

**Deal Group Media plc**

**(The “Group”)**

**Interim Results for the six months ended 30 June 2008**

Deal Group Media plc (AIM:DGM), the independent online marketing group, today announces its unaudited interim results for the six months ended 30 June 2008.

**Financial Highlights**

- Revenue increased by 72% to £6.69 million (H1 2007: £3.90 million)
- Gross Profits up by 54% to £2.06 million (H1 2007: £1.34 million)
- EBITDA\* from continued operations showed a 39% reduction in loss to £0.34 million (H1 2007 £0.55 million) after a net investment in Asia Pacific expansion of £0.20 million (H1 2007 £0.16 million)

\*Calculated as profit before interest, tax, amortisation, depreciation, share based payments and share of associated company loss

**Operational Highlights**

- Continued growth in revenue and gross profits from our core Australia operation
- First material revenues from the new satellite operations in India and Singapore  
These operations have delivered:
  - 16% of total revenue for H1 2008 (H1 2007: £ NIL) and 39% of revenue growth
  - 18% of total gross profit for H1 2008 (H1 2007: £ NIL) and 51% of gross profit growth
- Operating expenses increased predominantly through investment in the Asia Pacific operations and also through staff cost increases in the Australian operations
- Central costs reduced by 30% following the UK disposal and strong cost control
- Material working capital improvements achieved through improved focus on cash collection and associated processes
- Further evolution of the Singapore-based hub which services multiple operating businesses and centralises finance and human resources functions

Commenting on the results, Adrian Moss, Chief Executive Officer, said: "We are delighted with our achievements in Asia, to date. The growth and traction we have attained are a key and an exciting step in achieving growth and a return to profitability. We look forward to the future with confidence."

**For further information, please contact:**

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## Chief Executives Statement

### Trading Results

The disposal of a majority share in the UK business at the end of H2 2008 and the refocus of the Group on the Asia Pacific region entail reporting on a very different operation for the first half of our trading year to 30 June 2008 as compared to the prior year interim report.

We are pleased to report

- Revenue increased by 72% to £6.69 million (H1 2007: £3.90 million)
- Gross Profits up by 54% to £2.06 million (H1 2007: £1.34 million)
- EBITDA\* from continued operations showed a 39% reduction in loss to £0.34 million (H1 2007: £0.55 million) after a net investment in Asia Pacific expansion of £0.20 million (H1 2007: £0.16 million)

\*Calculated as profit before interest, tax, amortisation, depreciation, share based payments and share of associated company loss

Our well established Australian operations represent 57% of our revenue growth and 43% of our growth in Gross Profit. It is encouraging to see such strong growth from a relatively mature market place.

The strong performance from Australia in particular helped drive the Group into positive EBITDA\* for the last two months of the second quarter.

It is notable and very pleasing that the new Asia Pacific businesses, with satellite operations in Singapore and India, accounted for 39% of revenue growth and 51% of our growth in Gross Profit over the period.

The Asia Pacific region represented 16% of total revenues for H1 2008, (H1 2007: £ NIL) and 18% of total gross profit for H1 2008 (H1 2007: £ NIL).

Although the new operations are yet to deliver consistent positive contribution it should be noted that the Indian operations, launched in the second quarter of 2007, has produced consistently positive contribution since the end of the first quarter 2008.

As we progress through the remainder of this year and 2009 we expect the new Asia Pacific businesses to account for the majority of trading performance.

Continued investment in the Asia Pacific region in the first half of 2008 has been the main driver of a 65% increase in business unit operating costs to £1.6 million (H1 2007: £1.0 million). A secondary driver of operating cost increases has been pressure on staff costs in the more mature and competitive Australian operation.

However, the benefits of the UK disposal combined with strong cost control have facilitated a 30% reduction in our central cost base to £0.8 million (H1 2007: £1.1 million (of which £0.2 million of technology development costs were capitalised)).

The Group is currently trading slightly below EBITDA positive.

### **UK Operations**

The residual holding in the UK is accounted for as an associated undertaking and is represented as one line in the consolidated income statement beneath the operational results. As they are currently trading slightly below breakeven we recognise in our interim results a share of their losses for the same period.

The UK business provides the Group's technology platform under a contract that runs through to the end of June 2009, whilst the Group provides the UK business with accounting services under a contract that runs through to the end of the current calendar year.

### **Board Changes**

As announced on 23 September 2008 the Board has appointed Tang Mei Lin Zoe ("Zoe Tang") as Financial Director. Her significant experience in the Asia Pacific region will be invaluable as the Group continues its growth strategy.

At the same time the Group announced that Dominic Trigg was stepping down from the Board as Non-Executive Director to pursue other business opportunities.

The current offering of the Group consists of three distinct operations all servicing different segments of the digital advertising space. Although the DGM business currently dominates the sales mix it is expected that new offerings will account for increased revenues in the future. In particular, these are:

- Deploy, a digital media strategy and execution service covering both brand and direct response campaigns, and;
- AKTIV, an advertising network aggregating and selling digital advertising space on behalf of web sites

There has been considerable focus on building a solid route to market both client direct and through strategic alliances with relevant third parties that have our target customers as their existing clients. This is showing signs of success with much ongoing dialogue between different business units within the Group and large international advertising groups that wish to supply their client base with elements of our product mix.

Additionally, we have also evolved a Singapore based hub providing finance, accounting and human resource functions to other businesses within the Group. By centralising these functions and creating a more structured management reporting systems, the Group has seen a material improvement in working capital during the period.

There is a great sense of excitement about the possibilities of a Group seasoned by over nine years of operation, with many lessons learned, and operating in the relatively under-developed digital marketplace of the Asia Pacific region.

In addition, it should be noted that our offering is dominated by the delivery of a demonstrable and trackable return to advertisers from their digital advertising budget. This is of key importance in an economic climate that leads to global brands and advertisers demanding improved returns on investment.

These factors, combined with the Group's financial performance in the six months to 30 June 2008, encourage us to look to the future with confidence.

**Adrian Moss**

**Chief Executive Officer**

**29 September 2008**

## **Independent review report to Deal Group Media PLC**

### **Introduction**

We have been engaged by the Company to review the financial information in the half-yearly financial report for the six months ended 30 June 2008 which comprises the consolidated income statement, consolidated balance sheet, consolidated interim statement of changes in equity, consolidated cash flow statement and the related explanatory notes that have been reviewed. We have read the other information contained in the half yearly financial report which comprises only the chief executive's statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by the directors. As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

GRANT THORNTON UK LLP  
AUDITOR  
London  
29 September 2008

**Consolidated interim income statement for the six months ended 30 June 2008**

	6 months to 30 Jun 2008 £'000	6 months to 30 Jun 2007 Restated £'000	Year to 31 Dec 2007 Restated £'000
<b>Continuing operations</b>			
Revenue	6,694	3,904	9,432
Cost of sales	<u>(4,635)</u>	<u>(2,563)</u>	<u>(6,487)</u>
GROSS PROFIT	2,059	1,341	2,945
ADMINISTRATIVE EXPENSES			
- Amortisation	(137)	(103)	(293)
- Depreciation	(61)	(10)	(23)
- Share based payment	(160)	(150)	(177)
- Other administrative expenses	<u>(2,400)</u>	<u>(1,896)</u>	<u>(4,598)</u>
LOSS FROM OPERATIONS	(699)	(818)	(2,146)
Interest received	6	8	16
Interest payable	(1)	-	(4)
Share of (loss) of associates	(49)	-	(10)
LOSS BEFORE TAX	(743)	(810)	(2,144)
Taxation	<u>-</u>	<u>-</u>	<u>81</u>
TOTAL LOSS AFTER TAXATION FOR PERIOD FROM CONTINUING OPERATIONS	<u>(743)</u>	<u>(810)</u>	<u>(2,063)</u>
<b>Discontinued operations</b>			
LOSS AFTER TAX FROM DISCONTINUED OPERATIONS	(76)	(120)	(5,072)
TOTAL LOSS	(819)	(930)	(7,135)
<b>Loss per share</b>			
BASIC AND DILUTED LOSS PER SHARE	(0.18p)	(0.23p)	(1.69p)
BASIC AND DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS	(0.16p)	(0.20p)	(0.49p)
BASIC AND DILUTED LOSS PER SHARE FROM DISCONTINUED OPERATIONS	(0.02p)	(0.03p)	(1.20p)

**Consolidated interim balance sheet as at 30 June 2008**

	As at 30 Jun 2008	As at 30 Jun 2007 Restated	As at 31 Dec 2007
	£'000	£'000	£'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	212	352	234
Intangible assets	579	6,717	678
Investment in associates	428	-	478
Available for sale financial assets	-	256	-
Deferred tax	10	-	3
	<u>1,229</u>	<u>7,325</u>	<u>1,393</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	3,811	4,905	3,163
Cash and cash equivalents	873	(77)	670
	<u>4,684</u>	<u>4,828</u>	<u>3,833</u>
<b>TOTAL ASSETS</b>	<u><u>5,913</u></u>	<u><u>12,153</u></u>	<u><u>5,226</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Called up share capital	4,537	4,107	4,537
Capital redemption reserve	13,188	13,188	13,188
Share based payment reserve	864	677	704
Share premium account	22,683	22,014	22,683
Translation reserve	(105)	(20)	54
Retained earnings	<u>(39,642)</u>	<u>(32,618)</u>	<u>(38,823)</u>
<b>TOTAL EQUITY</b>	<u>1,525</u>	<u>7,348</u>	<u>2,343</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<u>4,388</u>	<u>4,805</u>	<u>2,883</u>
<b>TOTAL LIABILITIES</b>	<u>4,388</u>	<u>4,805</u>	<u>2,883</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>5,913</u></u>	<u><u>12,153</u></u>	<u><u>5,226</u></u>

The consolidated interim financial statements were approved by the board of directors and signed on their behalf on 29 September 2008

**Consolidated interim statement of changes in equity for the six months ended 30 June 2008**

	Share capital	Share premium	Capital redemption reserve	Share based payment reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2007	3,816	21,505	13,188	527	(18)	(31,688)	7,328
Changes in equity							
Exchange difference on translation of foreign operations	-	-	-	-	(2)	-	(2)
Net income recognised directly in equity	-	-	-	-	(2)	-	(2)
Retained loss for the period	-	-	-	-	-	(930)	(930)
Total recognised income and expense for the period	-	-	-	-	(2)	(930)	(930)
Share option grants	-	-	-	150	-	-	150
Shares issued in the period	291	509	-	-	-	-	800
As at 30 June 2007	4,107	22,014	13,188	677	(20)	(32,618)	7,358
Changes in equity							
Exchange difference on translation of foreign operations	-	-	-	-	74	-	74
Net income recognised directly in equity	-	-	-	-	74	-	74
Retained profit for period	-	-	-	-	-	(6,205)	(6,205)
Total recognised income and expense for the period	-	-	-	-	74	(6,205)	(6,131)
Share option grants	-	-	-	27	-	-	27
Shares issued in the period	430	669	-	-	-	-	1,100
As at 31 December 2007	4,537	22,683	13,188	704	54	(38,823)	2,363
Changes in equity							
Exchange difference on translation of foreign operations	-	-	-	-	(159)	-	(159)
Net income recognised directly in equity	-	-	-	-	(159)	-	(159)
Retained profit for period	-	-	-	-	-	(819)	(819)
Total recognised income and expense for the period	-	-	-	-	(159)	(819)	(978)
Share option grants	-	-	-	160	-	-	160
Shares issued in the period	-	-	-	-	-	-	-
As at 30 June 2008	4,537	22,683	13,188	864	(105)	(39,642)	1,547

**Consolidated interim cash flow statement for the six months ended 30 June 2008**

	6 months to 30 Jun 2008 £'000	6 months to 30 Jun 2007 Restated £'000	Year to 31 Dec 2007 £'000
<b>Operating activities</b>			
Loss after tax	(819)	(930)	(7,135)
Depreciation	61	166	320
Amortisation	137	136	293
Share based payment	160	150	177
Decrease/(increase) in receivables	(656)	(243)	32
(Decrease)/increase in payables	1,469	(374)	(938)
Foreign exchange differences	(159)	-	72
Finance income	(5)	(12)	(7)
Share of loss from associated undertakings	49	-	10
Loss on disposal of subsidiary	-	-	4,804
Tax credit	-	-	(81)
Net cash inflow/(outflow) from operations	237	(1,107)	(2,453)
<b>Investing activities</b>			
Purchase of property, plant and equipment	(39)	(66)	(118)
Purchase of shares in associated undertakings	-	(76)	(42)
Consideration for disposal of subsidiary (net of cash disposed)	-	-	924
Disposal of subsidiary net assets	-	-	268
Purchase of intangible assets	-	(201)	(399)
Interest received	6	14	21
Net cash used in investing activities	(33)	(329)	654
Net cash inflow/(outflow) before financing activities	204	(1,436)	(1,799)
<b>Financing activities</b>			
Issue of ordinary share capital	-	800	1,899
Interest paid	(1)	(3)	(14)
Repayment of loan notes	-	(22)	-
Net cash used/generated from financing activities	(1)	775	1,885
Net increase/(decrease) in cash and cash equivalents	203	(661)	86
Cash and cash equivalents at start of period	670	584	584
Cash and cash equivalents at end of period	873	(77)	670

## **Notes to the financial statements**

### **1 GENERAL INFORMATION**

The condensed interim Financial Statements for the six months ended 30 June 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 30 September 2008.

The Company is a public limited company incorporated in the United Kingdom. The address of its registered office is 19 Cavendish Square, London, W1A 2AW

The Company is listed on the London Stock Exchange's Alternative Investment Market.

These condensed interim Financial Statements do not comprise statutory accounts within the meaning of Section 240 of the companies Act 1985. Statutory accounts for the year ended 31 December 2007 were approved by the Board of the Directors on 17 April 2008 which received an unqualified auditors report and have been delivered to the Registrar of Companies.

The financial information contained in this report is unaudited. The Consolidated Income Statement, Consolidated statement of changes in equity and Cash Flow Statement for the interim period to 30 June 2008, and the Balance Sheet as at 30 June 2008 and related notes have been reviewed by the auditors.

### **2 BASIS OF PREPARATION**

These condensed interim Financial Statements for the six months ended 30 June 2008 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union. These condensed interim Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2007, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

### **3 ACCOUNTING POLICIES**

The accounting policies applied in these condensed interim Financial Statement are consistent with those of the annual Financial Statements for the year ended 31 December 2007, as described in the annual Financial Statements.

A prior year adjustment was made during the year ended 31 December 2007, due to an error in the sales cut off process in 2006 resulting in £300,000 of revenue being recognised early. A media cost accrual deficit of £162,000 was also discovered during the year which represented costs that should have been accounted for during 2006.

The loss on disposal of the UK operation in the year to 31 December 2007 has been restated as discontinued operations.

#### 4 SEGMENTAL INFORMATION

Revenue is attributable to the principal activity, which is mainly carried out in Australia, Asia Pacific and Rest of World.

An analysis of revenue and segment result by geographical market is given below:

Six months to 30 June 2008	Australia	Asia Pacific	Rest of World	Central and plc	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	5,426	1,083	185	-	6,694
Segment result	633	(205)	12	(781)	(341)
Amortisation					(137)
Depreciation					(61)
Share based payment					(160)
Interest					5
Share of loss of associates					(49)
Tax					-
Loss on tax on continuing operations					(743)
Six months to 30 June 2007	Australia	Asia Pacific	Rest of World	Central and plc	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	3,827	-	77	-	3,904
Segment result	559	(160)	(41)	*(913)	(555)
Amortisation					(103)
Depreciation					(10)
Share based payment					(150)
Interest					8
Tax					-
Loss on tax on continuing operations					(810)

\* Central and plc costs are stated net of £200,000 of development costs, capitalised under IFRS.

#### 5 SEASONAL FLUCTUATIONS

The business of Deal Group Media plc is subject to seasonal fluctuations, with stronger demand for services in the second half of the year as a result of clients marketing budgets weighted towards the latter part of the year.

#### 6 LOSS PER SHARE

The calculation for the basic loss per share is based upon the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

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

	6 months to 30 Jun 08	6 months to 30 Jun 07	Year to to 31 Dec 07
Loss on ordinary activities after tax (£'000)	(819)	(930)	(7,135)
Weighted average number of shares	453,768,684	405,695,354	422,111,897
Amount of loss per share in pence	<u>(0.18p)</u>	<u>(0.23p)</u>	<u>(1.69p)</u>

In view of the loss for the period, options have no dilutive effect.

**7 A copy of the Interim Results will be available on the Group's website at [www.dealgroupmediapl.com](http://www.dealgroupmediapl.com).**

**- Ends -**