

Interactive Prospect Targeting Holdings PLC
Pan-European Online Direct Marketing



Annual Report & Accounts 2006



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Highlights

REVENUE UP 77% TO £24.1M FROM £13.6M

PROFIT BEFORE TAX UP BY 82% TO £4.4M

OPERATING PROFIT INCREASED BY 145% FROM £1.7M TO £4.2M

HEADLINE OPERATING MARGIN¹ INCREASED TO 20% IN 2006 FROM 15% IN 2005

EARNINGS PER SHARE INCREASED BY 47% FROM 5.7p TO 8.4p

HEADLINE EARNINGS PER SHARE² INCREASED BY 100% FROM 4.8p TO 9.6p

ACQUISITION OF DIRECTINET IN MAY 2006 EXCEEDS EXPECTATIONS AND IS EARNINGS ENHANCING

DATABASES CONTINUE TO GROW WITH OVER 1M NEW REGISTRATIONS ON MYOFFERS.CO.UK DURING 2006

1 Before goodwill reduction expense, amortisation of acquisition related intangible assets, one-time restructuring costs and share-based payment charges (headline operating profit is defined in note 8).

2 Before goodwill reduction expense, amortisation of acquisition related intangible assets, one-time restructuring costs, share-based payment charges, profit on available-for-sale investments and the tax effect of these items (as defined in note 12).

Chairman's Statement

In my announcement on 14 September 2006, I reported that Interactive Prospect Targeting Holdings plc (hereafter "IPT" or the "Company") and its subsidiaries (together the "group") had achieved its objectives for the first half of 2006. I am now pleased to be able to report that the excellent first half performance continued throughout the second half of the year. Turnover for the year was £24.1m, an increase of 77% over 2005 (£13.6m). Profit before tax increased by 82% to £4.4m (2005: £2.4m). Basic earnings per share was 8.4p, representing an increase of 47% (2005: 5.7p), while our headline earnings per share³ grew by 100% from 4.8p in 2005 to 9.6p in 2006.

This has been a year of acquisitions for the group. In April 2006, IPT completed the acquisition of Direct Excellence Ltd. This acquisition provided a major step in the group's strategy to build a substantial online market research business. On 24 May 2006, the group completed the acquisition of Directinet, the leader in online direct marketing in France. This acquisition provides the group with the leading position in the provision of online direct marketing services in both the UK and France. These two countries together account for 64% of the total European market for online advertising⁴. I am pleased to report that this acquisition has exceeded our expectations for 2006 and that the excellent progress we have made in France has given the group the opportunity to accelerate the introduction of UK market leading products into that market. On 28 July 2006, the group completed the acquisition of Smartquotes Ltd, an online provider of access to consumer finance products. This business is being integrated into IPT, expanding the range of services that the group provides to those consumers interested in financial products. The continued success of our acquisitions encourages me to believe that the group is implementing a successful acquisition and integration strategy.

In May 2006, the group successfully raised £11m, net of expenses, in a secondary placing of 5.6 million shares on the AIM, at a price of £2.05 per share.

During 2006, the group has continued its strategy of innovation with the launch of a new website www.mypropertyspy.co.uk and the introduction of two completely new products "efinity" and "eProfile". The introduction of these new products continues the group's efforts to assist digital marketers by providing exceptional direct marketing solutions.

IPT continues to be a leader in online direct marketing, combining organic growth with an active acquisition strategy at the forefront of this dynamic industry. Comments on current trading are included in the Chief Executive's Review.

³ Before goodwill reduction expense, amortisation of acquisition related intangible assets, one-time restructuring costs, share-based payment charges, profit on available-for-sale investments and the tax effect of these items (as defined in note 12).

⁴ Source: Interactive Advertising Bureau

In conclusion, I should particularly like to thank the Chief Executive, his management team and all IPT employees for their efforts to date.

Colin Lloyd
Non-executive Chairman
26 March 2007

Chief Executive's Review

Overview

Throughout 2006 and into 2007, IPT has continued to develop and launch new websites and innovative products designed to fulfil the needs of our clients. To support this process we have an active programme of investment, replacing and upgrading our technology to ensure a consistent supply of service to all of our clients at the level they demand.

Ever-increasing internet usage and broadband penetration means that in 2007 European online advertising spend is forecast to reach £4.1 billion, increasing by 21% from 2006⁵. This means that Europe offers exciting opportunities to grow and expand our business. In its first six years, the IPT group was wholly focused within the UK. However, during 2006, the group took the first step to begin exploring the enormous potential of Europe. The acquisition of Directinet and its subsequent integration into the group has indicated that the European markets are following developments in the UK closely and that the adoption of leading edge UK products will give competitive advantage in Europe. In 2007, the group will continue its policy of actively seeking suitable opportunities for international expansion.

Financial Highlights

Group revenues increased from £13.6m in 2005 to £24.1m in 2006 - an overall growth of 77%. In 2006, the UK revenues have increased to £19.3m from £13.6m in 2005, while the acquisition of Directinet in France contributed £4.8m. Excluding acquisitions, organic revenues grew by over 30% in 2006. Profit before tax increased by 82% to £4.4m from £2.4m in 2005.

Operational Highlights

With 25 websites, including our award-winning online data collection site MyOffers.co.uk, which continues to be one of the most visited websites in the UK, IPT maintains its position as the UK's leading builder of online prospect databases. To date we have built over 1,000 bespoke prospect databases for our clients, including some of the UK's leading household name brands.

IPT has created a unique engine which enables us to serve client-sponsored questionnaires to very specific audiences. This means that each prospect database we build is individually tailored to our clients' needs, providing them with the responses to their own sponsored questions together with the consumers' personal and demographic details. This combination of information allows today's marketers to precisely target the people who are most likely to find their products and services interesting.

5 Source: Forrester Research

An ongoing programme of online promotions drives high volumes of users to our websites, and in a single day we have experienced as many as 19,000 new registrations. The fact that two thirds of our first-time visitors return again is testament to the attractions of our content and the usability of our sites.

Appropriate data is one of the most powerful tools available to marketers today. IPT helps marketers to target their messages with precision to the people who are not only likely to find them of interest, but who have actively given their consent to be contacted. With in-house databases of over 7.4 million email and 7.5 million individual postal prospects, IPT provides a fast and effective method of targeting consumers for acquisition and brand-building campaigns.

An effective marketing campaign requires accurate data. Our data collection programmes provide a constant flow of over 200,000 new records to marketers each month, and we use a number of tools to check and validate this data.

For clients wishing to target prospects who share the same characteristics as recipients who have opened and clicked through from their email campaigns, our recently launched eProfile product provides the answer. By using proven analytical techniques to identify the profiles of these recipients we are able to match against our in-house databases and select individuals who share this profile.

The volume and quality of IPT's data delivers excellent results for our clients. However, recognising that some clients may also wish to target niche audiences not available from the IPT file, IPT also offers two further services: holistic list management works with clients to commercialise their own databases, whilst holistic list broking helps clients to source the right data for their needs from the marketplace.

As one of the UK's leading authorities on email marketing, IPT acts as a guide to legitimate marketers, giving them the tools to verify their identity and enabling their emails to reach the inbox. IPT is one of the UK's largest email broadcasters, sending around 120 million emails to opted-in recipients every month. This gives us the ability to send over 1 million emails per hour and up to 12,000 simultaneously.

Sometimes legitimate email can accidentally be prevented from reaching the recipient's inbox. IPT offers a number of solutions to help ensure clients' emails arrive safely. For example, by allocating an individual IP address to each client we avoid many of the technical issues experienced by other service providers.

We also offer our clients two tiers of service: Fully Managed, when we provide full campaign management, and Software Only, when the client retains full management of their campaigns using

our sophisticated tools. All of our clients benefit from a comprehensive tracking and reporting system, enabling them to monitor their campaigns closely and measure the results.

Marketers in the financial services industry operate in an environment which is very highly regulated. IPT has drawn together a team of experts from around the financial services industry who have tailored and developed our highly successful range of generalised products and services into new specialist solutions which address the specific requirements of the financial services marketer.

We offer a wealth of expertise in market research, both online and in the real world. Our expertise extends to the latest innovations in market research, allowing IPT to offer marketers an ever-growing range of services to help to gather intelligence relevant to their businesses.

In January 2007, to further enhance our research capabilities, we acquired 79% of the issued share capital of Real World Customer Experience Ltd, bringing their respected Tpoll Market Intelligence brand into the IPT group. Tpoll's experience and market research capabilities join with our existing online panel enabling IPT to become a major participant in the market research field.

Directinet has continued to grow its business in France in line with our expectations. Its core product Megabase is used by marketers to identify common attributes shared by their customers. Once this customer profile is established Directinet is able to use it to select prospects from the extensive lists it manages. This process continues to produce highly responsive prospects for Directinet's clients.

International Expansion

During 2006, the group has taken the first step from being wholly UK focused to looking at the many opportunities which are available in Europe. The acquisition of Directinet and its subsequent integration into the group has indicated that the European markets are closely following developments in the UK. In 2007, the group will continue its policy of actively seeking suitable opportunities for international expansion in line with advertisers' increasing requirements for pan-European solutions.

Employees

At 31 December 2006, our number of employees has grown from 155 to 265, and I would like to thank all our employees for their determination to produce the standards of service our clients have come to expect from IPT. I am particularly pleased to welcome the staff that joined us as a result of our acquisitions during 2006 and I am happy that they have integrated so positively. We have an exceptionally strong team in France and I am delighted with the contribution that they have made to our business in implementing our strategy to move into the European market.

Current Trading

Turnover for the first two months of 2007 shows an increase of 46% over the same period in 2006. This period has benefitted from the inclusion of Directinet, France's number one online direct marketing company, which was acquired at the end of May 2006. In what is traditionally the quietest trading part of the year, Directinet is trading strongly with the UK slightly behind 2006. The Board currently believe 2007 will be another year of strong growth with turnover expected to be at least 40% ahead of 2006. However, net income for the first half of 2007 is likely to be below that achieved in 2006. Margins in the year to date have been adversely affected in two areas. Firstly, a weak market in the UK postal area has adversely impacted sales in our postal business and secondly, sales execution within the data business. However, demand for our data remains strong and the Board remains confident for the rest of the year.

Outlook

Our aim for 2007 is to continue to expand our core businesses, extend our range of operations both in the UK and Europe and seize new opportunities within the market place in which we operate.

Lionel Thain
Chief Executive Officer
26 March 2007

Business Review

A. ANALYSIS OF 2006 PERFORMANCE AND POSITION OF THE GROUP

Summary of IPT's business

IPT is a group of companies in the UK and France offering online direct marketing services including data products, emailing services and market research.

Through IPT's data products, clients can market to new potential consumers in a number of ways. IPT builds databases of consumers for clients through proprietary websites including myoffers.co.uk, quizplayer.co.uk and lotree.com. Alternatively, clients may utilise IPT's existing postal and email database to reach consumers.

IPT is a leading email broadcaster which allows clients to market to their existing customer databases. The service can include designing the emails and analysing them to ensure they stand the best chance of reaching a user's inbox.

IPT also offers market research. The group utilises online surveys to survey the market and then provides the client with an analysis of the results.

2006 performance

2006 was a very successful year for IPT. While continuing to perform very strongly in the UK through organic growth, acquisitions enabled the group to establish a foothold in new markets as well as strengthening its position in existing markets.

In May 2006, the group acquired Directinet, a leading online direct marketer in France, for a consideration of £23m including other costs of acquisition incurred. This acquisition enabled the group to take its first steps into the European online direct marketing sector. Direct Excellence was acquired in April 2006 and bolstered the group's market research focus whilst the acquisition of Smartquotes in July 2006 provided natural synergies with IPT's existing financial offering.

Result of operations

In 2006, the group has prepared its financial statements under IFRS for the first time, including restating its 2005 results accordingly.

Revenues increased to £24.1m in 2006 from £13.6m in 2005, an increase of 77%. Excluding the impact of acquisitions made during 2006, revenues increased from £13.6m in 2005 to £18.2m in 2006, an increase of 34%.

Gross profit margins remained healthy at 78% (2005: 82%) with gross profit increasing to £18.8m (2005: £11.2m), an increase of 69%. The reduction in gross profit relates to the impact of the Directinet acquisition where margins were 64% in the year. Unlike IPT in the UK, Directinet sources its data from 3rd parties, and therefore incurs royalty expenses on its data revenues.

Administrative expenses include sales and support services costs for the business, together with the various central overheads of the group and amortisation costs. Overall administration expenses grew to £14.6m (2005: £9.4m), an increase of 55%. Excluding the impact of acquisitions, goodwill reduction expense and amortisation of acquisition related intangible assets, administration expense grew by 24% to £11.7m in 2006 (2005: £9.4m). This increase was primarily a result of the increased headcount and infrastructure required to drive higher revenues.

Operating profit was £4.2m (2005: £1.7m), an increase of 145% over the prior year. This is after expenses of £0.3m (2005: £0.03m) in relation to the amortisation of acquisition related intangible assets, £0.1m (2005: £0.03m) charges for share-based payments, and goodwill reduction expense of £0.2m (2005: £nil) which resulted from the recognition of an additional deferred tax asset arising from previously unrecognised tax losses in PPS. Excluding these charges, operating profit grew from £1.8m in 2005 to £4.8m in 2006, an increase of 167%.

The profit before tax was £4.4m (2005: £2.4m), an increase of 82% over the prior year. The 2005 profit before tax included a profit on disposal of available-for-sale investments of £0.5m.

The group tax charge of £1.1m (2005: £0.6m) includes the utilisation of tax losses not previously recognised.

In 2006, basic earnings per share increased from 5.7p to 8.4p, while diluted earnings per share also increased from 5.3p to 8.1p. Headline earnings per share⁶ increased by 100% to 9.6p (2005: 4.8p).

Balance sheet and cash flow

In 2006, net assets increased to £32.8m (2005: £12.5m). The group increased the balance of cash and cash equivalents to £7.5m (2005: £5.4m) during the year, including the generation of £4.8m (2005: £1.9m) in net cash from operating activities. Cash flows in 2006 also included £11.4m (2005: £1.1m) in cash outflows for the acquisition of subsidiaries of which £11.0m (2005: £2.8m) was funded by the issue of shares.

⁶ Before goodwill reduction expense, amortisation of acquisition related intangible assets, one-time restructuring costs, share-based payment charges, profit on available-for-sale investments and the tax effect of these items (as defined in note 12).

In May 2006, the group acquired Directinet, for a consideration of £23m including other costs of acquisition incurred. The consideration is payable as an initial consideration of £17.8m and estimated deferred consideration of £5.1m. Directinet's net assets were provisionally fair valued at £3.4m including adjustments relating to the valuation of existing unfulfilled orders, non-contractual customer relationships and trade names of £1.7m. This resulted in goodwill of £19.6m.

During 2006, the group also acquired Direct Excellence and Smartquotes for combined consideration of £0.8m giving rise to £0.9m in goodwill.

Data acquisition costs of £1.2m were capitalised in the year (2005: £0.8m). These data costs will be written off over three years. Intangible assets of £2.2m were recognised in 2006 upon acquisition of Directinet, Direct Excellence and Smartquotes and will be amortised over the useful life of the respective assets.

Capital expenditure on tangible fixed assets and software increased to £0.8m from £0.5m reflecting continued investment in leading technology.

Trade debtors increased to £7.1m (2005: £4.3m) due to the increase in turnover and the impact of acquisitions. Trade creditors increased to £2.2m (2005: £1.8m) also due to the increase in activity and the impact of acquisitions.

In May 2006, to fund the acquisition of Directinet, the group raised £11m net of expenses in a secondary placing of 5.4m shares on the Alternative Investment Market at a price of £2.05 per share. In addition, 2.8m consideration shares were issued to the vendors of Directinet at a deemed issue price of £2.02.

Other group attributes

In order to create databases for clients, IPT drives traffic to its websites. In 2006, over one million users registered on IPT's leading site myoffers.co.uk. IPT's high traffic levels mean the group's email and postal databases continue to grow. IPT refreshes its existing databases by conducting email campaigns, postal surveys and removing invalid addresses.

IPT is a technology-driven business. To service our clients we have invested heavily in cutting-edge computer hardware and software that allows for expected growth. The group is investing in virtualisation of servers, SANs and email delivery systems to facilitate this growth and to provide improved backup resiliency.

Employee, environmental, social and community issues

Employees are a key asset of IPT. Our average staff numbers grew to 228 in 2006 from 132 in 2005. The group encourages employees to work towards group goals by rewarding through share option incentivisation. IPT also encourages team work and an affable environment by promoting social activities for employees.

IPT is an equal opportunity employer and has strived hard to implement appropriate human resources policies and procedures.

IPT is aware of its environmental, social and community obligations. In particular, the group is aware of public concerns about privacy and applies secure management to its database. IPT is also careful to fulfil its obligation to only contact users who have opted-in to receive marketing material from our clients.

Competitive advantages

IPT is in a strong position going forward with a number of competitive advantages in the market:

- IPT has the largest email database in the UK and has collected over 12m email addresses. The group also has 7.5m postal addresses, nearly 1m SMS phone numbers and access to 0.5m phone numbers. In France, IPT has 0.5m unique email addresses, 1m postal addresses as well as agency access to 20.3m email addresses and 25m postal addresses.
- Since inception in 1999, IPT has developed significant knowledge in the online direct marketing field and has helped pioneer industry best practice through its work with the Email Marketing Council, the Internet Advertising Bureau and the Direct Marketing Association. In particular, IPT has a number of key personnel who are experts in attracting consumers to its websites, soliciting relevant information and converting that information into viable marketing data for the group's clients.
- IPT is the largest online direct marketer in the UK and France. The group's first-to-market lead position has enabled it to develop its database, attract and service many large clients seeking to spend in this relatively new area of marketing.
- The main disciplines of online direct marketing are all offered by the group. This attribute allows IPT to cater for any client looking to spend in the market and creates cross-selling opportunities once a client has utilised one service.

B. LOOKING TO THE FUTURE

Objectives and strategy

Our business objectives are to:

- continue to provide excellence service to IPT clients;
- offer our online direct marketing services to new geographic areas; and
- develop new offerings and services to be implemented in new and existing markets.

To achieve these objectives IPT is working to the following strategy:

- maintain, and constantly seek to improve, service levels;
- maintain the advantages of IPT's first-to-market lead position, particularly in attracting spend from new entrants seeking to market online;
- lead the provision of online direct marketing services through innovative offerings and sites; and
- explore opportunities to move into other geographic areas, particularly Europe, and roll out existing services to new markets.

C. ASSESSMENT OF KEY RISKS AND UNCERTAINTIES

Like any business, IPT inherently faces risks in its pursuit to create shareholder value. The risks are considered below along with IPT's approach to managing these risks.

Infrastructure and internet risk

IPT relies heavily on IT infrastructure to maintain its sites and deliver services to its clients. As a technology-based company, a key risk is the possibility of an interruption to the running of our hardware and software. To minimise this risk there is appropriate investment in IT infrastructure and the group has dedicated teams of IT professionals with the skills to maintain this infrastructure and deal with potential problems. In particular, the group has invested heavily in backup systems and developed backup procedures. Technology developments are closely monitored and implemented where appropriate.

IPT utilises websites in providing a number of its services. IPT would be adversely impacted should internet access be restricted, such as through a technical failure with an internet service provider. IPT cannot influence this risk but any long-term disruption to internet supply is considered unlikely.

Email deliverability

A number of IPT's services involve delivering emails to consumers. Email delivery is reliant on the services of Internet Service Providers (ISPs) who can restrict or delay delivery due to high volumes or the filtering of content. To ensure delivery of the group's opt-in emails, IPT communicates with the providers, undertakes accreditation procedures where necessary, monitors delivery activity and ensures its emails comply with best practice standards.

Competitive threats

Spend on European online marketing is forecast to grow by 21%⁷ in 2007. The growth in this market combined with the profitability of the existing businesses makes the market attractive to new entrants. IPT counters competitive pressures through its first-to-market lead position which has resulted in extensive knowledge of the industry, ability to drive traffic to its websites and the ownership of very large volumes of data. IPT also continues to innovate to ensure the services it offers are attractive to existing and new spenders in the online marketing sector.

Data protection and privacy

IPT takes data protection and privacy issues very seriously. The group works closely with the relevant authorities to ensure compliance with current and proposed data protection legislation in the territories in which it operates.

Recessionary pressures on marketing spend

Overall marketing spend is likely to experience a downturn if general economic conditions decline. However, the group believes that its position in the growing market of online direct marketing will buffer IPT in the event of a downturn in traditional marketing spend.

⁷ Source: Forrester Research

Expansion

As a rapidly growing business, IPT is conscious that hands-on management by senior staff is not always possible. To ensure the business continues to run smoothly, IPT is committed to recruit and retain key personnel to ensure informed and innovative decisions are made at all levels of the business.

D. SUMMARY

IPT experienced strong growth in 2006 both organically and through acquisitions. The group aims to continue this trend in 2007, particularly through European acquisitions. The group's goal is to become the pre-eminent pan-European supplier of online direct marketing services.

Eoin Ryan

Finance Director

Directors' Report

The directors present their report on the affairs of the Company and the group together with the financial statements and independent auditors' reports for the year ended 31 December 2006.

Principal activity

The principal activity of the group, which has remained unchanged throughout the year, is the provision of online direct marketing services.

An extended Business Review is presented on page 9 which provides a commentary on the business and reports on its development throughout the year and its prospects at the end of the year. A commentary on the business is also given in the Chairman's and Chief Executive's statements.

Results and dividends

This is the first full year that the group is presenting its financial statements under IFRS. Extracts from the transition document which was made publicly available on 11 September 2006 can be seen in note 31. In 2006, the group's profit after taxation was £3.3m (2005: £1.8m).

The directors do not recommend the payment of a dividend (2005: £nil).

Directors and their interests

The board comprises the following 2 executive and 3 non-executive directors.

Colin Lloyd - Non-Executive Chairman (aged 65)

Colin founded KLP Group plc, which listed on the London Stock Market in 1983. In 1990 KLP Group plc was acquired by RSCG SA and Colin became Chairman of RSCG UK Ltd and President of Marketing Services of RSCG SA. In 1993 he was appointed the Chief Executive of the Direct Marketing Association (DMA) and subsequently its President. Previous positions include Vice President of the Federation of Direct Marketing (Brussels), President of the International Federation of Direct Marketing Associations, a Council Member of the Advertising Association, and a Director of the Advertising Standards Board of Finance. He is a Fellow of the Institute of Sales Promotion ("ISP"), in the Hall of Fame of the Marketing Agencies Association Worldwide and on the Roll of Honour of the DMA. He is now an independent director of companies in the marketing and technology industries and President of the ISP.

Lionel Thain - Chief Executive Officer (aged 46)

Lionel is a co-founder of IPT, with over fifteen years experience in direct marketing. Lionel was previously Managing Director of I.C.D. Marketing Services Ltd ("ICD"), a subsidiary of Metromail Corporation ("Metromail"), one of the world's largest direct marketing companies. At ICD, Lionel

DIRECTORS' REPORT continued

developed the first UK national mailing campaign and built its lifestyle database to be the largest in the UK. Lionel also had responsibility for overseas development at Metromail (Europe and Australia). In partnership with PMP Communications Pty, he successfully launched the first lifestyle data business in Australia (Pacific CDL), and he was also responsible for exploiting opportunities in France and Germany. He left ICD following the acquisition of Metromail by Great Universal Stores plc ("GUS") in 1998.

Eoin Ryan, FCA – Finance Director (aged 38)

Eoin joined IPT in 2000 from National Car Parks Ltd ("NCP") where he was Finance Planning and Analysis Manager. Prior to NCP Eoin spent two years at ICD, where he was responsible for financial planning including overseas development opportunities. Eoin has also previously held positions with Independent News & Media Group, and Deloitte & Touche. He is a Fellow of the Institute of Chartered Accountants in Ireland.

David Cicurel – Non-Executive Director (aged 57)

David is CEO of Judges Capital plc, an AIM quoted scientific instrument company. Having spent much of his working life as a turnaround specialist, he has been responsible for a number of corporate recovery exercises including two UK public companies, International Media Communications plc (later Continental Foods) and ICD where he orchestrated its recovery and helped groom it for sale. As Chairman of ICD from 1992 to 1995 he has gained exposure to IPT's management team and business environment.

Barton L. Faber – Non-executive Director (age 59)

Barton is a Ltd partner in Atrium Venture Partners L.P., a venture capital fund, managed by Atrium Capital Corporation, which focuses on the information management industry. Barton participates in the investment decisions of Atrium Ventures LLC, the general partner of Atrium Venture Partners L.P.. In 1995, he became Chairman of Metromail and following its demerger from RR Donnelly & Sons Company and initial public offering in 1996, he actively directed Metromail until its sale to GUS for \$910 million in a cash transaction in 1998. Barton joined RR Donnelly & Sons Company in 1985 and was president of the Company's Information Resources from 1989 to 1995. Barton currently serves on the Board of directors of Document Sciences Corporation, Inc., Looking Glass, Inc. and Intervisual Communications, Inc. He attended Arizona State University for his undergraduate studies and received his MBA in 1971 from New York University.

The directors' interests in the share capital of the Company are shown in the Remuneration Report. No director had a beneficial interest in any subsidiary undertaking.

DIRECTORS' REPORT continued

Donations

The group did not make any political or charitable donations during the year (2005: £nil).

Payment policy

The group's policy is to abide by the terms of payment agreed with its suppliers. At 31 December 2006, the number of supplier days outstanding, based on the average monthly outstanding group creditor balances, was 67 days (2005: 57 days).

Employee consultation

The group places considerable value on the involvement of its employees and has continued 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. Equal opportunity is given to all employees regardless of their sex, colour, race, religion or ethnic origin.

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.

AGM

The Annual General Meeting will take place on 14 May 2007 in London.

DIRECTORS' REPORT continued

Substantial shareholdings

As at 23 March 2007 the Company had been notified that the following were interested in 3% or more of the Company's share capital:

Shareholder	Ordinary Shares	Issued Share Capital %
Lionel Thain	6,131,360	13.86%
Societe General Asset Management UK Ltd	4,409,178	9.97%
BNY SC Nominees Ltd	2,567,728	5.81%
Goldman Sachs	2,443,840	5.53%
JP Morgan	2,407,205	5.44%
AXA SA	2,404,373	5.44%
Strand Nominees Ltd	2,393,583	5.41%
Nortrust Nominees Ltd	2,350,941	5.32%
Chase Nominees Ltd	2,243,005	5.07%
Martin Kiersnowski	2,205,211	4.99%
T Hoare Nominees Ltd	1,392,665	3.15%

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 26 March 2007

Ivan Southall
Secretary

Corporate Governance Report

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the group financial statements in accordance with International Financial Reporting Standards ("IFRS") (including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees, and as interpreted by any regulatory bodies applicable to the group as adopted for use in the European Union). The group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires fair presentation of the Company's financial position, financial performance and cash flows for each financial year. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

COMPLIANCE WITH THE COMBINED CODE

The revised Combined Code on Corporate Governance, published in July 2003, is not mandatory for companies listed on the Alternative Investment Market of the London Stock Exchange.

The Board nevertheless recognises the importance of the principles of good corporate governance and is committed to applying the principles of the Combined Code where they are appropriate given the Company's size. The following provide information on how these principles have been applied but does not constitute compliance with the July 2003 Code.

BOARD OF DIRECTORS

The Board comprises the independent non-executive Chairman, the Chief Executive, the Finance Director and two independent non-executive directors. The Board considers that, notwithstanding their interests in the shares and share options of the Company as set out in the Remuneration Report on pages 24 to 28, the current non-executive directors are independent of the management of the group and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The current non-executive directors are paid a fixed fee and are not dependent on the Company for their primary source of income or paid by the Company in any capacity other than as a non-executive director. In addition, an independent Director will not have previously been a Senior Manager of the Company, and will not have participated in the Company's incentive bonus schemes.

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

The Chairman ensures that the directors take independent professional advice as required.

The following committees deal with specific aspects of the group's affairs:

AUDIT COMMITTEE

The Audit Committee is chaired by David Cicurel and consists of all the non-executive directors. The Audit Committee is responsible for reviewing, on behalf of the Board, the group's accounting and financial reporting practices and disclosures, its internal controls, the work of the external auditors and group compliance with financial policies, regulations and laws. The Committee is also responsible for reviewing the scope and results of the audit and the fees of the auditors. Prior to awarding any non-audit services to the auditors, the Committee considers the implications with regards to their objectivity and independence. The Committee is authorised to seek information from any member of the group and to obtain external professional advice if it considers it necessary. The Committee meets half-yearly to review the annual and half-yearly financial reports through a process involving discussion with the Finance Director and the external auditors prior to their submission to the Board. In addition the committee reviews the effectiveness of the system of internal financial control by reviewing the adequacy of control and monitoring procedures in relation to each of the key risks identified in the business.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Colin Lloyd and consists of all the non-executive directors. The Remuneration Committee meets periodically as required. The role of the Committee is to approve the terms of service, agree the remuneration and to determine the allocation of share options to the Executive Directors within the terms of the remuneration policy, which is approved annually by the Board.

Further details of the Company's policies on remuneration, service contracts and share options are given in the Remuneration Report on pages 24 to 28.

INTERNAL CONTROLS

The Directors are responsible for the group's system of internal control and reviewing its effectiveness. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve

business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The active involvement of the executive directors in the group's management groups and committees allows the board to continually monitor and assess significant business, operational, financial, compliance and other risks, and to review the effectiveness of internal control. The group has a budgetary process in which the key risks faced by the group are identified. Performance is monitored and relevant action taken through the monthly reporting to the Board of variances from the budget, updated forecasts for the period together with information on the key risk areas. Capital expenditure is regulated by the budgetary process and authorisation levels.

Responsibility levels are communicated throughout the group including delegation of authority and authorisation levels, segregation of duties and other control procedures.

The Audit Committee monitors controls which are in force and any perceived gaps in the control environment, and also considers and determines relevant action in respect of any control issues raised by the external auditors.

The Board has considered the need for an internal audit function and concluded that it would not be appropriate at present given the size of the organisation.

GOING CONCERN

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

RELATIONS WITH SHAREHOLDERS

The Company encourages the participation of both institutional and private investors. Presentations to institutional investors are held regularly and communication with private individuals and institutional investors is maintained through the Annual General Meeting and on the Company's website.

Remuneration Report

For the year ended 31 December 2006

Membership

The Remuneration Committee consists of Colin Lloyd, David Cicurel and Barton Faber.

Remuneration Policy

The group's policy on remuneration is to attract, retain and incentivise the best staff in a manner consistent with the goals of corporate governance. In setting the group's remuneration policy, the remuneration committee considers a number of factors including the basic salaries and benefits available to executive directors of comparable companies.

Consistent with this policy, the Company's remuneration packages awarded to executive directors are intended to be competitive and comprise a mix of performance-related and non-performance-related elements. There is a discretionary bonus scheme, subject to the achievement of agreed goals and targets, for executive directors which is designed to incentivise them to perform at the highest levels and to align their interests with those of the shareholders.

The fees paid to non-executive directors are determined by the Board. Non-executive directors do not receive a bonus or participate in the group's share option schemes. However, certain share options granted to some non-executive directors in previous years are still outstanding, and David Cicurel has also been granted 30,000 share options in 2006 due to his increased activity as Chairman of Directinet; details of these are given on page 27.

Directors' Service Agreements

Executive directors are employed under the terms of written service agreements, which set out their responsibilities and obligations to the group, and the terms of their employment. The service agreements are terminable on 12 months' written notice from either party and include garden leave and pay in lieu of notice provisions.

Non-executive directors are employed under the terms of letters of appointment and terminable on not less than 3 months' written notice by either party.

The main elements of the executive directors' remuneration package is as follows:

Basic Salary

This is determined by the Committee by taking into account the position and performance of the individual, together with the performance of the Company.

Performance-Related Bonuses

The executive directors receive performance bonuses based on the annual performance of the Company. The performance measures principally relate to the profitability of the Company. There are no bonus awards due for 2006.

Share Options

The executive directors are entitled to participate in the Company's share option scheme and options are granted at the discretion of the Committee. The Committee believe the continued grant of share options will motivate the executive directors to increase shareholder returns in the medium to long term.

AUDITED INFORMATION

Directors' remuneration

The directors received the following remuneration during the year.

	Salary and fees £'000	Annual Bonus £'000	Gain on exercise of share options* £'000	Total 2006 £'000	Total 2005 £'000
Executive					
Lionel Thain	165	–	119	284	330
Eoin Ryan	105	–	529	634	535
Non-executive					
Colin Lloyd	31	–	–	31	24
David Cicurel	21	–	–	21	12
Barton Faber	–	–	–	–	–
Total	322	–	648	970	901

The group does not operate any pension plans.

*The gain on exercise of share options is calculated as follows:

	Date of exercise	Number of options exercised	Exercise price per share	Market value per share on date of exercise share	Gain on exercise £'000
Executive					
Lionel Thain	15/12/2006	70,140	£0.00067	£1.71	119
Eoin Ryan	15/12/2006	310,627	£0.00067	£1.71	529
Total					648

The market price of the ordinary shares as at 31 December 2006 was £1.74 and the range during the year was £2.40 to £1.40.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors. Details of the options are as follows:

	At 1 January 2006	Options Granted	Options Exercised	At 31 December 2006	Exercise Price	Earliest date of exercise	Date of expiry
Executive							
Lionel Thain	70,140	–	(70,140)	–	0.06p	15/12/04	15/12/11
Eoin Ryan	310,627	–	(310,627)	–	0.06p	15/12/04	15/12/11
Eoin Ryan	70,245	–	–	70,245	40.71p	20/01/07	20/01/14
Eoin Ryan	20,000	–	–	20,000	140.00p	29/09/08	29/09/15
Lionel Thain	–	50,000	–	50,000	191p	26/09/09	26/09/16
Eoin Ryan	–	12,500	–	12,500	191p	26/09/09	26/09/16
Lionel Thain	–	50,000	–	50,000	191p	27/09/07	04/09/10
Eoin Ryan	–	37,500	–	37,500	191p	27/09/07	04/09/10
Non-executive							
Colin Lloyd	220,500	–	–	220,500	19.99p	04/09/01	04/09/10
David Cicurel	100,500	–	–	100,500	19.99p	04/09/01	04/09/10
David Cicurel	–	30,000	–	30,000	191p	27/09/07	04/09/10
Barton Faber	–	–	–	–			

Options are exercisable 25% from the exercisable date, and 25% and 50% from the first and second anniversary of the exercisable date.

Directors' interests in shares

The directors who held office at 31 December 2006 have the following interests in the ordinary shares of the Company:

	2006 Number	2005 Number
Colin Lloyd	161,535	161,535
Lionel Thain*	6,096,290	3,026,150
Eoin Ryan	621,255	310,628
Barton Faber	300,000	300,000
David Cicurel	–	–

*On 14 February 2007, Lionel Thain's interest in the Company increased by 3,000,000 ordinary shares following a distribution to him of the assets of Rigjet Corporation S.A., a Republic of Panama incorporated company controlled by a family trust. Mr Thain's interest also includes 18,510 Ordinary Shares registered in the names of his children.

Colin Lloyd

26 March 2007

Independent Auditors' Report to the Members of Interactive Prospect Targeting Holdings PLC

We have audited the group financial statements of Interactive Prospect Targeting Holdings Plc for the year ended 31 December 2006 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 32. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent Company financial statements of Interactive Prospect Targeting Holdings Plc for the year ended 31 December 2006.

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

Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has 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 group financial statements.

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

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

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

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 31 December 2006 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985;
- the information given in the Directors' Report is consistent with the group financial statements; and
- the pro forma information expressed in Euros has been translated on the basis described in note 2.

As explained in note 2 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 December 2006 and of its profit for the year then ended.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Reading, United Kingdom

27 March 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

Continuing operations	Notes	2006 £'000	2005 £'000	Proforma 2006 £'000
Revenue	4	24,066	13,560	35,093
Cost of sales		(5,220)	(2,381)	(7,612)
Gross profit		18,846	11,179	27,481
Administrative expenses				
Costs of restructuring		–	(230)	–
Share-based payment charge		(73)	(37)	(106)
Goodwill reduction expense	13	(189)	–	(276)
Amortisation of acquisition related intangible assets		(347)	(37)	(506)
Other administrative expenses		(14,025)	(9,159)	(20,451)
		(14,634)	(9,463)	(21,339)
Operating Profit		4,212	1,716	6,142
Profit on disposal of available-for-sale investments	6	–	509	–
Investment revenue	10	177	190	258
Profit before tax		4,389	2,415	6,400
Tax	11	(1,081)	(577)	(1,576)
Profit for the year	7	3,308	1,838	4,824
Profit attributable to equity holders of the parent	25	3,308	1,838	4,824
Earnings per share	12			
Basic (pence) (Euro cent)		8.4	5.7	12.25
Diluted (pence) (Euro cent)		8.1	5.3	11.81

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

Consolidated Statement of Recognised Income and Expenses

For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Gains on revaluation of available-for-sale investments taken to equity		–	59
Tax taken directly to equity – current tax	11	705	524
Tax taken directly to equity – deferred tax	21	(412)	108
Net income recognised directly in equity		293	691
Transfer to profit on sale of available-for-sale investments		–	(509)
Profit for the period		3,308	1,838
Total recognised income for the period		3,601	2,020
Attributable to:			
Equity holders of the parent		3,601	2,020

Consolidated Balance Sheet

At 31 December 2006

	Notes	2006 £'000	2005 £'000
Non-current assets			
Goodwill	13	22,951	2,635
Other intangible assets	14	4,915	2,357
Property, plant and equipment	15	797	449
Deferred tax asset	21	723	1,139
		29,386	6,580
Current assets			
Trade and other receivables	17	8,499	5,214
Cash and cash equivalents		7,455	5,414
		15,954	10,628
Total assets		45,340	17,208
Current liabilities			
Trade and other payables	18	(7,846)	(4,263)
Current tax liabilities		(491)	(187)
Obligations under finance leases	19	-	(5)
Bank loans and overdrafts	20	(242)	-
		(8,579)	(4,455)
Non-current liabilities			
Deferred tax liability	21	(804)	(219)
Other payables	18	(3,205)	-
		(4,009)	(219)
Total liabilities		(12,588)	(4,674)
Net assets		32,752	12,534
EQUITY			
Called up share capital	23,25	177	143
Share premium account	25	23,437	6,747
Own shares	24,25	(215)	(72)
Share option reserve	25	135	62
Other reserves	25	2,335	2,372
Retained earnings	25	6,883	3,282
Total equity	25	32,752	12,534

These financial statements were approved by the Board of Directors on 26 March 2007.

Signed on behalf of the Board

Lionel Thain
Chief Executive Officer

Eoin Ryan
Finance Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Net cash from operating activities	27	4,780	1,859
Investing activities			
Interest received	10	177	190
Proceeds on disposal of available-for-sale investments		-	755
Purchases of plant, property and equipment	15	(583)	(339)
Purchases of intangibles	14	(1,646)	(920)
Acquisition of subsidiaries	26	(11,361)	(1,121)
Net cash used in investing activities		(13,413)	(1,435)
Financing activities			
Repayment of loans and overdrafts on acquisitions		(169)	(2,966)
Proceeds on issue of shares	25	11,028	2,831
Purchase of own shares	25	(143)	(70)
Repayment of obligations under finance leases		(5)	(9)
Net cash from/(used in) financing activities		10,711	(214)
Net increase in cash and cash equivalents		2,078	210
Cash and cash equivalents at the beginning of the period		5,414	5,204
Effect of foreign exchange rate changes		(37)	-
Cash and cash equivalents at the end of the period		7,455	5,414

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

1. GENERAL INFORMATION

Interactive Prospect Targeting Holdings plc is a company incorporated in the United Kingdom under the Companies Act 1985. The nature of the group's operations and its principal activities are set out in the Business Review on page 9.

At the date of authorisation of these financial statements the following new standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 7 Financial instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures
- IFRS 8 Operating segments
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of embedded derivatives
- IFRIC 10 Interim reporting and impairments
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12 Service concession arrangements

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group. The impact of these changes to the group is that additional disclosures will be required concerning the sensitivity analysis to market risk and the management of capital. These will be applied for the year ending 31 December 2007.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards for the first time, with a transition date of 1 January 2005. The financial statements have also been prepared in accordance with International Financial Reporting Standards (“IFRS”) including International Accounting Standards (“IAS”) and interpretations issued by the International Accounting Standards Board (“IASB”) and its committees, and as interpreted by any regulatory bodies applicable to the group as adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The disclosures required by IFRS1 First-time adoption of IFRS concerning the transition from UK GAAP to IFRS are given in note 31.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Basis of consolidation

The group's consolidated financial statements incorporate the financial statements of Interactive Prospect Targeting Holdings plc (the “Company”) and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Euro conversion

The translation of the financial statements into pro forma balances in Euros is included solely for convenience and the pro forma balances in euros are stated, as a matter of arithmetical computation only, on the basis of all balances being translated from Pounds Sterling to Euros at the rate prevailing on 31 December 2006, being £1 = 0.4582⁸. This translation should not be construed as meaning that the Pounds Sterling amounts actually represent, or have been or could be converted into the stated number of Euros.

⁸ Source: Oanda

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

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, except for non-current assets that are classified as held for resale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

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.

Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

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 at that date.

Acquisition related intangible assets and Other intangible assets

Acquisition related intangible assets, which comprise of existing unfulfilled orders at acquisition date, non-contractual customer relationships and trade names, relate to identifiable assets that meet the conditions for recognition under IFRS 3 at the acquisition date.

Other intangible assets, which comprise of licences, computer software and data acquisition costs, are stated at cost, net of amortisation and any recognised impairment loss. Data acquisition costs comprise the external purchase costs of data used by customers for marketing purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

2. ACCOUNTING POLICIES continued

Property, plant and equipment

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

Depreciation is charged so as to write off the cost or valuation of assets, over the estimated useful lives, using the straight-line method, on the following basis:

Computer equipment	33% on cost
Fixtures and fittings	20% on cost

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the group's website developments is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development costs of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Sales of services are recognised with reference to the stage of completion.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

2. ACCOUNTING POLICIES continued

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in Pounds Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statement of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Taxation

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

The tax currently payable 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

2. ACCOUNTING POLICIES continued

Taxation continued

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.

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. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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

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

Trade receivables

Trade receivables do not carry any interest and are measured at their nominal value as reduced by any appropriate allowances for irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in profit or loss using the effective interest rate 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.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

2. ACCOUNTING POLICIES continued

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.

Share-based payments

The group has applied the requirements of IFRS 2 Share-based payment. 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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The judgements used by management in the application of the group's policies in respect of these key areas of estimation are considered to be the most significant.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £23m. Details regarding the goodwill carrying value and assumptions used in carrying out the impairment reviews are provided in note 13.

4. REVENUE

An analysis of the group's revenue is as follows:

	2006 £'000	2005 £'000
Revenue from the supply of online direct marketing products and services	24,066	13,560
Investment revenue	177	190
Total	24,243	13,750

5. SEGMENTAL INFORMATION

Turnover and profit before tax are derived from the one principal activity of the group, being the provision of online direct marketing services. The directors consider there is only one class of business.

The group operates primarily in Europe with no other geographical segments being material for disclosure.

6. PROFIT ON DISPOSAL OF AVAILABLE-FOR-SALE INVESTMENTS

In 2005, the group disposed of its shareholding in Research Now plc, realising an after-tax profit of £103,000.

In 2005, the group disposed of its shareholding in Allegran Limited realising an after-tax profit of £315,000.

During 2005 the group disposed of the remainder of its shareholding in themutual.net, realising an after-tax profit of £91,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

7. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2006 £'000	2005 £'000
Foreign exchange losses	3	–
Depreciation on property, plant and equipment	350	243
Amortisation of internally generated intangible assets included in administrative expenses	39	–
Amortisation of other intangible assets	1,095	583
Amortisation of acquisition related intangible assets	347	37
Goodwill reduction expense	189	–
Staff costs (see note 9)	10,628	6,273

The goodwill reduction expense has resulted from the recognition of an additional deferred tax asset relating to previously unrecognised losses in the Postal Preference Service Limited, a subsidiary Company.

The analysis of auditors' remuneration is as follows:

	2006 £'000	2005 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	60	22
Fees payable to the Company's auditors and their associates for other services to the group		
– The audit of the Company's subsidiaries	59	30
	119	52
– Tax services	47	10
	166	62

In addition to the amounts shown above, the group paid the auditors a total of £nil (2005: £61,000) in the year in respect of costs that related to acquisitions and which have been included in the cost of investments.

8. HEADLINE OPERATING PROFIT

	2006 £'000	2005 £'000
Reported operating profit	4,212	1,716
Add back:		
– goodwill reduction expense	189	–
– amortisation of acquisition related intangible assets	347	36
– share-based payment charges	73	37
– restructuring costs	–	230
Headline operating profit	4,821	2,019

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

9. STAFF COSTS

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

	2006 No.	2005 No.
Sales	84	50
Administration	144	82
	228	132

Their aggregate remuneration comprised:

	2006 £'000	2005 £'000
Wages and salaries	9,267	5,618
Social security costs	1,288	618
Share-based payments charge – equity settled	73	37
	10,628	6,273

Information in relation to Directors' remuneration is shown in the Remuneration Report.

An accrual is maintained for employees' holiday entitlements which have accrued to them but have not been taken at the period end. As at 31 December 2006, the accrual stood at £4,000 (2005: £72,000).

10. INVESTMENT REVENUE

	2006 £'000	2005 £'000
Interest on bank deposits	177	190

11. TAX

The tax charge comprises:

	2006 £'000	2005 £'000
Current tax		
Corporation tax	(480)	(171)
Adjustment in respect of prior years	88	(16)
Released through equity	(705)	(524)
Reversal of temporary difference on available-for-sale investments	–	219
	(1,097)	(492)
Deferred tax (note 21)		
Utilisation of deferred tax asset	(97)	(95)
Origination and reversal of timing differences	113	10
	16	(85)
Total tax on profit on ordinary activities	(1,081)	(577)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

11. TAX continued

Reconciliation of tax charge:

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	4,389	2,415
Tax at the UK corporation tax rate of 30%	(1,317)	(725)
Effects of:		
Adjustment in respect of prior years	88	(16)
Tax effect of expenses that are not deductible in determining taxable profit	(35)	(61)
Effect of different tax rates in subsidiary operating in other jurisdictions	(33)	-
Tax effect of utilisation of tax losses not previously recognised	216	-
Reversal of temporary difference on available-for-sale investments	-	153
Other temporary differences	-	72
Tax charge for period	(1,081)	(577)

12. EARNINGS PER SHARE

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

	2006			2005		
	Profit £'000	Number of shares '000	Pence per share	Profit £'000	Number of shares '000	Pence per share
Headline earnings per share*	3,797	39,399	9.6	1,554	32,048	4.8
Reconciliation to reported earnings (net of tax at 30%):						
- goodwill reduction expense	(189)		(0.4)	-		-
- amortisation of other intangibles - non-data	(347)		(0.9)	(37)		-
- profit on available-for-sale investments	-		-	509		1.6
- share-based payments	(73)		(0.2)	(37)		-
- restructuring costs	-		-	(230)		(0.7)
- tax effect of the above items	120		0.3	79		
Basic earnings per share	3,308	39,399	8.4	1,838	32,048	5.7
Impact of share options	-	1,685	(0.3)	-	2,556	(0.4)
Diluted earnings per share	3,308	41,084	8.1	1,838	34,604	5.3

*Earnings per share figures are also reported before goodwill charges, amortisation of acquired intangibles, charges for share-based payments, and one-off investment gains and restructuring charges because this is considered to be a more consistent measure of underlying performance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

13. GOODWILL

	Total £'000
Cost	
At 1 January 2005	45
Recognised on acquisition of a subsidiary	2,590
At 1 January 2006	2,635
Recognised on acquisition of subsidiaries	20,563
Exchange differences	(58)
At 31 December 2006	23,140
Accumulated impairment losses	
At 1 January 2005 and 2006	–
Goodwill reduction expense for the year	(189)
At 31 December 2006	(189)
Carrying amount	
At 31 December 2006	22,951
At 31 December 2005	2,635

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 cash-generating units (CGU's).

The group prepares cash flow forecasts derived from the most recent financial budgets approved by the management for the next 3 years. Beyond this point, a steady long-term growth rate has been determined and is applied to perpetuity.

The rate used to discount the forecast cash flows is 9.92%.

The goodwill reduction expense has resulted from the recognition of an additional deferred tax asset relating to previously unrecognised losses in the Postal Preference Service Limited, a subsidiary company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

14. OTHER INTANGIBLE ASSETS

	Acquisition related intangible assets			Other intangible assets				Total £'000
	Customer relations £'000	Trade names £'000	Forward orders £'000	Website costs £'000	Data costs £'000	Licences £'000	Software assets £'000	
Cost								
At 1 January 2005	-	-	-	-	578	19	210	807
On acquisition	730	36	-	-	786	-	31	1,583
Additions	-	-	-	-	808	-	112	920
At 1 January 2006	730	36	-	-	2,172	19	353	3,310
On acquisition	2,027	96	59	-	211	-	-	2,393
Additions	-	-	-	253	1,173	-	220	1,646
At 31 December 2006	2,757	132	59	253	3,556	19	573	7,349
Amortisation								
At 1 January 2005	-	-	-	-	176	19	138	333
Charge for the year	35	2	-	-	476	-	107	620
At 1 January 2006	35	2	-	-	652	19	245	953
Charge for the year	275	13	59	39	971	-	124	1,481
At 31 December 2006	310	15	59	39	1,623	19	369	2,434
Net book value								
31 December 2006	2,447	117	-	214	1,933	-	204	4,915
31 December 2005	695	34	-	-	1,520	-	108	2,357

The amortisation period for acquisition related intangible assets is 7 years. Data acquisition and website development costs are amortised over 3 years. Licences are amortised over their estimated useful lives which range between 1-5 years. Capitalised software assets are amortised over 2 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

15. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2005	118	588	706
Acquired on acquisition	3	38	41
Additions	85	254	339
At 1 January 2006	206	880	1,086
Acquired on acquisition	46	69	115
Additions	45	540	585
Exchange differences	(1)	(1)	(2)
At 31 December 2006	296	1,488	1,784
Accumulated depreciation			
At 1 January 2005	52	342	394
Charge for the year	34	209	243
At 1 January 2006	86	551	637
Charge for the year	53	297	350
At 31 December 2006	139	848	987
Net book value			
At 31 December 2006	157	640	797
At 31 December 2005	120	329	449

Included within computer equipment are assets held under finance leases with a net book value of £nil (2005: £14,000).

16. SUBSIDIARIES

All principal subsidiaries of the group are involved in online direct marketing and are consolidated into the financial statements. At 31 December 2006 these were as follows:

Subsidiary undertakings	Country of registration	Principal activity	Holding	%
Interactive Prospect Targeting Ltd	UK	Online Direct Marketing	Ordinary shares	100%
The Postal Preference Service Ltd	UK	Online Direct Marketing	Ordinary shares	100%
IPT France SAS	France	Online Direct Marketing	Ordinary shares	100%
Direct Excellence Ltd	UK	Market Research	Ordinary shares	100%
MPCI Ltd	UK	Market Research	Ordinary shares	100%
Smartquotes Ltd	UK	Online Direct Marketing	Ordinary shares	100%
J2P2N SA*	France	Online Direct Marketing	Ordinary shares	100%
Directinet SA*	France	Online Direct Marketing	Ordinary shares	100%
Emailbureau Ltd*	UK	Online Direct Marketing	Ordinary shares	100%
Newsletters Online Ltd*	UK	Online Direct Marketing	Ordinary shares	100%
EveryInvestor Ltd*	UK	Online Direct Marketing	Ordinary shares	100%
Payfinder Ltd*	UK	Non-trading	Ordinary shares	100%
Health Information Services Ltd*	UK	Non-trading	Ordinary shares	100%
MyOffers Ltd*	UK	Dormant	Ordinary shares	100%
OK-mail Ltd*	UK	Dormant	Ordinary shares	100%

*Held through subsidiary undertaking.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

17. TRADE AND OTHER RECEIVABLES

	2006 £'000	2005 £'000
Trade receivables	7,140	4,304
Other debtors	372	13
Prepayments and accrued income	891	836
Vat recoverable	5	61
Corporation tax recoverable	91	–
At 31 December	8,499	5,214

The average credit period taken on sales is 60 days. No interest is charged on the receivables. An allowance has been made for estimated irrecoverable amounts from the sales of goods of £0.4m (2005: £0.3m). This allowance has been made by reference to past default experience.

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

18. TRADE AND OTHER PAYABLES

	2006 £'000	2005 £'000
Current		
Trade payables	2,231	1,814
Other taxation & social security	2,529	871
Other payables – deferred consideration	2,020	–
Other payables – other	–	6
Employee benefits – other	4	73
Accruals and deferred income	1,062	1,499
	7,846	4,263
Non-Current		
Other payables – deferred consideration	3,205	–

Deferred consideration relates to the amounts payable on the acquisition of Directinet (see note 26).

The average credit period taken for trade purchases is 67 days.

The directors consider the carrying amount of trade payables approximates to their fair value.

19. OBLIGATIONS UNDER FINANCE LEASES

	2006 £'000	2005 £'000
Amounts payable under finance leases:		
Within one year	–	5

It is the group's policy to lease certain of its fixtures and equipment under finance leases. All lease obligations are denominated in Pounds Sterling. All leases are on a fixed repayments basis.

The fair value of the group's lease obligations approximates their carrying amount.

The group's obligations under finance leases are secured by the lessors' rights over the lease assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

20. BANK LOANS AND OVERDRAFTS

	2006 £'000	2005 £'000
Bank loans	242	-

The bank loan is denominated in Euros and is repayable within one year. The loan is secured on the assets of Directinet and carries an interest rate at 1% above Euribor.

21. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

	Intangible assets £'000	Accelerated tax depreciation £'000	Employee holidays £'000	Share- based payments £'000	Tax losses £'000	Total £'000
Balance at 1 January 2005	-	12	16	658	-	686
Acquisition of subsidiary	(229)	-	-	-	440	211
Charge/ (credit) to equity	-	-	-	108	-	108
Charge/ (credit) to income	10	29	6	10	(140)	(85)
Balance at 1 January 2006	(219)	41	22	776	300	920
Acquisition of subsidiary	(698)	-	-	-	93	(605)
Charge/ (credit) to equity	-	-	-	(412)	-	(412)
Charge/ (credit) to income	113	-	(21)	17	(93)	16
At 31 December 2006	(804)	41	1	381	300	(81)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2006 £'000	2005 £'000
Deferred tax liabilities	(804)	(219)
Deferred tax assets	723	1,139
	(81)	920

At the balance sheet date, the group has unused tax losses of £2.0m available for offset against future profits. A deferred tax asset of £0.3m (2005: £0.3m) has been recognised in respect of such losses. No deferred tax asset has been recognised in respect of the remaining £1.7m (2005: £1.9m) due to the unpredictability of future profit streams.

At 31 December 2006, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £1.9m (2005: £nil). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of these differences and either it is possible that such differences will not reverse in the foreseeable future or no tax is payable on the reversal.

Temporary differences in respect of which no deferred tax has been recognised:

	2006 £'000	2005 £'000
Unused tax losses	1,694	1,883
Undistributed earnings of subsidiaries	1,894	-
	3,588	1,883

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

22. CREDIT RISK

The group's principal financial assets are bank balances and cash, trade and other receivables and investments.

The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit agencies.

The group has no significant concentration of credit risk, with exposure spread over a large number of customers.

23. CALLED UP SHARE CAPITAL

	2006		2005	
	Number '000	£'000	Number '000	£'000
Authorised				
Ordinary shares of 0.4p each	60,000	240	60,000	240
Allotted, called up, and fully paid				
Ordinary shares of 0.4p each	44,225	177	35,795	143

Share issues in the year ended 31 December 2006

8,429,929 shares were allotted during the year in connection with the acquisition of Directinet and J2P2N, for a consideration of £17.2m. These shares have a nominal value of £0.03m.

24. OWN SHARES

EBT Shareholding

The Interactive Prospect Targeting Employee Benefit Trust ("EBT") was established to satisfy the exercise of share options. The trustee of the EBT, Fairbairn Trust, purchases the Company's ordinary shares in the open market with financing provided by the Company, as required.

	2006	
	Number '000	Cost £'000
At 1 January 2005	2,815	2
Acquired in the period	54	72
Disposed of on exercise of options	(1,421)	(2)
At 1 January 2006	1,448	72
Acquired in the period	53	150
Disposed of on exercise of options	(1,397)	(7)
Ordinary shares of 0.4p each	104	215

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

25. TOTAL EQUITY

	Share Capital £'000	Profit & loss account £'000	Other reserve £'000	Own shares £'000	Share options reserve £'000	Share premium account £'000	Revaluation reserve £'000	Total £'000
Balance at 1 January 2005	133	812	2,372	(2)	25	3,926	450	7,716
Placing of shares	10	-	-	-	-	2,991	-	3,001
Placing costs	-	-	-	-	-	(170)	-	(170)
Profit retained for the year	-	1,838	-	-	-	-	-	1,838
Tax taken directly to equity	-	632	-	-	-	-	-	632
Gains on revaluation of available-for-sale investments taken to equity	-	-	-	-	-	-	59	59
Item transferred from equity	-	-	-	-	-	-	(509)	(509)
Purchase of own shares	-	-	-	(72)	-	-	-	(72)
Share options exercised	-	-	-	2	-	-	-	2
Share-based payments transactions	-	-	-	-	37	-	-	37
Balance at 1 January 2006	143	3,282	2,372	(72)	62	6,747	-	12,534
Shares issued on acquisition	11	-	-	-	-	5,685	-	5,696
Placing of shares	23	-	-	-	-	11,478	-	11,501
Placing costs	-	-	-	-	-	(473)	-	(473)
Profit retained for the year	-	3,308	-	-	-	-	-	3,308
Tax taken directly to equity	-	293	-	-	-	-	-	293
Purchase of own shares	-	-	-	(150)	-	-	-	(150)
Share-based payments transactions	-	-	-	-	73	-	-	73
Exchange rate movements	-	-	(37)	-	-	-	-	(37)
Share options exercised	-	-	-	7	-	-	-	7
At 31 December 2006	177	6,883	2,335	(215)	135	23,437	-	32,752

Interactive Prospect Targeting Holdings plc acquired the entire issued share capital of Interactive Prospect Targeting Limited pursuant to a share for share exchange on 1 December 2004. The Other reserve reflects the difference between the nominal value of the shares issued to acquire Interactive Prospect Targeting Limited and the cumulative value of the Company's share capital and share premium account at the date of acquisition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

26. ACQUISITION OF SUBSIDIARIES

A. Directinet

On 24 May 2006 the group acquired 100% of the issued share capital of Directinet & J2P2N for an initial consideration of £17.8m and estimated deferred consideration of £5.1m including other costs of acquisition incurred. The initial consideration was satisfied with cash and shares as noted below.

Directinet is a leader in the provision of email marketing services in France. J2P2N is a non-trading company.

The transaction has been accounted for by the purchase method of accounting. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book value £'000	Provisional fair value adjustments £'000	Provisional fair value to group £'000
Fixed Assets			
Property, plant and equipment	79	–	79
Intangible assets – data	69	143	212
Intangible assets – other	–	2,095	2,095
Deferred tax asset		93	93
Current Assets			
Debtors	2,184	–	2,184
Prepayments and accrued income	40	–	40
Social taxes recoverable	178	–	178
Other debtors	183	–	183
Cash	1,329	–	1,329
Current Liabilities			
Bank loans and overdrafts	(411)		(411)
Creditors	(1,097)	–	(1,097)
Accruals and deferred income	–	–	–
Other creditors	(1)		(1)
Deferred tax liability	–	(672)	(672)
VAT & other taxes	(839)	–	(839)
Net assets at acquisition date	1,714	1,659	3,373
Goodwill arising on acquisition			19,611
Consideration paid			22,984
Satisfied by:			
Cash			11,182
Shares			5,697
Costs of acquisition			880
Estimated earn-out provision			5,225
			22,984
Net cash outflows in respect of the acquisition comprised:			
			£'000
Cash consideration			12,062

The goodwill arising is attributed to the anticipated profitability from the growth in the expansion of the online direct marketing industry and the anticipated future operating synergies from the combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

26. ACQUISITION OF SUBSIDIARIES continued

A fair value adjustment has been recognised representing acquisition related intangible assets. These relate to the valuation of existing unfulfilled orders at acquisition date, non-contractual customer relationships and trade names. Acquisition related intangibles will be amortised over 7 years.

Directinet contributed £4.8m to the group's revenues and £1.2m to the group's profit before tax for the period between the date of acquisition and the balance sheet date.

B. Direct Excellence Ltd

On 1 April 2006 the group acquired the business and assets of Direct Excellence Ltd, a business that helps organisations develop more effective customer management strategies, for an initial consideration of £508,000 including other costs of acquisition incurred. The consideration was satisfied in cash.

The transaction has been accounted for by the purchase method of accounting. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book value £'000	Provisional fair value adjustments £'000	Provisional fair value to group £'000
Fixed Assets			
Property, plant and equipment	32	-	32
Intangible assets – other	-	86	86
Current Assets			
Debtors	198	-	198
Prepayments and accrued income	43	-	43
Cash	141	-	141
Current Liabilities			
Creditors	(256)	-	(256)
Accruals and deferred income	(184)	-	(184)
Other creditors	(20)	-	(20)
Deferred tax liability	-	(26)	(26)
VAT & other taxes	(11)	-	(11)
Corporation tax	(20)	-	(20)
Net liabilities at acquisition date	(77)	60	(17)
Goodwill arising on acquisition			525
Consideration paid			508
Satisfied by:			
Cash			478
Costs of acquisition			30
			508
Net cash outflows in respect of the acquisition comprised:			£'000
Cash consideration			508

The goodwill arising is attributed to the anticipated profit from the expansion of current products to the online market and the anticipated future operating synergies from the combination.

A fair value adjustment has been recognised representing acquisition related intangible assets. These relate to the valuation of non-contractual customer relationships and trade names. Acquisition related intangibles will be amortised over 7 years.

Direct Excellence contributed £0.7m to the group's revenues and £0.01m to the group's profit before tax for the period between the date of acquisition and the balance sheet date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

26. ACQUISITION OF SUBSIDIARIES continued

C. Smartquotes Ltd

On 28 July 2006 the group acquired 100% of the issued share capital of Smartquotes Ltd for a total cash consideration of £0.26m including other costs of acquisition incurred.

Smartquotes Ltd is an online Company that provides individuals with access to consumer finance products.

The transaction has been accounted for by the purchase method of accounting. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book value £'000	Provisional fair value adjustments £'000	Provisional fair value to group £'000
Fixed Assets			
Property, plant and equipment	3	–	3
Current Assets			
Debtors	379	–	379
Prepayments and accrued income	4	–	4
Other debtors	2	–	2
Current Liabilities			
Bank loans and overdrafts	(3)	–	(3)
Creditors	(386)	–	(386)
Other creditors	(93)	–	(93)
VAT & other taxes	(17)	–	(17)
Net liabilities at acquisition date	(111)	–	(111)
Goodwill arising on acquisition			369
Consideration paid			258
Satisfied by:			
Cash			250
Costs of acquisition			8
			258
Net cash outflows in respect of the acquisition comprised:			
			£'000
Cash consideration			258

The goodwill arising is attributed to the anticipated profit from future operating synergies from the combination.

Smartquotes contributed £0.4m to the group's revenues and £0.04m to the group's profit before tax for the period between the date of acquisition and the balance sheet date.

If the acquisitions of Directinet, Direct Excellence and Smartquotes were all completed on the first day of the financial year, group revenues for the period would have been £27.6m and group profit would have been £3.6m.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

27. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2006 £'000	2005 £'000
Operating profit	4,212	1,716
Depreciation, amortisation and goodwill reduction expense	2,020	863
Share option expense	73	37
Operating cash flows before movements in working capital	6,305	2,616
Increase in debtors	17	(1,747)
Increase in creditors	(1,342)	1,142
Cash generated by operations	4,980	2,011
Taxation paid	(200)	(152)
Net cash from operating activities	4,780	1,859

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of 3 months or less.

28. SHARE-BASED PAYMENTS

Equity-settled share option schemes

The group grants options to certain directors and employees. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is generally 3 years. If the options remain unexercised after a period of 10 years from the date of grant the options expire. Options are forfeited if the employee leaves the group before the options vest.

Details of the options outstanding during the period are as follows:

	2006		2005	
	Number of options '000s	Weighted average exercise price £	Number of options '000s	Weighted average exercise price £
Outstanding at the beginning of the year	3,044	0.38	4,138	0.11
Granted during the year	1,187	0.71	693	1.40
Exercised during the year	(1,398)	0.01	(1,421)	0.01
Forfeited during the year	(205)	1.16	(366)	0.73
Outstanding at the end of the year	2,628	1.21	3,044	1.21
Exercisable at the end of the year	396	0.20	421	0.20

The weighted average share price at the date of exercise for options exercised during the period was £1.72.

The options outstanding at 31 December 2006 had a weighted average exercise price of £1.21 and a weighted average remaining contractual life of 8.0 years.

In the year ended 31 December 2005 options were granted on 29 September 2005 and 26 October 2005. The aggregate of the estimated fair values of the options granted on those dates was £167,000.

In the year ended 31 December 2006 options were granted on 26 September 2006. The aggregate of the estimated fair values of the options granted on that date was £445,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

28. SHARE-BASED PAYMENTS continued

The inputs to the Black-Scholes model are as follows:

	26 September 2006	26 October 2005	29 September 2005
Share price at grant	1.95	1.20	1.39
Exercise price	1.91	1.40	1.40
Expected volatility	14%	14%	14%
Expected life	3 years	3 years	4 years
Risk free rate	4.78%	4.38%	4.22%
Expected dividends	-	-	-

Expected volatility is based on the historic volatility of the Alternative Investment Market in London, where the Company's shares are traded. The expected useful life in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

29. OPERATING LEASE ARRANGEMENTS

	2006 £'000	2005 £'000
Minimum lease payments under operating leases recognised as an expense in the year	295	179

At the balance sheet date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2006 £'000	2005 £'000
Expiring within 1 year	211	179

Operating lease rentals represent rentals payable by the group for certain of its office properties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

30. POST BALANCE SHEET EVENT

Acquisition of Real World Customer Experience Ltd

On 31 January 2007 the group acquired 78.68% of the issued share capital of Real World Customer Experience Ltd ("RWCE") for an initial consideration of £0.9m and estimated deferred consideration of £1.3m including other costs of acquisition incurred.

RWCE is a market research company whose services include providing online fieldwork as well as qualitative market research.

The transaction has been accounted for by the purchase method of accounting. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Book value £'000	Provisional fair value adjustments £'000	Provisional fair value to group £'000
Fixed Assets			
Tangible fixed assets	16	–	16
Intangible assets	–	278	278
Deferred tax asset	–	60	60
Current Assets			
Debtors	101	–	101
Prepayments and accrued income	223	–	223
Cash	71	–	71
Current Liabilities			
Creditors	(98)	–	(98)
Accruals and deferred income	(114)	–	(114)
Deferred tax	–	(83)	(83)
VAT & other taxes	(29)	–	(29)
Net assets at acquisition date	170	255	425
% of fair value assets acquired	78.68%		
Fair value of assets to group			334
Goodwill arising on acquisition			1,852
Consideration paid			2,186
Satisfied by:			
Cash			790
Estimated earn-out provision			1,286
Costs of acquisition			110
			2,186
Net cash outflows in respect of the acquisition comprised:			
			£'000
Cash consideration			900

The goodwill arising is attributed to the anticipated profit from the anticipated future operating synergies from the combination.

A fair value adjustment has been recognised representing acquisition related intangible assets. These relate to the valuation of non-contractual customer relationships and trade names. Acquisition related intangibles will be amortised over 7 years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

31. EXPLANATION OF TRANSITION TO IFRS

The year ending 31 December 2006 is the first year for which the group has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The last financial statements under UK GAAP were for the year ended 31 December 2005 and the date of transition to IFRS was therefore 1 January 2005.

Reconciliation of equity at 1 January 2005 (date of transition)

	UK GAAP in IFRS format £'000	Share- based payment IFRS 2 £'000	Business comb- inations IFRS 3 £'000	Employee benefits IAS 19 £'000	Intangible assets IAS 38 £'000	Assets held for sale IAS 39 £'000	Restated under IFRS £'000
Non-current assets							
Goodwill	45	-	-	-	-	-	45
Other intangible assets	403	-	-	-	72	-	475
Property, plant and equipment	385	-	-	-	(72)	-	313
Investments	2	-	-	-	-	(2)	-
Deferred tax asset	11	659	-	16	-	-	686
	846	659	-	16	-	(2)	1,519
Current assets							
Trade and other receivables	2,462	-	-	-	-	-	2,462
Cash and cash equivalents	5,204	-	-	-	-	-	5,204
	7,666	-	-	-	-	-	7,666
Assets held for sale	28	-	-	-	-	645	673
Total assets	8,540	659	-	16	-	643	9,858
Current liabilities							
Trade and other payables	(1,731)	-	-	(52)	-	(193)	(1,976)
Current tax liabilities	(152)	-	-	-	-	-	(152)
Obligations under finance leases	(11)	-	-	-	-	-	(11)
	(1,894)	-	-	(52)	-	(193)	(2,139)
Non-current liabilities							
Obligations under finance leases	(3)	-	-	-	-	-	(3)
	(3)	-	-	-	-	-	(3)
Total liabilities	(1,897)	-	-	(52)	-	(193)	(2,142)
Net assets	6,643	659	-	(36)	-	450	7,716
Equity							
Share capital	133	-	-	-	-	-	133
Share premium account	3,926	-	-	-	-	-	3,926
Own shares	(2)	-	-	-	-	-	(2)
Share options reserve	-	25	-	-	-	-	25
Revaluation reserve	-	-	-	-	-	450	450
Other reserves	2,372	-	-	-	-	-	2,372
Retained earnings	214	634	-	(36)	-	-	812
Total equity	6,643	659	-	(36)	-	450	7,716

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

31. EXPLANATION OF TRANSITION TO IFRS continued

Reconciliation of equity at 31 December 2005 (date of last UK GAAP financial statements)

	UK GAAP in IFRS format £'000	Share- based payment IFRS 2 £'000	Business combinations IFRS 3 £'000	Employee benefits IAS 19 £'000	Intangible assets IAS 38 £'000	Restated under IFRS £'000
Non-current assets						
Goodwill	2,855	-	(417)	-	-	2,438
Other intangible assets	1,520	-	729	-	307	2,556
Property, plant and equipment	756	-	-	-	(307)	449
Deferred tax asset	341	776	-	22	-	1,139
	5,472	776	312	22	-	6,582
Current assets						
Trade and other receivables	5,212	-	-	-	-	5,212
Cash and cash equivalents	5,414	-	-	-	-	5,414
	10,626	-	-	-	-	10,626
Total assets	16,098	776	312	22	-	17,208
Current liabilities						
Trade and other payables	(4,190)	-	-	(73)	-	(4,263)
Current tax liabilities	(187)	-	-	-	-	(187)
Obligations under finance leases	(5)	-	-	-	-	(5)
	(4,382)	-	-	(73)	-	(4,455)
Non-current liabilities						
Deferred tax liability	-	-	(219)	-	-	(219)
	-	-	(219)	-	-	(219)
Total liabilities	(4,382)	-	(219)	(73)	-	(4,674)
Net assets	11,716	776	93	(51)	-	12,534
Equity						
Share capital	143	-	-	-	-	143
Share premium account	6,747	-	-	-	-	6,747
Own shares	(72)	-	-	-	-	(72)
Share options reserve	-	62	-	-	-	62
Other reserves	2,372	-	-	-	-	2,372
Retained earnings	2,526	714	93	(51)	-	3,282
Total equity	11,716	776	93	(51)	-	12,534

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

31. EXPLANATION OF TRANSITION TO IFRS continued

Reconciliation of income for the year ended 31 December 2005 (date of last UK GAAP financial statements)

	UK GAAP in IFRS format £'000	Share- based payment IFRS 2 £'000	Share- based payment tax deduction IAS12 £'000	Business combinations IFRS 3 £'000	Employee benefits IAS 19 £'000	Assets held for sale IAS 39 £'000	Restated under IFRS £'000
Continuing operations							
Revenue	13,560	-	-	-	-	-	13,560
Cost of sales	(2,381)	-	-	-	-	-	(2,381)
Gross profit	11,179	-	-	-	-	-	11,179
Administrative expenses	(9,139)	(37)	-	-	(21)	-	(9,197)
Costs of restructuring	(230)	-	-	-	-	-	(230)
Amortisation of goodwill / intangibles	(118)	-	-	82	-	-	(36)
Total administrative expenses	(9,487)	(37)	-	82	(21)	-	(9,463)
Operating profit	1,692	(37)	-	82	(21)	-	1,716
Profit on disposal of available for sale investments	727	-	-	-	-	(218)	509
Interest on bank deposits	190	-	-	-	-	-	190
Profit on ordinary activities before tax	2,609	(37)	-	82	(21)	(218)	2,415
Tax	(297)	11	(525)	11	6	218	(576)
Profit for the period after tax	2,312	(26)	(525)	93	(15)	-	1,839
Earning per share from continuing operations							
Basic (pence)	7.2	(0.1)	(1.6)	0.3	(0.0)	-	5.7

Notes to the reconciliation between UK GAAP and IFRS

Share-based payment

Under UK GAAP, the charges for the group's share option schemes are based on the difference between the market price of the share on the date of the grant and the exercise price to be paid. As all option prices equated to the market price at the date of the grant, no charge was required in the income statement.

IFRS 2 requires that share-based payments are recognised as an expense in the income statement at fair value. This fair value is assessed using the Black-Scholes model at the date of the grant and is recognised over the vesting period. The group has elected not to apply the provisions of IFRS 2 *Share-based payment* to options and awards that were granted on or before 7 November 2002 or which had vested by 1 January 2005.

Intangible assets

Under UK GAAP, the difference between the consideration paid for an acquisition and the fair value of the net assets acquired was recognised as goodwill. IFRS 3 and IAS 38 requires that the intangible assets of an acquired business are recognised separately from goodwill and are then amortised over their useful lives. The directors have identified several customer contracts, trade names and customer relationships that on this basis should be treated as intangible assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2006

31. EXPLANATION OF TRANSITION TO IFRS continued

Notes to the reconciliation between UK GAAP and IFRS continued

Business combinations

Under UK GAAP, goodwill arising from business combinations was amortised over its estimated useful economic life. IFRS 3 *Business combinations* prohibits the amortisation of goodwill, instead requiring the goodwill to be tested for impairment.

Employee benefits: compensated absences

Under UK GAAP, the group made no accrual for compensated absences. Under IAS 19 *Employee benefits*, expected costs of short-term accumulating compensated absences are accrued as earned by employees.

Software licences

Under UK GAAP, Software licences were capitalised as property, plant and equipment as part of computer equipment and depreciated over their useful economic life. Under IFRS, IAS 38 requires that software licences, which are not an integral part of the related hardware, are capitalised as an intangible asset and amortised over their useful economic life.

Assets held for sale

The group has elected to designate shares held in companies that are not part of the group as available for sale under IAS 39 *Financial Instruments: recognition and measurement*.

Under UK GAAP, assets held for sale were stated at cost. Under IFRS assets held for sale are measured at fair value, with fair value gains or losses recognised directly in equity, and recycled into the income statement on sale or impairment of the asset at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss for the period.

Income Tax

Under UK GAAP, the group recognised an income tax deduction for the excess of market value of share options over their exercise price when share options were exercised.

IAS 12 *Income Taxes* requires deferred tax to be calculated based upon the number of share options outstanding at the balance sheet date by reference to the difference between the grant price and the market value of the shares at that date. Changes to the amount of deferred tax in excess of the charge reported in the income statement are recognised in equity not in income tax.

Deferred Tax

Deferred tax was recognised in respect of all timing differences, with a few exceptions that have originated but not reversed at the balance sheet date. Timing differences arise when the profit or loss is recognised in a different period in the tax computation from that in the financial statements.

Under IFRS, the group is required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than accounting for the effects of timing and permanent differences between taxable and accounting profit.

There is also a presentational change that includes classifying deferred tax liabilities and assets as non-current and reporting them separately on the face of the balance sheet.

32. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries which are related parties have been eliminated on consolidation and are not disclosed in these financial statements.

The remuneration of the directors who are the key management personnel of the group is set out in the Remuneration Report on pages 24 to 28.

Interactive Prospect Targeting Holdings plc

Company Report and Accounts

31 December 2006

Independent Auditors' Report to the Members of Interactive Prospect Targeting Holdings PLC

We have audited the parent Company financial statements of Interactive Prospect Targeting Holdings Plc for the year ended 31 December 2006 which comprise the Balance Sheet and the related notes 1 to 12. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Interactive Prospect Targeting Holdings Plc for the year ended 31 December 2006 and on the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the parent Company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent Company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2006;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent Company financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Reading, United Kingdom

27 March 2007

Company Balance Sheet

At 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	4	24,275	1,289
		24,275	1,289
Current assets			
Debtors	5	4,045	5,717
Cash at bank and in hand		1,037	–
		5,082	5,717
Creditors: amounts falling due within one year	6	(2,122)	(99)
Net current assets		2,960	5,618
Total assets less current liabilities		27,235	6,907
Creditors: amounts falling due after more than one year	7	(3,205)	–
Net assets		24,030	6,907
Capital and reserves			
Called up share capital	8, 10	177	143
Share premium account	10	23,437	6,747
Own shares	9, 10	(215)	(72)
Share option reserve	10	135	62
Profit and loss account	10	496	27
Equity shareholders' funds	10	24,030	6,907

In accordance with the exemptions permitted by s230 of the Companies Act 1985, the profit and loss account and the statement of total recognised gains and losses of the Company have not been presented. The profit for the financial year in the accounts of the Company amounted to £469,000 (2005: £27,000).

The Company audit fee is included in the group audit fee in the current and prior year and cannot be separately identified. Refer to note 7 in the consolidated financial statements.

These financial statements were approved by the Board of Directors on 26 March 2007

Signed on behalf of the Board of Directors

Lionel Thain
Chief Executive Officer

Eoin Ryan
Finance Director

Notes to the Company Financial Statements

Year ended 31 December 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. These have been applied throughout the current and preceding year.

Cash flow statement

Under the provisions of FRS 1 (Revised), the Company has not produced a cash flow statement on the grounds that the group financial statements include a consolidated cash flow statement.

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.

Pension costs

The Company does not operate any pension plans.

Share-based payments

The group operates a number of equity settled share-based compensation plans for the employees of subsidiary undertakings, using the Company's equity instruments. The fair value of the compensation given in respect of these share-based compensation plans is recognised as a capital contribution to the Company's subsidiary undertakings, over the vesting period. The capital contribution is reduced by any payments received from subsidiary undertakings in respect of these share-based payments.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities at the balance sheet date are reported at the rates of exchange prevailing at that date. Gains or losses arising from a change in exchange rates subsequent to the date of transaction are included as an exchange gain or loss in the profit and loss account for the period.

Financial instruments

The Company's financial instruments comprise cash, liquid resources and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company does not enter into derivative transactions for speculative purposes. It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments is undertaken.

Dividends

Dividends paid and received are included in the financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

Notes to the Company Financial Statements

Year ended 31 December 2006

2. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2006 £'000	2005 £'000
Current tax		
UK corporation tax	-	(10)

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:

	2006 £'000	2005 £'000
(Loss) / profit on ordinary activities before tax	(531)	30
Tax on (loss) / profit on ordinary activities at standard UK corporation tax rate of 30%	159	(10)
Effects of:		
Loss on sale of investment	(99)	-
Utilisation of current period losses	(60)	-
Current tax charge for period	-	(10)

The Company has no deferred tax assets or liabilities.

3. STAFF COSTS

The Company did not have any employees during the period.

4. FIXED ASSET INVESTMENTS

Shares in subsidiaries

	2006 £'000	2005 £'000
Cost & Net book value		
At 1 January	1,289	106
Additions during the year	45,318	1,121
Disposal during the year	(22,405)	-
Capital contributions arising from share-based payments	73	62
At 31 December	24,275	1,289

The Company held 100% of the issued share capital in the following subsidiary undertakings:

Subsidiary undertakings	Country of registration	Principal activity	Holding	%
Interactive Prospect Targeting Ltd	UK	Online Direct Marketing	Ordinary shares	100%
The Postal Preference Service Ltd	UK	Online Direct Marketing	Ordinary shares	100%
IPT France SAS	France	Online Direct Marketing	Ordinary shares	100%
Direct Excellence Ltd	UK	Market Research	Ordinary shares	100%
MPCI Ltd	UK	Market Research	Ordinary shares	100%
Smartquotes Ltd	UK	Online Direct Marketing	Ordinary shares	100%

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2006

5. DEBTORS

	2006 £'000	2005 £'000
Trade debtors	–	1
Amounts due by group undertakings	3,965	5,637
Other debtors	33	–
VAT recoverable	13	61
Prepayments and accrued income	34	18
	<hr/> 4,045	<hr/> 5,717

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	2005 £'000
Bank overdraft	–	2
Trade creditors	101	88
Payments due to vendors	2,020	–
Corporation tax	–	9
Accruals and deferred income	1	–
	<hr/> 2,122	<hr/> 99

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £'000	2005 £'000
Payments due to vendors	3,205	–

8. CALLED UP SHARE CAPITAL

	2006		2005	
	Number '000	£'000	Number '000	£'000
Authorised				
Ordinary shares of 0.4p each	60,000	240	60,000	240
Allotted, called up, and fully paid				
Ordinary shares of 0.4p each	44,225	177	35,795	143

9. OWN SHARES

EBT Shareholding

The Interactive Prospect Targeting Employee Benefit Trust (“EBT”) was established to satisfy the exercise of share options. The trustee of the EBT, Fairbairn Trust, purchases the Company’s ordinary shares in the open market with financing provided by the Company, as required. Details of the movements in the EBT are disclosed in note 24 to the Consolidated Financial Statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Year ended 31 December 2006

10. RESERVES

	Share capital £'000	Profit & loss account £'000	Own shares £'000	Share options reserve £'000	Share premium account £'000	Total £'000
Balance at 31 December 2005 as previously stated	143	27	(72)	-	6,747	6,845
Prior year adjustment (note 11)	-	-	-	62	-	62
Revised balance at 1 January 2006	143	27	(72)	62	6,747	6,907
Shares issued on acquisition	11	-	-	-	5,685	5,696
Placing of shares	23	-	-	-	11,478	11,501
Placing costs	-	-	-	-	(473)	(473)
Loss retained for the year	-	469	-	-	-	469
Purchase of own shares	-	-	(150)	-	-	(150)
Share-based payments transactions	-	-	-	73	-	73
Share options exercised	-	-	7	-	-	7
At 31 December 2006	177	496	(215)	135	23,437	24,030

11. SHARE-BASED PAYMENTS

Equity-settled share option schemes

The group grants options to certain directors and employees of its subsidiaries. The Company has made a capital contribution to its subsidiary undertakings in relation to share-based payments. At 1 January 2006 the capital contribution net of payments received from subsidiaries was £62,000. During the year ended 31 December 2006, the capital contribution arising from share-based payments was £73,000. The Company does not incur a profit and loss account charge in relation to share-based payments.

Full details of share-based payments, share options schemes and share plans are disclosed in note 28 to the Consolidated Financial Statements.

12. RELATED PARTIES

The Company has taken advantage of the exemption in Financial Reporting Standard 8 (Related Parties) not to disclose transactions with other group companies as these are eliminated on group consolidation.

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