

TMN Group plc
Interim Report for the six months to 31 October 2006

DIRECTORS

Warren Tayler	(Non-Executive Chairman)
Mark Smith	(Chief Executive Officer)
Peter Coveney	(Financial Director)
Jeremy Middleton	(Non-Executive Director)
Vince Smith	(Non-Executive Director)
Harold Gittelmon	(Non-Executive Director)

ADVISORS

Secretary and Registered Office

Peter Coveney FCA, 2nd Floor, 69-73 Theobalds Road, London, WC1X 8TA.

Auditors

Menzies, Chartered Accountants, Neville House, 55 Eden Street, Kingston upon Thames, Surrey KT1 1BW.

Principal Bankers

Barclays Bank plc, London Corporate Banking, 50 Pall Mall, London, SW1 1QB.

Solicitors

Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA.

Nominated Advisor and Broker

Investec Bank (UK) Ltd, 2 Gresham Street, London, EC2V 7QP

CHAIRMAN'S STATEMENT

I am once again delighted to announce that the Group results for the first 6 months of the financial year show exceptional growth in revenue and profitability. This follows on from the strong results of the last six months of our last trading year.

- Record revenue and profit levels of £8m and £1.4m respectively.
- Growth in all areas of the business – TMN Media showing an underlying YOY growth of 38%, while EDR grew at 70% and ID Factor at 122%.
- Margins have increased in a competitive marketplace.
- TMN Media now has 10 million email addresses across 36 different databases, offering both response and branded advertising opportunities to clients.
- EDR, our planning and buying email advertising agency, has won a number of key clients in finance, automotive and retail, and is launching innovative technologies to win new and assist existing clients and increase further the barrier to entry.
- ID Factor has gained 41 supply partnerships across the globe, along with expanding its internal panels to help service a global range of clients.
- New technology and product launches, including our new lead generation system (www.plum-offers.com).
- Two new divisions – ICD Research, which acts as an Insight division for both the internal divisions and clients, plus TMN Enterprise which is focused on launching new technology and products.

Your Group is now one of the largest online direct marketing companies in the UK. The opportunities that this brings, along with new services and initiatives, has created an exciting Company with tremendous potential in a rapidly growing market place. Divisionally, we are well placed.

- TMN Media (www.tmnmedia.com) services over 30 different lists, including those from EMAP, Handbag and thetrainline as well as its own expanding databases including MutualPoints.
- EDR (www.edragency.com) is extremely well positioned, with recent growth in revenue and clients along with the introduction of new planning and buying technology.
- The ID Factor (www.theidfactor.com) is now able to offer sample provision for online market research in 41 territories through strategic partnerships, and has experienced strong growth in a market which is expected to double further in the next 12 to 18 months.

CHAIRMAN'S STATEMENT – CONTINUED:

Highlights and comparative figures are shown below:

INCOME STATEMENT	6 months to	6 months to	Year ended
	31/10/06	31/10/05	30/04/06
	£'000	£'000	£'000
Revenue	7,981	1,761	9,012
Gross profit	4,284	1,537	5,072
Gross profit %	53.7%	87.3%	56.3%
Operating profit	1,373	464	1,689
Earnings per share – Basic	2.4p	1.6p	3.5p
Earnings per share – Diluted	2.3p	1.5p	3.2p

BALANCE SHEET	31/10/06	31/10/05	30/04/06
	£'000	£'000	£'000
Cash and cash equivalents	1,070	2,563	1,221
Total Equity	7,601	2,741	5,809

The Divisional financial highlights, with comparative figures adjusted to include the results of EDR and IDF prior to acquisition, are:

Divisional Income Statement	6 months to	6 months to	Growth
	31/10/06	31/10/05	
	£'000	£'000	
TMN Media			
Turnover	4,238	3,079	+38%
Gross profit	2,849	1,999	
Gross profit %	67.2%	64.9%	
EDR Agency			
Turnover	2,867	1,681	+70%
Gross profit	858	507	
Gross profit %	29.9%	30.1%	
ID Factor			
Turnover	876	395	+122%
Gross profit	577	240	
Gross profit %	65.9%	60.8%	

CHAIRMAN'S STATEMENT – CONTINUED:

The Group, with the acquisitions in 2005 of EDR and ID Factor now fully integrated, performed in a number of areas:

The market place in which we operate is expected to continue growing annually at between 30 and 40%. As the Divisional Income statement shows, we have exceeded these growth rates...

We feel that the current growth in internet advertising is sustainable for the foreseeable future, with demand for response media increasing and the more traditional branded advertising migrating online over the next few years. Recent research from the IAB shows that more users are spending more time online, and we feel that, by presenting advertisers with high quality products and services, as well as operating a manageable and sensible structure, the Group is well prepared for further growth.

Moving forward, TMN Group is in a strong position to capitalise on its recent growth. We have set up an innovations division, TMN Enterprise, to focus on generating new products and services. Recent developments include lead generation technology "Lead It", with www.plum-offers.com being our consumer facing competition portal utilising this technology. Users are encouraged to sign up to various offers from our advertisers, with the key difference between this and other portals being that they are asked to interact with the advertiser, helping to increase the awareness of the offer as well as the quality of the data. We feel this can contribute significantly in the future. Further technology, including a focus on leveraging our proprietary email delivery software and increasing developments across existing products, will allow us to both increase revenue streams and garner further success in the remaining six months of the year and beyond.

We have also launched our own Insight division, ICD Research (www.icd-research.com). This acts both as a value-added offering for internal use as well as offering market analysis to existing and new advertisers.

As announced on 8th September we were very pleased to renegotiate the deferred consideration payable on the acquisition of ID Factor Limited. As a result and following the issue of 1.55m new shares our deferred cash liability has fallen by over £1.0m to £0.5m and our deferred share liability by over £1.5m to £1.2m.

The growth of the first six months is in line with management expectations and we have continued to expand our management and staff in order to help meet our goals. As a larger Group, we are able to match opportunity with resource, which is a continuing and realisable demand on our management. The Company has, for the last four years, achieved continued growth and profitability by investing in management and infrastructure and will continue to do so in order to achieve the revenue and profit goals set out by the board.

Following the AGM the company has changed its name to TMN Group plc to better reflect the divisional structure of the Group.

Your Company's management and staff are all excited by the prospects ahead of us and their hard work and ability to rise to the challenges of fast growth contribute hugely to our success.

Warren Tayler

Chairman

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 October 2006

	Note	6 months ended 31 October 2006 £'000	6 months ended 31 October 2005 £'000	Year ended 30 April 2006 £'000
Revenue		7,981	1,761	9,012
Cost of sales		(3,697)	(224)	(3,940)
Gross profit		4,284	1,537	5,072
Administrative expenses		(2,911)	(1,073)	(3,383)
Operating profit		1,373	464	1,689
Profit on disposal of available-for-sale investments		-	440	440
Interest on bank deposits		4	37	55
Interest payable and similar charges		-	-	(2)
Profit on ordinary activities before tax		1,377	941	2,182
Tax	2	(210)	(306)	(657)
Profit on ordinary activities after tax		1,167	635	1,525
Earnings per share	3			
Basic (pence)		2.4p	1.6p	3.5p
Diluted (pence)		2.3p	1.5p	3.2p

All amounts relate to continuing operations. There are no recognised gains or losses other than those within the profit and loss account.

CONSOLIDATED BALANCE SHEET

AT 31 OCTOBER 2006

	Note	31 October 2006 £'000	31 October 2005 £'000	30 April 2006 £'000
Non-current assets				
Goodwill	4	7,483	-	9,093
Other intangible assets		369	408	383
Property, plant and equipment		154	57	97
		<u>8,006</u>	<u>465</u>	<u>9,573</u>
Current assets				
Trade and other receivables		4,184	975	3,342
Cash and cash equivalents		1,070	2,563	1,221
		<u>5,254</u>	<u>3,538</u>	<u>4,563</u>
Total assets		<u>13,260</u>	<u>4,003</u>	<u>14,136</u>
Current liabilities				
Trade and other payables		2,880	356	2,804
Current tax liabilities		469	595	534
Provisions	5	1,188	311	639
		<u>4,537</u>	<u>1,262</u>	<u>3,977</u>
Non-current liabilities				
Provisions	6	1,122	-	4,350
Total liabilities		<u>5,659</u>	<u>1,262</u>	<u>8,327</u>
Net assets		<u><u>7,601</u></u>	<u><u>2,741</u></u>	<u><u>5,809</u></u>
EQUITY				
Called up share capital		105	104	105
Share premium account		5,809	2,331	4,702
Share option reserve		55	34	41
Other reserves		120	120	120
Retained earnings		1,512	152	841
Total equity	7	<u><u>7,601</u></u>	<u><u>2,741</u></u>	<u><u>5,809</u></u>

These financial statements were approved by the Board of Directors on 6th December 2006.

Signed on behalf of the Board

Peter Coveney
Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 OCTOBER 2006**

	6 months ended 31 October 2006 £'000	6 months ended 31 October 2005 £'000	Year ended 30 April 2006 £'000
Cash flows from operating activities			
Operating profit	1,373	464	1,689
Depreciation	47	26	73
Amortisation – database	191	281	505
Share based payments expense	14	6	14
Increase/ (decrease) in receivables	(842)	(215)	(967)
(Decrease)/ increase in payables	76	102	569
(Decrease)/ increase in provisions	92	(7)	69
Cash generated from operations	951	657	1,952
Interest paid	-	-	(2)
Tax paid	(275)	-	(512)
Net cash generated from operating activities	676	657	1,438
Cash flows from Investing activities			
Interest received	4	37	54
Proceeds on disposal of available-for-sale investments	-	561	561
Purchases of plant, property and equipment	(103)	(14)	(51)
Purchases of other intangibles – database	(177)	(233)	(431)
Acquisition of subsidiaries	1,610	-	(8,680)
Net cash (used in) / from investing activities	1,334	351	(8,547)
Financing activities			
Proceeds on issue of shares	1,107	-	2,372
Purchase of own shares	(496)	-	(199)
Net inflow / (outflow) from other creditors	(2,772)	-	4,602
Net cash from /(used in) financing activities	(2,161)	-	6,775
Net increase / (decrease) in cash and cash equivalents	(151)	1,008	(334)
Cash and cash equivalents at the beginning of the period	1,221	1,555	1,555
Cash and cash equivalents at the end of the period	1,070	2,563	1,221

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

1. Basis of preparation

For the year ending 30 April 2007, the Group will prepare consolidated financial statements under International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). This interim report for the 6 months ended 31 October 2006, is the first interim report under IFRS and has been prepared on the basis of the accounting policies set out in the financial statements for the year ended 30 April 2006, amended where necessary to comply with IFRS.

The financial information has not been audited and does not constitute full financial statements within the meaning of Section 240 of the Companies Act 1985.

The financial information relating to year ended 30 April 2006 is based on the Group's statutory accounts for that period, restated for IFRS. Those statutory accounts which were prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP) received an unqualified audit report and have been filed with the Registrar of Companies.

The financial results of the Group previously published for the year ended 30 April 2006 and for the six months ended 31 October 2005 were prepared under UK GAAP. These results have been restated in accordance with IFRS. The effect of this restatement is set out below:

	6 months ended 31 October 2005 £'000	Year ended 30 April 2006 £'000
Profit after tax under UK GAAP	641	1,539
IFRS adjustments:		
Share based payments	(6)	(14)
Profit after tax under IFRS	635	1,525

2. Tax

The tax expense comprises:

	6 months ended 31 October 2006 £'000	6 months ended 31 October 2005 £'000	Year ended 30 April 2006 £'000
Current tax			
UK corporation tax	427	306	661
Adjustment in respect of prior years	(32)	-	-
Tax relief on share options	(185)	-	-
	<u>210</u>	<u>306</u>	<u>661</u>
Deferred tax			
Decrease in deferred tax liability	-	-	(4)
	<u>-</u>	<u>-</u>	<u>(4)</u>
Total tax expense	210	306	657

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2006**

3. Earnings per share

The calculation of earnings per share is based on the following profits and number of shares:

	6 months ended 31 October 2006			6 months ended 31 October 2005			Year ended 30 April 2006		
	Profit £'000	Number of shares '000	Pence per share	Profit £'000	Number of shares '000	Pence per share	Profit £'000	Number of shares '000	Pence per share
Headline earnings per share*	1,167	49,326	2.4	327	40,267	0.8	1,217	43,936	2.7
Reconciliation to reported earnings (net of tax at 30%):	-	-	-	-	-	-	-	-	-
-profit on available-for-sale investments	-	-	-	308	-	0.8	308	-	0.8
Basic earnings per share	1,167	49,326	2.4	635	40,267	1.6	1,525	43,936	3.5
Dilutive effect of securities:									
Share options	-	1,832	-	-	2,876	-	-	3,136	-
Deferred consideration to be settled in shares	-	450	-	-	-	-	-	-	-
Diluted earnings per share	1,167	51,608	2.3	635	43,143	1.5	1,525	47,072	3.2

*Headline earnings per share excluding profit on available-for-sale investments relating to the prior year have been included as the Directors consider that this figure provides a meaningful measure of the ongoing business.

4. Goodwill

	31 October 2006 £'000	31 October 2005 £'000	30 April 2006 £'000
At the beginning of the period	9,093	-	-
Acquisitions	-	-	9,093
Reduction	(1,610)	-	-
At the end of the period	7,483	-	9,093

Reduction in goodwill arises from the renegotiation of the ID Factor Limited deferred consideration.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2006**

5. Current liabilities: Provisions

	31 October 2006 £'000	31 October 2005 £'000	30 April 2006 £'000
Deferred cash consideration	200	-	193
Deferred share consideration	509	-	59
Other provisions (rewards liability)	479	311	387
	<u>1,188</u>	<u>311</u>	<u>639</u>

The deferred share consideration is shown as a liability but will be settled by the issue of ordinary shares.

6. Non-current liabilities: Provisions

	31 October 2006 £'000	31 October 2005 £'000	30 April 2006 £'000
Deferred cash and loan note consideration	300	-	1,533
Deferred share consideration	722	-	2,717
Unsecured 2% loan notes	100	-	100
	<u>1,122</u>	<u>-</u>	<u>4,350</u>

The deferred share consideration is shown as a liability but will be settled by the issue of ordinary shares.

7. Reconciliation of movement in total equity

	Called up share capital £'000	Share premium account £'000	Share Option reserve £'000	Other reserve £'000	Retained earnings £'000	£'000
At 1 May 2006	105	4,702	41	120	841	5,809
Issue of shares	-	1,107	-	-	-	1,107
Share buyback	-	-	-	-	(496)	(496)
Share options movement	-	-	14	-	-	14
Total income recognised for the period	-	-	-	-	1,167	1,167
At 31 October 2006	<u>105</u>	<u>5,809</u>	<u>55</u>	<u>120</u>	<u>1,512</u>	<u>7,601</u>

8. Dividend

The company does not intend to pay a dividend at this time.