of 18 months.

notes to the consolidated financial statements continued

for the year ended 31 December 2007

18 Financial instruments

The Group uses various financial instruments which include cash and cash equivalents and various items such trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations and manage its working capital requirements.

The fair values of all financial instruments is considered equal to their book values and all financial assets are classed as loans and receivables.

The existence of these financial instruments exposes the Group to a number of financial risks which are described in more detail below.

The main risks arising from the Group financial instruments are currency risk and credit risk. The Directors review and agree policies for managing each of these risks and they are summarised below. The Group has no debt finance other than an overdraft facility on which interest is charged at a variable rate. The Directors therefore do not consider the Group to be exposed to material interest rate or liquidity risk.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk.

Foreign currency denominated financial assets and liabilities, translated into sterling at the closing rate, are as follows:

As at 31 December 2007	**Australian dollars £'000**	**Other £'000**
Financial assets	**2,385**	**386**
Financial liabilities	**(961)**	**(196)**
Short-term exposure	**1,424**	**190**

As at 31 December 2006	Australian dollars £'000	Other £'000
Financial assets	1,908	195
Financial liabilities	(1,044)	(126)
Short-term exposure	864	69

The following table illustrates the sensitivity of the net results for the year and equity in regards to the Group's financial assets and financial liabilities and the sterling/Australian dollar exchange rate.

It assumes a +/– 5% change of the exchange rates for the year ended 31 December 2007 (2006: 5%). This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on Deal Group Media plc's foreign currency financial instruments held at each balance sheet date.

5% strengthening of sterling	Australian dollars £'000
Net results for the year	(29)
Equity	(70)

5% weakening of sterling	Australian dollars £'000
Net results for the year	33
Equity	78

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of Deal Group Media plc's exposure to currency risk.

The Group incurs costs in the same currencies as it earns revenue creating some degree of natural hedging. The Directors consider the Group's risk from foreign currency exposure to be limited and so no active currency risk management is considered necessary.

18 Financial instruments continued

Credit risk

Deal Group Media plc's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

Classes of financial assets – carrying amounts	**2007 £'000**	2006 £'000
Cash and cash equivalents	**670**	584
Trade and other receivables	**2,196**	4,213
	2,866	4,797

In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.

The Group's management considers that all of the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The exposure of the Group to overdue receivables and the concentration of these debtors is as follows:

	2007		2006	
	Within terms £'000	**Overdue £'000**	Within terms £'000	Overdue £'000
Trade receivables	**1,211**	**1,018**	1,795	2,459
Of which provided	**—**	**(33)**	—	(41)
	1,211	**985**	1,795	2,418

The amount overdue for one month is £874,000 (2006: £1,003,000), two to four months is £61,000 (2006: £1,352,000) and for four to six months £83,000 (2006: £104,000).

Debtor concentration:

	2007		2006	
	£'000	**%**	£'000	%
Largest client	**650**	**30**	1,116	27
Others	**1,546**	**70**	3,097	73
	2,196	**100**	4,213	100

	2007		2006	
	£'000	**%**	£'000	%
Largest five clients	**1,431**	**65**	2,088	49
Others	**765**	**35**	2,125	51
	2,196	**100**	4,213	100

notes to the consolidated financial statements continued

for the year ended 31 December 2007

19 Related party transactions

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

Howard Kennedy

Keith Lassman, Non Executive Director and shareholder, is a partner of Howard Kennedy, Solicitors. During the period the Group paid £54,263 (2006: £5,011) in respect of legal services provided to the Group. The balance due to Howard Kennedy, Solicitors at the year-end was £Nil (2006: £Nil).

DC Storm Limited

DC Storm Limited is an associated undertaking Company. During the year the Group paid £200,002 in respect of software licensing provided to the Group (2006: £61,595). Balance due to DC Storm Limited at the year-end was £18,506 (2006: £1,175).

The Group also made available a loan to the Company of £42,000 (2006: £Nil), this is repayable by 31 December 2008.

Transactions involving directors

During the year Adrian Moss and John Porter, Directors and shareholders of the Company, made loans to the Group, details of which are shown below:

Adrian Moss	– £100,000
John Porter	– £200,000

Both loans were still outstanding at the year-end and are non-interest bearing. The amounts are included in other payables.

The disposal of dealgroupmedia (UK) Limited to ISCO Technical Services Limited is a related party transaction by virtue of common Directors and shareholders. Further details of this transaction are given in note 9.

20 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 year are disclosed in note 4.

21 Continent liabilities

There are no contingent liabilities at 31 December 2007 (2006: £Nil).

22 Accounting estimates and judgements

Significant judgements in applying the Group's accounting polices.

In the process of applying the Group's accounting policies, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

Management in capitalising of development costs has used its judgement in establishing those tasks performed by technical staff which are deemed to be development costs which satisfy the criteria of IAS 38.

A judgement has been made to assess which tasks constitute development and those which are of a research basis. From a review of the forecasts the Directors consider that the development costs capitalised will generate sufficient future economic benefits to recover the amounts capitalised.

The Directors have also used their judgement in not recognising deferred tax assets as explained in note 6.

23 Explanation of transition to IFRS

As stated in the accounting policies these are the Group's first consolidated financial statements prepared under IFRS.

This transition has affected the Group's financial position and financial performance as set out below:

Reconciliation of equity as at 1 January and 31 December 2006

The effect of the changes to the Group's accounting policies on the equity of the Group as at 1 January and 31 December 2006 is as follows:

	1 January 2006			
	Reported under UK GAAP £'000	a Intangible assets £'000	Other adjustments £'000	Restated under IFRS £'000
Assets				
Non-current assets				
Property, plant and equipment	647	(123)	—	524
Goodwill	5,857	—	—	5,857
Other intangible assets	—	332	(21)	311
	6,504	209	(21)	6,692
Current assets				
Trade and other receivables	4,426	—	—	4,426
Deferred tax	1,724	—	—	1,724
Cash and cash equivalents	1,682	—	—	1,682
	7,832	—	—	7,832
Total assets	14,336	209	(21)	14,524
Equity and liabilities				
Equity				
Called up share capital	3,798	—	—	3,798
Capital redemption reserve	13,188	—	—	13,188
Share-based payment reserve	229	—	—	229
Share premium account	21,458	—	—	21,458
Retained earnings	(28,719)	209	(21)	(28,531)
Total equity	9,954	209	(21)	10,142
Current liabilities				
Trade and other payables	4,317	—	—	4,317
Non-current liabilities				
Trade and other payables	65	—	—	65
Total liabilities	4,382	—	—	4,382
Total equity and liabilities	14,336	209	(21)	14,524

notes to the consolidated financial statements continued

for the year ended 31 December 2007

23 Explanation of transition to IFRS continued

	31 December 2006					
	Reported under UK GAAP £'000	b Prior year adjustment £'000	Restated under UK GAAP £'000	a Intangible assets £'000	Other adjustments £'000	Restated under IFRS £'000
Assets						
Non-current assets						
Property, plant and equipment	582	—	582	(79)	—	503
Goodwill	5,014	—	5,014	989	—	6,003
Intangible assets	—	—	—	644	(17)	627
Available for sale financial assets	171	—	171	(19)	—	152
	5,767	—	5,767	1,535	(17)	7,285
Current assets						
Trade and other receivables	4,962	—	4,962	—	—	4,962
Cash and cash equivalents	584	—	584	—	—	584
	5,546	—	5,546	—	—	5,546
Total assets	11,313	—	11,313	1,535	(17)	12,831
Equity and liabilities						
Equity						
Called up share capital	3,816	—	3,816	—	—	3,816
Capital redemption reserve	13,188	—	13,188	—	—	13,188
Share-based payment reserve	527	—	527	—	—	527
Share premium account	21,505	—	21,505	—	—	21,505
Retained earnings	(32,762)	(462)	(33,224)	1,535	1	(31,688)
Translation reserve	—	—	—	—	(18)	(18)
Total equity	6,274	(462)	5,812	1,535	(17)	7,330
Current liabilities						
Trade and other payables	5,039	462	5,501	—	—	5,501
Non-current liabilities						
Trade and other payables	—	—	—	—	—	—
Total liabilities	5,039	462	5,501	—	—	5,501
Total equity and liabilities	11,313	—	11,313	1,535	(17)	12,831

IFRS 1 permits companies adopting IFRS for the first time to apply certain exemptions from the full requirements of IFRS in the transition period. These interim financial statements have been prepared on the basis of taking the following exemption:

Business combinations prior to 1 January 2006, the Group's date of transition to IFRS have not been restated to comply with IFRS 3 Business Combinations. Goodwill amounts totalling £5,857,000 on business combinations prior to this date has been frozen at their UK GAAP carrying value as at 1 January 2006.

Under UK GAAP the results of foreign operations were translated at the closing rate, under IFRS the results are translated at average rate. The exchange difference on translation is £18,000 at 31 December 2006. The Group has taken advantage of the exemption in IFRS 1 and has deemed cumulative translation differences for all foreign operations to be Nil at the date of transition to IFRS.

23 Explanation of transition to IFRS continued

Reconciliation of income statement for the year ended at 31 December 2006

The effect of the changes to the Group's accounting policies on the income statement of the Group for the year ended 31 December 2006, were as follows:

	Year ended 31 December 2006					
Continuing operations	Reported under UK GAAP £'000	b Prior year adjustment £'000	Restated under UK GAAP £'000	a Intangible assets £'000	Discontinued operations £'000	Reported under IFRS £'000
Revenue	22,965	(300)	22,665	—	(16,157)	6,508
Cost of sales	(15,828)	(162)	(15,990)	—	11,748	(4,242)
Gross profit	7,137	(462)	6,675	—	(4,409)	2,266
Administrative expenses						
– amortisation	(1,010)	—	(1,010)	808	—	(202)
– depreciation	(385)	—	(385)	57	275	(53)
– share-based payment	(298)	—	(298)	—	—	(298)
– other administrative expenses	(7,697)	—	(7,697)	483	3,486	(3,728)
	(9,390)	—	(9,390)	1,348	3,761	(4,281)
Loss from operations	(2,253)	(462)	(2,715)	1,348	648	(2,015)
Interest received	27	—	27	—	(19)	8
Interest payable	(11)	—	(11)	—	9	(2)
	16	—	16	—	10	6
Loss before tax	(2,237)	(462)	(2,699)	1,348	658	(2,009)
Taxation	(1,806)	—	(1,806)	—	—	(1,806)
Total loss after taxation For period from continuing operations	(4,043)	(462)	(4,505)	1,348	658	(3,815)
Loss after tax from discontinued operations	—	—	—	—	—	658
Total loss	(4,043)	(462)	(4,505)	1,348	—	(3,157)

a The adoption of IFRS requires that goodwill be frozen at the date of transition. As at 1 January 2006 the value was frozen at £5,857,000. The effect of the above is to add back the amortisation charge of £1,010,000 which had been charged during 2006. An impairment review was undertaken at the date of transition and at 31 December 2006 and there was no indication of impairment. The Directors consider that no adjustment was necessary with respect to goodwill.

Under UK GAAP the Group applied a policy of expensing all development costs. Under IFRS where costs incurred in the development phase of a project meet the criteria in IAS 38 they must be capitalised. Management have reviewed the various development projects undertaken by the Group and ascertained that the costs of the dgmPro and dgmIntegra projects meet the capitalisation criteria. The impact on the opening transition balance sheet was to increase intangible assets by £209,000. At 31 December 2006 the effect was to increase intangible assets by £738,000 and charge amortisation of £205,000.

b During 2006 an error in the sales cut off process resulted in £300,000 of revenue being recognised early. A media cost accrual deficit of £162,000 was also discovered during the year which represented costs that should have been accounted for during 2006.

There were no material adjustments to the cash flow statement on transition to IFRS.

report of the independent auditor

to the members of deal group media plc

We have audited the parent Company financial statements of Deal Group Media plc for the year ended 31 December 2007 which comprise the principal accounting policies, the balance sheet and notes 1 to 10. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Deal Group Media plc for the year ended 31 December 2007.

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 auditor's 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 auditor

The Directors' responsibilities for preparing the Annual Report and the parent Company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company'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 parent Company 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 parent Company financial statements.

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
London Thames Valley Office
Slough SL1 2LS
17 April 2008

company balance sheet
as at 31 December 2007

	Notes	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Tangible assets	1		84		12
Fixed asset investments	2		1,000		7,276
			1,084		7,288
Current assets					
Debtors	3	2,433		349	
Cash at bank and in hand		117		120	
		2,550		469	
Creditors					
Amounts falling due within one year	4	(412)		(1,100)	
Net current assets/(liabilities)			2,138		(631)
Total assets less current liabilities			3,222		6,657
Capital and reserves					
Called up share capital	5	4,537		3,816	
Capital redemption reserve	7	13,188		13,188	
Share premium account	7	22,683		21,505	
			40,408		38,509
Profit and loss account	7		(37,186)		(31,852)
Shareholders' funds			3,222		6,657

The financial statements were approved by the Board of Directors, authorised for issue and signed on their behalf on 17 April 2008:

Adrian Moss
Director

accounting policies (parent company financial statements)

for the year ended 31 December 2007

Basis of preparation

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

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

Going concern

The Company is reliant on its trading subsidiaries for income and cash generation. The Directors have undertaken a detailed review of the Group's trading budgets, cash flow forecasts and available financial facilities in order to ensure that the preparation of the financial statements on the going concern basis is appropriate.

The Directors consider the forecasts to have been prepared on a reasonable basis representing management's best estimates of the Company's trading and cash flows. The Directors further note that management information for the first two months of 2008 indicate that the Company is, to date, performing in line with forecast.

Based on their review of the forecasts, the Directors have assessed that the Group has, with a reasonable degree of headroom, access to sufficient financial facilities to enable it to continue trading and to meet its liabilities as they fall due for the foreseeable future. On this basis, the Directors consider it appropriate to prepare the financial statements on a going concern basis, and have done so.

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:

Fixtures and fittings	– 25% per annum
Leasehold improvements	– 20% per annum

Contributions to defined contribution pension schemes

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

Deferred tax

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

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

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet with a corresponding liability recognised 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.

accounting policies (parent company financial statements) continued

for the year ended 31 December 2007

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.

Investments

Investments are held at cost less amounts written off.

Share-based payments

Share-based payments that are within the scope of FRS 20 have been recognised in the financial statements in accordance with that standard.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to equity.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate, share premium.

notes to the company financial statements

for the year ended 31 December 2007

1 Fixed assets

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 January 2007	—	16	16
Additions	72	—	72
At 31 December 2007	**72**	**16**	**88**
Depreciation			
At 1 January 2007	—	4	4
Provided in year	—	—	—
At 31 December 2007	**—**	**4**	**4**
Net book amount			
At 31 December 2007	**72**	**12**	**84**
At 31 December 2006	—	12	12

2 Fixed asset investments

	Subsidiaries £'000	Associates £'000	Total £'000
Cost			
1 January 2007	7,105	171	7,276
Additions	62	51	113
Disposals	(3,608)	—	(3,608)
Transfers	(3,467)	3,467	—
	92	**3,689**	**3,781**
Impairment			
1 January 2007	—	—	—
Impairment in the year	—	2,781	2,781
	—	**2,781**	**2,781**
Net book amount			
At 31 December 2007	**92**	**908**	**1,000**
At 31 December 2006	7,105	171	7,276

notes to the company financial statements continued

for the year ended 31 December 2007

2 Fixed asset investments continued

During the year a 51% share of dealgroupmedia (UK) Limited was sold to ISCO Technical Services Limited. As a result the Company is no longer treated as a subsidiary. An impairment review assessing the carrying value of this investment has been carried out and £2,781,000 has been written off the carrying value of this investment.

The carrying value of the investment was assessed by considering the expected discounted cash flows of the investment over a five year period using a discount rate of 8%.

As at 31 December 2007 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	49%	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
Fuel Ad Network	South Africa	Ordinary	100%	Online search and marketing services
dgm India Internet Marketing Private Limited	India	Ordinary	100%	Online search and marketing services
AMM Holdings Limited	Singapore	Ordinary	100%	Online search and marketing services
Aktiv Digital Limited	Singapore	Ordinary	100%	Online search and marketing services
dgm Asia Pacific Limited	Singapore	Ordinary	100%	Online search and marketing services
DC Storm Limited	England and Wales	Ordinary	28.2%	Development of digital marketing software
Zapa (Publishing) Limited	England and Wales	Ordinary	100%	Dormant
Rorkes Limited	Jersey	Ordinary	100%	Holding company
Escremie Limited	England and Wales	Ordinary	100%	Online search and marketing services
The Web Finder Limited	England and Wales	Ordinary	100%	Online search and marketing services
Mister Pink Publishing Limited	England and Wales	Ordinary	100%	Online search and marketing services
Finance-Direct.com Limited	England and Wales	Ordinary	100%	Online search and marketing services

3 Debtors

	2007 £'000	2006 £'000
Amounts owed by Group undertakings	**1,775**	326
Other debtors	**614**	—
Prepayments and accrued income	**44**	23
	2,433	349

4 Creditors

	2007 £'000	2006 £'000
Loan notes	**—**	32
Amount owed to Group undertakings	**—**	822
Other creditors	**303**	203
Accruals and deferred income	**109**	43
	412	1,100

5 Share capital

	2007 £'000	2006 £'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		
453,768,684 (2006: 381,586,866) ordinary shares of 1p each	**4,537**	3,816

Allotments during the year

During the period the Company allotted the following ordinary shares:

Shares in issue at 1 January 2007	381,586,866
Shares issued during the year	72,181,818
Shares in issue at 31 December 2007	**453,768,684**

Details of the shares issued in the year:

New share issues	Number of shares	Issue price	Share capital £'000	Share premium £'000
January 2007	38,181,818	2.75 pence	381	668
September 2007	34,000,000	2.50 pence	340	510
	72,181,818		**721**	**1,178**

The market price of the ordinary shares at 31 December 2007 was 1.5 pence and the range during the year was 1.25 pence to 3.75 pence.

6 Share-based payments

During the year 23,633,439 options (2006: 13,700,000) were issued at an average fair value of 2.08 pence per share (2006: 1.94 pence).

The fair values of the options granted during the year ended were determined using the Binomial valuation model. The valuation was performed by Chiltern plc. The model has been applied to each issue of options at the price prevailing at the time the options were issued. The value of the options has been adjusted for future dividends, the assumption being that they will be paid from 2009. The payment of dividends is to be facilitated by a capital reorganisation.

The model takes into account a volatility rate between 20% – 100%, being the assumed ongoing volatility for the future Share-based on historical experience and a risk free interest rate of between 3.8% – 5.1%.

The remaining life of options is assumed on the following basis:

Executives and Non Executives	– eight years
Management	– six years
Non-management	– three and a half years

The amount of employee remuneration expense in respect of the share options granted amounts to £177,000 (2006: £298,000).

The general terms and conditions of the share option scheme is that the shares are issued under the Enterprise management scheme rules and the shares vest equally over a three year period.

notes to the company financial statements continued
for the year ended 31 December 2007

6 Share-based payments continued

Exercise price (pence)	Issue date	Held at 31 Dec 06	Granted during year	Exercised during year	Forfeited	Held at 31 Dec 07
1.2468	**Oct 03**	**251,559**	**—**	**—**	**—**	**251,559**
3.5650	**Dec 03**	**750,001**	**—**	**—**	**(325,000)**	**425,001**
2.5000	**Apr 04**	**20,000**	**—**	**—**	**—**	**20,000**
5.1000	**Apr 04**	**30,000**	**—**	**—**	**—**	**30,000**
6.5000	**Apr 04**	**125,000**	**—**	**—**	**(25,000)**	**100,000**
3.8000	**Jul 04**	**20,000**	**—**	**—**	**—**	**20,000**
6.6300	**Jul 04**	**725,001**	**—**	**—**	**(450,000)**	**275,001**
6.6300	**Sep 04**	**1,075,000**	**—**	**—**	**(1,000,000)**	**75,000**
5.0000	**Dec 05**	**1,150,000**	**—**	**—**	**(1,150,000)**	**—**
4.5000	**Jan 06**	**500,000**	**—**	**—**	**—**	**500,000**
4.3800	**Feb 06**	**2,300,000**	**—**	**—**	**(100,000)**	**2,200,000**
4.2500	**Apr 06**	**1,050,000**	**—**	**—**	**(916,667)**	**133,333**
3.7500	**Jun 06**	**1,125,000**	**—**	**—**	**(375,000)**	**750,000**
4.2500	**Sep 06**	**1,350,000**	**—**	**—**	**(966,667)**	**383,333**
3.5000	**Apr 07**	**—**	**16,601,362**	**—**	**(5,975,000)**	**10,626,362**
3.5000	**Jun 07**	**—**	**2,482,077**	**—**	**(300,000)**	**2,182,077**
1.7500	**Oct 07**	**—**	**4,550,000**	**—**	**—**	**4,550,000**
		10,471,561	**23,633,439**	**—**	**(11,583,334)**	**22,521,666**

Options forfeited in the year are in respect of employees leaving the employment of the Group, including in respect of the sale of dealgroupmedia (UK) Limited.

Exercise price (pence)	Issue date	Held at 31 Dec 05	Granted during year	Exercised during year	Forfeited	Held at 31 Dec 06
1.2468	Oct 03	453,638	—	(202,079)	—	251,559
3.5650	Dec 03	944,851	—	(69,850)	(125,000)	750,001
2.5000	Apr 04	20,000	—	—	—	20,000
5.1000	Apr 04	30,000	—	—	—	30,000
6.5000	Apr 04	350,000	—	—	(225,000)	125,000
3.8000	Jul 04	40,000	—	(20,000)	—	20,000
6.6300	Jul 04	950,001	—	(150,000)	(75,000)	725,001
6.6300	Sep 04	1,075,000	—	—	—	1,075,000
11.3750	Nov 04	—	—	—	—	—
11.8750	Dec 04	75,000	—	—	(75,000)	—
17.1250	Jan 05	75,000	—	—	(75,000)	—
24.6250	Feb 05	250,000	—	—	(250,000)	—
22.3750	Mar 05	—	—	—	—	—
22.1250	May 05	—	—	—	—	—
21.3750	Jun 05	—	—	—	—	—
21.3750	Aug 05	—	—	—	—	—
6.6875	Oct 05	675,000	—	—	(675,000)	—
5.0000	Dec 05	5,400,000	—	—	(4,250,000)	1,150,000
4.5000	Jan 06	—	575,000	—	(75,000)	500,000
4.3800	Feb 06	—	4,075,000	—	(1,775,000)	2,300,000
4.2500	Apr 06	—	1,450,000	—	(400,000)	1,050,000
3.7500	Jun 06	—	1,125,000	—	—	1,125,000
4.2500	Sep 06	—	1,725,000	—	(375,000)	1,350,000
		10,338,490	8,950,000	(441,929)	(8,375,000)	10,471,561

Options forfeited in 2006 are in respect of employees leaving the employment of the Group.

7 Share premium account and reserves

	Capital redemption reserve £'000	Share premium reserve £'000	Profit and loss account £'000
At 1 January 2007	13,188	21,505	(31,852)
Retained loss for the year	—	—	(5,334)
Premium on allotments during the year	—	1,178	—
	13,188	**22,683**	**(37,186)**

8 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 shown separately as part of these accounts. The parent Company's loss for the financial period amounted to £5,334,000 (2006: £1,050,000).

9 Directors and employees

The average number of persons employed by the Company (including Directors) during the period was as follows:

	2007	2006
	8	8

Directors' remuneration was as follows:

	31 December 2007				
	Salary £'000	**Bonus £'000**	**Fees £'000**	**Pension £'000**	**Total £'000**
Executive					
A Moss	**177**	—	—	**6**	**183**
M Chalmers (appointed 25 April 2007, resigned 31 December 2007)	**90**	—	—	—	**90**
Non Executive					
J Porter (resigned 31 December 2007)	—	—	—	—	—
D Lees	—	—	**15**	—	**15**
K Lassman	—	—	**15**	—	**15**
D Trigg	—	—	**15**	—	**15**
P Alexander (resigned 31 December 2007)	**32**	—	**15**	—	**47**
Lord Stone of Blackheath (resigned 31 December 2007)	—	—	**15**	—	**15**
	299	—	**75**	**6**	**380**

notes to the company financial statements continued

for the year ended 31 December 2007

9 Directors and employees continued

	31 December 2006				
	Salary £'000	Bonus £'000	Fees £'000	Pension £'000	Total £'000
Executive					
A Moss	135	—	—	6	141
Non Executive					
J Porter	—	—	—	—	—
D Lees	—	—	15	—	15
K Lassman	—	—	15	—	15
D Trigg	—	—	15	—	15
P Alexander	—	—	9	—	9
Lord Stone of Blackheath	—	—	15	—	15
	135	—	69	6	210

10 Reconciliation of shareholders' funds

	2007 £'000	2006 £'000
Opening shareholders' funds	**6,657**	7,642
(Loss) for the financial period	**(5,334)**	(1,050)
Share-based payment	**—**	—
Issue of shares	**1,899**	65
Closing shareholders' funds	**3,222**	6,657

notice of annual general meeting

of deal group media plc

Notice is hereby given that the Annual General Meeting of Deal Group Media plc will be held on 11 July 2008 at 19 Cavendish Square, London W1A 2AW at 10 am. The business of the Meeting will be as follows:

Resolutions

To consider and, if thought fit, pass the following resolutions 1–4 as ordinary resolutions, and resolution 5 as special resolutions:

1. To receive and adopt the Company's audited accounts for the period ended 31 December 2007, together with the report of the auditor and the Directors thereon.

2. To re-elect Keith Lassman as a Director who retires in accordance with the Company's Articles of Association.

3. To reappoint Grant Thornton to hold office as auditors of the Company until the conclusion of the next Annual General Meeting at which accounts of the Company are presented and authorise the Directors to determine their remuneration.

4.1 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:

4.1.1 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

4.1.2 this authority shall be limited to the allotment of relevant securities up to an aggregate nominal value of £1,511,000.

4.2 For the purpose of paragraph 4.1 above:

4.2.1 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

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

4.3 The authority conferred by paragraph 4.1 above shall be in substitution for all previous authorities conferred upon the Directors to allot relevant securities.

5.1 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 4 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:

5.1.1 shall be limited to:

5.1.1.1 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

5.1.1.2 the allotment (other than pursuant to paragraph 5.1.1.1 of this proviso) of equity securities up to an aggregate nominal amount of £226,000.

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

notice of annual general meeting

of deal group media plc

Resolutions continued

5.2 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.

5.3 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
6 June 2008

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 Registrars
The Registry
34 Beckenham Road
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;

(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.

(iv) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the register of members of the Company as at 10 am on 9 July 2008, or, in the event that the Meeting is adjourned, on the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend and vote at the aforesaid General Meeting in respect of the number of such shares registered in their name at the relevant time. Changes to entries on the register of members after 10 am on 9 July 2008 or, in the event that the Meeting is adjourned, on the register of members less than 48 hours before the time of any adjourned Meeting, shall be disregarded in determining the right of any person to attend and vote at the Meeting.

advisers

Directors
David Lees
Non Executive Chairman

Adrian Moss
Chief Executive

Dominic Trigg
Non Executive

Keith Lassman
Non Executive

Keith Lassman
Company Secretary

Registered Office
19 Cavendish Square
London W1A 2AW

Nominated Advisers and Brokers
Daniel Stewart & Company plc
Becket House
36 Old Jewry
London EC2R 8DD

Registrars
Capita Registrars
The Registry
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Beckenham
Kent BR3 4TU

Auditor
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London Thames Valley Office
Churchill House
Chalvey Road East
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