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Highlights

Group revenues up 40% to £22.5 million (2007: £16.1 million), with organic growth up 10% excluding the year's two acquisitions.

Adjusted* profit before tax increased by 10% to £3.6 million (2007: £3.3 million).

Adjusted* basic earnings per share were 4.9p (2007: 5.5p).

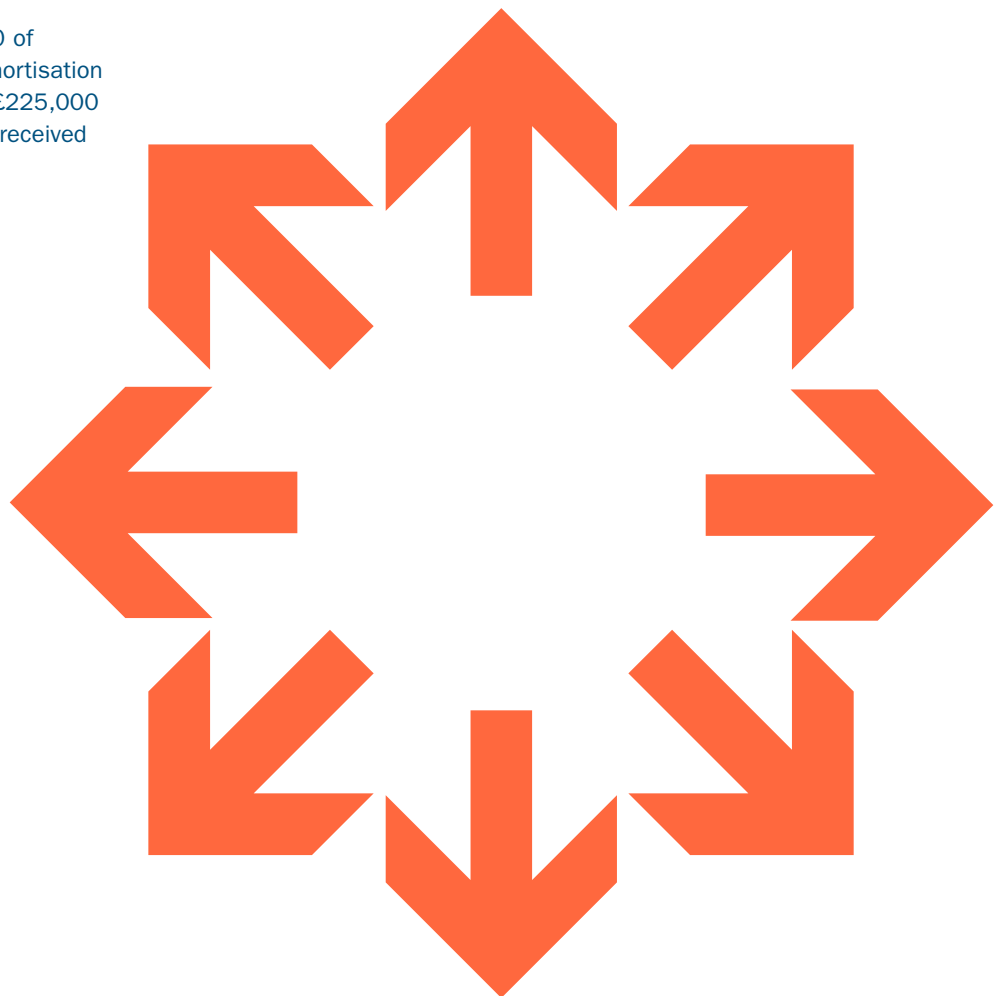
Cash generated from operations of £2.7 million (2007: £1.6 million).

Maintained organic growth despite slow down in some key vertical markets.

Significant jump in scale in the UK and internationally following integration of two acquisitions.

Now focused on five business channels – Affiliate Marketing, Email Marketing, Publishing, Lead Generation and Online Research.

* Adjusted profits before tax excludes £27,000 of share-based payment charges, £898,000 amortisation of acquisition related intangible assets and £225,000 exceptional costs associated with the offers received for the Group in the year.



Chairman's statement

Overview

The financial year ended 30 April 2008 was a period of substantial and positive change and development for the Group. By the end of April we had almost doubled in size, following two key acquisitions and taken an important first step into continental Europe.

For several months either side of the year end, the Group was in an offer period after an unsolicited approach. Despite the distraction of the approach, we made excellent progress in integrating the newly acquired businesses and have also restructured the Group along market sector lines to provide additional focus and to eliminate internal overlap. The Group is now well positioned with diverse product offerings despite the difficult market conditions faced in selected verticals.

Financial performance

Revenues for the year were £22.5 million (2007: £16.1 million). Excluding the impact of the two acquisitions, revenues increased by 10%, a credible result given the decline in demand from financial

services clients highlighted in our April trading statement. Adjusted profit before tax increased to £3.6 million (2007: £3.3 million), excluding the impact of share-based payment charges, amortisation of acquisition related intangible assets and exceptional costs associated with the offers received for the Group earlier in the year.

Offer period

The Board and the executive team were inevitably distracted and their achievements overshadowed from February for five months by an unsolicited proposal which the Board viewed as unacceptable. However, the initial approach triggered interest from the private equity sector. The Board decided to allow the Group's two principal executives, Mark Smith and Craig Dixon, to co-operate with one private equity house to see if an acceptable MBO offer could be put together. That process fell victim to the severe contraction in the debt market.

We all believe the Group has a strong and exciting future and shareholders can be assured that the entire Board and management

are working closely together to realise the Company's potential.

Acquisitions

We welcomed to the Group two exciting new businesses, Internet Business Group plc (IBG) in February 2008 and TAPPS B.V. (TAPPS) one month earlier. In very different ways they offer exciting opportunities for the future.

IBG made us a major player in the UK's affiliate marketing sector through AffiliateFuture. This substantially enlarged the Group's portfolio, bringing new customers plus further advantages for our existing clients.

The significance of TAPPS, a business more closely allied to existing Group activities, is geographical and takes us firmly into continental Europe where we will be applying much of our future focus.

The result of our organic growth coupled with these acquisitions is that the Group's revenue run-rate at the end of the financial year is roughly double what it was at the start. I believe it is interesting to note if we compare all the UK's thousand or more AIM listed

By the end of April we had almost doubled in size, following two key acquisitions and taken an important first step into continental Europe.

Chairman's statement continued

companies by annual sales, we have lifted the Group well into the top 20%.

People

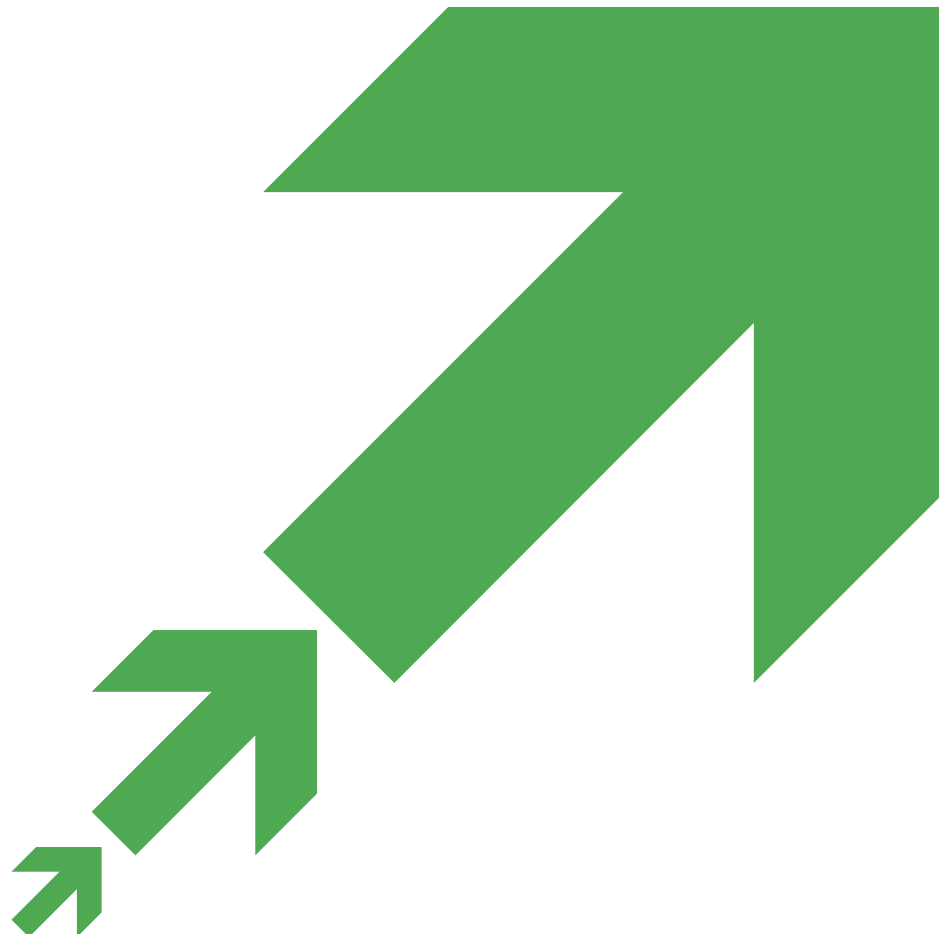
There were changes on the Board during the year. This is my first Chairman's statement since replacing Warren Tayler in December. Warren played an important part in the Group's development, guiding the company from a relatively modest start, through the initial acquisitions which laid the foundations of today's successful Group. I would like to express thanks on behalf of myself and his former colleagues to Warren and also long-serving non-executive director Harold Gittelmon who also retired from the Board.

We have welcomed some excellent new managers and staff during the year, particularly via the acquisitions. We have an impressive and dedicated team and I would like to thank our staff, executives, Board colleagues, advisers and shareholders for their support and contribution in the past year.

Peter Harkness

Chairman

4 September 2008



Chief Executive's review

Product and service range

The Group is split into seven divisions, primarily active in online advertising and online market research. We have two offices in London, as well as offices in Holland (TAPPS) and Spain and the US (AffiliateFuture), with some 200 staff across our five locations.

Our various divisions give the levels of scale and quality which the largest clients are seeking online. We believe in the synergies between our businesses, with encouraging signs that once our clients are utilising one area of the Group, they are quick to utilise further divisions, giving us a true "multi-service, single-source" offering.

Affiliate marketing

AffiliateFuture, which brings together more than 800 advertisers with over 100,000 website publishers, generated in excess of £130 million of sales for retailers in 2007, often pushing up to five million visitors to advertisers in peak months. With our clients under contract and our reputation with the website publishers strong, our strength was recognised when we were recently highly commended for services to

affiliates through the A4U industry awards. We have a good sense of visibility over potential revenues. Following the IBG acquisition, we also launched our new tracking technology, Veracitag TM which sits alongside the more traditional "cookie" tracking, which resulted in an increase of more than 7% in the number of sales being tracked. Such service and competitive edge through technology gives us a great foundation from which to build. We also appointed Tom Morgan as Managing Director from his role as MD at EDR where his business building skills have driven the agency forward.

Our agency division, EDR, now under the management of Kevin Rice, is also active in the affiliate marketing space, with over 40 clients utilising its affiliate marketing management services.

Email marketing

Our list owner/manager divisions, TMN Media in the UK and TAPPS in Holland now manage over 20 million email records across some of the most prestigious email databases from MTV to RTL, Handbag to thetrainline.com.

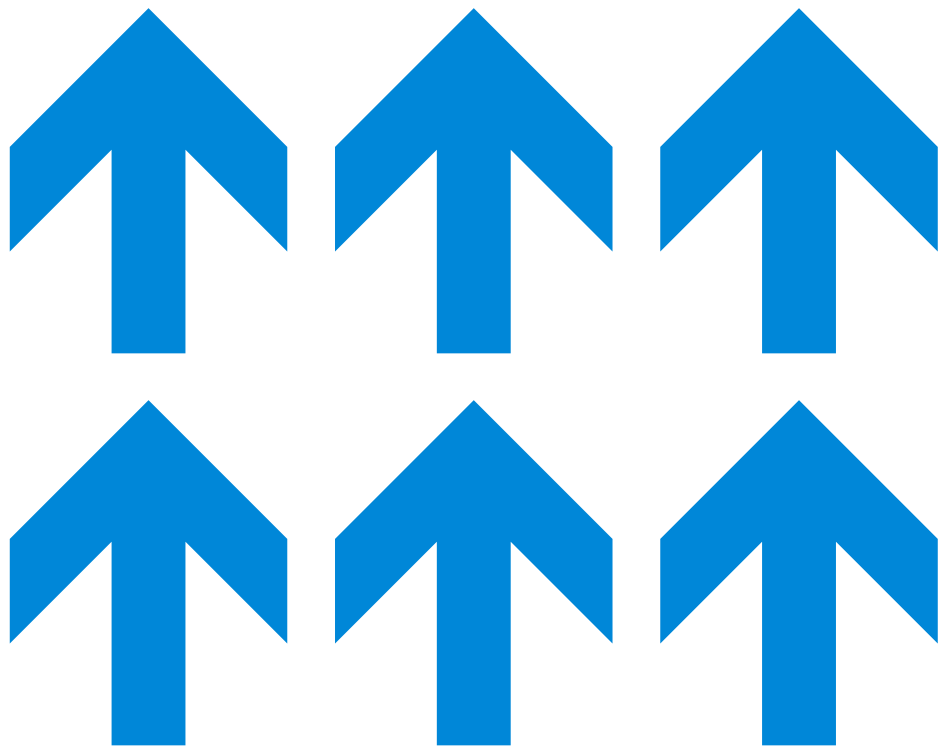
The key to successful email marketing continues to be strength of delivery platforms combined with relationships with the world's largest ISPs such as AOL and Hotmail. The relevance of the advertising and the recognition of the brand resulted in over 15 million visitors to our advertisers last year. Despite the challenges of the financial sector, EDR continues to make an impact as the UK's largest email marketing agency, booking in excess of 200 million email sends last year. Our knowledge of the market combined with a focus on using the strongest, most acceptable email lists, many of which sit within our media divisions, has resulted in good retention of clients, along with some key wins.

Website publishing

Following the acquisition of IBG, we placed all of our websites within one division, TMN Publishing, led by Mark Ash, formerly of DoubleClick. These websites include MutualPoints, one of the largest online rewarded shopping portals in the UK and Plum-Prizes, a fast growing and recently relaunched competition portal which has seen record revenues month on month. This

We believe in the synergies between our businesses, with encouraging signs that once our clients are utilising one area of the Group, they are quick to utilise further divisions.

Chief Executive's review continued



Chief Executive's review continued

division also manages our travel sites, notably Henoo.com and CheapHolidayDeals.com, and a number of new opportunities, including Freequotes.co.uk and SurveyCentral, the latter being the UK version of a Dutch product, PBS (Premium Brands Survey). Our websites are attracting over eight million users each year.

Lead generation

Early in 2007, with our knowledge of data management we launched Pure Lead, our data cleansing and management tool. Over one million leads were managed by the product in the financial year for a number of clients and its run-rate entering this year suggests that we will increase this figure significantly.

TAPPS also have their own lead generation product in the Netherlands, Premium Brands Survey. Again, we are seeing strong growth in the number of leads it is generating and have moved it to a six weekly cycle, from a quarterly cycle, to deal with demand.

Research

Our dual approach to online market research has yielded encouraging results and continued growth, despite the expansion and number of new players in the market. The iD Factor, having over 25 specialist panels in the UK and a global reach through partnerships, generated nearly one million responses to surveys last year. With our growth in Europe and the US, we are now in a strong position to build our own panels in these territories. ICD Research grew strongly throughout the financial year, resulting in long-term deals with a number of media and banking clients which act as a foundation for its revenue expectations for the year.

In all, the Group generated over 75 million visitors for its clients last year, which is the sort of scale and breadth which gives us a sound platform going into the end of the decade.

Outlook

Recent figures from the IAB suggest that UK online ad spend grew to £2.85 billion in 2007, and predicts £3.5 billion spend in 2008, followed by £4 billion spend by 2009. Some

verticals have been hit by global economic events, notably financial and automotive. Although we have felt some of this impact throughout our divisions, we believe our increase in scale puts us in a stronger position to handle the more demanding economic environment and continue to grow the overall business.

We have no doubt that the market is changing around us, and how we adapt will dictate our ability to grow. We have promoted from within to take up senior roles in EDR, AffiliateFuture and TMN Publishing. Our MDs in TAPPS, Research and TMN Media have continued their successful growth and I believe we have the management to meet these challenges and continue on our journey towards our vision of becoming a powerful digital marketing player throughout Europe and beyond.

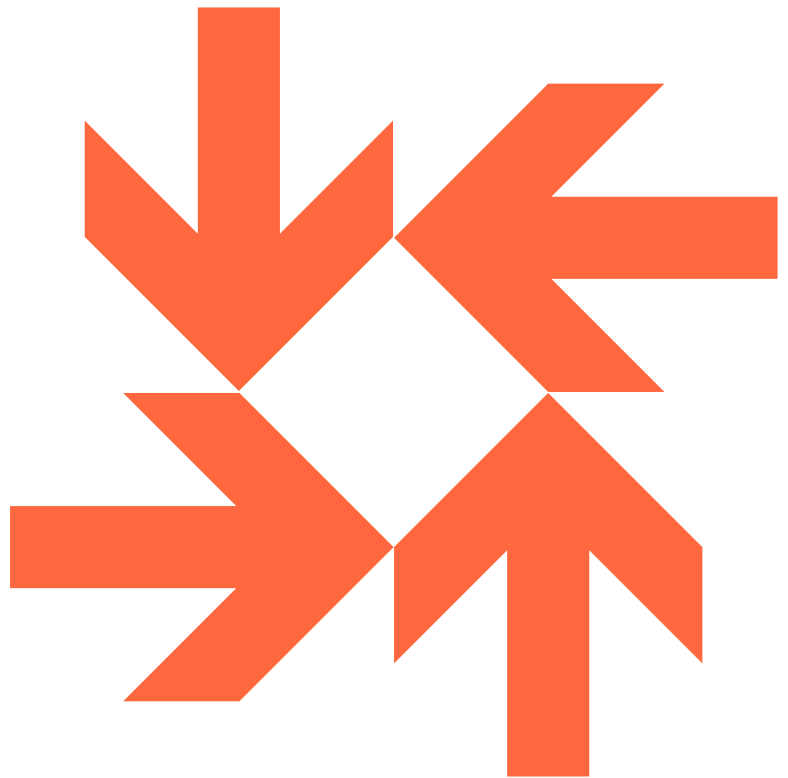
Mark Smith

Chief Executive Officer

4 September 2008

We believe our increase in scale puts us in a stronger position to handle the more demanding economic environment and continue to grow the overall business.

Chief Executive's review continued



Operating and financial review

Revenue

For the year ended 30 April 2008 revenues were £22.5 million, an increase of 40% compared to 2007 revenues of £16.1 million. Excluding the impact of the two acquisitions made in the year, revenues increased by 10%. TAPPS acquired in January 2008 and IBG acquired in February 2008 made a contribution to full year revenues of £4.9 million.

The enlarged Group now segments performance according to five product categories. Revenue split by product and regionally is shown below.

Gross margin

Gross profit increased to £11.7 million (2007: £9.1 million), an increase of 29%. The gross profit margin declined to 52% from 56% in 2007. Excluding the effect of acquisitions gross margin was broadly in line with 2007. The decrease in gross margin for the enlarged Group reflects the combined impact of a higher margin for TAPPS (where the cost of sale comprises of delivery costs and revenue share paid to data owners) and a lower margin for IBG, primarily affiliate marketing which as a

commission based business operates at gross margins of less than 30%.

Adjusted results and prior year adjustments

To assist the understanding of the underlying performance of the Group in the year, operating profit, profit before tax and earnings per share are disclosed prior to the impact of share-based payment charges, amortisation of acquisition related intangible assets and exceptional costs.

Exceptional costs represent charges to the Income Statement of £0.2 million comprising of legal and advisory costs incurred as a result of the indicative offers received for the Company.

During the current year a review was carried out of the accounting for transition to International Financial Reporting Standards (IFRS) as reported in the Group's first full IFRS financial statements for the year ended 30 April 2007. Two issues arose as a result of the review and consequently prior year comparative numbers have been restated. The nature and effect of these issues are disclosed in note 2 to the Consolidated Financial Statements.

Operating profit and margin

Adjusted operating profit increased to £3.6 million (2007: £3.3 million). The adjusted operating margin declined to 16% (2007: 20%) as a result of an increased investment in headcount and infrastructure as well as the dilutive effect on margin of the IBG acquisition offset in part by the post acquisition contribution from TAPPS.

Depreciation increased from £0.1 million in 2007 to £0.2 million in 2008. Amortisation of non-acquisition related intangible assets increased to £0.7 million (2007: £0.4 million) in part reflecting the capitalisation of internally developed software costs which are amortised over two years.

The reported operating profit decreased to £2.5 million from £2.9 million in 2007.

Profit before tax

Adjusted profit before tax increased to £3.6 million (2007: £3.3 million). A small net finance cost was incurred compared to net finance income in 2007 reflecting the costs associated with the acquisition of TAPPS. Reported profit before tax was £2.5 million.

Revenue	2008 £ million	2007 £ million
Email marketing	13.1	10.6
Affiliate marketing	4.1	1.7
Research	2.7	1.9
Publishing	2.1	1.9
Ecommerce	0.5	–
Total	22.5	16.1
United Kingdom	20.9	16.1
Netherlands	1.6	–
Total	22.5	16.1

Operating and financial review continued



Operating and financial review continued

Taxation

The reported tax charge for the year was £0.6 million representing an effective tax rate of 26% (2007: 15%). The increase in the charge reflects a higher level of non deductible expenses as well as the impact of share options exercised in 2007.

Earnings per share

Adjusted basic earnings per share were 4.9p (2007: 5.5p) and adjusted diluted earnings per share were 4.6p (2007: 5.2p). The basic earnings per share were 3.3p (2007: 5.0p).

Cash flow and acquisitions

Net cash generated from operating activities was £2.7 million (2007: £1.6 million). Capital expenditure relating to computer hardware was £0.4 million (2007: £0.2 million). Purchases of intangible assets, primarily database investment and internally developed software, were £1.6 million (2007: £0.5 million). This reflects the Group's continued investment in proprietary products, websites and technology. The Consolidated Cash Flow Statement includes £2.5 million in cash outflows relating to the acquisition of subsidiaries.

In January 2008, the Group acquired TAPPS for an initial consideration of £5.6 million including costs associated with the acquisition of £0.2 million. Total consideration comprising of the initial consideration, satisfied by a combination of cash and shares, and deferred consideration contingent on performance is estimated at £7.4 million. TAPPS's net assets have been provisionally fair valued at £4.0 million including adjustments to reflect the recognition of separable intangible assets, adoption of an appropriate revenue recognition policy and an increase in the bad debt provision. Resultant goodwill of £3.3 million is included in the Consolidated Balance Sheet.

In February 2008, the Group acquired IBG for total consideration of £7.6 million comprising of £7.2 million representing the fair value of shares issued and £0.4 million of costs associated with the acquisition settled in cash. IBG's net assets have been provisionally fair valued at £5.9 million including adjustments to reflect the recognition of separable intangible assets, impairment of investments and inventories and an increase in the bad debt provision.

Treasury, funding and risk

Net debt was £0.3 million at the year end compared to net cash of £1.6 million at 30 April 2007. The net decrease in cash is primarily attributable to the cash impact of acquisitions including the cash element of the purchase consideration for TAPPS, expenses associated with the acquisitions net of cash acquired with subsidiaries.

The cash consideration arising on the acquisition of TAPPS was primarily funded by a new £4.0 million overdraft facility. At 30 April 2008 the drawn amount of the facility was £3.0 million.

The Group has increased its exposure to financial risk as a result of the acquisitions of TAPPS and IBG. As a result of consequent exposure to foreign currency and interest rate risk, the Group will be reviewing the need for more formal treasury policies including the use of financial instruments to hedge potential risks. Currently the Group's exposure to foreign currency risk is not considered significant and relates to short-term loans made to, or received from, subsidiaries located outside of the UK. The Group's current level of gearing, the

The Group's current level of gearing, the relatively short term nature of its borrowings and a proposed composite accounting arrangement, result in the Group not having a significant exposure to interest rate fluctuations on its borrowings.

Operating and financial review continued

relatively short-term nature of its borrowings and a proposed composite accounting arrangement, result in the Group not having a significant exposure to interest rate fluctuations on its borrowings.

Key performance indicators (KPIs)

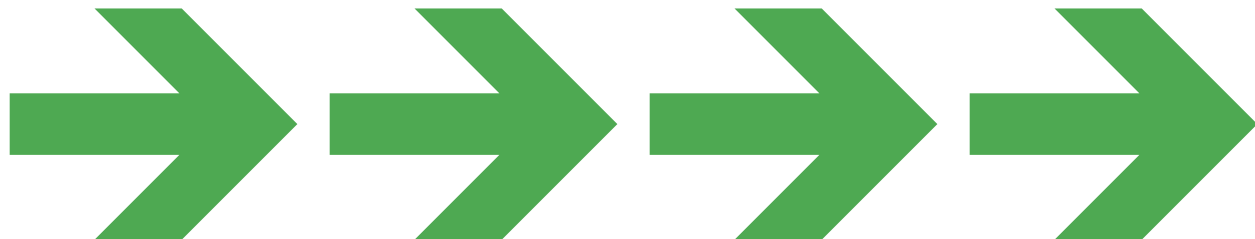
The Group uses a number of KPIs to monitor the performance of divisions as well as individual product categories within those divisions. These include but are not limited to, the following:

- > Investment in, and quality of, databases in terms of activity levels, responsiveness, email deliverability, size and coverage.
- > Organic revenue growth compared to market and peer group growth rates.
- > Gross and operating profit margins as well as cash contribution to the Group's central cost base.
- > Working capital and cash management in terms of adherence to forecast, borrowing headroom and levels of trade receivables and payables.

Craig Dixon

Chief Financial Officer

4 September 2008



Directors and advisers

Board of directors

P Harkness

Non-Executive Chairman

Peter has 20 years' experience in buying or building successful businesses, predominantly in the media sector. Peter has played an active role in a number of private equity deals and has gained extensive experience on the boards of both public and private companies. He is currently the Chairman of publisher MyHobbyStore Media Ltd and of the data and subscription specialist Optima WDIS. He is a non-executive director of Chrysalis Venture Capital Trust and was a non-executive director of Datamonitor plc until its £500 million sale to Informa plc. In recent years he has also been Chairman of IT analysts the Butler Group until its sale to Datamonitor and was Executive Chairman of media monitoring group, Precise Media, until it was sold for £42 million to Phoenix Private Equity.

M D Smith

Chief Executive Officer

Mark became CEO of TMN Group in June 2004, driving its rapid growth and acquisition activity. He had initially been a consultant to TMN Group and then became commercial director before assuming the CEO role. Prior to TMN Group, Mark had a 15-year career at the forefront of new media and publishing including taking Rapide Publishing to a £20 million turnover during the 1990s, and helping DealTime UK, later Shopping.com, move to strong and consistent revenues after starting up.

C Dixon

Chief Financial Officer

Craig joined TMN Group in June 2007. He qualified as a Chartered Accountant with PriceWaterhouseCoopers. He has 20 years of financial management experience, predominantly within the media and entertainment sectors. He spent 10 years with Virgin, in both corporate finance and finance director roles, and following that he was CFO of The Telstar Music Group and The Hospital Group before rejoining Virgin as CFO of V2 Music Group.

V R Smith

Non-Executive Director

Vince has 11 years' experience in private equity. He has a business degree and qualified as a Chartered Accountant, spending four years with the corporate advisory division of PriceWaterhouseCoopers. He then joined HIT Investments plc as a director. He left three years later to co-found Cairnsford Associates Limited, the private equity division of J. Leon & Company Ltd.

B Fair

Non-Executive Director

Bruce Fair is the Managing Director of Kelkoo UK, part of Yahoo! Inc. Bruce joined Yahoo! when it acquired Kelkoo in 2004. He has more than six years of extensive ecommerce experience covering the full business cycle and specialises in the field of online retail. In his current role Bruce is responsible for both direct and agency revenue generation.

Directors and advisers continued**Board of directors**

P Harkness *Non-Executive Chairman*
M D Smith *Chief Executive Officer*
C Dixon *Chief Financial Officer*
V R Smith *Non-Executive Director*
B Fair *Non-Executive Director*

Company secretary

C Dixon

Registered office

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69-73 Theobalds Road
London
WC1X 8TA

Registered number

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Auditor

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Enterprise House
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Principal bankers

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London
BX3 2BB

Solicitors

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Nominated adviser and broker

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2 Gresham Street
London
EC2V 7QP

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0LA

Directors' report

The directors have pleasure in presenting their report and the financial statements of the Group and parent Company for the year ended 30 April 2008.

Principal activity and business review

The principal activities of the Group are the provision of online marketing, market research services and ecommerce. The principal activity of the Company was that of a holding company.

Review of the business and future developments:

A review of the Group's performance is set out in the Chairman's statement, the Chief Executive's review and the operating and financial review on pages 2 to 11. This includes a review of the key performance indicators of the Group.

Results and dividends

The trading results for the year and the financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend the payment of a dividend (2007: £nil).

Financial risk management objectives and policies

The objective of the Board is to manage risk across the Group enabling the Group to achieve its business objectives.

Changes in key business objectives which may alter the risks faced by the operating or central divisions are monitored closely by the Board throughout the year to ensure that the necessary changes to internal controls or procedures are implemented.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk.

A detailed review of financial risk management is given in note 20.

Principal risks and uncertainties

The Group faces ongoing operational risk including the predominance of its business within the UK, potential loss or reduction in activity of key clients and potential loss of key personnel.

Directors and their interests

The directors who served the Company during the year were as follows:

M D Smith	
V R Smith	
P N Coveney	Resigned – 17 July 2007
J W Tayler	Resigned – 5 December 2007
H Gittelmon	Resigned – 5 December 2007
C Dixon	Appointed – 17 July 2007
P Harkness	Appointed – 6 August 2007
B Fair	Appointed – 6 August 2007

The directors who held office at 30 April 2008 have the following interests in the shares of the company:

	Class of share	At 30 April 2008	At 30 April 2007
M D Smith	Ordinary shares	12,500	–
V R Smith	Ordinary shares	291,841	291,841
P Harkness	Ordinary shares	120,000	–

V R Smith's shares are owned by Cairnsford Associates Limited, a company in which he is a director.

Details of directors share options can be found in note 6.

Substantial shareholdings

As at 12 August 2008 the Company had been notified that the following were interested in 3% or more of the ordinary share capital of the Company:

	Ordinary Shares Number '000	%
M Danson	18,407	24.4
Cazenove Capital Management	4,227	5.6
Herald Investment Management	3,513	4.7
M Darvish	3,322	4.4
BlackRock Investment Management	2,891	3.8

Purchase of own shares

On the 14, 15 and 16 of August 2007, the Company purchased 50,000 ordinary shares each day totalling 150,000 for a total consideration of £108,750. This represents 0.3% of the total share capital.

Directors' report continued

Policy on the payment of creditors

The Group's policy is to abide by the terms of payment agreed with suppliers. At 30 April 2008, trade creditors of the Group and Company represented 64 days and 60 days outstanding respectively (2007: 60 days and Nil days outstanding respectively).

Directors' responsibilities for the Group financial statements

The directors are responsible for preparing the Annual Report and the financial statements of the Group in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRSs"). The parent Company can prepare its financial statements under IFRS or UK GAAP.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group 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 IFRSs 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 Group and 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 Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- > there is no relevant audit information of which the Group's auditors are 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 auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Donations

During the year the Group made charitable donations amounting to £3,580 (2007: £1,350).

Employee consultation

The Group places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through formal and informal meetings.

Disabled employees

The Group is committed to ensuring that people with disabilities are supported and encouraged to apply for employment and to achieve progress through the Group. They are treated so that they have an equal opportunity, so far as is justifiable, to be selected, trained and promoted. Every reasonable effort will be made to enable people with disabilities to be retained in the employment of the Group.

Auditors

Grant Thornton UK LLP were appointed as auditors during the year and have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 4 September 2008.

C Dixon

Company Secretary

4 September 2008

Corporate governance report

The directors acknowledge the importance of good governance and are committed to apply such principles as appropriate to the Company given its size and nature.

The Board comprises the non-executive Chairman, the Chief Executive, the Chief Financial Officer and two non-executive directors.

Relations with shareholders

The Group values the views of its shareholders and recognises their interests in the Group's strategy and performance. The Annual General Meeting is used to communicate with shareholders and they are encouraged to participate. The directors will be available to answer questions at the Annual General Meeting. Separate resolutions are proposed on each issue in order that they can be given proper consideration and there is a resolution to approve the financial statements.

All shareholders can gain access to information about the Group through the website www.tmnplc.com

The role of the Board

The Board is responsible for the management and successful development of the Group by:

- > setting the strategic direction;
- > monitoring and guiding operational performance; and
- > establishing policies and internal controls to safeguard the Group's assets.

The composition of the Board provides a blend of skills and experience that ensures it operates as a balanced team.

The Board meets regularly, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy and, when appropriate, reporting to shareholders. To enable the Board to discharge its duties, all directors receive appropriate and timely information.

Internal control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investments and the Group's assets. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The directors are responsible for the Group's system of financial control and for reviewing its effectiveness. The key features of the systems of internal financial control are as follows:

- > the Group is headed by an effective Board which leads and controls the Group. The final selection of any director is performed by the full Board and any appointment is approved by the Board;
- > the Board receives and reviews on a timely basis financial and operating information appropriate to being able to discharge its duties; and
- > the Group's operating procedures include systems for reporting financial and non-financial information to the Board including:
 - preparation and review of annual plans and budgets.
 - preparation and review of monthly management information reports.
 - review of the business at each Board meeting, focusing on any new risks arising.

The Board has concluded that an internal audit function is not required at this time but the ongoing requirement will be kept under review.

The Audit Committee comprising P Harkness and V R Smith is responsible for reviewing the Group's accounting and financial reporting practices and disclosures, its internal controls, the work of the external auditor and Group compliance with financial policies, regulations and laws.

The Remuneration Committee comprising P Harkness, V R Smith and B Fair meet as and when necessary to agree the terms of service, salaries and share options of the executive directors.

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason the directors have adopted the going concern basis in preparing the financial statements.

Consolidated income statement

For the year ended 30 April 2008

	Note	2008 £'000	Restated 2007 £'000
Revenue	3	22,534	16,095
Cost of sales		(10,804)	(7,015)
Gross profit		11,730	9,080
Administrative expenses		(7,489)	(5,409)
Other administrative expenses			
– Amortisation of intangibles	12	(1,530)	(764)
– Exceptional costs		(225)	–
Operating profit	4	2,486	2,907
Finance income	7	42	18
Finance costs	7	(51)	(7)
Profit from continuing activities before taxation		2,477	2,918
Taxation on profit	8	(635)	(449)
Profit after taxation		1,842	2,469
Profit attributable to the equity holders of the parent		1,842	2,469
Earnings per share			
Basic (pence)	10	3.3p	5.0p
Diluted (pence)	10	3.1p	4.7p

The results for the current and prior year are derived from continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of change in equity

At 30 April 2008

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Equity shares to be issued £'000	Share option reserve £'000	Translation reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2006 as reported	105	4,702	–	–	41	121	841	5,810
Prior year restatement								
– deferred share consideration reclassified as equity	–	–	–	2,419	356	–	–	2,775
– amortisation of intangibles	–	–	–	–	–	–	(105)	(105)
At 1 May 2006 restated	105	4,702	–	2,419	397	121	736	8,480
Net income recognised directly in equity	–	–	–	–	–	–	763	763
Profit for the financial year (restated)	–	–	–	–	–	–	2,469	2,469
Total recognised expense in the year	–	–	–	–	–	–	3,232	3,232
Issue of shares	–	968	–	(968)	–	–	–	–
Share options exercised	–	139	–	–	–	–	–	139
Reduction to deferred share consideration	–	–	–	(764)	–	–	–	(764)
Purchase of own shares	–	–	–	–	–	–	(1,350)	(1,350)
Share-based payment	–	–	–	–	29	–	–	29
At 1 May 2007 restated	105	5,809	–	687	426	121	2,618	9,766
Net expenses recognised directly in equity	–	–	–	–	–	25	–	25
Profit for the financial year	–	–	–	–	–	–	1,842	1,842
Total recognised expense in the year	–	–	–	–	–	25	1,842	1,867
Issue of shares	3	1,864	7,174	(331)	–	–	–	8,710
Purchase of own shares	–	–	–	–	–	–	(109)	(109)
Share options exercised	–	75	–	–	–	–	–	75
Share options cancelled	–	–	–	–	(10)	–	10	–
Deferred tax on share options	–	–	–	–	–	–	165	165
Share-based payments	–	–	–	–	27	–	–	27
At 30 April 2008	108	7,748	7,174	356	443	146	4,526	20,501

The accompanying accounting policies and notes form an integral part of these financial statements.

Company statement of change in equity

At 30 April 2008

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Equity shares to be issued £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
At 1 May 2006 as reported	105	4,702	–	–	41	1,593	6,441
Prior year restatement – deferred share consideration reclassified as equity	–	–	–	2,419	356	–	2,775
At 1 May 2006 restated	105	4,702	–	2,419	397	1,593	9,216
Net income recognised directly in equity	–	–	–	–	–	763	763
Retained profit	–	–	–	–	–	2,495	2,495
Total recognised expense in the year	–	–	–	–	–	3,258	3,258
Issue of shares	–	968	–	(968)	–	–	–
Share options exercised	–	139	–	–	–	–	139
Reduction to deferred share consideration	–	–	–	(764)	–	–	(764)
Purchase of own shares	–	–	–	–	–	(1,350)	(1,350)
Share-based payment	–	–	–	–	29	–	29
At 1 May 2007 restated	105	5,809	–	687	426	3,501	10,528
Net income recognised directly in equity	–	–	–	–	–	–	–
Retained profit	–	–	–	–	–	751	751
Total recognised expense in the year	–	–	–	–	–	751	751
Issue of shares	3	1,864	7,174	(331)	–	–	8,710
Purchase of own shares	–	–	–	–	–	(109)	(109)
Share options exercised	–	75	–	–	–	–	75
Share options cancelled	–	–	–	–	(10)	10	–
Deferred tax on share options	–	–	–	–	–	165	165
Share-based payment	–	–	–	–	27	–	27
At 30 April 2008	108	7,748	7,174	356	443	4,318	20,147

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated balance sheet

At 30 April 2008

	Note	2008 £'000	Restated 2007 £'000
Non-current assets			
Goodwill	11	11,370	6,359
Other intangible assets	12	11,280	1,289
Property, plant and equipment	13	948	147
Investments	14	108	–
		23,706	7,795
Current assets			
Inventories	15	277	–
Trade and other receivables	16	9,450	4,533
Cash and cash equivalents		2,702	1,551
		12,429	6,084
Total assets		36,135	13,879
Current liabilities			
Financial liabilities – bank overdraft		3,032	–
Trade and other payables	18	7,438	2,663
Current tax liabilities		924	381
Provisions for liabilities	21	1,408	447
		12,802	3,491
Non-current liabilities			
Provisions for liabilities	21	786	400
Deferred tax liabilities	17	2,046	222
		2,832	622
Total liabilities		15,634	4,113
Net assets		20,501	9,766
Shareholders' funds			
Share capital	24	108	105
Share premium account		7,748	5,809
Merger reserve		7,174	–
Equity shares to be issued		356	687
Share option reserve		443	426
Translation reserve		146	121
Retained earnings		4,526	2,618
Total equity		20,501	9,766

These financial statements were approved by the directors and authorised for issue on 4 September 2008.

Signed on behalf of the Board by:

M D Smith
Chief Executive Officer

C Dixon
Chief Financial Officer

The accompanying accounting policies and notes form an integral part of these financial statements.

Company balance sheet

At 30 April 2008

	Note	2008 £'000	Restated 2007 £'000
Non-current assets			
Other intangible assets	12	328	–
Property, plant and equipment	13	279	–
Investments in subsidiaries	14	25,262	10,542
		25,869	10,542
Current assets			
Trade and other receivables	16	252	3
Cash and cash equivalents		25	910
Deferred tax asset	17	143	–
		420	913
Total assets		26,289	11,455
Current liabilities			
Financial liabilities – bank overdraft		3,032	–
Trade and other payables	18	819	–
Current tax liabilities		239	327
Provisions for liabilities	21	1,266	200
		5,356	527
Non-current liabilities			
Provisions for liabilities	21	786	400
Total liabilities		6,142	927
Net assets		20,147	10,528
Shareholders' funds			
Called up share capital	24	108	105
Share premium account		7,748	5,809
Merger reserve		7,174	–
Equity shares to be issued		356	687
Share option reserve		443	426
Retained earnings		4,318	3,501
Total equity		20,147	10,528

These financial statements were approved by the Board of Directors and authorised for issue on 4 September 2008.

Signed on behalf of the Board by:

M D Smith
Chief Executive Officer

C Dixon
Chief Financial Officer

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 30 April 2008

Note	2008 £'000	Restated 2007 £'000
Cash flows from operating activities		
Operating profit	2,486	2,907
Adjustments for:		
Depreciation	182	102
Amortisation	1,530	764
Share-based payments expense	27	29
Loss on investments	9	–
Foreign exchange	25	–
Increase in inventories	32	–
Increase in receivables	(2,395)	(1,191)
Increase/(decrease) in payables	1,405	(133)
Decrease in provisions	(105)	(149)
Cash generated from operations	3,196	2,329
Interest paid	(51)	(7)
Income tax paid	(444)	(735)
Net cash generated from operating activities	2,701	1,587
Investing activities		
Interest received	42	18
Purchases of plant, property and equipment	(384)	(152)
Purchases of intangible assets	(1,567)	(477)
Acquisition of subsidiaries	(2,539)	(198)
Net cash used in investing activities	(4,448)	(809)
Financing activities		
Proceeds on issue of shares	75	139
Purchase of own shares	(109)	(1,350)
Loan note repaid	(100)	–
Proceeds on sale of fractional rights	–	763
Net cash used in financing activities	(134)	(448)
Net (decrease)/increase in cash and cash equivalents	(1,881)	330
Cash and cash equivalents at the beginning of the period	1,551	1,221
Cash and cash equivalents at the end of the period	(330)	1,551

The accompanying accounting policies and notes form an integral part of these financial statements.

Company cash flow statement

For the year ended 30 April 2008

Note	2008 £'000	Restated 2007 £'000
Cash flows from operating activities		
Operating profit	1,008	2,666
Adjustments for:		
Depreciation	46	–
Amortisation	46	365
Share-based payments expense	27	29
Increase in receivables	(249)	–
Increase in payables	819	–
Cash generated from operations	1,697	3,060
Interest paid	(62)	(7)
Income tax paid	(310)	(717)
Net cash generated from operating activities	1,325	2,336
Investing activities		
Interest received	36	15
Purchases of plant, property and equipment	(325)	–
Purchases of intangible fixed assets	(374)	–
Acquisition of subsidiaries	(4,722)	(198)
Net cash used in investing activities	(5,385)	(183)
Financing activities		
Proceeds on issue of shares	75	139
Purchase of own shares	(109)	(1,350)
Proceeds from sale of fractional rights	–	763
Loan note repaid	(100)	–
Net inflow from inter-company loans	277	–
Net outflow from inter-company loans	–	(1,354)
Net cash generated from/(used in) financing activities	143	(1,802)
Net (decrease)/increase in cash and cash equivalents	(3,917)	351
Cash and cash equivalents at the beginning of the period	910	559
Cash and cash equivalents at the end of the period	(3,007)	910

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the financial statements

1. General information

TMN Group plc is incorporated and domiciled in the United Kingdom.

The financial statements for the year ended 30 April 2008 (including the comparatives for the year ended 30 April 2007) were approved by the Board of Directors on 4 September 2008. Amendments to the financial statements are not permitted after they have been approved.

2. Accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with applicable IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board.

In accordance with the exemptions permitted by s230 of the Companies Act 1985 the income statement of the Company has not been presented. In the accounts of the Company the profit for the financial year amounted to £751,000 (2007: £2,495,000) and net income recognised directly in equity amounted to £nil (2007: £763,000).

Overall considerations

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

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Prior year adjustments

The Board have undertaken a review of the accounting for transition to IFRS as reported in the Group's first full IFRS financial statements for the year ended 30 April 2007 and two issues have arisen which require restatement as follows:

Classification of share-based deferred consideration

During the year ended 30 April 2006 the Group undertook the acquisition of Electronic Direct Response Limited, for which a part of the consideration was deferred and payable in shares or under share options. The number of shares to be issued at future dates were fixed and should therefore have been classified as equity rather than debt.

Intangible assets on acquisition

On acquisition of Electronic Direct Response Limited in November 2005 goodwill on consolidation amounting to £5.78 million was acquired. In the Group's first IFRS accounts for the year ended 30 April 2006 the assessment of the intangible fixed assets acquired in this business combination was omitted. The Group estimates that goodwill was therefore overstated by £941,000, being the net of the acquired intangibles of £1.35 million and the related deferred tax liability of £403,000. The intangible assets acquired were databases, customer related intangibles and proprietary software. An amortisation charge has also been accounted for from the date of acquisition of these intangible assets.

Notes to the financial statements continued

2. Accounting policies continued

Prior year adjustments continued

The effect of prior year restatements on the consolidated position for the year ended 30 April 2007 was as follows:

	As originally stated £'000	Effect of restatement £'000	As restated £'000
Consolidated balance sheet			
Non-current assets			
Goodwill	7,300	(941)	6,359
Other intangible assets	461	828	1,289
Current assets			
Deferred tax asset	26	(26)	–
Current liabilities			
Provisions for liabilities	(956)	509	(447)
Non-current liabilities			
Deferred tax	–	(222)	(222)
Provisions	(934)	534	(400)
Equity			
Share option reserve	70	356	426
Equity shares to be issued	–	687	687
Profit and loss reserves	2,979	(361)	2,618
Total equity	9,084	682	9,766
Consolidated income statement			
Administrative expenses	(5,808)	(365)	(6,173)
Tax	(558)	109	(449)
Profit after tax	2,725	(256)	2,469
Earnings per share			
Basic	5.5p	(0.5p)	5.0p
Diluted	5.2p	(0.5p)	4.7p

The effect of prior year restatement on the Company position for the year ended 30 April 2007 was as follows:

	As originally stated £'000	Effect of restatement £'000	As restated £'000
Company balance sheet			
Current liabilities			
Provisions for liabilities	(709)	509	(200)
Non-current liabilities			
Provisions	(934)	534	(400)
Equity			
Share option reserve	70	356	426
Equity shares to be issued	–	687	687
Profit and loss reserves	3,501	–	3,501
Total equity	9,485	1,043	10,528

There was no impact on the Company's income statement regarding the prior year restatement.

Notes to the financial statements continued

2. Accounting policies continued

Basis of consolidation

The consolidated financial statements incorporate the results of the Company and all of its subsidiary undertakings up to 30 April 2008. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertakings acquired in the year are included in the consolidated income statement from the date of acquisition.

Significant accounting estimates and judgements

Certain estimates and judgements need to be made by the directors of the Group which affect the results and position of the Group as reported in the financial statements. Estimates and judgements are required if, for example, as at the reporting date not all assets and liabilities have been settled and certain assets and liabilities are recorded at fair value which requires a number of estimates and assumptions to be made.

The major areas for estimation and judgement within the financial statements are as follows:

Revenue recognition

At each reporting period, the Group has a number of projects in progress. Management review each project to determine the project's progress and reach a judgement as to the revenue that should be recognised. Management base this judgement on the best available project information.

Bad debt provision

At each reporting period, management review outstanding debts and determine appropriate provision levels. Needless to say, the recovery of certain debts is dependent on the individual circumstances of customers. As disclosed in note 16 there are a number of debts which remain outstanding past their due date, which management believe to be recoverable.

Provision for reward points

The provision for reward points represents the estimated future liabilities of unredeemed points where revenue attributable to the points issued has been recognised. The provision is calculated using a standard costing method making certain assumptions concerning redemption levels. In forming these judgements, the directors have assessed the anticipated future profile of points redemptions based on the Group's past experience of redemptions, the current run-rate of accumulation of points and the age profile of the points in issue.

The major areas of judgement within the financial statements are as follows:

Deferred and accrued consideration

In relation to accrued consideration for acquisitions where performance criteria exist, the likelihood of the performance criteria being achieved are assessed to determine the level of consideration that is appropriate to recognise.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Adoption of IFRS 8 Operating Segments

The Group has decided to adopt early IFRS 8 *Operating Segments*, which replaces IAS 14 *Segment Reporting*. However, while the adoption of this Standard has not affected the way the Group identified separate operating segments relevant for segment reporting, the Group now presents segment results in accordance with internal management reporting information. The main changes are that:

- > the segment results are based on operating results of each segment
- > in addition, the Group's management do not consider post-employment benefit expenses or share-based payment expenses when making decisions about allocation of resources to each segment and assessing its performance.

Notes to the financial statements continued

2. Accounting policies continued

Standards and Interpretations not yet applied by TMN Group plc

The following new Standards and Interpretations, which are yet to become mandatory, have not been applied in TMN Group plc's financial statements.

Standard or Interpretation		Effective for reporting periods starting on or after
IAS 1	Presentation of Financial Statements (revised 2007)	1 January 2009
IAS 23	Borrowing Costs (revised 2007)	1 January 2009
IAS 27	Consolidated & Separate Financial Statements (Revised 2008)	1 July 2009
IFRS 3	Business Combinations (Revised 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
Amendment to IAS 32 & IAS 1	Financial Instruments: Presentation and Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
Amendment to IFRS 2	Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
Amendment to IFRS 1	First time adoption of International Financial Reporting Standards and IAS 27 Consolidated and separate financial statements – costs of investment in a subsidiary, jointly controlled entity or associate	1 January 2009
Amendment to IAS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1 July 2009
Improvement to IFRSs		1 January 2009
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14 IAS 19	The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction	1 January 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008

Based on TMN Group plc's current business model and accounting policies, management does not expect material impact on TMN Group plc's Group financial statements when the Standards and Interpretations become effective.

Revenue recognition

Revenue is recognised on products and services as set out below:

Email marketing

Revenue from email advertising, lead generation sources and website publishing is recognised on completion of the relevant campaign or transaction after all performance criteria have been fulfilled.

Research

Revenue from the provision of online research and fieldwork services is recognised by reference to stage of completion. Stage of completion is measured by reference to the extent of services completed on a project by project basis.

Affiliate marketing

Revenue arises from pay for performance actions such as clicks, leads or sales generated resulting from advertising of a merchants products or services on customers' websites. On completion of performance criteria and any defined cancellation period, the relevant amount of commission is recognised.

Ecommerce

Ecommerce revenue is recognised when the goods are supplied.

Notes to the financial statements continued

2. Accounting policies continued

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceed the cost of the business combination, the excess is recognised immediately in profit or loss.

Deferred consideration

On deferred and accrued consideration for acquisitions where performance criteria exist, the likelihood of the performance criteria being achieved are assessed to determine the level of consideration that is appropriate to recognise.

Business combinations completed prior to date of transition to IFRSs

The Group has elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations prior to the date of transition to IFRSs.

Accordingly, the classification of the combination (acquisition, reverse acquisition or merger) remains unchanged from the used under UK GAAP. Assets and liabilities are recognised at date of transition if they would be recognised under IFRSs, and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRSs, unless IFRSs 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill, which is recognised as an asset, is reviewed for impairment at

least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment from that date.

Acquisition related and other intangible assets

An intangible asset acquired as part of a business combination is recognised outside goodwill, initially at its fair value, if the asset is separable or arises from contractual or other legal rights and its fair value can be reliably measured. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Internally developed software costs are capitalised where the product or process is technically and commercially feasible, the costs are separately identifiable and the Group has sufficient resources and an intention to complete the development and the correlation between development costs and future revenues has been established.

Other intangible assets, which comprise of data acquisition costs such as databases, managed email costs and customers relationships, are stated at cost, net of amortisation and any recognised impairment loss. Data acquisition costs comprise the external purchase costs of data acquired as a trading asset to be utilised for clients marketing purposes together with relationships acquired with the acquisition of subsidiary undertakings.

Amortisation is calculated so as to write off the cost of intangible assets, over their finite estimated useful lives, using the straight-line method as follows:

Databases & domain names	2 years
Managed email lists	4 years
Customer relationships	6 years
Computer software	2 to 2.5 years

Notes to the financial statements continued

2. Accounting policies continued

Investments in subsidiaries

investments in subsidiaries are recorded at cost, less any provision for impairment.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any recognised impairment losses.

Depreciation is calculated so as to write off the cost of assets, over their estimated useful lives, using the straight-line method as follows:

Freehold buildings	20 years
Leasehold improvements	3 years
Computer equipment	3 years

Inventories

Inventories are stated at the lower of cost and net realisable value, valued on a first in first out basis, after making allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership do not transfer to the lessee are charged against profits on a straight-line basis over the period of the lease.

Foreign currencies

These financial statements have been presented in Sterling which is the presentational currency of the Group.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and differences reflected in the income statement accordingly.

The results of overseas subsidiary undertakings are translated at the average exchange rates and the balance sheets of such undertakings are translated at the year end exchange rates. Exchange differences arising on the retranslation of opening net assets of overseas subsidiary undertakings are taken to the translation reserve. On disposal of a foreign operation the cumulative translation differences are transferred to the income statement as part of the gain or loss on disposal.

Pension costs

The Group does not operate any pension plans, but does administer a stakeholder pension scheme on behalf of any employees wishing to participate. Contributions payable to the schemes are charged to the profit and loss account in the year to which they relate. These contributions are invested separately from the Group's assets.

Taxation

The tax expense represents the sum of the current tax payable and deferred tax.

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it related to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the financial statements continued

2. Accounting policies continued

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and the impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Classification as equity or financial liability

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

An equity instrument is any contract that evidences a residual interest in the assets of the Group/Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited direct to equity.

Financial assets are divided into loans and receivables and financial assets at fair value through income statement. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and other receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement. Discounting, however, is omitted where the effect of discounting is immaterial.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

An assessment for impairment is undertaken at least at each balance sheet date.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Notes to the financial statements continued

2. Accounting policies continued

Financial liabilities

The Group's financial liabilities consist of a bank overdraft, deferred consideration and trade and other payables.

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the profit and loss account. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are re-measured at each reporting date at fair value, with changes in fair value being recognised in the profit and loss account. All other financial liabilities are recorded at fair value then amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the profit and loss account. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the profit and loss account on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, bank overdrafts as well as short term highly liquid investments such as bank deposits.

Equity

Share capital is determined using the nominal value of shares that have been issued. Premiums received on the initial issuing of share capital are credited to share premium account. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

The merger reserve represents the difference between the issue price and the nominal value of shares issued as consideration for the acquisition of a subsidiary undertaking. Relief has been taken in respect of the shares issued relating to the acquisition of Internet Business Group Limited

Retained earnings includes all current and prior period results as disclosed in the income statement.

The translation reserve is used to record foreign

exchange translation differences that occur as a result of the translation of overseas subsidiary undertaking's financial statements.

Exceptional costs

Exceptional administration expenses are those expenses which are one-off in nature, not of a general recurring nature and arise infrequently in either the Group's or a subsidiary company's business cycle.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provision for reward points

Provision for the expected redemption cost of reward points issued by the Group's shopping portal, mutualpoints.com, is charged against profit. The provision represents the estimated future liabilities of unredeemed points where revenue attributable to the points issued has been recognised. The provision is calculated using a standard costing method making certain assumptions concerning redemption levels. In forming these judgements, the directors have assessed the anticipated future profile of points redemptions based on the Group's past experience of redemptions, the current run-rate of accumulation of points and the age profile of the points in issue.

Share-based payments

The Group has applied the requirements of IFRS 2 *Share-based Payments*. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The Group operates a number of equity-settled share-based payment schemes under which share options are issued to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Notes to the financial statements continued

3. Segmental analysis

	Email marketing £'000	Affiliate marketing £'000	Research £'000	Publishing & hosting £'000	Ecommerce £'000	Central/ unallocated £'000	Total £'000
Year ended 30 April 2008							
Segment revenues	13,175	4,087	2,690	2,052	530	–	22,534
Operating profit before exceptional costs	2,452	807	532	413	37	(1,530)	2,711
Exceptional costs	–	–	–	–	–	(225)	(225)
Operating profit after exceptional costs	2,452	807	532	413	37	(1,755)	2,486
Net finance costs							(9)
Profit before tax							2,477
Taxation							(635)
Profit after tax							1,842

Other segment information

Capital expenditure	–	–	–	–	–	384	384
Depreciation & amortisation	178	–	91	352	–	1,091	1,712
Share-based payment	–	–	–	–	–	27	27

	Email marketing £'000	Affiliate marketing £'000	Research £'000	Publishing & hosting £'000	Ecommerce £'000	Central/ unallocated £'000	Total £'000
Year ended 30 April 2007							
Segment revenues	10,515	1,728	1,910	1,942	–	–	16,095
Operating profit before exceptional costs	2,138	351	388	395	–	(365)	2,907
Exceptional costs	–	–	–	–	–	–	–
Operating profit after exceptional costs	2,138	351	388	395	–	(365)	2,907
Net finance costs							11
Profit before tax							2,918
Taxation							(449)
Profit after tax							2,469

Other segment information

Capital expenditure	3	–	18	–	–	131	152
Depreciation & amortisation	51	–	51	336	–	428	866
Share-based payment	–	–	–	–	–	29	29

As these business streams are integrated with each other it is not possible to separately identify the segmental assets and liabilities held individually.

Notes to the financial statements continued

3. Segmental analysis continued

The Group's revenue from external customers and its geographic allocation of net assets may be summarised as follows:

	Year ended 30 April 2008		Year ended 30 April 2007	
	Revenue £'000	Assets £'000	Revenue £'000	Assets £'000
United Kingdom	20,915	19,899	16,095	9,766
Netherlands	1,619	602	–	–
	22,534	20,501	16,095	9,766
	Acquisition of property, plant and equipment £'000	Acquisition of intangibles £'000	Acquisition of property, plant and equipment £'000	Acquisition of intangibles £'000
United Kingdom	384	1,567	152	477
Netherlands	–	–	–	–
	384	1,567	152	477

Notes to the financial statements continued

4. Operating profit

	2008 £'000	Restated 2007 £'000
Operating profit is stated after charging:		
Amortisation of intangibles	1,530	764
Foreign exchange	12	11
Depreciation of owned assets	182	102
Auditor's remuneration	114	50
Operating lease expense:		
Land and buildings	212	108
Exceptional costs – legal and professional costs relating to rejected offers for the business	225	–

Auditors' remuneration

	2008 £'000	2007 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	94	40
Other services	20	4
Fees payable to the Company's auditors and their associates for other services to the Group	–	6
	114	50

In addition to the amounts shown above, the Group paid £116,000 (2007: £nil) to the auditors in respect of costs relating to transaction support services which have been included within the cost of investments.

5. Particulars of employees

The average number of staff employed by the Group during the financial year amounted to:

	2008 Number	2007 Number
Number of administrative and sales staff	177	81

The aggregate payroll costs of the above were:

	2008 £'000	2007 £'000
Wages and salaries	4,467	3,453
Share-based payments	27	29
Social security costs	517	412
Other pension costs	8	5
	5,019	3,899

Notes to the financial statements continued

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:	2008	2007
	£'000	£'000
Emoluments receivable	415	367
Exercise of share options	188	1,252
	603	1,619
Emoluments of highest paid director:		
Total emoluments (including gains on share options)	381	1,252

Share options exercised:

The directors exercised and realised the following share option gains during the year:

	Date of exercise	Number exercised Number '000	Exercise price Pence	Market value on date of exercise Pence	Gain on exercise £'000
M D Smith	17/07/07	310	19.50	80.00	188

Share options:

The directors during the period and their beneficial interest in options to purchase ordinary shares in the Company, were as follows:

	Issue date	Exercise price Pence	Held at 30 April 2007 Number '000	Granted during year Number '000	Exercised during year Number '000	Expired/ lapsed/ cancelled Number '000	Held at 30 April 2008 Number '000
M D Smith	06/04/04	19.50	800	–	310	–	490
	20/09/06	65.00	1,000	–	–	–	1,000
C Dixon	11/06/07	77.00	–	500	–	–	500

7. Net finance costs/income

	2008	2007
	£'000	£'000
Interest receivable on bank deposits	(42)	(18)
Interest payable on bank overdrafts	51	7
Net finance cost/(income)	9	(11)

Notes to the financial statements continued

8. Taxation on ordinary activities

	2008 £'000	Restated 2007 £'000
The tax charge for the Group comprises:		
(a) Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2007: 30%)	775	599
Overseas taxation	107	–
Adjustment in respect of prior years	–	(15)
Total current tax	882	584
Deferred tax	(247)	(135)
Tax on profit on ordinary activities	635	449
(b) Reconciliation of tax charge		
Profit on ordinary activities before tax	2,477	3,283
Tax at the UK Corporation tax rate of 28% (2007: 30%)	694	984
Effects of:		
Expenses not deductible for tax	256	27
Capital allowances in excess of depreciation	–	(3)
Utilisation of tax losses	(152)	(151)
Share options exercised	–	(375)
Recognised losses	(211)	–
Marginal relief	–	(18)
Adjustment in respect of prior years	–	(15)
Change in tax rates	48	–
Total current tax (note 8(a))	635	449

9. Dividends

No dividend has been recommended for the year (2007: £nil).

10. Earnings per share

The calculation of the basic earnings per share is based on the net profit for the year of £1,842,000 (2007: £2,469,000) divided by the weighted average number of shares in issue during the year of 56,111,000 (2007: 49,646,000). The diluted earnings per share for 2008 is based on the net profit for the year divided by the weighted average number of shares in issue on a fully diluted basis of 59,071,000 (2007: 52,724,000).

An adjusted earnings per share has also been calculated based on the profit for the year before amortisation of acquisition related intangible assets, share-based payments and exceptional costs amounting to a total of £880,000 (2007: £256,000). The adjusted earnings per share is therefore based on the adjusted net profit for the year of £2,722,000 (2007: £2,725,000) divided by the weighted average number of shares in issue during the year of 56,111,000 (2007: 49,646,000) which results in an adjusted earnings per share of 4.9 pence (2007: 5.5 pence). The diluted profit per share is based on a weighted average number of shares in issue on a fully diluted basis after adjusting for the dilutive impact of the share options and the deferred consideration to be settled in shares which results in an adjusted diluted earnings per share of 4.6 pence (2007: 5.2 pence).

Notes to the financial statements continued

10. Earnings per share continued

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

	2008			2007		
	Profit £'000	Number of shares Number	Pence per share	Profit £'000	Number of shares Number	Pence per share
Basic earnings per share	1,842	56,111	3.3	2,469	49,646	5.0
Dilutive effect of securities:						
Share options		1,789			2,144	
Deferred consideration to be settled in shares		1,176			934	
Diluted earnings per share	1,842	59,071	3.1	2,469	52,724	4.7

11. Goodwill

	£'000
Cost	
At 30 April 2006 restated	8,152
Reduction	(1,793)
At 30 April 2007 restated	6,359
Additions	5,011
At 30 April 2008	11,370
Net book value	
At 30 April 2008	11,370
At 30 April 2007 restated	6,359

Goodwill acquired through business combinations is allocated to groups of cash generating units ("CGUs") for impairment as follows:

Company	Activity	2008 £'000	2007 £'000
Electronic Data Resource Limited	Online direct marketing	4,839	4,839
iD Factor Limited	Online market research	1,520	1,520
Internet Business Group plc	Online direct marketing/performance advertising	1,669	–
Tapps B.V.	Digital direct marketing	3,342	–
		11,370	6,359

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates. Management estimates discount rates using rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the management for the next 12 months. Beyond this point, a steady long-term growth rate of 10% per annum. The rate used to discount the forecast cash flows is 10.4%.

The parent Company did not hold any goodwill.

Notes to the financial statements continued

12. Other intangible assets

Group	Databases & domain names £'000	Managed lists £'000	Customer relationships £'000	Computer software £'000	Total £'000
Cost					
At 30 April 2006 restated	2,733	200	773	135	3,841
Additions	477	–	–	–	477
Disposals	(658)	–	–	–	(658)
At 30 April 2007 restated	2,552	200	773	135	3,660
Additions	1,193	–	–	374	1,567
Additions on acquisition	137	–	8,517	1,300	9,954
At 30 April 2008	3,882	200	9,290	1,809	15,181
Amortisation					
At 30 April 2006 restated	2,162	21	54	28	2,265
Disposals	(658)	–	–	–	(658)
Charge for the year	517	50	129	68	764
At 30 April 2007 restated	2,021	71	183	96	2,371
Charge for the year	683	50	550	247	1,530
At 30 April 2008	2,704	121	733	343	3,901
Net book value					
At 30 April 2008	1,178	79	8,557	1,466	11,280
At 30 April 2007 restated	531	129	590	39	1,289
Company					Computer software £'000
Cost					
At 30 April 2007					–
Additions					374
At 30 April 2008					374
Amortisation					
At 30 April 2007					–
Charge for the year					46
At 30 April 2008					46
Net book value					
At 30 April 2008					328
At 30 April 2007					–

Notes to the financial statements continued

13. Property, plant and equipment

Group	Freehold buildings £'000	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost				
At 30 April 2006	–	–	454	454
Additions	–	–	152	152
Disposals	–	–	(191)	(191)
At 30 April 2007	–	–	415	415
Additions	–	–	384	384
Additions on acquisition	263	109	227	599
At 30 April 2008	263	109	1,026	1,398
Depreciation				
At 30 April 2006	–	–	357	357
Disposals	–	–	(191)	(191)
Charge for the year	–	–	102	102
At 30 April 2007	–	–	268	268
Charge for the year	1	8	173	182
At 30 April 2008	1	8	441	450
Net book value				
At 30 April 2008	262	101	585	948
At 30 April 2007	–	–	147	147
Company				
Cost				
At 30 April 2007				–
Additions				325
At 30 April 2008				325
Depreciation				
At 30 April 2007				–
Charge for the year				46
At 30 April 2008				46
Net book value				
At 30 April 2008				279
At 30 April 2007				–

The bank overdraft is secured by a fixed and floating charge over the Group's assets.

Notes to the financial statements continued**14. Investments**

Group	Other investments £'000
Cost	
At 30 April 2007	–
Additions on acquisition	117
Disposals	(9)
At 30 April 2008	108
Net book value	
At 30 April 2008	108
At 30 April 2007	–

Associated companies and other investments

The interests of the Group in the shares of other investments are:

	Holding	%
SailSail.com Limited	Ordinary shares	10%
Mailweb Services Limited	Ordinary shares	24%
Ten Alps Plc	Ordinary shares	0.2%
Casmir Limited	Ordinary shares	2%
MD Medic Limited	Ordinary shares	10%
Farex Limited	Ordinary shares	33%

Neither Mailweb Services Limited or Farex Limited are considered to be material to the Group's financial statements.

Company	Group undertakings £'000
Cost	
At 30 April 2006	9,679
Reduction resulting from reduction of deferred consideration	(1,793)
At 30 April 2007	7,886
Additions	14,997
At 30 April 2008	22,883
Loans	
At 30 April 2006	1,301
Advanced in year	1,355
At 30 April 2007	2,656
Repaid in year	(277)
At 30 April 2008	2,379
Net book value	
At 30 April 2008	25,262
At 30 April 2007	10,542

Notes to the financial statements continued

14. Investments continued

Subsidiary undertakings

	Country of registration	Holding	%	Principal activity
TMN Media Limited	England & Wales	Ordinary shares	100%	Online direct marketing
MutualPoints Limited	England & Wales	Ordinary shares	100%	Online direct marketing
Electronic Direct Response Limited	England & Wales	Ordinary shares	100%	Online direct marketing
iD Factor Limited	England & Wales	Ordinary shares	100%	Online market research
ICD Research Limited	England & Wales	Ordinary shares	100%	Online market research
Envoy Messenger Limited	England & Wales	Ordinary shares	100%	Online direct marketing
Internet Business Group Limited	England & Wales	Ordinary shares	100%	Holding company
Sweatband Limited*	England & Wales	Ordinary shares	100%	Holding company
Mazware Limited*	England & Wales	Ordinary shares	100%	Computer software design
WebToolPro.com Limited*	England & Wales	Ordinary shares	99%	Dormant
Lighthouse New Media Limited*	England & Wales	Ordinary shares	90%	Dormant
RedKinetics.com Limited*	England & Wales	Ordinary shares	100%	Website hosting
AffiliateFuture Incorporated*	United States	Ordinary shares	100%	Performance advertising
Viajes Xiana*	Spain	Ordinary shares	100%	Media
Sweatband.com Limited*	England & Wales	Ordinary shares	100%	Sports ecommerce
The Educational Software Company Limited*	England & Wales	Ordinary shares	100%	Dormant
Tapps B.V.	Holland	Ordinary shares	100%	Digital direct marketing

* indirectly held

15. Inventories

	Group	2007
	2008	£'000
	£'000	£'000
Finished goods and goods for resale	277	–
	277	–

Inventories represent trading goods held as stock for resale by a wholly owned subsidiary, Sweatband.com Limited.

In the year ended 30 April 2008, a total of £423,000 of inventory (2007: £nil) was included in cost of sales with the income statement. Inventory write downs in 2008 amounted to £nil (2007: £nil) and the closing provision against the book value of inventories amounted to £31,000 (2007: £nil).

Notes to the financial statements continued

16. Trade and other receivables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade receivables	7,730	4,016	–	–
Other taxation and social security	59	–	58	–
Prepayments and accrued income	1,661	517	194	3
	9,450	4,533	252	3

The carrying values are considered to be a reasonable approximation of fair value. The effect of discounting trade and other receivables has been assessed and is deemed to be immaterial to the results.

All trade and other receivables have been reviewed for indicators of impairment. During the year certain trade receivables were found to be impaired and a provision of £184,000 (2007: £43,000) has been recorded accordingly.

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of trade receivables past due but not impaired are as follows:

	Group	
	2008 £'000	2007 £'000
Not overdue	2,648	1,743
Not more than 3 months overdue	3,253	2,196
More than 3 months but not more than 1 year	1,707	73
More than 1 year overdue	122	4
	7,730	4,016

17. Deferred tax

The movement in the Group's deferred taxation provision during the period was:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Balance brought forward	222	357	–	–
Income statement movement during the year	(247)	(135)	22	–
Recognised on acquisition – intangibles	2,400	–	–	–
Recognised on acquisition – IBG Group plc	(164)	–	–	–
Recognised in equity for share options	(165)	–	(165)	–
Balance carried forward	2,046	222	(143)	–

The movement of deferred tax in the income statement arises as follows:

Intangible assets purchased	(247)	(110)	–	–
Excess of tax allowances over depreciation on fixed assets	–	(2)	22	–
Trading losses	–	(23)	–	–
	(247)	(135)	22	–

The provision for deferred taxation consists of the tax effect of temporary differences in respect of:

Intangible assets purchased	2,406	248	–	–
Excess of tax allowances over depreciation on fixed assets	(2)	(2)	22	–
Trading losses	(193)	(24)	–	–
Share options	(165)	–	(165)	–
Balance carried forward	2,046	222	(143)	–

Notes to the financial statements continued

18. Trade and other payables

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Current:				
Trade payables	4,005	1,161	456	–
Other taxation and social security	755	402	35	–
Accruals and deferred income	2,678	1,100	328	–
	7,438	2,663	819	–

The directors consider the carrying amount of trade payables approximates to their fair value. The carrying values are considered to be a reasonable approximation of fair value. The effect of discounting trade and other payables has been assessed and is deemed to be immaterial to the Group's results.

19. Borrowings

Borrowings at 30 April 2008 consists of a bank overdraft with Barclays Bank plc. This overdraft facility was taken out in December 2007 to assist with the acquisition of Tapps B.V.

The facility is repayable on demand, with interest charged at 1.45% per annum above the bank's base rate (currently 5.0%) giving an effective rate of 6.45%, varying in line with changes in base rate.

20. Financial instruments

The Group uses financial instruments comprising cash and short-term deposits, bank overdrafts, deferred consideration for acquisitions and various items such as trade receivables and trade payables that arise directly from its operations.

Trade receivables and payables

The Group enters into day to day sales and purchase transactions resulting in trade payables and receivables. Such transactions are carried at the initial recognition amount until they reach maturity. Provision for impairment is made on a specific basis only and due to the short-term nature of the transactions no subsequent remeasurement is undertaken.

Interest rate risk

The Group finances its operations through bank borrowings. The Group is not highly geared and therefore does not have a significant exposure to interest rate fluctuations on its borrowings. All borrowings are carried at a floating rate of interest. The floating rate borrowings bear interest at rates based on the prevailing bank rate. All borrowings are denominated in sterling.

No sensitivity modelling has been presented in this report as the Group's exposure to interest rate fluctuations is minimal.

Credit risk

The Group trades with only recognised creditworthy third parties. The carrying value of trade receivables is shown in note 16. It is Group policy that all customers who wish to trade on credit terms are subject to credit vetting procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Due to the number of trading subsidiary entities in the Group, the credit risk exposure of the Group is not thought to be significant. Projects which lead to individually significant balances are subject to Board approval as part of the take-on process and are kept under regular scrutiny.

Notes to the financial statements continued

20. Financial instruments continued

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to short term loans that are denominated in currencies other than Sterling made to, or received from subsidiaries. No currency hedging is entered into.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. At the date of this report the overseas subsidiaries represent only a small proportion of Group activity and therefore exposure to fluctuations in foreign currencies is not considered significant to the Group.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

The Group has a committed bank overdraft facility amounting to £4.0 million at 30 April 2008 of which £3.0 million had been drawn.

Financial assets and liabilities

The IAS 39 categories of financial assets included in the balance sheet and the headings in which they are included are as follows:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Current assets				
Trade receivables	7,730	4,016	–	–
Cash and cash equivalents	2,702	1,551	25	910
	10,432	5,567	25	910

The IAS 39 categories of financial liabilities included in the balance sheet and the headings in which they are included are as follows:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Non-financial liabilities				
Non-financial liabilities	924	381	239	327
Financial liabilities measured at amortised cost	9,231	2,008	5,540	600
	10,155	2,389	5,779	927

The financial liabilities are included in the balance sheet in the following headings:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Current liabilities				
Financial liabilities – bank overdraft	3,032	–	3,032	–
Trade payables	4,005	1,161	456	–
Corporation tax	924	381	239	327
Provisions for liabilities	1,408	447	1,266	200
Non-current liabilities				
Provisions for liabilities	786	400	786	400
	10,155	2,389	5,779	927

Notes to the financial statements continued

21. Provisions

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Current:				
Deferred cash consideration	753	200	753	200
Deferred share consideration	513	–	513	–
Other provisions (note 22)	142	247	–	–
	1,408	447	1,266	200
Non-current:				
Other payables:				
– deferred cash consideration payable 2010	344	300	344	300
– deferred share consideration payable 2010	442	–	442	–
– unsecured 2% loan notes	–	100	–	100
	786	400	786	400

Deferred cash and share consideration relates to the acquisition of subsidiaries.

22. Other provisions

	2008 £'000	2007 £'000
Balance brought forward	247	388
Payments in the year	(714)	(756)
Increase in provision	609	615
Balance carried forward	142	247

The provision is the expected redemption cost of reward points issued by the Group's shopping portal, mutualpoints.com. The future outflow of this provision is expected to fall due within the next 12 months.

23. Operating lease arrangements

Operating leases arrangements represent rental charges for office accommodation.

At 30 April 2008 the Group had the following minimum outstanding commitments under non-cancellable operating leases which fall due:

	2008 £'000	2007 £'000
Within 1 year	404	142
Within 2 to 5 years	756	326
Over 5 years	–	–
	1,160	468

At 30 April 2008 the Company had the following minimum outstanding commitments under non-cancellable operating leases which fall due:

	2008 £'000	2007 £'000
Within 1 year	163	140
Within 2 to 5 years	228	326
Over 5 years	–	–
	391	466

Notes to the financial statements continued

24. Called up share capital

Authorised share capital:

	2008 £'000	2007 £'000
100,000,000 Ordinary shares of £0.0001 each	10	10
100,000 Deferred shares of £1.00 each	100	100
	110	110

Allotted, called up and fully paid:

	2008		2007	
	Number '000	£'000	Number '000	£'000
Ordinary shares of £0.0001 each	75,383	8	49,733	5
Deferred shares of £1.00 each	100	100	100	100
		108		105

Movements in ordinary share capital in the year:

Date	Purpose	Number '000	Transaction value £'000
	Shares at 1 May 2006	48,060	
08/06/06	Conversion of units	37	–
18/07/06	Options exercised	200	39
18/07/06	Options exercised	1,815	100
03/08/06	Purchase of own shares	(800)	(496)
06/09/06	Conversion of units	40	–
08/09/06	Acquisition of subsidiary	1,550	968
07/12/06	Purchase of own shares	(1,169)	(854)
	Shares at 1 May 2007	49,733	(243)
24/05/07	Acquisition of subsidiary	150	94
18/07/07	Options exercised	310	60
15/08/07	Purchase of own shares	(50)	(36)
16/08/07	Purchase of own shares	(50)	(36)
17/08/07	Purchase of own shares	(50)	(36)
03/09/07	Acquisition of subsidiary	784	237
03/09/07	Options exercised	200	–
03/09/07	Options exercised	65	14
04/01/08	Acquisition of subsidiary	3,788	1,534
14/01/08	Acquisition of subsidiary	20,502	7,176
	Shares at 30 April 2008	75,383	9,007

The movement in share capital during the year represents an aggregate nominal value of £2,565.

Deferred shares:

The rights and restrictions attached to and imposed on the deferred shares are as follows:

- The deferred shares shall not confer upon the holders thereof as a class, the right to receive any dividend, distribution or other participation in the profits of the Company.
- The deferred shares do not entitle the holders to receive notice of or to attend and speak or vote at any general meeting of the Company.
- On distribution of assets on liquidation or otherwise, the surplus assets of the Company remaining after payments of its liabilities shall be applied first in repaying to holders of the deferred shares the nominal amounts and any premiums paid up or credited as paid up on such shares, and second the balance of such assets shall belong to and be distributed among the holders of the ordinary shares in proportion to the nominal amounts paid up on the ordinary shares held by them respectively.

Notes to the financial statements continued

25. Share-based payments

Equity-based share options

The Group grants options to certain directors and employees. Details of the options during the year are as follows:

Issue date	Exercise price Pence	Held at 30 April 2007 Number '000	Granted during year Number '000	Exercised during year Number '000	Expired/ lapsed/ cancelled Number '000	Held at 30 April 2008 Number '000	Remaining life Years
23/05/00	0.01	48	–	–	–	48	2
31/10/00	21.25	73	–	–	–	73	3
16/05/03	7.00	200	–	200	–	–	5
06/04/04	19.50	800	–	310	–	490	6
15/11/05	0.01	1,176	–	65	–	1,111	7
15/11/05	30.25	300	–	–	–	300	7
02/06/06	71.00	180	–	–	120	60	8
20/09/06	65.00	1,000	–	–	–	1,000	8
14/03/07	82.50	182	–	–	–	182	9
11/06/07	77.00	–	500	–	–	500	10
		3,959	500	575	120	3,764	
Exercisable at 30 April 2008						2,219	

Option summary:	2008 Number '000	Weighted average exercise price Pence	2007 Number '000	Weighted average exercise price Pence
Balance at 1 May 2007	3,959	30.4	4,612	9.0
Granted during year	500	77.0	1,362	68.1
Exercised during year	(575)	13.1	(2,015)	6.9
Lapsed during year	(120)	71.0	–	–
Balance at 30 April 2008	3,764	37.9	3,959	30.4

The weighted average share price at the date of exercise for share options exercised during the year was £0.77 (2007: £0.69).

The fair values were calculated using the Black-Scholes valuation method. The inputs to the model were as follows:

	2008	2007
Weighted average share price (pence)	77.00	68.00
Expected volatility	50%	40%
Expected life	3 years	3 years
Risk free rate (%)	5.0%	4.8%
Dividend yield (%)	–	–

The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility.

Notes to the financial statements continued

26. Capital commitments

The Group had no capital commitments at 30 April 2008 or 30 April 2007.

27. Capital management policies and procedures

The Group's capital management objectives are:

- > To ensure the Group has adequate resources to support the plans of the business;
- > To ensure the Group's ability to continue as a going concern; and
- > To provide a return to shareholders.

The Group manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the financial statements continued

28. Acquisitions

Tapps B.V. (Tapps)

On the 4 January 2008 TMN Group plc acquired the entire share capital of Tapps, a private company based in Amsterdam, Netherlands. The principal activity of Tapps is digital direct marketing.

The estimated total consideration of £7.3 million consists of an initial payment at completion of £5.6 million satisfied by a combination of cash and shares as shown below, plus additional deferred consideration, contingent on performance.

The book values under IFRS and the provisional fair values of the assets and liabilities acquired as at the date of acquisition were as follows:

	Book value before acquisition under IFRS £'000	Fair value adjustments £'000	Fair value to TMN Group plc £'000
Non-current assets			
Property, plant & equipment	68	–	68
Intangible assets	–	4,917	4,917
	68	4,917	4,985
Current assets			
Trade and other receivables	1,422	(498)	924
Cash	280	–	280
	1,702	(498)	1,204
Total assets	1,770	4,419	6,189
Current liabilities			
Trade and other payables	1,159	(254)	905
Non-current liabilities			
Deferred tax liability	–	1,253	1,253
Total liabilities	1,159	999	2,158
Net assets	611	3,420	4,031
Goodwill arising on acquisition			3,342
Consideration			7,373
Discharged by:			£'000
Initial consideration			
Fair value of shares issued (3,788,326 shares at 40.5p, being the market value of the shares at the date of acquisition)			1,534
Cash			3,917
Cost associated with the acquisition, settled in cash			169
Total initial consideration			5,620
Contingent consideration			
Payable 2009 – Cash			454
Payable 2009 – Shares			513
Payable 2010 – Cash			344
Payable 2010 – Shares			442
Total contingent consideration			1,753
Total consideration			7,373

An estimate of the total consideration payable in respect of the two years ending 30 April 2009 and 2010 has been made for the purposes of preparing this statement. It has been assumed that the consideration will be payable equally in cash and shares. Contingent consideration to be settled in shares is structured as a variable number of shares to deliver on a fixed value consideration and has therefore been classified as debt.

Notes to the financial statements continued

28. Acquisitions continued

The fair value adjustments represent the following:

- > recognition of separable intangible assets.
- > adoption of appropriate revenue recognition policy, together with associated impact on cost of sales.
- > increase in the bad debt provision.
- > the combined taxation impact of the above adjustments.

From the date of acquisition to 30 April 2008, Tapps contributed £384,000 to the profit before tax to the Group.

Internet Business Group plc (IBG)

On 13 February 2008 TMN Group plc acquired the entire issued share capital of IBG, a public company based in London, England. The principal activity of IBG is online advertising. The estimated total consideration of £7.6 million.

The book values under IFRS and the provisional final fair values of the assets, liabilities and contingent liabilities as at the date of acquisition were as follows:

	Book value before acquisition under IFRS £'000	Fair value adjustments £'000	Fair value to TMN Group plc £'000
Non-current assets			
Property, plant and equipment	568	(37)	531
Investment	182	(65)	117
Intangible assets	1,217	3,820	5,037
Deferred tax asset	–	164	164
	<u>1,967</u>	<u>3,882</u>	<u>5,849</u>
Current assets			
Stock	372	(63)	309
Trade and other receivables	2,090	(492)	1,598
Cash	<u>1,903</u>	<u>–</u>	<u>1,903</u>
	<u>4,365</u>	<u>(555)</u>	<u>3,810</u>
Total assets	<u>6,332</u>	<u>3,327</u>	<u>9,659</u>
Current liabilities			
Trade and other payables	2,364	206	2,570
Non-current liabilities			
Deferred tax liability	–	1,147	1,147
Total liabilities	<u>2,364</u>	<u>1,353</u>	<u>3,717</u>
Net assets	<u>3,968</u>	<u>1,974</u>	<u>5,942</u>
Goodwill arising on acquisition			<u>1,669</u>
Consideration			<u>7,611</u>
Discharged by:			£'000
Consideration			
Fair value of shares issued (20,502,082 shares at 35p, being the market value of the shares at the date of acquisition)			7,176
Cost associated with the acquisition, settled in cash			435
Total consideration			<u>7,611</u>

Notes to the financial statements continued

28. Acquisitions continued

The fair value adjustments represent the following:

- > recognition of separable intangible assets.
- > impairment of debtors, investments and stock.
- > reinstatement of creditors.
- > the combined taxation impact of the above adjustments.

From the date of acquisition to 30 April 2008, IBG contributed £362,000 to the profit before tax to the Group.

With regard to both acquisitions, the directors have made estimates of the future consideration payable in connection with the acquisition and will continue to do so until the final cost of the acquisition has been determined. On this basis the estimate of goodwill arising on consolidation is considered provisional. The goodwill that arose on the combinations can be attributed to the synergies expected to be derived from the combination and the value of the workforce which cannot be recognised as an intangible asset under IAS 38 *Intangible Assets*.

Independent auditors' report

To the shareholders of TMN Group plc

We have audited the Group and parent Company financial statements (the "financial statements") of TMN Group plc for the year ended 30 April 2008 which comprise the consolidated income statement, the consolidated and parent Company statements of changes in equity, the consolidated and parent Company balance sheets, the Group and parent Company cash flow statements and notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 auditors

The directors' responsibilities for preparing the Annual Report, and the financial statements in accordance with applicable law and IFRSs as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the 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 Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's and Chief Executive's statements and the Operating and Financial Review that is cross-referred from the review of the business and future developments of the Directors' Report.

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 financial statements. The other information comprises only the Chairman's and Chief Executive's Statements, the Operating and Financial Review and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the

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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- > the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 April 2008 and of its profit for the year then ended;
- > the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 30 April 2008;
- > the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements; and
- > the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Birmingham
United Kingdom

4 September 2008

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