



**Interactive Prospect Targeting Limited  
Report and Financial Statements  
31st December 2003**

**30 Buckingham Gate - London - SW1E 6NN  
Company Registration No. 3896907**



IPT Direct is the UK's leading source of opt-in email addresses, fresh lifestyle postal addresses and online registrations. Our innovative online data collection techniques generate over 100,000 new lifestyle records per month, selectable from over 500 opt-in interest categories. Today we offer over 3.2 million email addresses, 1.5 million postal addresses and 0.6 million SMS records.



IPT Customer Acquisition is the UK's largest online database builder, generating prospect data for clients across the spectrum of IPT's consumer websites. These include the UK's leading prize draw site [myoffers.co.uk](http://myoffers.co.uk), the discount and offer site [consumerhouse.co.uk](http://consumerhouse.co.uk), the trivia quiz site [quizplayer.co.uk](http://quizplayer.co.uk) and free offers site [csearch.co.uk](http://csearch.co.uk).



IPT Innovation is IPT's research & development division, exploring new ways of collecting data for marketing applications. Current web-based products include [Medictra.com](http://Medictra.com) and [PayFinder.com](http://PayFinder.com). Whilst still in their infancy, the potential of these and other Innovation products remains untapped. We actively support innovators and entrepreneurs seeking backing for their ideas.



IPT Services offer a range of low cost email marketing, database management and online market research solutions. We broadcast in excess of 30 million client emails per month from as little as 1/3p per send and have revolutionised email delivery with our EmailMonitor suite and an ASP solution. IPT Services is now breaking new markets in Germany and France.

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## CHAIRMAN'S STATEMENT

In my statement last year I reported that despite the difficult market conditions prevailing in the UK marketing industry IPT had shown sustained growth and made excellent progress on a number of fronts. I am pleased to report that the progress has continued with measurable forms of marketing communications spearheading the UK marketing recovery. The sustainability of this recovery has been underpinned by future projections of increased 'interactive' expenditure in Bellweather reports from the Institute of Practitioners in Advertising and the Chartered Institute of Marketing.

Last year New Media exhibited a 29% increase in spend<sup>\*(1)</sup>. The growth in online advertising is attributable to the fact that more and more clients are realising the importance of measuring return on investment. Over 70% of 150 top marketing directors had Measuring Marketing Effectiveness as the number one priority in a recent survey<sup>\*(2)</sup>, and Interactive Marketing has consistently led other media in terms of growth in percentage of spend<sup>\*(3)</sup>. In a period when traditional direct mail volumes have declined, the opposite applies to email, which offers direct marketers lower cost, easier implementation and quicker results.

The Company's strategy of investing in data acquisition, technical infrastructure and marketing services has given IPT the ability to deliver an unprecedented range of tools to its clients, effectively broadening its portfolio of products and leading to a substantial number of new business wins. I would like to take this opportunity to thank the management team and all the staff of IPT for their consistent hard work and innovation.

As a result of the Company's ambition to IPO at some future date a new prospective ultimate holding company, Interactive Prospect Targeting Holdings PLC, has been formed and directors have been appointed. This restructuring has resulted in certain directors resigning from the board of Interactive Prospect Targeting Ltd in order to concentrate on the trading activities of the company. I would like to thank my director colleagues for their outstanding service in achieving the success that the Company now enjoys.

With the advent of mass broadband connectivity and increased consumer confidence in transacting online, the outlook for interactive marketing, and email marketing in particular, is better than ever. I therefore look forward to a year in which IPT will truly capitalise on its market leadership position.

Colin Loyd  
Chairman

<sup>\*(1)</sup> DMA Census / Direct Marketing Association 2003/4

<sup>\*(2)</sup> Marketing Transformation: An agenda for change 2003

<sup>\*(3)</sup> The MET Report / London Business School 2003

## CEO STATEMENT

The year to 31 December 2003 saw the Company invest substantially in the development of the infrastructure that is core to our business and will provide the framework for our future growth. This investment more than doubled the capacity of our technical infrastructure.

Together with the investment in assets we have also substantially increased our commitment to the service capability of the business by increasing our development, technical and analytical staff levels.

Together these critical investments, will allow us to move forward expanding our existing products and developing new ideas to generate future revenues.

The last trading period has seen us continue our revenue growth, with turnover increasing from £5.2million in 2002 to £6.1million in 2003, an increase of over 17%.

The effect of the costs of our investment in our infrastructure during the year have seen our profit on ordinary activities before taxation reduce from £0.56 million in 2002 to £0.45 million in 2003, however, I am confident that the long term benefits of this investment will outweigh the short term reduction in profitability.

At the end of 2002 we launched Emailbureau delivering a low cost managed solution for email delivery. This service was launched into a very crowded and confused market place and I am pleased to report that its speed and highly specified reporting have been well received and Emailbureau has seen substantial growth during 2003. I am confident that this success will continue into 2004.

2003 has also seen the launch of our own on-line market research business IMRS (Internet Market Research Services). Through our extensive databases we are able to offer the research community access to one of the largest sources of consumer opinions, and IMRS is the on-line product to manage this process. Initial indications are that this product will develop significantly during 2004 making a substantial contribution to revenue.

As part of the expansion of our core business we have introduced "Microsite Services" to build and host on-line data collection web pages on behalf of our clients. These mini web sites allow clients to collect consumer information quickly and cost effectively using online traffic from both IPT's proprietary websites and our extensive partner network. This concept has been adopted by a number of our larger clients and I am confident that this service will expand during 2004.

Once again I should like to thank all our dedicated staff for their efforts during the year. Our continued growth and success is due entirely to their enthusiasm and support and I am sure this will continue.

I am pleased to report that 2004 has already borne the fruits of our investment and product diversification program, with a very encouraging start to the year both in terms of revenue and new business wins.

Lionel Thain  
Chief Executive Officer

## OFFICERS & PROFESSIONAL ADVISERS

### DIRECTORS

Colin Lloyd  
Lionel Thain  
Martin Kiersnowski - (Resigned 22 June 2004)  
Ivan Southall - (Resigned 22 June 2004)  
Eoin Ryan  
David Cicurel  
Daniel Unger - (Resigned 22 June 2004)  
Jonathan Lander - (Resigned 22 June 2004)  
Barton L. Faber  
Dermot Skinner - (Resigned 22 June 2004)

### SECRETARY

Ivan Southall

### REGISTERED OFFICE

30 Buckingham Gate  
London  
SW1E 6NN

### BANKERS

Barclays Bank plc  
50 Pall Mall  
London SW1A

### SOLICITORS

Harbottle & Lewis  
14 Hanover Square  
London W1R 0BE

### AUDITORS

Deloitte & Touche LLP  
Chartered Accountants  
Reading

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group is the provision of email marketing services. In 2003 the group made an operating profit of £431,921 (2002: £551,136) as it continued to grow and establish itself as one of the leading providers of online marketing solutions in the UK. The directors anticipate the group is well placed to leverage its leading position, and enjoy further growth in the coming year.

The directors consider it appropriate for the financial statements to be prepared on a going concern basis.

### RESULTS AND DIVIDENDS

The audited financial statements for the period ended 31 December 2003 are set out on pages 12 to 23. The group profit for the period after taxation was £351,049 (2002: £820,417). The directors do not recommend the payment of a dividend to the holders of the issued ordinary share capital (2002: £nil).

### DIRECTORS AND THEIR INTERESTS

The directors who held office during the year are set out below:

Colin Lloyd

Lionel Thain

Martin Kiersnowski (resigned 22 June 2004)

Ivan Southall (resigned 22 June 2004)

Eoin Ryan

David Cicurel

Daniel Unger (resigned 22 June 2004)

Jonathan Lander (resigned 22 June 2004)

Barton L. Faber

Dermot Skinner (resigned 22 June 2004)

### DIRECTORS' SHARE OPTIONS

Aggregate emoluments disclosed do not include any amounts for the value of options to acquire ordinary shares of the company granted to the directors. Details of the options, of which 25% are exercisable from the exercisable date and 25% and 50% are exercisable from the first and second anniversary of the exercisable date are as follows:

	1 January 2003	Granted	Exercised	31 December 2003	Exercise	Exercisable date
Colin Lloyd	14,700	-	-	14,700	£2.9999	4 September 2001
Daniel Unger	6,700	-	-	6,700	£2.9999	4 September 2001
David Cicurel	6,700	-	-	6,700	£2.9999	4 September 2001
Lionel Thain	9,352	-	-	9,352	£0.01	15 December 2004
Martin Kiersnowski	7,014	-	-	7,014	£0.01	15 December 2004
Ivan Southall	7,014	-	-	7,014	£0.01	15 December 2004
Eoin Ryan	41,417	-	-	41,417	£0.01	15 December 2004
Dermot Skinner	17,417	-	-	17,417	£0.01	15 December 2004

**DIRECTORS' INTERESTS IN SHARES**

The directors who held office at 31 December 2003 had the following interests in the "A" ordinary shares of the company:

	<b>2003 Number</b>	<b>2002 Number</b>
Lionel Thain	212,500	212,500
Martin Kiersnowski	102,500	102,500
Ivan Southall	100,000	100,000
Colin Lloyd	8,300	8,300
Daniel Unger	2,500	10,000
Bart Faber	20,000	20,000
Dermot Skinner	10,000	10,000

**AUDITORS**

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their entire business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. Accordingly, the accounts have been signed in the name of Deloitte & Touche LLP. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 30 June 2004 and signed on behalf of the Board

Ivan Southall  
Secretary

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 company and the group as at the end of the financial year and of the profit or loss of the company or of the group for that period. In preparing those financial statements, the directors are required to:

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

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

We have audited the financial statements of Interactive Prospect Targeting Ltd for the year ended 31 December 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 24. 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**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **BASIS OF AUDIT OPINION**

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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 financial statements give a true and fair view of the state of the group's and company's affairs as at 31 December 2003 and of the group's profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

**Deloitte & Touche LLP - Registered Auditors and Chartered Accountants**

Reading 30 June 2004

## CONSOLIDATED PROFIT AND LOSS ACCOUNT - YEAR ENDED 31 DECEMBER 2003

		2003 £	2002 (Restated see note 24) £
<b>TURNOVER: continuing operations</b>	2	6,139,194	5,274,193
Cost of sales		<u>(1,096,388)</u>	<u>(1,243,589)</u>
Gross profit		5,042,806	4,030,604
Administrative expenses		<u>(4,610,885)</u>	<u>(3,479,468)</u>
<b>OPERATING PROFIT: continuing operations</b>	4	431,921	551,136
Other income		-	16,104
Interest receivable/(payable) and similar income/(charges)		<u>18,266</u>	<u>(1,260)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		450,187	565,980
Tax (charge)/credit on profit on ordinary activities	3	<u>(99,138)</u>	<u>254,437</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		351,049	820,417
Minority interest	20	<u>(12,079)</u>	<u>14,528</u>
<b>PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION &amp; MINORITY INTEREST</b>		338,970	834,945
Dividends	5	<u>(17,617)</u>	<u>-</u>
	18	321,353	834,945
<b>Retained loss brought forward</b>		<u>(693,132)</u>	<u>(1,528,077)</u>
<b>Retained loss carried forward</b>		<u><u>(371,779)</u></u>	<u><u>(693,132)</u></u>

There are no recognised gains or losses other than the results for the year. Accordingly, a statement of total recognised gains and losses has not been presented.

## BALANCE SHEETS - 31 DECEMBER 2003

	Note	Group		Company	
		2003 £	2002 £	2003 £	2002 £
<b>FIXED ASSETS</b>					
Intangible assets	9	163,295	19,235	163,295	19,235
Tangible assets	10	388,300	237,332	382,501	232,280
Investments	11	2,215	-	2,223	8
		<u>553,810</u>	<u>256,567</u>	<u>548,019</u>	<u>251,523</u>
<b>CURRENT ASSETS</b>					
Assets held for resale	12	55,629	-	55,629	-
Debtors	13	1,933,564	1,553,320	1,772,907	1,565,008
Cash at bank and in hand		903,612	1,127,568	813,658	1,080,343
		<u>2,892,805</u>	<u>2,680,888</u>	<u>2,642,194</u>	<u>2,645,351</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(1,375,918)</u>	<u>(1,204,736)</u>	<u>(1,225,064)</u>	<u>(1,182,115)</u>
<b>NET CURRENT ASSETS</b>		<u>1,516,887</u>	<u>1,476,152</u>	<u>1,417,130</u>	<u>1,463,236</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,070,697</u>	<u>1,732,719</u>	<u>1,965,149</u>	<u>1,714,759</u>
<b>CREDITORS: amounts falling due after one year</b>	15	<u>-</u>	<u>(13,071)</u>	<u>-</u>	<u>(13,071)</u>
<b>NET ASSETS</b>		<u>2,070,697</u>	<u>1,719,648</u>	<u>1,965,149</u>	<u>1,701,688</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16	15,629	15,629	15,629	15,629
Share premium account	17	2,324,679	2,324,679	2,324,679	2,324,679
Other reserves	17	17,617	-	17,617	-
Profit and loss account	17	(371,779)	(693,132)	(392,776)	(638,620)
Minority interest	19	84,551	72,472	-	-
<b>SHAREHOLDERS' FUNDS</b>	18	<u>1,986,146</u>	<u>1,647,176</u>	<u>1,965,149</u>	<u>1,701,688</u>
Minority interest		<u>84,551</u>	<u>72,472</u>	<u>-</u>	<u>-</u>
<b>TOTAL CAPITAL EMPLOYED</b>		<u>2,070,697</u>	<u>1,719,648</u>	<u>1,965,149</u>	<u>1,701,688</u>
<b>TOTAL SHAREHOLDERS' FUNDS MAY BE ANALYSED AS FOLLOWS:</b>					
Equity interests *	18	448,016	126,663	427,019	181,175
Non equity interests *	18	<u>1,538,130</u>	<u>1,520,513</u>	<u>1,538,130</u>	<u>1,520,513</u>
		<u>1,986,146</u>	<u>1,647,176</u>	<u>1,965,149</u>	<u>1,701,688</u>

\* Restated see note 24

These financial statements were approved by the Board of Directors on 30 June 2004

Signed on behalf of the Board of Directors

Eoin Ryan  
Finance Director

Lionel Thain  
Chief Executive

## CONSOLIDATED CASH FLOW STATEMENT

	Notes	2003 £	2002 £
<b>Net cash inflow from operating activities</b>	19	310,927	729,068
Returns on investments and servicing of finance	20	18,266	(1,260)
Taxation	20	(3,680)	-
Capital expenditure and financial investment	20	(524,806)	(213,404)
Acquisitions and disposals	20	-	87,000
		<u>          </u>	<u>          </u>
<b>Cash (outflow)/inflow before management of liquid resources and financing</b>		(199,293)	601,404
Financing	20	(24,663)	301,161
		<u>          </u>	<u>          </u>
<b>(Decrease)/increase in cash in the year</b>	21	<u>(223,956)</u>	<u>902,565</u>

## 1. ACCOUNTING POLICIES

### BASIS OF ACCOUNTING

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

### BASIS OF CONSOLIDATION

The group financial statements consolidate the financial statements of Interactive Prospect Targeting Ltd and its subsidiary undertakings drawn up to 31 December each year.

### INTANGIBLE FIXED ASSETS

Intangible assets, which comprise of licences and data acquisition costs, are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided in equal instalments over a period up to 3 years, subject to their estimated useful economic life.

### TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation has been provided at the following annual rates in order to write off the assets over their estimated useful lives.

Computer equipment	-	33% on cost
Computer software	-	50% on cost
Fixtures and fittings	-	20% on cost

### TURNOVER

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales-related taxes.

### INVESTMENTS

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

### TAXATION

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains or losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not discounted.

### LEASES

Assets held under finance leases and other similar contracts are capitalised as tangible fixed assets and are depreciated over their useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals under operating leases are written off to the profit and loss account as incurred.

## 2. TURNOVER

All revenue is derived from activities in the UK and from the group's principal activity.

## 3. TAX (CHARGE)/CREDIT ON PROFIT ON ORDINARY ACTIVITIES

The tax (charge)/credit comprises

	2003 £	2002 £
Current tax		
UK corporation tax	(10,771)	-
Deferred tax		
(Decrease)/increase in estimate of recoverable deferred tax asset	<u>(88,367)</u>	<u>254,437</u>
Total tax on profit on ordinary activities	<u><u>(99,138)</u></u>	<u><u>254,437</u></u>

The difference between the total current tax as shown and the amounts calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>450,187</u>	<u>565,980</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	(135,056)	(169,794)
Effects of:		
Capital allowances compared to depreciation	(2,210)	4,945
Expenses not deductible	(14,966)	(3,669)
Prior period adjustments	3,007	-
Utilisation of prior period losses	132,449	178,104
Exempt gain on disposal	-	4,831
Unrecognised deferred tax asset	-	(16,008)
Other timing differences	(1,976)	1,591
Other	<u>7,981</u>	<u>-</u>
Current tax charge for period	<u><u>(10,771)</u></u>	<u><u>-</u></u>

The tax charge in future periods will be affected by the ability of the group to generate taxable profits. Movement on the group's and company's deferred tax asset is shown under note 13.

#### 4. OPERATING PROFIT

Operating profit is stated after charging:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Depreciation on owned assets	152,202	66,090
Depreciation on leased assets	16,433	11,628
Amortisation on intangible assets	58,928	-
Auditors' remuneration for audit services	15,000	14,000
Auditors' remuneration for non-audit services	5,000	4,000
Operating lease rentals – land & buildings	111,356	24,176
Directors' emoluments and other benefits	411,235	698,150
	<u>411,235</u>	<u>698,150</u>

#### 5. DIVIDENDS

	2003	2002
	£	£
Non-equity shares		
Class B-1 (10% cumulative dividend proposed from 10 November 2003)	5,147	-
Class B-2 (10% cumulative dividend proposed from 10 November 2003)	5,447	-
Class C-1 (10% cumulative dividend proposed from 10 November 2003)	6,993	-
	<u>6,993</u>	<u>-</u>

#### 6. PROFIT FOR THE YEAR

The company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group profit for the period includes a profit of £263,461 (2002: £889,451), which is included within the financial statements of the parent company.

#### 7. STAFF COSTS

The average monthly number of employees (including executive directors) was:

	<b>2003</b>	<b>2002</b>
	<b>No.</b>	<b>No.</b>
Sales	32	22
Administration	52	32
	<u>84</u>	<u>54</u>

Their aggregate remuneration comprised:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Wages and salaries	2,909,024	1,929,659
Social security costs	396,437	220,197
	<u>3,305,461</u>	<u>2,149,856</u>

## 8. DIRECTORS' REMUNERATION AND INTERESTS

Directors' remuneration

	2003 £	2002 £
Emoluments	411,235	698,150

The highest paid director received emoluments of £98,044 (2002: £172,000) during the year.

## 9. INTANGIBLE FIXED ASSETS

	Data acquisition costs £	Licences £	Total £
Group and company			
Cost			
At 1 January 2003	-	19,235	19,235
Additions	202,988	-	202,988
At 31 December 2003	202,988	19,235	222,223
Amortisation			
At 1 January 2003	-	-	-
Charge for the year	39,693	19,235	58,928
At 31 December 2003	39,693	19,235	58,928
Net book value			
At 31 December 2003	163,295	-	163,295
At 31 December 2002	-	19,235	19,235

## 10. TANGIBLE FIXED ASSETS

	Fixtures & fittings £	Computer software £	Computer equipment £	Total £
Group				
Cost				
At 1 January 2003	85,627	45,188	243,527	374,342
Additions	22,532	87,145	209,926	319,603
At 31 December 2003	108,159	132,333	453,453	693,945
Accumulated depreciation				
At 1 January 2003	9,845	23,554	103,611	137,010
Charge for the year	19,876	41,836	106,923	168,635
At 31 December 2003	29,721	65,390	210,534	305,645
Net book value				
At 31 December 2003	78,438	66,943	242,919	388,300
At 31 December 2002	75,782	21,634	139,916	237,332

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2003 - CONT.

Company	Fixtures & fittings £	Computer software £	Computer equipment £	Total £
Cost				
At 1 January 2003	85,188	42,833	240,292	368,313
Additions	22,532	83,471	209,301	315,304
At 31 December 2003	107,720	126,304	449,593	683,617
Accumulated depreciation				
At 1 January 2003	9,808	23,064	103,161	136,033
Charge for the year	19,788	39,517	105,778	165,083
At 31 December 2003	29,596	62,581	208,939	301,116
Net book value				
At 31 December 2003	78,124	63,723	240,654	382,501
At 31 December 2002	75,380	19,769	137,131	232,280

Included within computer equipment are assets held under finance leases with a net book value of £25,114 (2002: £37,671).

**11. FIXED ASSET INVESTMENTS – COMPANY AND GROUP**

	2003 £	2002 £
Shares in subsidiaries		
Cost		
At 1 January & 31 December 2003	8	8

The parent company has investments in the following significant subsidiary undertakings:

Subsidiary undertakings	Country of registration	Principal activity	Holding	%
Emailbureau Ltd	England and Wales	Email broadcast and Data Management	Ordinary shares	100%
MyOffers Ltd	England and Wales	Dormant	Ordinary shares	100%
OK-mail Ltd	England and Wales	Dormant	Ordinary shares	100%
Reamcast Ltd	England and Wales	Dormant	Ordinary shares	100%
Newsletters Online Ltd	England and Wales	Publishing Financial Newsletters	Ordinary shares	50%

For the purpose of the consolidated financial statements the directors consider Newsletters Online Ltd to be a subsidiary undertaking due to its exercise of dominant influence over the undertaking, in accordance with Financial Reporting Standard Number 2: Subsidiary Undertakings.

### OTHER INVESTMENTS

The company and group took up a rights issue for cash in the Mobile Channel Ltd and currently hold 18,608 shares at cost of £2,215.

### 12. ASSETS HELD FOR RESALE

The group holds 99,972,000 shares in themutual.net. The carrying value of the shares is £55,629. The market value of the shares at 31 December 2003 was £229,936.

### 13. DEBTORS

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Trade debtors	1,447,936	1,201,719	1,238,350	1,127,611
Amounts owed by group undertakings	-	-	62,625	88,647
Deferred tax	166,070	254,437	164,094	254,437
Other debtors	3,234	2,478	4,258	2,478
Prepayments and accrued income	309,637	94,686	296,893	91,835
Corporation tax	6,687	-	6,687	-
	<u>1,933,564</u>	<u>1,553,320</u>	<u>1,772,907</u>	<u>1,565,008</u>

The movement in deferred tax recoverable is as shown below:

	2003 £	2002 £
Group		
Opening deferred tax recoverable	254,437	-
(Decrease)/increase in estimate of deferred tax asset	(88,367)	254,437
Closing deferred tax recoverable	<u>166,070</u>	<u>254,437</u>

Deferred tax recoverable comprises of:

	2003 £	2002 £
Group		
Accelerated capital allowances	(22,363)	(27,733)
Tax losses available	171,968	267,681
Other timing differences	16,465	14,489
	<u>166,070</u>	<u>254,437</u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2003 - CONT.

	2003 £	2002 £
Company		
Opening deferred tax recoverable	254,437	-
(Decrease)/increase in estimate of deferred tax asset	(90,343)	254,437
Closing deferred tax recoverable	<u>164,094</u>	<u>254,437</u>

**Deferred tax recoverable comprises of:**

	2003 £	2002 £
Company		
Accelerated capital allowances	(22,211)	(27,733)
Tax losses available	171,231	267,681
Other timing differences	15,074	14,489
	<u>164,094</u>	<u>254,437</u>

At 31 December 2003 the Group and Company had no unrecognised deferred tax assets or liabilities.

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Trade creditors	499,812	429,260	474,676	421,773
Social security and other taxes	416,611	200,055	323,750	184,913
Amounts due to group undertakings	-	-	39,558	8
Obligations due under finance leases	13,071	24,663	13,071	24,663
Accruals and deferred income	431,084	550,492	369,516	550,492
Other creditors	1,562	266	-	266
Corporation tax	13,778	-	4,493	-
	<u>1,375,918</u>	<u>1,204,736</u>	<u>1,225,064</u>	<u>1,182,115</u>

**15. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Obligations due under finance leases, repayable between one and two years	-	13,071	-	13,071
	<u>-</u>	<u>13,071</u>	<u>-</u>	<u>13,071</u>

The finance leases are secured on the assets to which they relate.

**16. CALLED UP SHARE CAPITAL**

	2003		2002	
	Number	£	Number	£
<b>Authorised</b>				
Equity				
1,477,200 'A' ordinary shares of 1p each	1,477,200	14,772	1,477,200	14,772
Non equity				
122,800 'B1' preference shares of 1p each	122,800	1,228	122,800	1,228
66,100 'B2' preference shares of 1p each	66,100	661	66,100	661
84,400 'C-1' preference shares of 1p each	84,400	844	84,400	844
52,400 'C-2' preference shares of 1p each	52,400	524	52,400	524
	<u>1,802,900</u>	<u>18,029</u>	<u>1,802,900</u>	<u>18,029</u>
<b>Called up, allotted and fully paid</b>				
Equity				
1,237,200 'A' ordinary shares of 1p each	1,237,200	12,372	1,237,200	12,372
Non equity				
122,800 'B1' preference shares of 1p each	122,800	1,228	122,800	1,228
66,100 'B2' preference shares of 1p each	66,100	661	66,100	661
84,400 'C-1' preference shares of 1p each	84,400	844	84,400	844
52,369 'C-2' preference shares of 1p each	52,369	524	52,369	524
	<u>1,562,869</u>	<u>15,629</u>	<u>1,562,869</u>	<u>15,629</u>

**AUTHORISED SHARE CAPITAL**

The holders of the 'B-1', 'B-2' and 'C-1' preference shares are entitled to a fixed gross cumulative dividend of 10% per annum commencing from 11 November 2003. The preference dividend is calculated on the aggregate of the nominal amount of such preference share, the premium paid on subscription and any arrears of the dividend for such preference share.

The preference shares are convertible to ordinary shares, at the option of the preference shareholders respectively at any time, at a rate of 1 ordinary share per preference share held.

There were no movements in the share capital during the period.

**17. RESERVES**

	Profit and loss account £	Other reserves £	Share premium account £
<b>Group</b>			
Balance at beginning of year	(693,132)	-	2,324,679
Profit retained for the year	321,353	-	-
Accrued dividend on preference shares	-	17,617	-
At 31 December 2003	<u>(371,779)</u>	<u>17,617</u>	<u>2,324,679</u>

	Profit and loss account £	Other reserves £	Share premium account £
<b>Company</b>			
Balance at beginning of year	(638,620)	-	2,324,679
Profit retained for the year	245,844	-	-
Accrued dividend on preference shares	-	17,617	-
At 31 December 2003	<u>(392,776)</u>	<u>17,617</u>	<u>2,324,679</u>

**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2003 £	2002 (Restated see Note 24) £
<b>Group</b>		
<b>Equity</b>		
Opening shareholders' funds	126,663	(708,282)
Profit/(loss) for the financial year	<u>321,353</u>	<u>834,945</u>
	448,016	126,663
<b>Non equity</b>		
Opening shareholders' funds	1,520,513	1,520,513
Accrued dividend on preference shares	<u>17,617</u>	<u>-</u>
	1,538,130	1,520,513
Closing shareholders' funds	<u><u>1,986,146</u></u>	<u><u>1,647,176</u></u>

NOTES TO THE FINANCIAL STATEMENTS - YEAR ENDED 31 DECEMBER 2003 - CONT.

<b>Company</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>(Restated see Note 24)</b>
		<b>£</b>
<b>Equity</b>		
Opening shareholders' funds/(deficit)	181,175	(708,276)
Profit for the financial year	245,844	889,451
	<u>427,019</u>	<u>181,175</u>
<b>Non equity</b>		
Opening shareholders' funds	1,520,513	1,520,513
Accrued dividend on preference shares	17,617	-
	<u>1,538,130</u>	<u>1,520,513</u>
Closing shareholders' funds	<u><u>1,965,149</u></u>	<u><u>1,701,688</u></u>

**19. MINORITY INTEREST**

<b>Equity</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
At 1 January	72,472	-
Profit/(loss) on ordinary activities after taxation	12,079	(14,528)
Issue of shares in subsidiary undertaking	-	87,000
At 31 December	<u><u>84,551</u></u>	<u><u>72,472</u></u>

**20. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Operating profit	431,921	551,136
Depreciation and amortisation	227,563	77,718
Other income received in the year	-	16,104
Increase in debtors	(461,924)	(176,460)
Increase in assets held for resale	(55,629)	-
Increase in creditors	168,996	260,570
<b>Net cash inflow from operating activities</b>	<u><u>310,927</u></u>	<u><u>729,068</u></u>

**21. ANALYSIS OF CASH FLOWS**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	(18,266)	-
Interest paid	-	1,260
<b>Net cash (inflow)/outflow</b>	<u>(18,266)</u>	<u>1,260</u>

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Taxation</b>		
UK corporation tax paid	3,680	-
<b>Net cash outflow</b>	<u>3,680</u>	<u>-</u>

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Capital expenditure and financial investment</b>		
Purchase of intangible fixed assets	202,988	19,235
Purchase of tangible fixed assets	319,603	194,169
Purchase of trade investments	2,215	-
<b>Net cash outflow</b>	<u>524,806</u>	<u>213,404</u>

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Acquisitions and disposals</b>		
Investment in subsidiary company	-	(87,000)
<b>Net cash inflow</b>	<u>-</u>	<u>(87,000)</u>

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Financing</b>		
Issue of ordinary share capital	-	301,161
Capital element of finance lease rental payments	(24,663)	-
<b>Net cash outflow/(inflow)</b>	<u>(24,663)</u>	<u>301,161</u>

**22. ANALYSIS AND RECONCILIATION OF NET FUNDS**

	<b>1 January 2003</b>	<b>Cash flow</b>	<b>31 December</b>
	<b>£</b>	<b>£</b>	<b>2003</b>
			<b>£</b>
Cash in hand, at bank	1,127,568	(223,956)	903,612
Finance leases	(37,734)	24,663	(13,071)
<b>Net funds</b>	<u>1,089,834</u>	<u>(199,293)</u>	<u>890,541</u>

\* excluding cash and overdrafts.

	<b>2003</b> <b>£</b>
Decrease in cash in the year	(223,956)
Cash flow from movement in debt and lease financing	24,663
Change in net funds resulting from cash flows	(199,293)
Movement in net debt in year	(199,293)
Net debt at 1 January 2003	1,089,834
Net debt at 31 December 2003	<u>890,541</u>

### 23. COMMITMENTS

<b>Operating lease commitments – land and buildings</b>	<b>2003</b> <b>£</b>	<b>2002</b> <b>£</b>
Annual commitments under operating leases at 31 December 2003 are as follows:		
Expiring between 2 and 5 years	<u>132,612</u>	<u>88,090</u>

### 24. RESTATEMENTS

The directors have decreased the Cost of sales figure by £502,533 and increased the Administrative expenses by the same figure to reflect the change in accounting policy with regard to the presentation of certain web-development costs.

The directors have restated the equity and non-equity interests to reflect the correct split. The company and group equity interests have been increased by £45,197 and the company and group non-equity interests reduced by the same figure.

### 25. CONTINGENT LIABILITY

Under the Unapproved Share Option Scheme operated by the Company, a liability to employer's national contributions will arise upon the exercise of the unapproved share options, calculated with reference to the market price of the shares. Based on a market price of the shares of £1 the contingent liability which would crystallise upon exercise of the options would be approximately £25,000.

**INTERACTIVE PROSPECT TARGETING LIMITED**  
**(the "Company")**

NOTICE IS HEREBY GIVEN that the 2004 ANNUAL GENERAL MEETING of the Company will be held at 30 Buckingham Gate, London, SW1E 6NN on 5<sup>th</sup> October 2004 at 4.55 pm for the following purposes, namely:-

**ORDINARY BUSINESS**

TO RECEIVE AND CONSIDER THE STATEMENT OF ACCOUNT AND BALANCE SHEET OF THE COMPANY FOR THE YEAR ENDING 31 DECEMBER 2003 AND THE REPORT OF THE DIRECTORS AND OF THE AUDITORS.

**ORDINARY RESOLUTIONS**

To consider and, if thought fit, pass the following Ordinary Resolutions:

1. TO APPOINT THE AUDITORS, DELOITTE & TOUCHE, TO HOLD OFFICE UNTIL THE CONCLUSION OF THE NEXT ANNUAL GENERAL MEETING AND TO AUTHORISE THE DIRECTORS TO FIX THEIR REMUNERATION:
2. TO GIVE THE DIRECTORS THE FOLLOWING POWERS AND AUTHORITIES:
  - (a) A general and unconditional authority to allot, grant options over, offer or otherwise deal with or dispose of any relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the "Act")) of the Company on and subject to such terms as the Directors may determine. The authority hereby conferred shall subject to Section 80 of the Act be for a period expiring five years from the date of the passing of this Resolution unless renewed varied or revoked by an Ordinary Resolution of the Company and the maximum number of relevant securities which may be allotted pursuant to the Rules of the Company's Approved Employee Share Option Scheme 2001;
  - (B) THE AUTHORITY CONFERRED BY PARAGRAPH A) ABOVE OF THIS RESOLUTION OR UNDER ANY RENEWAL THEREOF TO MAKE AT ANY TIME PRIOR TO THE EXPIRY OF SUCH AUTHORITY ANY OFFER OR AGREEMENT WHICH WOULD OR MIGHT REQUIRE RELEVANT SECURITIES OF THE COMPANY TO BE ALLOTTED AFTER THE EXPIRY OF SUCH AUTHORITY AND THEREAFTER TO ALLOT RELEVANT SECURITIES ACCORDINGLY.

**SPECIAL RESOLUTIONS**

To consider and, if thought fit, pass the following Special Resolutions:

3. TO EMPOWER THE DIRECTORS PURSUANT TO SECTION 95 OF THE ACT TO ALLOT EQUITY SECURITIES (WITHIN THE MEANING OF SECTION 94(2) OF THE ACT) OF THE COMPANY PURSUANT TO THE AUTHORITY CONFERRED BY PARAGRAPH (A) OF RESOLUTION 2 AS IF NEITHER ARTICLE 4.1 OF THE ARTICLES OF ASSOCIATION NOR SECTION 89(1) OF THE ACT APPLIED TO SUCH ALLOTMENT AND THE DIRECTORS SHALL BE ENTITLED TO MAKE AT ANY TIME PRIOR TO THE EXPIRY OF THE POWER HEREBY CONFERRED ANY OFFER OR AGREEMENT WHICH WOULD OR MIGHT REQUIRE EQUITY SECURITIES TO BE ALLOTTED AFTER THE EXPIRY OF SUCH POWER. PROVIDED THAT SUCH POWER SHALL SUBJECT AS AFORESAID CEASE TO HAVE EFFECT WHEN THE SAID AUTHORITY IS REVOKED OR WOULD IF NOT RENEWED EXPIRE BUT IF THAT AUTHORITY IS RENEWED THE SAID POWER MAY ALSO BE RENEWED FOR A PERIOD NOT LONGER THAN THAT FOR WHICH THE AUTHORITY IS RENEWED BY A SPECIAL RESOLUTION OF THE COMPANY PASSED IN GENERAL MEETING.

DATED 12 AUGUST 2004  
BY ORDER OF THE BOARD

I J Southall, Secretary

A member entitled to attend and vote at the above meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company. A special form of proxy is attached to this notice.





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