

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser duly authorised under the Financial Services and Markets Act 2000. This document comprises an AIM admission document drawn up in accordance with the rules for AIM published by the London Stock Exchange and the Public Offers of Securities Regulations 1995.

If you have sold or otherwise transferred all of your Existing Ordinary Shares in IBNet plc please send this document, together with the Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. Application has been made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that admission to trading on AIM will become effective and that dealings in the Enlarged Issued Share Capital will commence on 20 October 2003.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not listed on the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange has not itself examined or approved the contents of this document.

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## **IBNet plc**

*(Incorporated and registered in England and Wales with Registered No. 3904195)*

**to be renamed**

## **Deal Group Media plc**

**Proposed acquisition of The Deal Group Limited  
Admission to trading on the Alternative Investment Market  
and  
Placing of up to 51,319,648 new Ordinary Shares at 3.41p per share  
by  
KBC Peel Hunt Ltd  
Nominated Adviser and Broker**

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KBC Peel Hunt, which is regulated by The Financial Services Authority, is acting as Nominated Adviser and Broker exclusively for the Company in connection with the arrangements described in this document and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of KBC Peel Hunt, or for advising any other person in connection with the arrangements described in this document. The responsibilities of KBC Peel Hunt, as Nominated Adviser, are owed solely to the London Stock Exchange.

Notice of an Extraordinary General Meeting of IBNet plc to be held at KBC Peel Hunt, 111 Old Broad Street, London EC2N 1PH at 11.15 a.m. on 17 October 2003 is set out at the end of this document. A Form of Proxy for use at the meeting is enclosed with this document and should be returned as soon as possible and in any event so as to be received by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR no later than 11.15 a.m. on 15 October 2003, being 48 hours before the time appointed for the holding of the meeting.

The Consideration Shares to be issued pursuant to the Acquisition and the Placing Shares will, on Admission, rank *pari passu* with the Existing Ordinary Shares in issue and will rank in full for all dividends and other distributions thereafter declared, made or paid on the Ordinary Share capital of the Company.

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## EXPECTED PLACING STATISTICS

Placing Price per Ordinary Share	3.41p
Number of Consideration Shares being issued	205,221,335
Number of Placing Shares being issued	51,319,648
Number of Ordinary Shares in issue on Admission	350,358,086
Market capitalisation on Admission at the Placing Price	£11,947,210
Gross proceeds of the Placing	£1,750,000
Proceeds of the Placing available to the Company (net of expenses)	£1,200,000

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy	11.15 a.m. on 15 October 2003
<b>Extraordinary General Meeting</b>	11.15 a.m. on 17 October 2003
Completion of the Acquisition and the Placing and dealings expected to commence on AIM in the Enlarged Issued Share Capital	8.00 a.m. on 20 October 2003

## DIRECTORS AND ADVISERS

<b>Directors</b>	David John Lees <i>Non Executive Chairman</i> Toby John Smallpeice <i>Chief Executive Officer</i> Craig Lister <i>Chief Operations Officer</i> Richard Jeremy Saul <i>Non Executive Director</i> Michael Norman Bull <i>Non Executive Director</i>
<b>Proposed Directors</b>	Adrian Martyn Moss <i>Chief Executive Officer</i> Keith Lassman <i>Non Executive Director</i> Dominic Trigg <i>Non Executive Director</i>
<b>Company Secretary</b>	Toby John Smallpeice
<b>Registered Office</b>	Hogarth Centre Hogarth Lane Chiswick London W4 2QN
<b>Nominated Adviser and Broker</b>	<b>KBC Peel Hunt Ltd</b> 111 Old Broad Street London EC2N 1PH
<b>Solicitors to the Company</b>	<b>Addleshaw Goddard</b> 150 Aldersgate Street London EC1A 4EJ
<b>Solicitors to The Deal Group</b>	<b>Howard Kennedy</b> 19 Cavendish Square London W1A 2AW
<b>Reporting accountants</b>	<b>Grant Thornton</b> The Explorer Building Fleming Way Manor Royal Crawley RH10 9GT
<b>Auditors to the Company</b>	<b>Grant Thornton</b> Churchill House Chalvey Road East Slough Berks SL1 2LS
<b>Registrars</b>	<b>Capita IRG Plc</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise

“Acquisition”	the proposed acquisition of the entire issued share capital of The Deal Group pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 24 September 2003 under which the Company has conditionally agreed to acquire the entire issued share capital of The Deal Group, further details of which are set out in paragraph 8.1 of Part V
“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules for AIM published by the London Stock Exchange
“Board” or “Directors”	the directors of the Company as set out on page 3
“Capital Reorganisation”	the reorganisation of the Company’s share capital as described on page 12
“Company” or “IBNet”	IBNet plc
“Combined Code”	the principles of Good Governance and Code of Best Practice (derived by the Committee on Corporate Governance from the Committee’s final report and from the Cadbury and Greenbury reports) included within the Listing Rules of the Financial Services Authority in its capacity as the UK Listing Authority
“Court”	The High Court of Justice in England and Wales
“CREST”	the system defined in The Uncertificated Securities Regulations 2001, operated by CRESTCo Limited
“Consideration Shares”	205,221,335 new Ordinary Shares to be issued to the Vendors upon Admission pursuant to the Acquisition Agreement
“Deferred Shares”	the 54,952,000 issued deferred shares of 24p each in the capital of the Company
“Deferred Share Buy Back”	the proposed purchase of the Deferred Shares by the Company
“Directors of The Deal Group” or “Board of The Deal Group”	Adrian Moss, Keith Lassman and Dominic Trigg
“Enlarged Group”	the Company and its subsidiaries on Admission
“Enlarged Issued Share Capital”	the issued ordinary share capital of the Company immediately on Admission
“Existing Ordinary Shares”	the existing issued Ordinary Shares at the date of this document
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at 11.15 a.m. on 17 October 2003 and any adjournment thereof, notice of which is set out at the end of this document
“Form of Proxy”	the form of proxy for use by Shareholders in connection with the EGM
“IBNet Unapproved Share Option Scheme”	the IBNet plc Unapproved Share Option Scheme adopted by resolution of the Board on 2 March 2000
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“Loan Stock”	the loan stock issued by the Company to Toby Smallpeice and Richard Saul as described in paragraph 7 of Part V
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the Consideration Shares, Placing Shares and the new Ordinary Shares to be issued pursuant to the capitalisation in part of the Loan Stock

“Ordinary Shares”	ordinary shares of 1p each in the Company
“Placing”	the placing of the Placing Shares pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 24 September 2003 between the Company, the Directors, the Proposed Directors and KBC Peel Hunt relating to the Placing
“Placing Price”	3.41p per Placing Share
“Placing Shares”	up to 51,319,648 new Ordinary Shares
“Proposed Board”	the board of directors of the Company on Admission as set out in Part I
“Proposed Directors”	Adrian Moss, Keith Lassman and Dominic Trigg, whom it is proposed be appointed to the Proposed Board on Admission
“Replacement Option”	has the meaning given in paragraph 3.5 of Part V
“Resolution”	the resolution set out in the notice of EGM set out at the end of this document
“Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Shareholders”	holders of Ordinary Shares
“The Deal Group”	The Deal Group Limited and/or its subsidiaries
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“Vendors”	any or all of the shareholders in The Deal Group at the date of this document

**PART I**  
**LETTER FROM THE CHAIRMAN OF IBNET**  
**IBNet plc**  
*(Registered in England and Wales Number 3904195)*

*Directors:*

David Lees, *Non Executive Chairman*  
Toby Smallpeice, *Chief Executive Officer*  
Craig Lister, *Chief Operating Officer*  
Richard Saul, *Non Executive Director*  
Michael Bull, *Non Executive Director*

*Registered Office:*  
Hogarth Centre  
Hogarth Lane  
Chiswick  
London W4 2QN

24 September 2003

*To the holders of Existing Ordinary Shares and, for information only, to participants in the IBNet Unapproved Share Option Scheme*

Dear Shareholder,

**Proposed acquisition of The Deal Group, Admission to AIM, Capital Reorganisation and  
Placing of up to 51,319,648 new Ordinary Shares at 3.41p per share**

**HISTORY AND BACKGROUND**

**Introduction**

Following its announcement on 26 August 2003, the Company is now pleased to announce that it has conditionally agreed to acquire the entire issued share capital of The Deal Group, to be satisfied by the issue of 205,221,335 million Consideration Shares which, at the Placing Price, represents £7 million. It is proposed that the Company changes its name to Deal Group Media plc at the EGM.

The Deal Group is a provider of on-line advertising which focuses on maximising the return on clients' advertising spend. Since its launch in early 2000, The Deal Group has worked with some of Europe's biggest on-line media planning and buying agencies, on-line brands, websites and portals. In the year to 31 May 2003, its turnover was £7.4 million on which it made a pre-tax profit of £583,000.

In order to provide additional working capital for the further development of the Enlarged Group, the Company also announced today that it proposes to raise up to approximately £1.2 million (net of expenses) by issuing 51,319,648 Placing Shares at 3.41p per share. Further details relating to the Placing are summarised below.

The Acquisition constitutes a reverse takeover pursuant to the AIM Rules and is therefore subject to Shareholder approval which will be sought at the EGM. Application has been made to the London Stock Exchange for admission to trading on AIM of the Existing Ordinary Shares and the New Ordinary Shares. Admission is conditional, *inter alia*, on the passing of the Resolution at the EGM.

The purpose of this document is to set out the principal terms of, and seek Shareholder approval for, the Acquisition and the other matters set out in this document and to explain why your Directors believe that it is in the best interest of the Company and Shareholders as a whole. Accordingly I, together with my fellow Directors, intend to vote in favour of the Resolution at the EGM.

**Background to and reasons for the Acquisition**

Since the Company was admitted to AIM in March 2000, your Board has evaluated a number of acquisition proposals. After careful consideration and due diligence, your Board believes that the Acquisition is in the best interests of Shareholders.

The Directors and the Proposed Directors believe that the Acquisition will enhance the current IBNet client offerings by providing complementary online advertising services. The Enlarged Group will offer a comprehensive range of internet marketing services.

Your Board believes that the executive management team of The Deal Group has a proven track record that will enable them to add value to, and grow, the business of the Enlarged Group. The Board also

believes that the Proposed Directors have a complementary range of skills which will further benefit the Enlarged Group.

## INFORMATION ON IBNET

### Background

IBNet's range of services provides companies with intelligence on how their intellectual property and branding are represented on the Internet. The Company monitors for instances of piracy, intellectual property abuse, financial deception, brand defamation, share ramping and libel of its clients' presence on the web, representing some well known brands including Nestle, Boots and GSK. IBNet has two main search engine marketing divisions, *Webgravity*, which focuses on the UK corporate marketplace and *Webworld*, which targets small to medium sized companies across Europe.

### Webgravity

In January 2002, IBNet acquired Webgravity Limited, a UK based search engine marketing consultancy. *Webgravity* specialises in bespoke search marketing solutions that are designed to increase online visibility and drive new business to its customers' websites. *Webgravity* represents a number of well known brands.

### Webworld

Webworld.com is a European search engine marketing portal which offers self service search marketing products to small and medium sized enterprises. *Webworld* has partnered with some of the world's largest search engines to offer an inclusion service into their search results. *Webworld* is available in English, German, French, Spanish and Italian.

### Trading record

The financial information relating to IBNet set out below has been extracted from the comparative table set out in Part II and should only be read in conjunction with the full text set out therein.

	<i>Year to</i> <i>30 June</i>	<i>9 months to</i> <i>31 March</i>	<i>Year to</i> <i>31 March</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	402	1,188	1,881
Gross profit	354	988	1,301
Other administrative expenses	(3,008)	(2,125)	(1,673)
Depreciation	—	(149)	(226)
Operating loss before adjustment <sup>1</sup>	(24,630)	(1,488)	(1,536)
Operating loss after adjustment <sup>2</sup>	(2,654)	(1,286)	(598)
Net cash/(debt)	2,041	(870)	(620)

Note:

- 1 The loss for the year ended 30 June 2001 includes impairment write-offs, following the group restructuring, totalling £22.5 million, consisting of an investment impairment of £21.9 million and an intercompany debtor write down of £564,000.
- 2 Operating loss after adjustment is shown before write downs (see note 1), exceptional items and amortisation of investments.

## INFORMATION ON THE DEAL GROUP

### Background

#### *The on-line advertising market*

On-line advertising involves using electronic banners on host websites which, when clicked, take web users directly into relevant sections of advertiser websites. Advertisers can pay host websites and/or advertising agencies on the basis of space utilised and the quantity of impressions delivered – a payment basis that is called CPM (cost per thousand impressions).

A further model is where media owners and advertising agencies pay only when end-users performed specified actions on retailer websites. This model is called CPA (cost per action) and, by using this model, advertisers can demonstrate a direct return on their investment in on-line advertising spend.

#### *The Deal Group*

The Deal Group entered the on-line advertising market in 2000, focusing on maximising the return on clients' advertising spend. From initially placing advertising through the single UK channel of affiliate marketing via [www.ukaffiliates.com](http://www.ukaffiliates.com), The Deal Group has established additional channels to access

potential online customers by offering a comprehensive range of pricing models. The Deal Group has created long term working relationships with a number of large and varied media owners developing distinct on-line routes to its clients' potential on-line consumers.

The Deal Group has established a profitable operation in Spain, and has more recently established an operation in Australia.

### Services

The Deal Group focuses on the delivery of return on investment from on-line advertising budgets which involves assisting clients to formulate on-line advertising strategies. Its services also include advising on:

- media planning and buying;
- routes to customer acquisition;
- creation of efficient sales routes;
- appropriate on-line offerings;
- customer valuation;
- customer relationship management; and
- the use of parallel promotions.

The Deal Group delivers results using a combination of some or all of the following marketing channels:

- Affiliate marketing (via [www.ukaffiliates.com](http://www.ukaffiliates.com)) which provides a route and technical infrastructure for advertisers to interact with a network of content-rich niche web sites (affiliates). Significant economies are afforded to both advertisers and participating website owners via the [www.ukaffiliates.com](http://www.ukaffiliates.com) website.
- Affinity marketing which provides a route and technical infrastructure for advertisers to interact with a network of medium sized web sites and small consumer portals.
- Large consumer portals.
- E-mail marketing.
- Creation of beneficial business development relationships.
- Its own sites – [www.thedeal.net](http://www.thedeal.net) and [www.cheekymonkey.com](http://www.cheekymonkey.com).

The Deal Group's software provides near real time tracking and analysis of advertisers' on-line marketing campaigns to identify potential improvements and facilitate ongoing optimisation of on-line advertising campaigns. The Deal Group tracks the results of advertising campaigns by monitoring consumers' activity on advertisers' web sites, after seeing or clicking on an advertiser's banner.

The Deal Group's software includes a centralised administration system for delivering, tracking and optimising clients' advertising campaigns.

### Trading record

The financial information relating to The Deal Group set out below has been extracted from the accountants' report set out in Part III and should only be read in conjunction with the full text set out therein.

	<i>Year to</i> <i>31 May</i> <i>2001</i> <i>£'000</i>	<i>Year to</i> <i>31 May</i> <i>2002</i> <i>£'000</i>	<i>Year to</i> <i>31 May</i> <i>2003</i> <i>£'000</i>
Turnover	724	3,499	7,393
Gross profit	417	1,373	2,509
Operating profit/(loss)	(879)	62	583
Net cash/(debt)	(29)	213	359

### PRINCIPAL TERMS OF THE ACQUISITION

Pursuant to the terms of the Acquisition Agreement, the Company has conditionally agreed, subject to, *inter alia*, Shareholder approval and Admission, to acquire the entire issued share capital of The Deal Group from the Vendors.

In consideration for the sale of the shares in The Deal Group to the Company, the Company will issue 205,221,335 Ordinary Shares to the Vendors. Under the terms of the Acquisition Agreement, certain of the Vendors have agreed that in respect of the Consideration Shares received by them, they will not sell or otherwise dispose of any interest in them as further set out below under the heading "Orderly marketing arrangements". A summary of the principal terms of the Acquisition Agreement is set out in paragraph 8 of Part V.

## **CURRENT TRADING AND PROSPECTS FOR THE ENLARGED GROUP**

### **Current trading**

#### ***IBNet***

Since the Company's year ended 31 March 2003, the launch of the Company's new automated traffic management tool for performance based search engines at *Internet World* has contributed to a number of significant contract wins. This new service demonstrates the Company's strategy to widen its product base from pure search engine optimisation to other forms of on-line performance based marketing.

The Directors have continued their review of potential businesses for the Company to acquire, which has resulted in the announcement today of the Acquisition, and they believe the prospects for the Enlarged Group are positive.

#### ***The Deal Group***

The Deal Group's revenues have grown since its year ended 31 May 2003. In June 2003, the Deal Group launched a new premium inventory product which has generated additional revenues.

### **Strategy and prospects**

The Proposed Board intends to continue the Company's strategy to expand its product range of on-line marketing services to service a larger proportion of its clients' on-line advertising requirements. In order to achieve this, the Proposed Board intends to investigate and, if appropriate, expand the overseas area of operation to increase the Enlarged Group's market exposure and to develop, as required, new products and services within the on-line return on investment based advertising market.

The Proposed Board will continue to review potential business acquisitions, as it believes that there may be significant opportunities within its market sector to continue to expand its operations. The Proposed Board believes there is potential for further on-line advertising growth as the number of Internet users continues to increase.

## **THE PROPOSED BOARD, MANAGEMENT AND EMPLOYEES**

### **The Proposed Board**

On Admission, the Proposed Board of the Enlarged Group will consist of two executive directors and three non-executive directors. Craig Lister, Richard Saul and Michael Bull will resign from the Board on Admission. The Proposed Board will therefore be as follows:

#### ***David Lees, Non Executive Chairman, aged 56***

David qualified as a chartered accountant in Australia. From 1987 to 1994 he was finance director of Medeva plc. His responsibilities extended to the completion of a number of substantial acquisitions. Between 1995 and 1999 he was a non-executive founding director of SkyePharma plc and chief executive of Flare Group plc. He is currently chairman of Names.co Internet plc, Xecutiveresearch Group plc, Network Estates Limited and Metis Biotechnologies plc.

#### ***Adrian Moss, ACA, Chief Executive Officer, aged 32***

Adrian qualified as a chartered accountant with Price Waterhouse in 1996. After a period in corporate finance he took a position as head of strategy and securitisation for I Group Limited with responsibility for group budgeting, negotiating funding lines and managing the execution of securitisation mortgage receivables. In 1999 he founded The Deal Group and has developed the business as chief executive officer.

#### ***Toby Smallpeice, Business Development Director, aged 31***

Toby's background is in Internet, telecom and e-business, working in senior business development roles in Dione Development and Demon Internet where he was involved in product development and acquisitions. Toby subsequently managed two acquisitions of small European telecom companies for

Bell Atlantic. In 1999 he founded *Webgravity* with Richard Saul and in 2001 he joined the Company as chief executive officer after its acquisition of Webgravity Limited.

*Keith Lassman, LLB, MSI, Non Executive Director, aged 45*

Keith qualified as a solicitor in 1983 and is now a senior partner in the corporate finance department of Howard Kennedy, solicitors. Keith brings considerable experience to the Proposed Board in a broad range of corporate finance transactions including acquisitions, disposals and capital raising. He is also a non-executive director of Longbridge International plc and The Wigmore Group plc (companies whose shares are traded on AIM), deputy chairman of the EIS Association and a member of the Securities Institute.

*Dominic Trigg, Non Executive Director, aged 35*

Dominic has a background in traditional and on-line media advertising. He is currently director of advertising operations (Europe) for Yahoo! Inc. Before this, he was media director at Music Choice Europe plc, and advertising director at MSN, Hotmail, Expedia and BT Internet. He gained traditional media experience as advertising manager for Focus magazine and BBC Worldwide.

### **Management and employees**

The following individuals will have a significant senior management role in the operation of the Enlarged Group:

*Adam Black, Brand and Communications director, aged 33*

Adam is a consultant to The Deal Group and will be responsible for marketing, managing public relations initiatives and brand-related issues for the Enlarged Group. He has been with The Deal Group for four years. Prior to this he spent seven years in journalism, public relations and marketing consultancy for a number of well known companies in the UK including Loaded magazine, IPC Media, Lynne Franks PR and Freud Communications.

*George Odysseos, ACA, Financial Controller, aged 32*

George, a chartered accountant, joined The Deal Group in April 2000 from BDO Stoy Hayward. George has been responsible for setting up and managing the finance function at The Deal Group and will be the financial controller for the Enlarged Group.

*Tony Stubbings, Chief Technical Officer, aged 36*

Tony joined The Deal Group in April 2000, previously working in systems integration and maintenance and multimedia design and network maintenance projects. Tony will be responsible for the Enlarged Group's internal system development and maintenance, platform design and development, client support and product research and development.

*Nicky Iapino, Chief Operating Officer, aged 32*

Nicky joined The Deal Group in September 2003 as Chief Operating Officer. She moved to The Deal Group having spent three years building Commission Junction's UK and Ireland operation and has significant sales, marketing and operational management experience. She was previously sales manager of UKaffiliates.

IBNet currently employs 25 people based in London and The Deal Group currently employs 40 people of which 31 are based in London, 5 are in Spain and 4 are in Australia.

### **Share Options**

Key employees of the Enlarged Group will be offered the opportunity to participate in the future success of the Enlarged Group through the adoption of a proposed new IBNet share option scheme. Current employees of The Deal Group holding options over shares in The Deal Group will be offered the opportunity to be granted new options over shares in IBNet in place of existing options over shares in The Deal Group. Details of this offer and the position regarding existing options over shares in The Deal Group are set out in paragraphs 3.5 and 3.6 of Part V. It is not anticipated that any options granted by the Company will exceed in aggregate 10 per cent. of the issued share capital of the Company at any one time.

## **Corporate governance**

The Proposed Board recognises the value of the Combined Code and they will take appropriate measures to ensure that the Enlarged Group complies with the Combined Code, where appropriate for a public company of its size.

The Company has established an audit committee and a remuneration committee, which will continue to operate following Admission, with formally delegated duties and responsibilities. Both of these committees consist of at least two non-executive directors, where possible, and following Admission will be chaired by David Lees and Keith Lassman respectively and will meet at least twice a year.

The audit committee will, *inter alia*, determine the terms of engagement of the Enlarged Group's auditors and will determine, in consultation with the auditors, the scope of the audit. It will receive and review reports from management and the Enlarged Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Enlarged Group. The audit committee will have unrestricted access to the Enlarged Group's auditors.

The remuneration committee will, *inter alia*, review the scale and structure of the executive directors' remuneration and the terms of their service contracts, including share option schemes. The remuneration and the terms and conditions of the non-executive directors will be set by the board of the Enlarged Group from time to time.

The Company has adopted the Model Code for companies, as defined under the listing rules of the UK Listing Authority, governing directors' share dealings and will take proper steps to ensure compliance by the board of the Enlarged Group from time to time.

## **THE PLACING, ADMISSION TO AIM AND CAPITAL REORGANISATION**

### **Details of the Placing**

The Company proposes to raise up to approximately £1.2 million (net of expenses) by issuing up to 51,319,648 Placing Shares at 3.41p per share. The net cash proceeds from the Placing will provide additional working capital for the Enlarged Group and will fund the costs relating to the Acquisition and Admission of the Enlarged Group.

It is expected that the proceeds of the Placing will be received by 20 October 2003. In the case of placees requesting Placing Shares in uncertificated form it is expected that the appropriate CREST accounts of placees will be credited with the Placing Shares comprising their Placing participation on 20 October 2003. In the case of placees requesting Placing Shares in certificated form, it is expected that certificates in respect of the Placing Shares will be despatched by post within seven days of Admission.

### **Dealing arrangements**

Application has been made for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission to trading on AIM will become effective and that dealings in the Enlarged Issued Share Capital will commence on 20 October 2003. The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

### **Orderly marketing arrangements**

Each member of the Proposed Board who owns or, will on Admission, own Ordinary Shares has agreed that, under the terms of the Placing Agreement set out in paragraph 8.2 of Part V, he will not sell or otherwise dispose of any interest in the share capital of the Enlarged Group for a period of 12 months from Admission, other than in certain specified circumstances.

In addition, certain of the Vendors (other than members of the Proposed Board) have agreed that, in respect of the Consideration Shares received by them, they will not sell or otherwise dispose of any interest in them for a period of either three or six months from Admission, other than in certain specified circumstances.

### **CREST**

The Ordinary Shares are eligible for CREST settlement. Accordingly, settlement of transactions in the Existing Ordinary Shares and the New Ordinary Shares following Admission may take place within the CREST system if the relevant shareholder so wishes. CREST is a voluntary system and shareholders who wish to receive and retain share certificates will be able to do so.

## **Dividend policy**

It is the intention of the Proposed Board to review the Company's dividend policy in light of the Enlarged Group's financial progress and the availability of distributable reserves. The Company is currently unable to pay dividends due to the deficit on its profit and loss account. The Company is therefore proposing the Capital Reorganisation so that the Proposed Board is in a position to pay dividends when it believes it is prudent to do so.

## **Capital Reorganisation**

The Company is currently unable to pay any dividends as a result of the deficit which exists on its profit and loss account. Accordingly it is proposed that the deficit on the profit and loss account will be eliminated by the following:

### ***Purchase and cancellation of the Deferred Shares***

The Company completed a capital reorganisation in January 2002, splitting each of the Company's then issued ordinary shares of 25p each into one 1p Ordinary Shares and one 24p Deferred Share. As set out in the related circular to Shareholders dated 13 December 2001, the Company now intends, subject to Shareholder approval, to purchase the 54,952,000 Deferred Shares, out of the Placing proceeds, for an aggregate consideration of 1p and cancel them, thereby reducing the aggregate nominal value of shares then in issue by £13.2 million such amount being transferred to a capital redemption account.

### ***Capital reduction***

As the Company does not have sufficient distributable reserves to currently pay a dividend, it is proposed to create the necessary reserves after the Deferred Shares have been bought back by cancelling the Company's share premium and capital redemption accounts. Following Admission and the issue of the New Ordinary Shares and after the Deferred Shares have been purchased by the Company, the amount standing to the credit of the capital redemption account will be £13.2 million and the amount standing to the credit of the share premium account will be £19.8 million. The Company's current deficit on its profit and loss account is £28.3 million. Accordingly, the Company intends to apply to the Court to cancel its share premium and capital redemption account. This requires the approval of Shareholders by special resolution which will be sought at the EGM. The cancellation of capital will also require the sanction of the Court. Prior to confirming this, the Court will need to be satisfied that the interests of the Company's creditors will not be prejudiced, and the Company will put into place such creditor protections as the Court may require.

Subject to Shareholder approval and the sanction of the Court, the amount of the cancellation will then be used to eliminate the Company's deficit on its profit and loss account, with the excess amount being used to create distributable reserves of £4.7 million.

## **Capitalisation of Loan Stock**

The Company currently owes Toby Smallpeice and Richard Saul in aggregate £931,273 pursuant to the Loan Stock. Toby Smallpeice has agreed to capitalise £200,000 of the Loan Stock held by him on Admission in exchange for the issue of 5,865,103 New Ordinary Shares at the Placing Price and to be repaid the balance in equal monthly payments over the 42 month period commencing 6 months after Admission. The Loan Stock held by Richard Saul will be repaid in equal monthly instalments over the 12 months following Admission. Further details regarding these arrangements are set out in paragraph 7 of Part V.

## **EXTRAORDINARY GENERAL MEETING**

### **Notice of EGM**

A notice convening an Extraordinary General Meeting of the Company to be held at KBC Peel Hunt, 111 Old Broad Street, London EC2N 1PH at 11.15 a.m. on 17 October 2003 is set out at the end of this document.

At this meeting the Resolution will be proposed:

- to approve the acquisition of The Deal Group;
- to increase the authorised share capital of the Company;
- to dis-apply pre-emption rights;
- to authorise the Directors to allot shares;
- to change the name of the Company;

- to approve the purchase and cancellation of the Deferred Shares;
- to approve the purchase and cancellation of certain of the Consideration Shares in certain specified circumstances; and
- to approve the reduction, subject to the sanction of the Court, of the Company's share capital by cancelling its capital redemption account and share premium account.

#### **Irrevocable undertakings to approve the Resolutions**

The Directors who own Ordinary Shares and certain other Shareholders have irrevocably undertaken to vote in favour of the Resolution to be proposed at the EGM in respect of holdings totalling 48,522,912 Existing Ordinary Shares, representing approximately 55.17 per cent. of the current issued ordinary shares capital of the Company.

#### **Action to be taken**

A Form of Proxy is enclosed for use by Shareholders at the Extraordinary General Meeting at 11.15 a.m. on 17 October 2003. Whether or not Shareholders intend to be present at the EGM they are asked to complete, sign and return the Form of Proxy to the Company's registrars, as soon as possible, but in any event, so as to arrive no later than 11.15 a.m. on 15 October 2003. The completion and return of a Form of Proxy will not preclude Shareholders from attending the EGM and voting in person should they wish to do so. Accordingly, whether or not Shareholders intend to attend the EGM they are urged to complete and return the Form of Proxy as soon as possible.

#### **Further information**

**Your attention is drawn to Parts II to V of this document which provide additional information on the Company, The Deal Group and the Enlarged Group.**

#### **Recommendation**

**Your Directors, who have been advised by KBC Peel Hunt, consider the terms of the Acquisition to be fair and reasonable so far as the Shareholders as a whole are concerned. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the EGM, as they have undertaken to do in respect of their own beneficial holdings amounting in aggregate to 30,022,912 Ordinary Shares representing 34.14 per cent. of the existing issued ordinary share capital.**

Yours faithfully

**David Lees**  
*Non Executive Chairman*

**PART II**  
**FINANCIAL INFORMATION ON IBNET**

**NATURE OF THE FINANCIAL INFORMATION**

The financial information contained in this Part II in respect of the financial periods ended 30 June 2001, 31 March 2002 and 31 March 2003 has been extracted without material adjustment from IBNet plc's audited financial statements for the periods then ended.

The financial information concerning IBNet plc contained in this Part II does not constitute statutory accounts within the meaning of Section 240 of the Act. Statutory accounts of IBNet plc have been delivered to the Registrar of Companies. Unqualified audit reports, as defined in Section 234 of the Act, which did not contain a statement under Section 237 (2) or 237 (3) of the Act, have been issued by IBNet plc's auditors who were Grant Thornton of Churchill House, Chalvey Road East, Slough, Berks, SL1 2LS for each of the three financial periods ended 31 March 2003.

**Profit and loss accounts**

		<i>Year Ended</i> <i>30 June</i>	<i>Nine Months</i> <i>Ended</i> <i>31 March</i>	<i>Year ended</i> <i>31 March</i>
	<i>Notes</i>	<i>2001</i> <i>£'000</i>	<i>2002</i> <i>£'000</i>	<i>2003</i> <i>£'000</i>
TURNOVER	1			
– Continuing activities		402	393	1,881
– Acquisition		—	795	—
		<hr/>	<hr/>	<hr/>
		402	1,188	1,881
COST OF SALES		(48)	(200)	(580)
		<hr/>	<hr/>	<hr/>
GROSS PROFIT		354	988	1,301
ADMINISTRATIVE EXPENSES				
– Fixed asset investment impairment		(21,976)	-	(453)
– Fixed assets depreciation		—	(149)	(226)
– Amortisation of investment		—	(202)	(485)
– Other administrative expenses		(3,008)	(2,125)	(1,673)
		<hr/>	<hr/>	<hr/>
		(24,984)	(2,476)	(2,837)
OPERATING LOSS				
– Continuing activities		(24,630)	(1,670)	(1,536)
– Acquisition		—	182	—
		<hr/>	<hr/>	<hr/>
		(24,630)	(1,488)	(1,536)
Exceptional Item	4	—	(379)	—
		<hr/>	<hr/>	<hr/>
Loss after exceptional item		(24,630)	(1,867)	(1,536)
NET INTEREST	2	185	24	(48)
		<hr/>	<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	1	(24,445)	(1,843)	(1,584)
TAXATION	5	—	—	179
		<hr/>	<hr/>	<hr/>
TOTAL LOSS AFTER TAXATION FOR THE YEAR		<u>(24,445)</u>	<u>(1,843)</u>	<u>(1,405)</u>
BASIC AND FULLY DILUTED LOSS PER SHARE	6	(44.48p)	(3.06p)	(1.76p)

## Balance sheets

	Notes	As at 30 June 2001 £'000	As at 31 March 2002 £'000	As at 31 March 2003 £'000
<b>FIXED ASSETS</b>				
Investments	7	—	2,221	1,545
Tangible fixed assets	8	449	456	118
		<u>449</u>	<u>2,677</u>	<u>1,663</u>
<b>CURRENT ASSETS</b>				
Investments	9	—	450	107
Debtors	10	253	623	268
Cash at bank and in hand	20	2,041	43	104
		<u>2,294</u>	<u>1,116</u>	<u>479</u>
<b>CURRENT LIABILITIES</b>				
Creditors:				
– Amounts falling due within one year	11	(426)	(1,011)	(746)
Net current assets		<u>1,868</u>	<u>105</u>	<u>(267)</u>
Total assets less current liabilities		<u>2,317</u>	<u>2,782</u>	<u>1,396</u>
Creditors:				
– Amounts falling due after more than one year	11	—	(583)	(736)
Provision for liabilities and charges	12	—	(773)	(177)
		<u>2,317</u>	<u>1,426</u>	<u>483</u>
<b>CAPITAL AND RESERVES</b>				
Called up share capital	13	13,738	13,938	14,067
Share premium account	14	13,619	14,371	14,704
		<u>27,357</u>	<u>28,309</u>	<u>28,771</u>
Profit and loss account	14	(25,040)	(26,883)	(28,288)
Equity shareholders' funds	15	<u>2,317</u>	<u>1,426</u>	<u>483</u>

## Cash flow statements

		<i>Year Ended</i> 30 June 2001 £'000	<i>Nine Months</i> <i>Ended</i> 31 March 2002 £'000	<i>Year ended</i> 31 March 2003 £'000
Net cash outflow from operating activities	19	(1,890)	(1,282)	(283)
<b>Returns on investments and servicing of finance</b>				
Interest received		185	34	8
Interest paid		—	(10)	(56)
		185	24	(48)
Tax credit		—	—	185
<b>Capital expenditure and financial investments</b>				
Purchase of tangible fixed assets		(298)	(163)	(105)
Sale/(purchase) of current asset investment		—	(450)	450
Purchase of investment in subsidiary undertaking		—	(73)	—
		(298)	(686)	345
Net cash inflow/(outflow) before financing		(2,003)	(1,944)	199
<b>Management of liquid resources</b>				
Cash placed on Short Term Deposit		2,300	—	—
Sale of short term investments		—	1,700	—
		2,300	1,700	—
<b>Financing</b>				
Issue of ordinary share capital		—	—	125
Capital element of finance lease rentals		—	(6)	(4)
Expenses paid in connection with share issues		—	(48)	(6)
Repayment of loan notes		—	—	(253)
		—	(54)	(138)
Increase/(decrease) in cash	20	297	(298)	61

### **Accounting policies**

#### **Basis of preparation**

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the Company are set out below and have remained unchanged throughout the period to 31 March 2003.

The Company's subsidiary undertakings, IBNet (UK) Limited and Webgravity Limited, were dormant throughout the period ended 31 March 2003. As a result the Company is not required to prepare consolidated financial statements.

This financial information therefore presents information about the Company as an individual undertaking and not about its group.

The directors have reviewed the accounting policies adopted by the Company and its subsidiary undertakings and consider them to be the most appropriate.

### **Going concern**

Having reviewed the Company's income, expenditure and cash flow projections, the directors have a reasonable expectation that the Company has sufficient financial resources to continue trading for the foreseeable future. Accordingly the financial information has been prepared on the going concern basis.

### **Turnover**

Turnover is the total amount receivable by the Company for goods supplied and services provided, excluding VAT.

Income for services, which are invoiced in advance, is deferred and recognised in the period in which the services are provided. Income from other services and products is recognised at the point of sale or when any further obligation has been fulfilled.

### **Depreciation**

Depreciation is calculated to write down the cost of all tangible fixed assets over their expected useful lives.

The periods generally applicable are:

Computer equipment	33%-50% per annum
Fixtures and fittings	25% per annum

### **Contributions to defined contribution pension schemes**

The pension costs charged against profits represents the amount of the contributions payable to the scheme in respect of the accounting period.

### **Deferred tax**

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### **True and fair override on valuation of subsidiary undertaking**

Immediately following the acquisition of *Webgravity* Limited, the trade, assets and liabilities of that company were transferred to IBNet plc at their book value. The cost of the Company's investment in its subsidiary undertaking reflects the underlying fair value of the net assets acquired at that time. As a result of this transfer, the cost of the Company's investment is greater than the net asset value of the subsidiary company.

Schedule 4 of the Companies Act 1985 requires that the investment be written down accordingly and that the amount be charged as a loss in the Company's profit and loss account. However, the directors consider that, as there has been no overall loss to the group, it would fail to give a true and fair view to charge such diminution to the Company's profit and loss account.

Accordingly, the investment is considered to represent goodwill and is amortised over its useful economic life of five years from date of acquisition. The investment is reviewed annually for impairment.

### **Research and development**

Development costs, both internal and external, associated with the Company's products are written off as incurred.

### **Leased assets**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their estimated useful economic lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

**Short Term Investments**

Investments are included at the lower of cost or market value.

**Financial Instruments**

The Company uses financial instruments to manage exposures to fluctuations in interest rates. Financial assets are recognised in the balance sheet at the lower of cost or net realisable value. Provision is made for diminution in value where appropriate. Interest receivable is accrued and credited to the profit and loss account in the period in which it relates.

**Liquid Resources**

Cash held on greater than 24 hours notice is disclosed as liquid resources in the cash flow statement.

## Notes to the financial information

### 1. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAX

The turnover is attributable to the principal activities, which are carried out in the United Kingdom and Europe.

An analysis of turnover and operating loss by geographical market is given below:

	<i>Turnover</i>			<i>Operating Loss</i>		
	<i>Year Ended</i>	<i>Nine Months Ended</i>	<i>Year Ended</i>	<i>Year Ended</i>	<i>Nine Months Ended</i>	<i>Year Ended</i>
	<i>30 June</i>	<i>31 March</i>	<i>31 March</i>	<i>30 June</i>	<i>31 March</i>	<i>31 March</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
United Kingdom	402	999	1,681	(24,630)	(1,042)	(1,365)
Europe	—	189	200	—	(446)	(163)
	<u>402</u>	<u>1,188</u>	<u>1,881</u>	<u>(24,630)</u>	<u>(1,488)</u>	<u>(1,528)</u>

No segmental analysis of net assets has been provided, as the assets and liabilities attributable to overseas sales are not separately identified.

The loss on ordinary activities before taxation is stated after charging:

	<i>Year Ended</i>	<i>Nine Months Ended</i>	<i>Year Ended</i>
	<i>30 June</i>	<i>31 March</i>	<i>31 March</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Auditors' remuneration:			
– Audit services	16	20	14
– Non audit services – tax compliance and advice	5	3	4
	<u>21</u>	<u>23</u>	<u>18</u>
Operating lease rentals land and buildings	37	50	79
Depreciation and amortisation			
– Tangible fixed assets owned	115	144	217
– Tangible fixed assets held under hire purchase contracts	—	5	9
– Investment amortisation	—	202	485
	<u>115</u>	<u>351</u>	<u>711</u>
Fixed asset investments:			
– impairment loss	21,976	—	—
Software write down	—	—	215
Impairment to short term investments	—	—	237
	<u>21,976</u>	<u>—</u>	<u>452</u>
Amounts provided against amounts receivable from subsidiary undertaking	564	—	—

## 2. NET INTEREST

	<i>Year Ended 30 June 2001 £'000</i>	<i>Nine Months Ended 31 March 2002 £'000</i>	<i>Year Ended 31 March 2003 £'000</i>
Interest payable and other similar charges	—	(10)	(8)
Interest receivable and other similar income	185	34	56
	<u>185</u>	<u>24</u>	<u>48</u>

## 3. DIRECTORS AND EMPLOYEES

Staff costs during the period were as follows:

	<i>Year Ended 30 June 2001 £'000</i>	<i>Nine Months Ended 31 March 2002 £'000</i>	<i>Year Ended 31 March 2003 £'000</i>
Wages and salaries	1,254	1,077	940
Social security costs	134	125	101
Pension costs	69	77	35
Payment for third party services	92	139	60
	<u>1,549</u>	<u>1,418</u>	<u>1,136</u>
Average number of employees (excluding directors)	<u>22</u>	<u>31</u>	<u>23</u>

## Directors emoluments

	Emoluments			Other benefits and payments for director services			Pension contributions			Total		
	Nine Months		Year	Nine Months		Year	Nine Months		Year	Nine Months		Year
	Year Ended	Months Ended	Year Ended	Year Ended	Months Ended	Year Ended	Year Ended	Months Ended	Year Ended	Year Ended	Months Ended	Year Ended
	30 June 2001	31 March 2002	31 March 2003	30 June 2001	31 March 2002	31 March 2003	30 June 2001	31 March 2002	31 March 2003	30 June 2001	31 March 2002	31 March 2003
£'000												
Executive directors												
D. Heynes	15	9	35	52	35	—	—	—	—	67	44	35
M. Ommanney	110	46	—	8	33	—	11	5	—	129	84	—
R. Nayler	100	25	—	8	2	—	10	22	—	118	49	—
P. Mewett	100	64	—	8	44	—	5	2	—	113	110	—
M. Atkinson	63	14	—	6	30	—	6	1	—	75	45	—
T. Smallpeice	—	35	100	—	—	—	—	—	5	—	35	105
R. Saul	—	35	27	—	—	—	—	—	—	—	35	27
Non-Executive directors												
D. Lees	15	9	15	—	—	—	—	—	—	15	9	15
M. Bull	15	9	15	—	—	—	—	—	—	15	9	15
D. Lawrence	15	9	—	44	1	—	—	—	—	59	10	—
R. Saul	—	—	4	—	—	—	—	—	—	—	—	4
	433	255	196	126	145	0	32	30	5	591	430	201

During the 2003 no directors (2002: 4 2001: 4) participated in money purchase pension schemes.

## 4. EXCEPTIONAL ITEM

There were no exceptional items during 2003 or 2001. The exceptional item for the period ended 31 March 2002 represented the costs of restructuring the business following the acquisition of *Webgravity* as regards redundancies and the closure of operations in Egham and their relocation to Chiswick.

## 5. TAXATION

There are tax losses of approximately £4,435,000 at 31 March 2003 (2002: £4,073,000 – 2001: £3,300,000) to carry forward and use against future profits of the same trades. Should suitable taxable profits arise, these losses would represent a deferred tax asset of approximately £1,330,000 (2002: £1,222,000 – 2001: £990,000) at a United Kingdom corporation tax rate of 30%.

There is no tax charge or credit for the periods ended 30 June 2001 or 31 March 2002. The tax credit in the profit and loss account for the year ended 31 March 2003 relates to refunds in respect of previous periods. An explanation of the tax position compared to the Company's reported results is set out below

	Nine Months		
	Year Ended	Nine Months Ended	Year Ended
	30 June 2001	31 March 2002	31 March 2003
£'000			
Loss on ordinary activities before taxation	(24,445)	(1,843)	(1,584)
Loss on ordinary activities before taxation multiplied by small companies corporation tax rate of 19% (2002: 20%)	(4,889)	(369)	(301)
Effect of:			
Surplus/(deficit) of depreciation compared to capital allowances	(40)	35	84
Fixed asset impairment losses	4,395		
Amortisation of fixed asset investment	—	40	137
Other expenses not deductible	114	8	11
Loss carried forward to be offset against future tradable profits	420	286	69
Tax refunds received in respect of prior years	—	—	(179)
Current tax charge for the year	—	—	(179)

## 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 on issue during the period.

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

	<i>Year Ended</i> <i>30 June</i> <i>2001</i> <i>£'000</i>	<i>Nine Months</i> <i>Ended</i> <i>31 March</i> <i>2002</i> <i>£'000</i>	<i>Year Ended</i> <i>31 March</i> <i>2003</i> <i>£'000</i>
Loss on ordinary activities after tax (£'000)	(24,445)	(1,843)	(1,405)
Weighted average number of shares	54,952,000	60,226,725	80,069,808
Amount of loss per share in pence	(44.48p)	(3.06p)	(1.76p)

In view of the loss for the year there is no dilutive effect of the options in issue at 31 March 2003.

## 7. FIXED ASSET INVESTMENTS

<i>Subsidiary undertaking</i>	<i>Cost</i> <i>£'000</i>	<i>Amortisation/ impairment losses</i> <i>£'000</i>	<i>Net book value</i> <i>£'000</i>
<b>As at 1 July 2001</b>	21,976	(21,976)	—
Additions	2,423		2,423
Charge for the year	—	(202)	(202)
<b>As at 31 March 2002</b>	24,399	(22,178)	2,221
Charge for the year	—	(485)	(485)
Reassessment of acquisition consideration (note 12)	—	(191)	(191)
<b>As at 31 March 2003</b>	<u>24,399</u>	<u>(22,854)</u>	<u>1,545</u>

As at 31 March 2003 the undertakings in which the Company held 20% or more of the share capital were:

<i>Name of undertaking</i>	<i>Country of incorporation</i>	<i>Class of shares held</i>	<i>Proportion held</i>	<i>Nature of business</i>
IBNet (UK) Limited	England and Wales	Ordinary	100%	Dormant
Webgravity Limited	England and Wales	Ordinary	100%	Dormant

The aggregate capital and reserves were as follows:

<i>Surplus/(Deficit)</i>	<i>As at</i> <i>31 March</i> <i>2002</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2003</i> <i>£'000</i>
IBNet (UK) Limited	(564)	(564)
Webgravity Limited	(73)	(73)

IBNet (UK) Limited and Webgravity Limited were dormant for the period to 31 March 2003.

## 8. TANGIBLE FIXED ASSETS

	<i>Fixture and Fittings £000's</i>	<i>Computer Equipment And Software £000's</i>	<i>Total £000's</i>
<b>Cost</b>			
At 1 July 2001	145	438	583
Additions	10	172	182
Disposals	(37)	—	(37)
	<hr/>	<hr/>	<hr/>
At 1 April 2002	118	610	728
Additions	1	104	105
Disposals/impairment	(2)	(448)	(450)
	<hr/>	<hr/>	<hr/>
At 31 March 2003	117	266	383
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 July 2001	36	98	134
Provided in Period	25	124	149
Eliminated on Disposal	(11)	—	(11)
	<hr/>	<hr/>	<hr/>
At 1 April 2002	50	222	272
Provided in year	30	196	226
Eliminated on Disposal	(1)	(232)	(233)
	<hr/>	<hr/>	<hr/>
At 31 March 2003	79	186	265
	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>			
At 30 June 2001	109	340	449
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2002	68	388	456
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2003	38	80	118
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The figures stated above include assets held under hire purchase contracts as follows:

	<i>Fixtures and fittings</i>	<i>Computer equipment</i>	<i>Total</i>
<b>Net book value</b>			
At 30 June 2001	—	—	—
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2002	—	13	13
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2003	—	16	16
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation provided in period	—	9	9
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 9. CURRENT ASSET INVESTMENT

	<i>As at 30 June 2001 £'000</i>	<i>As at 31 March 2002 £'000</i>	<i>As at 31 March 2003 £'000</i>
Cost of Investments in Listed Companies	—	—	344
Less Impairment	—	—	(237)
	<hr/>	<hr/>	<hr/>
Net Book Value of Investment	—	—	107
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Short term deposit	—	450	—
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

On 30 October 2002 IBNet issued 8,000,000 new ordinary shares in exchange for 344,000 ordinary shares and 68,800 warrants of New Opportunities Investment Trust PLC ('NOIT). This investment has been valued at market value at period-end.

The funds on deposit that were previously held as security to meet loan note obligations, have been released and were partly made available for working capital purposes. The amount made available for working capital was £197,500 with £252,500 paid out to redeem loan notes.

## 10. DEBTORS

	<i>As at 30 June 2001 £'000</i>	<i>As at 31 March 2002 £'000</i>	<i>As at 31 March 2003 £'000</i>
Trade debtors	110	583	250
Other debtors	52	8	4
Prepayments and accrued income	91	32	14
	<u>253</u>	<u>623</u>	<u>268</u>

## 11. CREDITORS

	<i>As at 30 June 2001 £'000</i>	<i>As at 31 March 2002 £'000</i>	<i>As at 31 March 2003 £'000</i>
<i>Amounts falling due within one year</i>			
Trade creditors	213	314	288
Social security and other taxes	61	211	182
Accruals and deferred income	152	479	268
Amounts due under hire purchase contracts	—	7	8
	<u>426</u>	<u>1,011</u>	<u>746</u>
<i>Amounts falling due after more than one year</i>			
Loan notes on issue	—	450	198
Loan notes due for issue	—	127	531
Amounts due under hire purchase contracts	—	6	7
	<u>—</u>	<u>583</u>	<u>736</u>

All amounts fall due after one and within two years.

The loan notes represent part of the consideration for the acquisition of Webgravity Limited. The loan notes due for issue are repayable at the request of the stockholder and entirely by 31 December 2005. The loan notes attract interest at 3.5% above base rate. There is a fixed and floating charge over the assets of the company for the outstanding loan notes and for the bank overdraft with HSBC.

## 12. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Other Provisions £'000</i>
At 1 July 2001	—
Provided during period	900
Reduction in Provision via loan notes due for Issue	(127)
At 1 April 2002	773
Adjustment to consideration payable	(192)
Utilised during the year	(404)
At 31 March 2003	<u>177</u>

The provision represents the balance of the £709,000 loan notes to be raised as part of the consideration for the acquisition of Webgravity Limited (previously determined at £900,000).

The provision of £177,000 is contingent on the results of the business during the earn-out period up to and including August 2003.

### 13. SHARE CAPITAL

	<i>As at 30 June 2001 £'000</i>	<i>As at 31 March 2002 £'000</i>	<i>As at 31 March 2003 £'000</i>
<i>Authorised capital</i>			
76,000,000 ordinary shares of 25p each	19,000	—	—
581,152,000 ordinary shares of 1p each	—	5,812	5,812
54,952,000 deferred non equity shares of 24p each	—	13,188	13,188
	<u>19,000</u>	<u>19,000</u>	<u>19,000</u>
	<u><u>19,000</u></u>	<u><u>19,000</u></u>	<u><u>19,000</u></u>
	<i>As at 30 June 2001 £'000</i>	<i>As at 31 March 2002 £'000</i>	<i>As at 31 March 2003 £'000</i>
<i>Allotted, called up and fully paid capital</i>			
54,952,000 ordinary shares of 25p each	13,738	—	—
84,952,000 ordinary shares of 1p each	—	750	879
54,952,000 deferred non equity shares of 24p each	—	13,188	13,188
	<u>13,738</u>	<u>13,938</u>	<u>14,067</u>
	<u><u>13,738</u></u>	<u><u>13,938</u></u>	<u><u>14,067</u></u>

#### Reclassification of share capital

In the nine months to 31 March 2002 the Company undertook a capital reorganisation in order to acquire the entire share capital of Webgravity Limited. The allotted share capital of 54,952,000 ordinary shares of 25p each was divided into 54,952,000 ordinary shares of 1p each and 54,952,000 deferred shares of 24p each. The remaining share capital of 21,048,000 ordinary shares of 25p each was divided into 526,200,000 ordinary shares of 1p each.

#### Allotments during the year

In the nine months to 31 March 2002, the Company made an allotment of 20,000,000 new ordinary shares of 1p each at 5p per share (representing the fair value of each share at the date of issue) as part of the consideration for the acquisition of Webgravity Limited. The difference between the total consideration of £1,000,000 and the total nominal value of £200,000 was credited to the share premium account (£800,000)

In the year to 31 March 2003 the Company made an allotment of 8,000,000 new ordinary shares of 1p each at 4.3p per share (representing the fair value of each share at the date of issue) in consideration for the acquisition of a listed investment (see note 9) and an additional allotment of 5,000,000 shares at 2.5p share (representing the fair value of each share at the date of issue) for the provision of additional working capital. The difference between the total consideration of £469,000 and the total nominal value of £130,000 has been credited to the share premium account (£339,000).

#### Rights of shares

The deferred shareholders are not entitled to dividends and are not entitled to vote. Deferred shareholders are entitled to a repayment of capital on a winding up of the Company after ordinary shareholders have been repaid capital paid up and have received a further £100,000 per ordinary share.

The market price of the ordinary shares at 31 March 2003 was 2p and the range during the period was 1.75p to 29.5p.

## Directors' Interests

The beneficial interests of the directors holding office at 31 March 2003 and 31 March 2002 in the shares of the Company are set out below:

	<i>Deferred shares 30 June 2001</i>	<i>Ordinary shares 30 June 2001</i>	<i>%</i>	<i>Deferred shares 31 March 2002</i>	<i>Ordinary shares 31 March 2002</i>	<i>%</i>	<i>Deferred shares 31 March 2003</i>	<i>Ordinary shares 31 March 2003</i>	<i>%</i>
T. Smallpeice	—	—	—	—	11,000,000	14.7	—	11,000,000	12.5%
R. Saul	—	—	—	—	9,000,000	12.0	—	8,000,000	9.1%
D. Heynes	—	6,511,456	11.8	6,511,456	6,511,456	8.7	6,511,456	5,511,456	6.3%
M. Bull	—	6,511,456	11.8	6,511,456	6,511,456	8.7	6,511,456	5,511,456	6.3%
D. Lees	—	6,511,456	11.8	6,511,456	6,511,456	8.7	6,511,456	5,511,456	6.3%
D. Lawrence	—	4,122,473	7.5	—	—	—	—	—	—
P. Mewett	—	6,759,593	12.3	—	—	—	—	—	—
R. Nayler	—	7,032,320	12.8	—	—	—	—	—	—

## Executive share option schemes

	<i>Price (pence)</i>	<i>Exercise Date</i>	<i>Held 1 July 2001</i>	<i>Granted during period</i>	<i>Expired, lapsed, cancelled</i>	<i>Held 31 March 2002</i>	<i>Granted during period</i>	<i>Expired, lapsed, cancelled</i>	<i>Held 31 March 2003</i>
M. Ommanney	55.0	March 2010	1,250,000	—	(1,250,000)	—	—	—	—
R. Nayler	55.0	March 2010	400,000	—	(400,000)	—	—	—	—
P. Mewett	55.0	March 2010	400,000	—	(400,000)	—	—	—	—
M Atkinson	84.0	October 2010	300,000	—	(300,000)	—	—	—	—
M Atkinson	34.5	April 2010	50,000	—	(50,000)	—	—	—	—

## Other Executives

Various	55.0	March 2010	1,225,000	—	—	1,225,000	—	(1,225,000)	—
Various	84.0	October 2010	80,000	—	(80,000)	—	—	(45,000)	—
Various	34.5	April 2010	265,000	—	(220,000)	45,000	480,000	(30,000)	450,000
			<u>3,970,000</u>	<u>—</u>	<u>(2,700,000)</u>	<u>1,270,000</u>	<u>480,000</u>	<u>(1,300,000)</u>	<u>450,000</u>

During the year ended 31 March 2003 480,000 options were granted under the IBNet Unapproved Share Option Scheme (2002: nil, 2001: two options were granted to acquire 350,000 ordinary shares). None of the directors had an interest in the above share option schemes during the year ended 31 March 2003.

The options may only be exercised between the third and tenth anniversaries of the date of grant by a person who remains a director or employee.

In determining performance targets, the committee takes account of market price and the circumstances of the company at the relevant times. Under the performance target imposed it is not possible to anticipate when options may be exercised.

None of the share options were exercised at 31 March 2003 (2002: nil, 2001: nil).

David Heynes was interested as set out above by reason of him being a discretionary beneficiary pursuant to a trust controlled by Speyside Holdings Limited. David Lees is interested as set out above by reason of him being a discretionary beneficiary pursuant to a trust controlled by Deep Water Holdings Limited.

Apart from the interest disclosed above, none of the directors had any other interest in the share capital of the Company or other group companies during the year.

#### 14. SHARE PREMIUM ACCOUNT AND RESERVES

	<i>Share Premium Account £'000</i>	<i>Profit and Loss Account £'000</i>	<i>Total £'000</i>
At 1 July 2001	13,619	(25,040)	(11,421)
Retained loss for the period	—	(1,843)	(1,843)
Premium on Allotment	800	—	800
Transfer of issue costs	(48)	—	(48)
	<hr/>	<hr/>	<hr/>
At 1 April 2002	14,371	(26,883)	(12,512)
Retained loss for the period	—	(1,405)	(1,405)
Premium on allotment during the period	339	—	339
Transfer of Issue costs	(6)	—	(6)
	<hr/>	<hr/>	<hr/>
At 31 March 2003	<u>14,704</u>	<u>(28,288)</u>	<u>(13,584)</u>

#### 15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>Year Ended 30 June 2001 £'000</i>	<i>Nine Months Ended 31 March 2002 £'000</i>	<i>Year ended 31 March 2003 £'000</i>
Loss for the financial period	(24,445)	(1,843)	(1,405)
Issue of shares	—	1,000	469
Issue costs written off to Share premium	—	(48)	(7)
	<hr/>	<hr/>	<hr/>
Net decrease in Shareholders' funds	(24,445)	(891)	(943)
Shareholders' funds at 1 April 2002	26,762	2,317	1,426
	<hr/>	<hr/>	<hr/>
Shareholders' funds at 31 March 2003	<u>2,317</u>	<u>1,426</u>	<u>483</u>
	<hr/>	<hr/>	<hr/>
Attributable to:			
Ordinary Shareholders	2,317	1,426	483
Deferred Shareholders	—	—	—
	<hr/>	<hr/>	<hr/>
	<u>2,317</u>	<u>1,426</u>	<u>483</u>

#### 16. CAPITAL COMMITMENTS

At 30 June 2001, 31 March 2002, and 31 March 2003 the Company had no capital commitments.

#### 17. CONTINGENT LIABILITIES

As part of the consideration for the acquisition of Webgravity Limited, the Company may have to make a maximum potential payment of £2,550,000 through the issue of loan notes. £708,719 (2002: 900,000) of this amount has been provided for in these financial statements based on the expected results of the business during the earn out period up to and including August 2003. This comprises £531,773 (2002: £127,000) loan notes due for issue, included within creditors (see Note 11) and £176,946 (2002: £773,000) of provisions (see Note 12). The directors are of the opinion that it is unlikely that the Company will be obliged to pay any of the remaining £1,841,281.

There were no other contingent liabilities in the company at 31 March 2003 or 31 March 2002.

## 18. LEASING COMMITMENTS

The following annual commitments under non-cancellable operating leases existed:

	<i>As at</i> 30 June 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Leases which related to land and buildings which expire:			
– Within one year	—	79	79
– After one year and within five years	37	37	—
	<u>37</u>	<u>116</u>	<u>79</u>

## 19. NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<i>As at</i> 30 June 2001 £'000	<i>As at</i> 31 March 2002 £'000	<i>As at</i> 31 March 2003 £'000
Operating loss	(24,630)	(1,488)	(1,528)
Depreciation	115	149	227
Fixed asset investment amortisation/impairment	21,976	202	237
Loss on sale of fixed assets	—	26	215
Exceptional item associated with purchase of subsidiary	—	(379)	—
Amortisation	—	—	485
Decrease/(increase) in debtors	539	(370)	346
Decrease/(increase) in creditors	110	578	(265)
Net cash flow from operating activities	<u>(1,890)</u>	<u>(1,282)</u>	<u>(283)</u>

## 20. ANALYSIS OF CHANGES IN NET DEBT

	<i>As at</i> 1 July 2001 £'000	<i>Cash flow</i> £'000	<i>Non Cash</i> <i>Items</i> £'000	<i>As at</i> 31 March 2002 £'000	<i>Cash flow</i> £'000	<i>Non Cash</i> <i>Items</i> £'000	<i>As at</i> 31 March 2003 £'000
Cash in hand and at bank	341	(298)	—	43	61	—	104
Cash deposit	1,700	(1,700)	—	—	—	—	—
	<u>2,041</u>	<u>(1,998)</u>	<u>—</u>	<u>43</u>	<u>61</u>	<u>0</u>	<u>104</u>
Debt	—	—	(900)	(900)	—	191	(709)
Finance leases	—	6	(19)	(13)	4	(6)	(15)
Net funds/(net debt)	<u>2,041</u>	<u>(1,992)</u>	<u>(919)</u>	<u>(870)</u>	<u>65</u>	<u>185</u>	<u>(620)</u>

### Non-Cash items

As part of the consideration for the acquisition of Webgravity Limited, the Company may have to make a maximum potential payment of £2,550,000 through the issue of loan notes. £709,000 (2002: £900,000) of this amount has been provided for in these financial statements based on the expected results of the business during the earn out period up to and including August 2003. The £709,000 (2002: £900,000) is made up as follows: £532,000 (2002: £127,000) Loan notes due for issue and £177,000 (2002: £773,000) provision for issue of loan notes in the future.

## 21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS / (NET DEBT)

	<i>Year Ended</i> <i>30 June</i> <i>2001</i> <i>£'000</i>	<i>Nine Months</i> <i>Ended</i> <i>31 March</i> <i>2002</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2003</i> <i>£'000</i>
Increase/(decrease) in cash in the period	297	(298)	61
Cash inflow from decrease in liquid resources	(2,300)	(1,700)	—
Cash inflow from debt and leasing financing	—	6	4
Change in net debt resulting from cash flows	(2,003)	(1,992)	65
Loan notes issued and due for issue	—	(900)	191
Inception of finance leases	—	(19)	(6)
Change in net debt during the period	(2,003)	(2,911)	250
Net funds as at 1 April 2002	4,044	2,041	(870)
Net debt as at 31 March 2003	(2,041)	(870)	(620)

## 22. RELATED PARTY TRANSACTIONS

During the two years and nine months ended 31 March 2003 the Company entered into transactions with the following organisations, which were related by virtue of common directors and officers:

Directors David Heynes and David Lees are directors and shareholders of D Squared Management Limited. During the year ended 31 March 2003 the Company paid £24,250 (2002: £34,750, 2001: £52,250) in respect of management consultancy services of David Heynes, and also paid for rental of premises 2003 £nil (2002: £30,000, 2001: £66,000).

MH Partners (David Lawrence) consulting £nil (2002: £999, 2001: £43,971).

In addition the Company entered into transactions with other related parties as follows:

Carte Blanche Limited (related by the fact that its director is the wife of Paul Mewett who was a director of IBNet plc during the period), for print and design services nil (2002: £1,010, 2001: £3,029)

J.P.Hare (Consultants) Limited, (company secretary during period – Julian Hare) consulting and expenses, £nil (2002: £44,925, 2001: £57,863).

An amount of £51,501 (2002: £22,325, 2001: £nil) was due to D Squared Management Limited as at 31 March 2003.

The loan notes referred to in notes 11 and 12 are due to Toby Smallpiece and Richard Saul.

## 23. PENSIONS

The Company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees, in a fund independent from those of the Company. The pension costs charged for the period are disclosed in note 3.

## 24. FINANCIAL INSTRUMENTS

The Company uses financial instruments comprising cash and short-term borrowings that arise from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations.

Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosure.

### Currency risk

The Company operates within the UK and Europe and all transactions are denominated in sterling or euros. As such the Company is exposed to transaction foreign exchange risk. The mix of currencies and terms of trade is such that the directors believe that the Company's exposure is minimal and consequently they do not specifically seek to hedge that exposure.

**Fair values**

The fair values of the Company's instruments are considered equal to the book value.

**Liquidity risk**

Liquidity risk is the risk that the Company will have insufficient funds to meet its liabilities as they fall due. The Company has a bank overdraft facility of £50,000 with its bankers. The directors monitor cash flow on a daily basis and at monthly board meetings in the context of their expectations for the business to ensure sufficient liquidity is available to meet foreseeable needs.

**Interest rate risk**

The directors do not consider that the business is exposed to material interest rate risk. The Company finances its operations through a mixture of cash reserves, finance leases and loan notes. The Company has not used significant interest bearing short term borrowings other than loan notes which carry a variable rate of interest at 3.5% over the base rate.

## PART III

### ACCOUNTANTS' REPORT ON THE DEAL GROUP

The following is the full text of a report on The Deal Group Limited from Grant Thornton, reporting accountants, to the Directors and Proposed Directors of IBNet plc and KBC Peel Hunt Ltd.



Chartered Accountants  
UK Member of  
Grant Thornton International

The Directors and Proposed Directors

IBNet plc  
Hogarth Centre  
Hogarth Lane  
Chiswick  
London  
W4 2QN

and

The Directors  
KBC Peel Hunt Ltd  
111 Old Broad Street  
London  
EC2N 1PH

24 September 2003

**The Deal Group Limited (the company) and its subsidiary undertakings (together the Group)**

#### 1 INTRODUCTION

1.1 We report on the financial information set out in paragraphs 4 to 7. This financial information has been prepared for inclusion in the admission document issued by IBNet plc on 24 September 2003 of IBNet plc relating to the acquisition of The Deal Group Limited ("the Admission Document").

#### BASIS OF PREPARATION

1.2 The financial information set out in paragraphs 4 to 7 below is based on the audited consolidated financial statements of The Deal Group Limited for the three years ended 31 May 2003 to which no adjustments were considered necessary.

1.3 Such financial statements are the responsibility of the directors of The Deal Group Limited who approved their issue.

1.4 The directors and proposed directors of IBNet plc are responsible for the contents of the Admission Document in which this report is included.

1.5 It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

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above address and at  
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Euston Square London NW1 2EP

## **BASIS OF OPINION**

- 1.6 We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.
- 1.7 We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

## **OPINION**

- 1.8 In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the results and cash flows of the company for the years ended 31 May 2003 and the state of affairs of the company at the end of each of those years.

## **CONSENT**

- 1.9 We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## **2 STATUTORY INFORMATION**

- 2.1 The company was incorporated on 6 April 1999 as Finance-Direct.com plc, a private limited company limited by shares with Registered Number 3749540.
- 2.2 The group changed its name to The Deal (UK) plc on 17 June 1999 and subsequently to The Deal Group Limited on 4 April 2000 and re-registered as a private company on 12 September 2003.
- 2.3 Since incorporation the group's principal activities have shifted from on-line mortgage brokerage to on-line advertising solutions.
- 2.4 The following companies form The Deal Group:
- Metatank Limited (wholly owned subsidiary); incorporated 30 March 2001
  - Deal Group Media Limited (wholly owned subsidiary); incorporated 9 March 2001
  - Affiliate Marketing Limited (75% owned subsidiary); incorporated 31 August 1999
  - The Deal Group (Marketing) Limited (wholly owned dormant subsidiary); incorporated 2 May 2000

The Deal (Marketing) Limited has, in turn, the following wholly owned subsidiaries:

- E-Mortgages Ltd (dormant); incorporated 20 April 1999
- thedeal.net Limited; incorporated 13 October 1999
- financedirect.com Limited (dormant); incorporated 13 October 1999

## **3 ACCOUNTING POLICIES**

### **3.1 Basis of preparation**

The financial information was prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

### **3.2 Basis of consolidation**

The group financial information consolidates that of the company and of its subsidiary undertakings. All group companies prepare accounts to the same date.

### 3.3 Turnover

Turnover is the total amount derived from the provision of goods and services falling within the group's ordinary activities after deduction of value added tax.

### 3.4 Tangible fixed assets

Tangible fixed assets are stated at cost, net of any depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Leasehold property improvements	Over the term of the lease
Fixtures, fittings and equipment	25%
Computer equipment	33.3%

### 3.5 Deferred Taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

### 3.6 Leased assets

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term on a straight line basis.

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the period of the leases.

## 4 CONSOLIDATED PROFIT AND LOSS ACCOUNTS

		<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
Turnover	7.1	724	3,499	7,393
Cost of sales		(307)	(2,126)	(4,884)
<b>Gross Profit</b>		<b>417</b>	<b>1,373</b>	<b>2,509</b>
Administrative expenses		(1,296)	(1,311)	(1,925)
<b>Operating profit/(loss)</b>	7.1	<b>(879)</b>	<b>62</b>	<b>584</b>
Interest payable and similar charges	7.2	(3)	(3)	(4)
Interest receivable	7.3	2	—	3
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>(880)</b>	<b>59</b>	<b>583</b>
Tax on profit/(loss) on ordinary activities	7.5	(1)	(15)	(98)
<b>Profit/(loss) retained and transferred to/ (from) reserves</b>		<b>(881)</b>	<b>44</b>	<b>485</b>

All transactions arose from continuing operations

There were no recognised gains or losses other than the stated profit/(loss) for the financial years under review.

## 5 CONSOLIDATED BALANCE SHEETS

	Note	<i>As at 31 May 2001 £'000</i>	<i>As at 31 May 2002 £'000</i>	<i>As at 31 May 2003 £'000</i>
<b>Fixed assets</b>				
Tangible assets	7.6	98	171	320
<b>Current assets</b>				
Debtors	7.7	341	1,455	1,989
Cash at bank and in hand		1	213	463
		<u>342</u>	<u>1,668</u>	<u>2,452</u>
<b>Creditors: amounts falling due within one year</b>	7.8	<u>(831)</u>	<u>(2,135)</u>	<u>(2,514)</u>
<b>Net current (liabilities)</b>		<u>(489)</u>	<u>(467)</u>	<u>(62)</u>
<b>Total assets less current liabilities</b>		<u>(391)</u>	<u>(296)</u>	<u>258</u>
<b>Creditors: amounts falling due after more than one year</b>	7.9	<u>—</u>	<u>—</u>	<u>(69)</u>
		<u>(391)</u>	<u>(296)</u>	<u>189</u>
<b>Capital and reserves</b>				
Called up share capital	7.10	101	102	102
Share premium account	7.11	1,791	1,840	1,840
Profit and loss account	7.11	(2,283)	(2,238)	(1,753)
<b>Equity shareholders' (deficit)/funds</b>		<u>(391)</u>	<u>(296)</u>	<u>189</u>

## 6 CONSOLIDATED CASH FLOW STATEMENTS

	<i>Note</i>	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
<b>Net cash inflow/(outflow) from operating activities</b>	7.13	(470)	339	425
<b>Returns on investments and servicing of finance</b>				
Interest received		2	—	3
Interest paid		(1)	(1)	(1)
Interest element of finance lease rental payments		(2)	(2)	(3)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(1)	(3)	(1)
<b>Taxation</b>		—	(1)	(15)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(30)	(164)	(180)
Sale of tangible fixed assets		4	21	—
<b>Net cash outflow from capital expenditure and financial investment</b>		(26)	(143)	(180)
<b>Net cash inflow/(outflow) before financing</b>		(497)	192	229
<b>Financing</b>				
Issue of ordinary share capital		460	50	—
Capital element of finance lease rental payments		(2)	(15)	(5)
<b>Net cash inflow/(outflow) from financing</b>		458	35	(5)
<b>(Decrease)/increase in cash in the year</b>	7.15	(39)	227	224

## 7 NOTES TO THE FINANCIAL INFORMATION

### 7.1 Turnover and profit/loss on ordinary activities before taxation

#### Turnover

All turnover is derived from the European Union and is from the company's principal activities.

#### Profit/loss on ordinary activities before taxation

The profit/loss on ordinary activities before taxation is stated after:

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
Auditors' remuneration			
Audit services	13	15	22
Non-audit services	5	3	3
Depreciation and amortisation			
Owned assets	41	65	95
Leased assets	4	4	14
Rentals under operating leases			
Other operating leases	99	64	72
	<u>          </u>	<u>          </u>	<u>          </u>

### 7.2 Interest payable and similar charges

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
Finance charges payable-HP agreements	2	2	3
Other interest	1	1	1
	<u>          </u>	<u>          </u>	<u>          </u>
	3	3	4
	<u>          </u>	<u>          </u>	<u>          </u>

### 7.3 Interest receivable

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
Bank interest receivable	2	—	3
	<u>          </u>	<u>          </u>	<u>          </u>

### 7.4 Directors and employees

Staff costs during the year were as follows:

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
Wages and salaries	601	743	1,152
Social security costs	62	77	122
	<u>          </u>	<u>          </u>	<u>          </u>
	663	820	1,274
	<u>          </u>	<u>          </u>	<u>          </u>

Average number of employees (including directors) during the year was:

	<i>Year ended 31 May 2001 Number</i>	<i>Year ended 31 May 2002 Number</i>	<i>Year ended 31 May 2003 Number</i>
Management	5	3	3
Technical	2	6	6
Sales and marketing	9	10	14
Administrative staff	5	4	6
	<u>21</u>	<u>23</u>	<u>29</u>

Remuneration in respect of directors was as follows:

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
Fees	6	6	21
Management remuneration	71	186	296
	<u>77</u>	<u>192</u>	<u>317</u>

## 7.5 Taxation

The tax charge represents:

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
UK corporation tax charge based on loss for the year	—	15	98
Adjustment in respect of prior year	1	—	—
	<u>1</u>	<u>15</u>	<u>98</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
Profit/(loss) on ordinary activities before tax	<u>(879)</u>	<u>60</u>	<u>583</u>
Tax at 30% thereon	(264)	18	175
Expenses not deductible for tax purposes	2	9	15
Capital allowances in excess of depreciation	28	(3)	(28)
Utilisation of tax losses	232	(1)	(69)
Movement in short term timing differences	2	—	—
Rate differences on current tax	—	(8)	(4)
Effect of overseas subsidiary losses	—	—	—
Prior period adjustment	1	—	9
Tax charge for the year	<u>1</u>	<u>15</u>	<u>98</u>

Adoption of Financial Reporting Standard (FRS) 19, Deferred Tax, has required a change in the method of accounting for deferred tax. There has been no material impact on the current year or prior year results of adopting FRS 19.

A deferred tax asset has not been recognised in respect of timing differences relating to revenue losses and decelerated capital allowances. The amount of the asset not recognised is £340,027 (2002:

£668,538 – 2001: £672,597). The asset would be recovered if sufficient taxable profits were made in future periods.

## 7.6 Tangible Fixed Assets

	<i>Short leasehold property improvements £'000</i>	<i>Fixtures, fittings and equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>				
At 1 June 2000	8	112	20	140
Additions	—	30	—	30
Disposals	(3)	(13)	—	(16)
At 1 June 2001	5	129	20	154
Additions	31	133	—	164
Disposals	(5)	(8)	(20)	(33)
At 1 June 2002	31	254	—	285
Additions	—	160	102	262
Disposals	(5)	(1)	—	(6)
At 31 May 2003	<u>26</u>	<u>414</u>	<u>102</u>	<u>541</u>
<b>Depreciation</b>				
At 1 June 2000	1	16	1	18
Provided in the year	3	38	4	45
Disposals	(3)	(4)	—	(7)
At 1 June 2001	1	50	5	56
Provided in the year	2	63	4	69
Disposals	—	(2)	(9)	(11)
At 1 June 2002	3	111	—	114
Provided in the year	5	90	14	109
Disposals	(2)	—	—	(2)
At 31 May 2003	<u>6</u>	<u>201</u>	<u>14</u>	<u>221</u>
<b>Net book values</b>				
At 31 May 2001	<u>4</u>	<u>79</u>	<u>15</u>	<u>98</u>
At 31 May 2002	<u>28</u>	<u>143</u>	<u>—</u>	<u>171</u>
At 31 May 2003	<u>20</u>	<u>213</u>	<u>87</u>	<u>320</u>

The figures stated above include motor vehicles held under finance leases and similar hire purchase contracts as follows:

	<i>£'000</i>
Net book value at 31 May 2003	<u>87</u>
Depreciation provided during the year ended 31 May 2003	<u>14</u>

## 7.7 Debtors

	<i>As at 31 May 2001 £'000</i>	<i>As at 31 May 2002 £'000</i>	<i>As at 31 May 2003 £'000</i>
<b>Amounts due within one year</b>			
Trade debtors	192	738	1,732
Other debtors	12	63	65
Prepayments and accrued income	137	654	192
	<u>341</u>	<u>1,455</u>	<u>1,989</u>

## 7.8 Creditors – amounts falling due in less than one year

	<i>As at 31 May 2001 £'000</i>	<i>As at 31 May 2002 £'000</i>	<i>As at 31 May 2003 £'000</i>
Bank overdraft	16	—	26
Obligations under finance leases and hire purchase contracts	15	—	8
Trade creditors	113	1,012	1,036
Other taxation and social security	67	224	362
Other creditors	462	588	604
Accruals and deferred income	157	296	380
Corporation tax	1	15	98
	<u>831</u>	<u>2,135</u>	<u>2,514</u>

## 7.9 Creditors – amounts falling due after more than one year

	<i>As at 31 May 2001 £'000</i>	<i>As at 31 May 2002 £'000</i>	<i>As at 31 May 2003 £'000</i>
Obligations under finance leases and hire purchase contracts	—	—	69

## 7.10 Share capital

	<i>As at 31 May 2001 £'000</i>	<i>As at 31 May 2002 £'000</i>	<i>As at 31 May 2003 £'000</i>
<b>Authorised</b>			
400,000 Ordinary shares of 50p each	200	200	200
<b>Allotted, called up and fully paid</b>			
2001: 202,013 Ordinary shares of 50p each	101	—	—
2002 and 2003: 204,268 Ordinary shares of 50p each	—	102	102

Share Options:

As at 31 May 2003 options had been granted to employees and directors over 15,260 ordinary shares of 50p each. The options are exercisable as follows:

<i>Date of grant</i>	<i>Earliest date of exercise</i>	<i>Latest date of exercise</i>	<i>Exercise price</i>	<i>Number</i>
Aug 2001	Aug 2003	Aug 2011	£11.14	5,946
Jan 2002	Jan 2004	Jan 2012	£11.14	1,683
Aug 2001	Aug 2004	Aug 2011	£11.14	5,947
Jan 2002	Jan 2005	Jan 2012	£11.14	1,684
				<u>15,260</u>

## 7.11 Reserves

	<i>Share premium account £'000</i>	<i>Profit and loss account £'000</i>
At 1 June 2000	1,354	(1,403)
Arising on issue of shares	437	—
Loss for the year	—	(880)
At 31 May 2001	1,791	(2,283)
Arising on issue of shares	49	—
Profit for the year	—	45
At 31 May 2002	1,840	(2,238)
Arising on issue of shares	—	—
Profit for the year	—	485
At 31 May 2003	1,840	(1,753)

## 7.12 Reconciliation of movement in shareholders' funds

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
Loss for the financial year	(880)	45	485
Issue of shares	460	50	—
Net addition to shareholders' funds	(420)	95	485
Opening shareholders' funds	29	(391)	(296)
Closing shareholders' funds	(391)	(296)	189

## 7.13 Reconciliation of operating profit/ (loss) to net cash flows from operating activities

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
Operating (loss)/profit	(879)	63	584
Depreciation	45	69	109
Increase in debtors	(209)	(1,114)	(534)
Increase in creditors	568	1,321	262
Loss on disposal of tangible fixed assets	5	—	4
Net cash (outflow)/inflow from operating activities	(470)	339	425

## 7.14 Reconciliation of net cash flow to movement in net debt

	<i>Year ended 31 May 2001 £'000</i>	<i>Year ended 31 May 2002 £'000</i>	<i>Year ended 31 May 2003 £'000</i>
<b>(Decrease)/Increase in cash in the year</b>	(38)	227	224
Cash outflow from decrease in debt and lease financing	2	15	5
Change in net debt resulting from cash flows	(36)	242	229
Inception of finance leases	—	—	(83)
<b>Movement in net (debt)/funds in the year</b>	(36)	242	146
<b>Net (debt)/funds at start of year</b>	7	(29)	213
<b>Net (debt)/funds at end of year</b>	(29)	213	359

## 7.15 Analysis of changes in net debt

	<i>At 1 June 2000 £'000</i>	<i>Cashflow £'000</i>	<i>Non cash items £'000</i>	<i>At 31 May 2001 £'000</i>
Cash in hand and at bank	23	(22)	—	1
Bank overdrafts	—	(16)	—	(16)
	<u>23</u>	<u>(38)</u>	<u>—</u>	<u>(15)</u>
Finance leases	(16)	2	—	(14)
	<u>7</u>	<u>(36)</u>	<u>—</u>	<u>(29)</u>

	<i>At 1 June 2001 £'000</i>	<i>Cashflow £'000</i>	<i>Non cash items £'000</i>	<i>At 31 May 2002 £'000</i>
Cash in hand and at bank	1	212	—	213
Bank overdrafts	(16)	16	—	—
	<u>(15)</u>	<u>228</u>	<u>—</u>	<u>213</u>
Finance leases	(14)	14	—	—
	<u>(29)</u>	<u>242</u>	<u>—</u>	<u>213</u>

	<i>At 1 June 2002 £'000</i>	<i>Cashflow £'000</i>	<i>Non cash items £'000</i>	<i>At 31 May 2003 £'000</i>
Cash in hand and at bank	213	250	—	463
Bank overdrafts	—	(26)	—	(26)
	<u>213</u>	<u>224</u>	<u>—</u>	<u>437</u>
Finance leases	—	5	(83)	(78)
	<u>213</u>	<u>229</u>	<u>(83)</u>	<u>359</u>

## 7.16 Operating lease commitments

At 31 May the Group had annual commitments under non-cancellable operating leases as set out below:

	<i>As at 31 May 2001 £'000</i>	<i>As at 31 May 2002 £'000</i>	<i>As at 31 May 2003 £'000</i>
<b>Land and buildings</b>			
Within one year	—	—	—
Within two to five years	22	64	64
	<u>22</u>	<u>64</u>	<u>64</u>
<b>Other</b>			
Within one year	30	31	21
Within two to five years	20	20	3
	<u>50</u>	<u>51</u>	<u>24</u>

## 7.17 Contingent liabilities and capital commitments

There were no capital commitments as at 31 May 2001, 31 May 2002 or 31 May 2003.

There were no contingent liabilities as at 31 May 2001, 31 May 2002 or 31 May 2003.

### **7.18 Related party transactions**

Included within creditors is an amount due to Adrian Moss of £nil (2002: £2,114 – 2001: £44,342).

Adam Black, a shareholder, provides consultancy services to the company on an arm's length basis. During the year ended 31 May 2003 the value of these services was £66,000 (2002: £35,950 – 2001: £50,850).

Keith Lassman, non-executive director and shareholder, is a partner in Howard Kennedy, who provided legal services to the company during the year ended 31 May 2003 to the value of £nil (2002: £27,403 – 2001: £6,264).

Included in other creditors as at 31 May 2002 is an amount due to Fox Tucker, a former director of Affiliate Marketing Limited, of £239,704 (2001: £309,045). The loan bore no interest and was repaid during the year ended 31 May 2003.

### **7.19 Barter transactions**

During the year ended 31 May 2001, the company undertook barter transactions with one of its key customers, Tiscali, amounting to £458,250 (2001:£50,000).

### **7.20 Post balance sheet events**

On 11 September 2003 the company acquired the minority shareholdings in Affiliate Marketing Limited, rendering it a wholly owned subsidiary.

Yours faithfully

GRANT THORNTON

## PART IV

### PRO FORMA STATEMENT OF NET ASSETS FOR THE ENLARGED GROUP

The unaudited pro forma statement of net assets of the Enlarged Group has been prepared for illustrative purposes only to show the effect of the Acquisition, Placing and Capital Reorganisation (as described in Part I of this document) as though they had taken place on 31 March 2003. This pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the Company. It has been compiled on the basis described below from the balance sheet of the Company as extracted from the audited balance sheet of IBNet plc as at 31 March 2003 as set out in the financial information on the Company set out in Part II of this document.

	<i>IBNet plc</i>		<i>Adjustments</i>				<i>Note 4</i>		<i>Pro forma net assets</i>		
	<i>31 March 2003</i>		<i>Note 1</i>		<i>Note 2</i>		<i>Note 3</i>		<i>Note 4</i>		
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Fixed Assets</b>											
Goodwill		—		—		6,255		—			6,255
Investments		1,545		—		—		—		—	1,545
Tangible Fixed Assets		118		320		—		—		—	438
		<u>1,663</u>		<u>320</u>		<u>6,255</u>		<u>—</u>		<u>—</u>	<u>8,238</u>
<b>Current Assets</b>											
Investments		107		—		—		—		—	107
Debtors		268		1,989		—		—		—	2,257
Cash at bank and in hand		104		463		—		1,200		—	1,767
		<u>479</u>		<u>2,452</u>		<u>—</u>		<u>1,200</u>		<u>—</u>	<u>4,131</u>
<b>Current Liabilities</b>											
Amounts falling due within one year		(746)		(2,514)		—		—		—	(3,260)
<b>Net current assets/ (liabilities)</b>		<u>(267)</u>		<u>(62)</u>		<u>—</u>		<u>1,200</u>		<u>—</u>	<u>871</u>
<b>Total assets less current liabilities</b>		<u>1,396</u>		<u>258</u>		<u>6,255</u>		<u>1,200</u>		<u>—</u>	<u>9,109</u>
Amounts falling due after one year		(736)		(69)		—		—		—	(805)
Charges		(177)		—		—		—		—	(177)
<b>Net Assets</b>		<u><u>483</u></u>		<u><u>189</u></u>		<u><u>6,255</u></u>		<u><u>1,200</u></u>		<u><u>—</u></u>	<u><u>8,127</u></u>
<b>Represented by:</b>											
Ordinary share capital		879		102		1,950		513		—	3,444
Deferred share capital		13,188		—		—		—		(13,188)	—
Share premium account		14,704		1,840		2,552		687		(19,783)	—
Profit and loss account		(28,288)		(1,753)		1,753		—		28,288	—
Other reserve		—		—		—		—		4,683	4,683
<b>Equity shareholders' funds</b>		<u><u>483</u></u>		<u><u>189</u></u>		<u><u>6,255</u></u>		<u><u>1,200</u></u>		<u><u>—</u></u>	<u><u>8,127</u></u>

#### Notes

- The statement of net assets for The Deal Group Limited is extracted from the audited consolidated balance sheet of The Deal Group Limited as at 31 May 2003 as set out in the Accountants' Report in Part III of this document.
- Goodwill is calculated based on the value of proposed share consideration of £6.44 million, being 205,221,333 shares at the placing price of 3.41p less the carrying value of the net assets of The Deal Group Limited.
- The placing proceeds are based on £1.75 million of funds being raised at a placing price of 3.41p per share less expenses of £550,000.
- The capital reduction is to be effected as set out in Part I of this document. Deferred shares are to be redeemed, creating a capital redemption reserve of £13,188,000. The Company intends to apply to the Court to cancel its capital redemption reserve and share premium account.
- The pro forma statement of net assets of the Enlarged Group does not take into account the effect of changes in trading or working capital of the Company since 31 March 2003 or The Deal Group Limited since 31 May 2003.

Chartered Accountants  
UK Member of  
Grant Thornton International

The Directors  
and Proposed Directors  
IBNet plc  
Hogarth Centre  
Hogarth Lane  
Chiswick  
LONDON  
W4 2QN

and

The Directors  
KBC Peel Hunt Ltd  
111 Old Broad Street  
LONDON  
EC2N 1PH

24 September 2003

Dear Sirs

### **PRO FORMA FINANCIAL INFORMATION**

We report on the pro forma financial information set out in Part IV of the Admission Document dated 24 September 2003, which has been prepared, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented.

### **RESPONSIBILITIES**

It is the responsibility solely of the directors and proposed directors of IBNet plc to prepare the pro forma financial information.

It is our responsibility to form an opinion, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom the reports were addressed by us at the dates of their issue.

### **BASIS OF OPINION**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors and proposed directors of IBNet plc.

### **OPINION**

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of IBNet plc; and
- the adjustments are appropriate for the purposes of the pro forma financial information.

Yours faithfully

**GRANT THORNTON**

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**PART V**  
**ADDITIONAL INFORMATION**

**1. Responsibility**

The Directors and Proposed Directors, whose names appear on page 3, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information. In connection with this document no person is authorised to give any information or make any representation other than is contained in this document.

The business address of each of the Directors and Proposed Directors is Hogarth Centre, Hogarth Lane, Chiswick, London W4 2QN. Their respective functions are shown on page 3 of this document.

**2. The Company**

- 2.1 The Company was incorporated and registered in England and Wales under the Act on 11 January 2000 as a private company limited by shares with the name Foray 1275 Limited and registered number 3904195.
- 2.2 On 2 March 2000 the Company changed its name to IBNet Limited.
- 2.3 On 2 March 2000 the Company was re-registered as a public limited company under the Act 1985 and changed its name to "IBNet plc".
- 2.4 The Company's registered office is situated at Hogarth Centre, Hogarth Lane, Chiswick, London, W4 2QN. It is proposed that on Admission the Company's registered office be changed to 19 Cavendish Square, London, W1A 2AW.
- 2.5 The Company is the immediate holding company of IBNet (UK) Limited and Webgravity Limited.
- 2.6 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.7 The liability of the members of the Company is limited.

**3. Share capital**

- 3.1 As at the date of this document and following Admission and completion of the Deferred Share Buy Back the Company's authorised and issued share capital is and will be as follows:

***At present***

	<i>Nominal Value</i>	<i>No. of Ordinary Shares</i>	<i>No. of Deferred Shares</i>
Authorised	£19,000,000	581,152,000	54,952,000
Issued and fully paid	£879,520	87,952,000	54,952,000

All of the Company's issued share capital is issued fully paid.

***Following Admission and completion of the Deferred Share Buy Back***

	<i>Nominal Value</i>	<i>No. of Ordinary Shares</i>	<i>No. of Deferred Shares</i>
Authorised	£22,000,000	881,152,000	54,952,000
Issued and fully paid	£3,503,581	350,358,086	—

- 3.2 The notice of EGM set out at the end of this document includes a resolution that the Directors be generally and unconditionally authorised in accordance with section 80 of the Act to allot relevant securities (as defined in section 80(2) of the Act up to an aggregate nominal amount of £5,777,283 such authority to expire on the conclusion of the annual general meeting of the Company to be held next year. This authority will, if the resolution is passed, supersede the previous authority to allot relevant securities up to an aggregate nominal amount of £249,540 which is otherwise due to expire on 7 January 2007.

- 3.3 In certain circumstances, the Company's Shareholders may have statutory pre-emption rights under the Act in respect of the allotment for cash of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing Shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's Shareholders.

The notice of EGM set out at the end of this document includes a resolution to disapply the statutory rights of pre-emption in respect of up to in aggregate 367,513,510 new Ordinary Shares, which will, if passed, supersede the previous disapplication of such rights which is otherwise due to expire on 7 January 2007.

- 3.4 Save as disclosed in paragraphs 3.5, 5 (Directors' Interests) and 6 (Share Option Schemes), no share of the Company or any subsidiary of the Company is under option or has been agreed conditionally or unconditionally to be put under option.
- 3.5 In connection with the Acquisition, the Company has made a replacement option offer to those persons holding outstanding options over The Deal Group shares which were granted to them by reason of their employment by The Deal Group. Pursuant to the replacement option offer, such persons will be entitled to receive an option over Ordinary Shares ("Replacement Option") in consideration of their undertaking not to exercise their option prior to Admission and of their allowing their option over The Deal Group shares to lapse. The terms of the offer is that for each Deal Group share under option with an option price of £11.14 per share, an option holder will receive a Replacement Option over 893.513701 Ordinary Shares at an option price of 1.2468 pence. If the replacement option offer is accepted in full in respect of all outstanding options over Deal Group shares, the number of Ordinary Shares placed under option pursuant to Replacement Options will be 15,038,942. A summary of the proposed principal terms of the Replacement Options is set out in paragraph 6.2 below. It is anticipated that the Replacement Options (if any) be granted within 28 days of Admission.
- 3.6 If the holders of outstanding options over shares in The Deal Group choose not to accept the Replacement Option offer (as summarised in paragraph 3.5 above), they will be entitled to exercise their options prior to, but conditional on, Admission. In accordance with the terms of those options, it is a condition of any such exercise that the optionholders sell their shares in The Deal Group arising on such exercise to the Company in accordance with the terms of the Acquisition. Should all such optionholders choose to exercise their options in full, rather than accept the Replacement Option offer, this will result in a maximum of 15,038,842 new Ordinary Shares being issued in consideration of the acquisition by the Company of The Deal Group shares arising on the exercise of those options. Consequently, in the circumstances where all existing options over shares in The Deal Group are exercised, the Company will not be obliged to grant any Replacement Options.

#### **4. Memorandum and Articles of Association**

##### **4.1 Memorandum of Association**

The Company's principal objects are set out in paragraph 4 of its Memorandum of Association and include the carrying on of the business of a holding company.

##### **4.2 Articles of Association**

The Articles of Association of the Company (which were adopted by special resolution on 7 January 2002) contain provisions, *inter alia*, to the following effect:-

###### *(a) Voting Rights*

Subject to any restrictions imposed by or pursuant to the Articles and to any special rights, restrictions or prohibitions as regards voting for the time being attached to any special class of shares in the capital of the Company, on a show of hands every member who is personally present or (being a corporation) is present by a duly appointed representative shall have one vote only, and in the case of a poll every member present in person or by proxy shall have one vote for every share held by him. A proxy need not be a member of the Company. Subject to the Articles, the instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may accept and shall be left at the registered office or at such other place not less than 48 hours before the time appointed for the holding of the meeting.

No holder of a share shall, unless the directors otherwise determine, be entitled (save as proxy for another member) to be present or vote at a general meeting either personally or by proxy if:-

- (i) any call or such other such sum as is presently payable by him to the Company in respect of that share remains unpaid; or
- (ii) he or any other person who appears to be interested in that share has been duly served, pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares, with a notice requiring the provision to the Company of information regarding that share, and is in default in complying with such notice; or
- (iii) he has been duly served with a notice pursuant to the Articles requiring the disclosure of the identity of the beneficial owner of that share and such other information specified in the Articles as may be required by that notice, and is in default in complying with such notice.

Any such notice must (*inter alia*) specify a period for compliance with its requirements which must not be less than 14 days from the date of service of the notice.

(b) *Dividends*

The Company may by ordinary resolution declare dividends but no dividend shall be payable except out of the profits of the Company available for distribution in accordance with the provisions of the Act, or in excess of the amount recommended by the directors. The directors may pay interim dividends of such amounts and on such dates as they think fit.

Subject to any rights or privileges for the time being attached to any shares having preferential or special rights in regard to dividend, the profits of the Company which it shall from time to time be determined to distribute by way of dividend shall be applied in payment of dividends upon the shares in proportion to the amounts paid up thereon respectively otherwise than in advance of calls. If any share is issued upon terms providing that it shall rank for dividend as from or after a particular date, or be entitled to dividends declared after a particular date, such share shall rank for or be entitled to dividend accordingly. Dividends may be paid in any currency.

The directors may retain any dividend payable on or in respect of a share on which the Company has a lien or (except in the circumstances specified in the Articles) if:-

- (i) a notice has been duly served in respect of that share pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares;
- (ii) the share or shares which are the subject of that notice represent in aggregate at least 0.25 per cent. of that class of share; and
- (iii) the notice has not been complied with within the period stipulated in the notice (which must not be less than 14 days from the date of service of the notice).

Any dividend remaining unclaimed after a period of 12 years from the date such dividend becomes due for payment shall be forfeited and shall revert to the Company.

(c) *Distribution of Assets on a winding up*

Subject to any special rights for the time being attached to any class of shares, on a return of assets on liquidation or otherwise the surplus assets remaining after payment of the Company's liabilities shall be distributed in proportion to the amounts paid up or deemed to be paid up on the shares of the Company then in issue.

(d) *Changes in Capital*

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any shares in the capital of the Company for the time being may, subject to the provisions of the Act, be allotted with such special rights, privileges or restrictions as the Company may by ordinary resolution (before the allotment of such shares) from time to time determine. In particular any such shares may be allotted with a preferential, deferred or qualified right to dividends or to the distribution of assets and with a special or

qualified or without any right of voting and (subject to the provisions of the Act) on the terms that they are, or at the option of the Company are to be liable, to be redeemed.

The Company may from time to time by ordinary resolution increase its capital by the creation of new shares.

The Company may from time to time by ordinary resolution:-

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; or
- (ii) cancel any shares which at the date of the passing of the relevant resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal amount of the shares so cancelled; or
- (iii) by sub-division of its existing shares, or any of them, divide its capital, or any part thereof, into shares of smaller amount.

The Company may from time to time by special resolution reduce its share capital, any capital redemption reserve and any share premium account.

The Company may from time to time purchase its own shares (including any redeemable shares) but no contract for such a purchase shall be entered into unless the purchase has previously been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of securities issued by the Company which are listed and convertible into shares which are of the same class as those proposed to be purchased.

*(e) Variation of class rights and class meetings*

Subject to the provisions of the Act whenever the share capital is divided into different classes of shares, all or any of the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be modified, varied, extended, abrogated or surrendered either in such manner (if any) as may be provided by such rights or (in the absence of any such provision) with the written consent of the holders of at least three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To every separate general meeting of the holders of a particular class of shares the provisions of the Articles relating to general meetings shall (mutatis mutandis) apply except that:-

- (i) no member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote shall be given except in respect of a share of that class;
- (ii) the necessary quorum shall be two persons at least present in person and holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question;
- (iii) if any such separate general meeting shall be adjourned by reason of there being no quorum present and at the adjourned meeting a quorum as defined above shall not be present within fifteen minutes after the time appointed for such adjourned meeting, one holder of shares of the class in question present in person or by proxy shall be a quorum;
- (iv) any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll; and
- (v) on a poll every holder of shares of the class in question who is present in person or by proxy shall have one vote for every share of that class held by him.

*(f) Transfer of Shares*

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors or by any other method which is authorised by statute and approved or adopted by the directors. Any such instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect thereof. The directors may in their absolute discretion, and without assigning any reason therefor, refuse to register or authorise the registration of any transfer of a share:-

- (i) which is not fully paid and on which the Company has a lien and provided the directors do not prevent dealings in the share from taking place on an open and proper basis if:
  - (i) a notice has been duly served in respect of that share pursuant to section 212(1) of the Act or any other statutory provision concerning the disclosure of interests in voting shares; and
  - (ii) the share or shares which are the subject of that notice represent in aggregate at least 0.25 per cent. of that class of share; and
  - (iii) the notice has not been complied with within the period stipulated in the notice (which must not be less than 14 days) and continues not to be complied with, unless the transfer in question was effected pursuant to a sale through a recognised investment exchange or other recognised market or as a result of an acceptance of a take-over offer for the Company or the directors are satisfied that it was effected pursuant to a bona fide sale to an unconnected person;

whether fully paid or not which is in favour of more than four persons jointly.

The directors may also decline to recognise a transfer of shares unless it is in respect of only one class of share and is deposited at the place where the register of members of the Company is kept for the time being (or at such other place as the directors may from time to time determine) accompanied (save in the case of a transfer by a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange, unless and to the extent that certificates must by law have been issued in respect of the shares in question) by the relevant share certificate(s) and in any case such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

*(g) Directors*

Save as provided in the Articles, a director shall not vote as a director in respect of any contract, transaction or arrangement or proposed contract, transaction or arrangement or any other proposal whatsoever in which he has any interest which (together with any interest of any person connected with him) is to his knowledge a material interest (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company), and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

A director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution relating to any of the following matters namely:-

- (i) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company; or
- (ii) the giving of any security, guarantee or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; or
- (iii) an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company for subscription or purchase in which offer he is or is to be or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; or
- (iv) any other company in which he or any person connected with him is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings or its parent company (if any) or any other subsidiary undertaking of any such parent company) of or beneficially interested in one per cent, or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such

interest being deemed for the purpose of this Article to be a material interest in all circumstances); or

- (v) an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) the purchase and/or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.

Fees may be paid out of the funds of the Company to directors who are not managing or executive directors at such rates as the directors may from time to time determine provided that such fees do not in the aggregate exceed the sum of £200,000 per annum (exclusive of value added tax, if applicable) or such other figure as the Company may by ordinary resolution from time to time determine.

Any director who devotes special attention to the business of the Company, or otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such additional remuneration as the directors or any committee authorised by the directors may determine.

The directors (including alternate directors) shall be entitled to be paid out of the funds of the Company all their travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, including their expenses of travelling to and from meetings of the directors, committee meetings or general meetings.

A director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the directors may determine, and no director or intending director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other such office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, arrangement, transaction or proposal or any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any director or any person connected with him is in any way interested (whether directly or indirectly) be liable to be avoided, nor shall any director who enters into any such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit realised from any such contract, arrangement, transaction or proposal by reason of such director holding that office or of the fiduciary relationship thereby established, but his interest shall be disclosed by him in accordance with the Act.

The remuneration and other terms and conditions of appointment of a director appointed to any executive office or employment under the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the directors, and may (without limitation) be by way of fixed salary, lump sum, commission on the dividends or profits of the Company (or of any other company in which the Company is interested) or other participation in any such profits or otherwise or by any or all or partly by one and partly by another or others of those modes.

Each director shall retire from office pursuant to section 293 of the Act at the conclusion or adjournment of the annual general meeting commencing next after he attains the age of seventy years and, subject to the provisions of section 293(5) of the Act, shall be eligible for re-appointment.

At every Annual General Meeting one-third of the directors for the time being (after excluding any director who is required to retire pursuant to any other provision of the Articles) or, if their number is not a multiple of three, then the number nearest to one third, but not exceeding one-third, shall retire from office and shall be eligible for re-election. The directors to retire on each such occasion shall include (so far as necessary to obtain the number required) any director who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors who are subject to retirement by rotation and have at the date of the meeting been longest in office since their last re-election or appointment, and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring director shall be eligible for re-election.

(h) *Borrowing Powers*

Subject to the provisions of the Articles the directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property, assets and uncalled capital or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its holding company (if any) or any subsidiary of the Company or its holding company or of any third party.

The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (which expression in the relevant Articles means and includes the Company and all its subsidiaries for the time being) and for the time being owing to persons outside the Group shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the Adjusted Capital and Reserves as defined in the Articles. The certificate of the Auditors for the time being as to the amount of the Adjusted Capital and Reserves at any time shall be conclusive and binding upon all concerned.

(i) *Uncertificated Securities*

The directors shall have the power to implement such arrangements as they may in their absolute discretion think fit in order for any class of shares to be a participating security pursuant to the Uncertificated Securities Regulations 1995. Where any class of shares is a participating security no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with:-

- (i) holdings of shares of that class in uncertificated form;
- (ii) the transfer of title to shares of that class by means of a relevant system; or
- (iii) the Uncertificated Securities Regulations 1995.

## 5. Directors

### 5.1 *Interests in the share capital of the Company*

The interests of the Directors or Proposed Directors and persons connected with them (within the meaning of section 346 of the Act), all of which are beneficial save where otherwise stated, in the issued ordinary share capital of the Company as at the date of this document: (i) which have been notified by each Director or Proposed Director to the Company pursuant to sections 324 or 328 of the Act; (ii) are required pursuant to section 325 of the Act to be entered in the register referred to therein; or (iii) are interests of a connected person of a Director or Proposed Director which would, if such person were a Director or Proposed Director, be required to be disclosed under (i) or (ii) above (and the existence of which is known or could with reasonable diligence be ascertained by such Director or Proposed Director) are, and immediately following Admission are expected to be, as follows:

<i>Name</i>	<i>Number of Ordinary Shares before Admission</i>	<i>Percentage of issued share capital before Admission</i>	<i>Number of Ordinary Shares after Admission</i>	<i>Percentage of issued share capital after Admission</i>
David Lees <sup>4</sup>	5,511,456	6.3	5,511,456	1.6
Toby Smallpeice	11,000,000 <sup>1</sup>	12.5	16,865,103 <sup>3</sup>	4.8
Richard Saul	8,000,000 <sup>2</sup>	9.1	8,000,000	2.3
Michael Bull	5,511,456	6.3	5,511,456	1.6
Adrian Moss	—	—	39,419,144	11.3
Keith Lassman	—	—	1,323,294	0.4

Notes:

1. Toby Smallpeice holds 200,000 Ordinary Shares on behalf of each of Adam Giles and Ross Treville
2. Richard Saul holds 200,000 Ordinary Shares on behalf of each of Adam Giles and Ross Treville
3. Assuming that immediately following Admission, Toby Smallpeice capitalises £200,000 of the Loan Stock held by him as set out in paragraph 7 below
4. David Lees is interested as set out above by reason of him being a discretionary beneficiary pursuant to a trust controlled by Deep Water Holdings Limited

- 5.2 Other than to Craig Lister who has had options granted to him over 300,000 Ordinary Shares under the IBNet Unapproved Share Option Scheme no options over Ordinary Shares have been granted to any Directors.
- 5.3 On 30 November 2001 the Company entered into a service contract with Toby Smallpeice. The contract is for a fixed period of 22 months to 30 September 2003 and thereafter is terminable by the Company on 6 months' notice. The salary payable under the contract is £100,000 per annum. The Company contributes 5 per cent. of his salary to a personal pension scheme.
- 5.4 On 30 January 2003 the Company entered into a service contract with Craig Lister. The contract may be terminated on one month's notice. Mr Lister is entitled to a salary of £60,000 per annum.
- 5.5 David Lees, Richard Saul and Michael Bull have agreements with the Company in respect of their services as non-executive directors. Under the terms of these agreements, they are each entitled to receive a fee of £15,000 per annum each. On Admission, David Lees will enter into a new agreement with the Company entitling him to a fee of £25,000 per annum and terminable on 3 months notice.
- 5.6 Conditional on and with effect from Admission, the Company has entered into the following:
- (a) a service agreement with Adrian Moss under which he is entitled to receive a salary of £125,000 per annum index linked, and an additional performance based discretionary bonus to be decided by the Company's remuneration committee. He is also entitled to a company car. The contract may be terminated on 12 months' notice.
- (b) engagement letters with Keith Lassman and Dominic Trigg in respect of their services as non-executive directors of the Company. Under the agreements each of Mr Lassman and Mr Trigg are entitled to a fee of £15,000 per annum. Each agreement may be terminated on 3 months' notice.
- 5.7 On Admission Craig Lister, Richard Saul and Michael Bull will resign as Directors.
- 5.8 Save as disclosed in this document, none of the Directors or Proposed Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.
- 5.9 There are no outstanding loans granted or guarantees provided by the Company or The Deal Group to or for the benefit of any of the Directors or Proposed Directors.
- 5.10 In addition to those disclosed in paragraph 5.1 above, the Company is aware of the following persons who, immediately following Admission, will, directly or indirectly, be interested in 3 per cent. or more of the Enlarged Issued Share Capital, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company:

<i>Name</i>	<i>Ordinary Shares</i>	<i>Percentage holding</i>
I-Spire Corporation	76,555,360	21.9
David Steene	19,708,232	5.6
Gerald Epstein	19,708,232	5.6
Capita Trust Company Limited	18,500,000	5.3
Fox Tucker	15,851,827	4.5

5.11 The partnerships and directorships held by each of the Directors and the Proposed Directors over the five years preceding the date of this document other than in the Company, are as follows:

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Michael Bull	Castle Business Services Limited Coverglass Limited IBNet (UK) Limited Network Estates Limited Transnear Limited Xecutiveresearch Group Plc The Xecutiveresearch Employee Benefit Trust Company Limited	Xecutiveresearch Limited (in liquidation) <sup>1</sup> Versatile Projects Limited L.P.V. Limited Versatile National Training Limited Versatile Group Limited Interactive Marketing Technologies Limited Castle Business Services Limited
Keith Lassman	Affiliate Marketing Limited E-mortgages Limited Finance-direct.com Limited First National Property Maintenance Limited Howard Kennedy (partnership) Howard Kennedy Limited Longbridge International Plc Thedeal.net Limited The Deal Group Limited The EIS Association Limited Wigmore Group Plc	Snugbug Limited Wishinghurst Limited Downing Classic VCT plc U-Store Limited U-Storage Limited United Storage plc
David Lees	D Squared Management Limited Goodwill Credit Limited (Dissolved) IBNet (UK) Limited Metis Biotechnologies plc Names.Co Internet plc Names.co Internet Services Limited Network Estates Development Limited Network Estates Limited Network Point Management (Witney) Limited Webcall.com Limited Xecutiveresearch Group Plc	Armadillo Protection Group Ltd <sup>2</sup> Bricesco Export Limited Bricesco International Export Limited (Administration Order) <sup>2</sup> Elmecream U.K. Limited Flare (Prill) Limited (Administration Order) <sup>2</sup> Flare Employees' Trust Limited <sup>2</sup> Flare Group PLC (Administration Order) <sup>2</sup> Flare Industries Limited (Administration Order) <sup>2</sup> Flare Pension Trustees Limited <sup>2</sup> Flare.com Limited <sup>2</sup> Gibbons Refractories Limited (Administration Order) <sup>2</sup> Keith Ceramic Material Limited Purtain Limited (Receiver Manager appointed) <sup>2</sup> Rath Realisations Limited (Administration Order) <sup>2</sup> Skyepharmaceutical PLC Weldonmead Limited (Dissolved) Xecutiveresearch Limited (in liquidation) <sup>1</sup>

<i>Name</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Craig Lister	None	None
Adrian Moss	The Deal Group (Marketing) Limited E-mortgages Limited The Deal Group Limited The Deal Group Media Limited Deal Group Media S.L. Deal Group Media Pty Ltd Matrix Technology S.A. Metatank Limited Finance-Direct.com Limited Affiliate Marketing Limited Thedeal.net Limited	None
Toby Smallpeice	IBNet (UK) Limited Webgravity Limited	Netex UK Limited (Dissolved) Multiglobe Limited Netex Terminals Limited (Dissolved)
Dominic Trigg	The Deal Group Limited	None
Richard Saul	Webgravity Limited	None

Notes:

1. This company went into compulsory liquidation on 17 March 2003.
2. These companies, subsidiaries of Flare Group Plc, were placed in administration on 19 April 2000, a date within 12 months of the date Mr Lees ceased to be Chief Executive of Flare Group Plc and its subsidiaries and resigned as a director of these companies.

- 5.12 No Director or Proposed Director has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any individual voluntary arrangement.
- 5.13 None of the Directors or the Proposed Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors. None of the Directors or the Proposed Directors has been a partner of any partnership which has been placed into compulsory liquidation or administration or entered into a partnership voluntary arrangement at the time of or within twelve months preceding such event and there have been no receiverships of any asset of any Director or Proposed Director or of any partnership of which the Director or Proposed Director was a partner at the time of or within twelve months preceding such events.
- 5.14 None of the Directors or the Proposed Directors has been publicly criticised by any statutory or regulatory authority (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 5.15 None of the Directors or Proposed Directors or their respective family members, has a related financial product (as defined in the AIM Rules) which is referenced any Existing Ordinary Shares or New Ordinary Shares.
- 5.16 The aggregate emoluments of the directors of the Company (including benefits in kind) for the year ended 31 March 2003 amounted to £201,000.
- 5.17 The aggregate emoluments of the Directors and the Proposed Directors for the financial period ending on 31 March 2004 will be approximately £340,000.

## **6. Share Option Schemes**

- 6.1 Under the IBNet Unapproved Share Option Scheme options over 760,000 Ordinary Shares have been granted, of which 400,000 are exercisable at 2.5p per share and 360,000 are exercisable at 5.1p per share.

6.2 The following is a summary of the principal terms of the Replacement Options to be granted over a maximum of 15,038,942 Ordinary Shares, in aggregate, following Admission pursuant to the replacement option offer being made by the Company, the background to which is summarised in paragraph 3.5 above.

(a) Grant of Replacement Options

Replacement Options will be granted over a maximum of 15,038,942 Ordinary Shares. Such Replacement Options will confer the right, in certain circumstances, to acquire shares in the Company at an exercise price of £0.012468 per Ordinary Share.

It is currently proposed that the Replacement Options be granted within 28 days following Admission.

(b) Rights of participants

Replacement Options will be personal to the participant to whom they are granted and may not be transferred or assigned. However, they will be exercisable by the legal personal representative of a participant who dies before exercising his option.

(c) Performance conditions

Exercise of Replacement Options will not be subject to the satisfaction of any performance conditions. However, exercise will be subject to the vesting provisions outlined in paragraph (d) below.

(d) Vesting of Replacement Options

Replacement Options will generally only be exercisable in accordance with the vesting timetable relating to the applicable Draw Group option which the Replacement Option replaces. In summary, shares under option will vest on the following basis:

- (i) as to 50 per cent. of the shares under option, on the second anniversary of the date on which the original Draw Group option was granted; and
- (ii) as to the remainder of the shares under option, on the third anniversary of the date on which the original Draw Group option was granted.

For these purposes, assuming the take up in full of the Replacement Option offer, approximately 70.67 per cent. of the shares under option were the subject of options with an original grant date in August 2001, approximately 20 per cent. had an original grant date in January 2002 and approximately 9.33 per cent. had an original grant date in June 2003.

In the event of a takeover, amalgamation or reconstruction of the Company, there will be an accelerated vesting of the Replacement Options, so that they may be exercised in full on the occurrence of any of these events.

However, except as described in paragraph (f) below, a Replacement Option will not vest any further or benefit from accelerated vesting following the relevant participant ceasing to be an employee of the Enlarged Group.

(e) Option price

The price per Ordinary Share payable on the exercise of a Replacement Option will be £0.012468, subject to any adjustment made in accordance with paragraph (h).

(f) Exercise of Replacement Options

A Replacement Option will be exercisable in respect of shares which have vested (in relation to which see paragraph (d) above) and may be exercised at any time within 10 years of the date of grant ("option period"), provided that such exercise does not contravene any code on share dealings adopted by the Company at that time and provided that the participant remains an employee of a member of the Enlarged Group.

A Replacement Option will, however, be exercised after cessation of employment in the following circumstances:

- (i) the death of the participant. In such circumstances, provided there is no intervening corporate event in relation to the Company, a Replacement Option will remain capable of being exercised (to the extent it has vested) by the deceased participant's personal representatives for a period of 12 months from the date of death provided that such exercise would take place within the option period;

- (ii) the participant ceasing to be an employee by reason of the transfer or sale of the undertaking or part-undertaking in which the participant is employed. On the occurrence of such an event, a Replacement Option will be exercisable (to the extent it has vested) for a period of 40 days following cessation, whereupon it shall lapse to the extent not previously exercised; and
- (iii) where, in circumstances other than those mentioned in (i) and (ii) above, the participant ceases to be an employee and the board of the Company exercises its discretion to allow the exercise of the Replacement Option (to the extent it has vested) within 40 days of the date of such cessation. If not exercised prior to that time, a Replacement Option will lapse on the expiry of that period.

Exercise will be allowed in respect of all the shares under option in the event of an amalgamation, reconstruction or take-over of the Company. Alternatively, options may, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

Exercise will also be permitted in the event of a voluntary winding up of the Company but only to the extent the option has vested at that time.

A Replacement Option will not be exercisable after the tenth anniversary of the date of its grant.

(g) Issue or transfer of shares on exercise of a Replacement Option

Ordinary Shares issued or transferred following exercise of a Replacement Option will rank *pari passu* in all respects and form one class with the Ordinary Shares then in issue, save as regards dividends payable by reference to a record date prior to the date of allotment or transfer.

(h) Adjustments

The number of shares subject to any Replacement Option and/or the option price are subject to appropriate adjustment in the event of any capitalisation issue (other than a scrip dividend which is not an enhanced scrip dividend) or rights issue by the Company or any consolidation, sub-division or reduction of the Company's share capital or any other variation in the Company's share capital.

(i) Tax indemnity

If any person (other than the participant) will be liable to account for any tax or employee national insurance contributions as a result of the exercise of a Replacement Option, any exercise will be subject to the participant entering into such arrangements as the Company may require for the indemnification or discharge by the participant of such liabilities.

In addition, as soon as practicable following the grant of a Replacement Option, the participant shall be obliged to enter into a form of election pursuant to which he will agree to bear the cost of any charge to employer's national insurance which may arise as a result of the exercise of the Replacement Option.

(j) Amendments

No amendment will be capable of being made to the terms of a Replacement Option without the written agreement of the participant.

(j) Benefits non-pensionable

Replacement Options granted and shares acquired on exercise of a Replacement Option are non-pensionable.

## 7. Loan Stock

By an instrument dated 18 January 2002, the Company created £3,000,000 variable rate loan stock 2005. £931,273 principal amount of loan stock is outstanding, of which Richard Saul holds £59,000 and Toby Smallpeice holds £872,273. The loan stock was issued as part consideration for the acquisition of Webgravity Limited. Details of the acquisition of Webgravity are set out in paragraph 8.3.

On and with effect from Admission, Richard Saul and Toby Smallpeice will enter into agreements with the Company whereby (i) £200,000 of the loan stock held by Toby Smallpeice will be capitalised into 5,865,103 Ordinary Shares; (ii) the loan stock will be re-paid in equal monthly instalments as to Toby Smallpeice over a 42 month period commencing 6 months after Admission and as to Richard Saul over

a 12 month period following Admission; (iii) the loan stock held by Toby Smallpeice will cease to be interest bearing; and (iv) and Toby Smallpeice will release the Company from a debenture granted to him by the Company as security for repayment of the loan stock held by him.

## **8. Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by The Deal Group or its subsidiaries or the Company or its subsidiaries within the two years immediately preceding the date of this document or are relevant to the Acquisition and are, or may be, material:

### *8.1 Acquisition Agreement*

By an agreement dated 24 September 2003 and made between the Company, the Vendors, Toby Smallpeice and David Lees, the Company has conditionally agreed to acquire the entire issued share capital of The Deal Group from the Vendors. The Acquisition Agreement is conditional *inter alia* on the passing of the Resolution and the Placing Agreement becoming unconditional (save for any condition relating to Admission or completion of the Acquisition Agreement).

Under the Acquisition Agreement, Adrian Moss and Keith Lassman are severally giving warranties to the Company in respect of The Deal Group and its subsidiaries. The Company, Mr Smallpeice and Mr Lees are severally giving warranties to the Vendors in respect of the Company and its subsidiaries. Warranties are being given by the Company, Mr Smallpeice and Mr Lees due to the size of the shareholding in the Company that the Vendors will hold following Admission as a result of the issue to them of the Consideration Shares.

Mr Moss' and Mr Lassman's liability for breach of warranty is limited in aggregate to £780,000, and will be satisfied up to £110,000 in cash by Mr Lassman and by Mr Moss and thereafter by way of the Company purchasing back from Mr Moss the number of Consideration Shares that, when valued at the higher of market value at the time of the warranty claim or the Placing Price, is equivalent to the amount of the claim outstanding, such shares to be bought back out of the proceeds of the Placing for the aggregate consideration of £1. Any such shares would be bought back pursuant to the terms of a contingent buy back agreement for which approval will be sought at the EGM.

Save in limited circumstances, the Company's liability for breach of warranty is limited to 50 per cent. of any such claim, the remaining 50 per cent. being borne by Mr Smallpeice and Mr Lees. The liability of the Company is limited in aggregate to £780,000. The liability of Mr Smallpeice and Mr Lees for breach of warranty is limited in aggregate to £780,000. The Company's liability for breach of warranty will be satisfied by the Company issuing such number of additional Ordinary Shares to the Vendors as are equivalent, when valued at the higher of market value at the time of the warranty claim or the Placing Price, to the amount of the settled, agreed or determined claim to be borne by the Company. Mr Lees' and Mr Smallpeice's liability will be satisfied in cash up to £125,000 and thereafter Mr Smallpeice's liability will be satisfied by the waiver of Loan Stock held by him.

The Acquisition Agreement contains certain provisions limiting the liability of those parties giving warranties.

### *8.2 Placing Agreement*

Under the Placing Agreement, KBC Peel Hunt has conditionally agreed, as agent for the Company, to use reasonable endeavours to procure subscribers for the Placing Shares.

Under the Placing Agreement:

- (i) KBC Peel Hunt will be entitled to a fee for its services;
- (ii) the Company has given warranties and an indemnity to KBC Peel Hunt;
- (iii) the Directors and the Proposed Directors have given certain warranties about themselves, the accuracy of the information contained in this document, the Company and its subsidiaries, and The Deal Group and its subsidiaries;
- (iv) the Directors and the Proposed Directors have undertaken not to dispose of Ordinary Shares for a period of 1 year from Admission subject to certain exemptions;
- (v) the obligations of KBC Peel Hunt in respect of the Placing are subject to certain conditions being fulfilled (or waived by KBC Peel Hunt) and the Placing Agreement not having been terminated in each case by 8.00 am on 20 October 2003, or such later date (being no later than 31 October 2003) as may be agreed by KBC Peel Hunt; and

- (vi) KBC Peel Hunt is entitled under certain circumstances to terminate its obligations prior to Admission.

### 8.3 *Acquisition of Webgravity Limited*

The Company acquired the entire issued share capital of Webgravity Limited pursuant to the terms of an agreement dated 30 November 2001 (“Sale Agreement”) and entered into between the Company and Toby Smallpeice and Richard Saul (the “Sellers”). The consideration for the shares in Webgravity Limited was an initial payment of £450,000 satisfied by the issue of certain of the Loan Stock, the issue of 20 million ordinary shares in the capital of the Company, and the payment of 20 per cent. of all Company revenues to the Sellers during an earn out period of 22 months commencing on 1 November 2001 and subject to a maximum payment of £2.55 million. Further details concerning the Loan Stock are set out in paragraph 7 above. The agreement contained certain warranties from the Sellers in favour of the Company. The Sellers also entered into a Tax Deed of Indemnity with the Company dated the same date as the sale agreement.

## 9. **Taxation**

The following paragraphs summarise advice received by the Directors about the tax position of Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes holding Ordinary Shares in the capital of the Company as investments and not in the course of a trade. The statements below do not constitute advice to any shareholder on his or her personal tax position, and may not apply to certain classes of investor (such a persons carrying in a trade in the United Kingdom through a branch or agency or United Kingdom insurance companies). **Any investors who are in doubt as to their tax position should consult their professional adviser.**

### 9.1 Taxation of the Company

It is anticipated that the Company will be liable to United Kingdom corporation tax at rates (depending on the level of its profits for each accounting period) currently of between 19 per cent. and 30 per cent.

### 9.2 Taxation of Shareholders

The information given below is provided in summary form only and based on tax legislation as it exists at the present time.

#### **No tax will be withheld from dividend payments on Ordinary Shares.**

United Kingdom resident Shareholders who are individuals will be entitled to a tax credit in respect of any dividend paid on Ordinary Shares. They will be liable to United Kingdom income tax on a sum equal to the dividend received plus the tax credit attaching hereto. The tax credit may be offset by a shareholder against his own income tax liability.

In the case of a Shareholder who is not liable to tax on his income at a rate in excess of the basic rate, he or she will have no further liability to United Kingdom income tax on the dividend. Higher rate taxpayers will be liable to tax at 32.5 per cent. but account will be taken of the associated tax credit.

In the case of Shareholders who are United Kingdom resident companies, in general such Shareholders will not be liable to United Kingdom corporation tax on dividends received on their Ordinary Shares.

### 9.3 Capital Gains Tax Deferral and EIS Relief

Provisional clearance has been sought from the Inland Revenue that new Ordinary Shares in the Company will be a qualifying holding for investment by Venture Capital Trusts and for the purposes of investment under the Enterprise Investment Scheme (EIS) and EIS deferral relief. Once such approval has been received from the Inland Revenue, EIS certificates may be applied for. The Directors and Proposed Directors have been advised that it is likely that Inland Revenue clearance will be given. However, potential investors are strongly advised to seek independent advice.

Set out below are summaries of the main current provisions of the EIS, so far as they are relevant to the Company and investors, as set out in the Income and Corporation Tax Act 1988, and amended by subsequent Finance Acts. It does not set out the provisions in full and is intended as a general guide only. It is not intended to be and should not be construed to be legal or taxation advice to any potential investors.

**Potential investors, including VCTs, are strongly advised to seek independent professional advice. Liability to taxation will depend on the individual circumstances of a potential investor.**

Income Tax relief, Capital Gains Tax (“CGT”) deferral relief, CGT exemption and loss relief may all be available to investors under the EIS legislation and certain CGT legislation. EIS tax relief can only be claimed by a qualifying individual who subscribes in cash for new eligible shares issued by a qualifying company up to a maximum of £150,000.

The new Ordinary Shares, are expected to be eligible shares and investment in the new Ordinary Shares is, subject to the UK Inland Revenue granting the relevant approval, expected to allow investors (depending on their own circumstances) to claim EIS tax relief.

Qualifying individuals may deduct an amount equal to tax at the lower rate on the amounts subscribed for qualifying shares in qualifying companies from their total liability to income tax for the tax year in which the shares are issued (or an amount which reduces the income tax liability to nil, whichever is lower). For the tax year 2003/2004 the relief is obtained at a rate of 20 per cent. It does not matter whether the individual is United Kingdom resident for tax purposes but relief is only available where the investor has United Kingdom tax liability. The shares must be held for three years to qualify for the relief.

Liability to CGT arising from the disposal of any asset after 28 November 1994 may be deferred by investing the gain (or part of the gain), in subscribing for shares in a qualifying company. The investment must be made within a time period beginning one year before and ending three years after the original disposal. The investor must be UK resident or ordinarily resident both when a capital gain accrues to him and when he subscribes for shares, and must remain resident.

To the extent EIS tax relief is given and not withdrawn any capital gain accruing to an individual on the first disposal of the shares issued three or more years after the date of issue is not chargeable to CGT.

Where a loss is incurred by an investor on the first disposal of his shares the loss calculated after deducting EIS income tax relief from the cost of the investment may be set against either chargeable gains or taxable income at the election of the investor, thereby obtaining relief at the marginal rate of tax applicable in the year the loss is realised.

Subject to certain exemptions an individual must not be, nor have been within the previous two years prior to the issuing of the shares, connected with the Company, nor become connected with it within the next three years, if he is to retain the tax reliefs. The main rules as to connection are that:

- (a) neither the individual nor his associates may be an employee, partner (subject to (iii) below) or a paid director of the Company, or any of its subsidiaries. An unpaid director is not disqualified if he is reimbursed travelling or other expenses which would otherwise be allowable for taxation;
- (b) neither the individual nor any of his associates may control the Company or any subsidiary or possess or be entitled to acquire more than 30 per cent. of the issued share or loan capital or voting power in the Company or any subsidiary or rights carrying entitlements to 30 per cent. of the assets available for distribution to equity holders; and
- (c) an individual may be a paid director provided that at the time he subscribes for eligible shares he was not and had not previously been otherwise connected with the Company nor with the trade carried on by the Company or any subsidiary. Any remuneration paid to a director must be reasonable.

#### 9.4 Stamp Duty

No United Kingdom stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value, or agreements for such transfer which are not completed by written instrument made within two months from the date of the agreement, will give rise to a liability to United Kingdom ad valorem stamp duty, or stamp duty reserve tax, at the rate in each case of 50 pence per £100 of the amount or value of the consideration. Transfers under the proposed CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax.

## **10. Working capital**

The Directors and Proposed Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is, for at least the next twelve months from the date of Admission.

## **11. Litigation**

### **11.1 The Company**

Since incorporation, the Company has not been engaged in, and is not currently engaged in, any litigation or arbitration proceedings which has or may have a significant effect on the financial position of the Company and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company.

### **11.2 The Deal Group**

The Deal Group is not currently engaged in any litigation or arbitration proceedings which has or may have a significant effect on the financial position of The Deal Group and, so far as the Proposed Directors are aware, there are no such proceedings pending or threatened against The Deal Group.

## **12. Minimum amount**

In the opinion of the Directors and the Proposed Directors the minimum amount which must be raised pursuant to the Placing for the purposes set out in paragraph 21 of Schedule 1 to the Regulations is £550,000 which will be applied as follows:-

12.1 purchase of property; £ Nil

12.2 preliminary expenses and expenses of the Placing; £550,000; and

12.3 the balance will be used as working capital.

No Ordinary Shares will be issued pursuant to the Placing unless the minimum amount is raised by the Company.

## **13. General**

13.1 The Existing Ordinary Shares are currently admitted to trading on AIM. They are not dealt on any other recognised investment exchange and no other such applications have been made.

13.2 The Company intends to change its accounting reference date to 31 December.

13.3 Grant Thornton has given and not withdrawn its written consent to the inclusion of its report and letter in Parts III and IV respectively and to the references to such report and letter and to their name in the form and context in which they appear.

13.4 KBC Peel Hunt has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and content in which they appear.

13.5 The total costs and expenses payable by the Company in connection with the Acquisition and Admission (including professional fees, commissions, the costs of printing and the fees payable to the Company's registrars) are estimated to amount to approximately £550,000 (excluding VAT).

13.6 The financial information for the relevant accounting period set out in the accountants' report in Part III concerning The Deal Group does not constitute statutory accounts of The Deal Group within the meaning of section 240 of the Act. The auditors' report in respect of the statutory accounts for this period ending 31 May 2003 was unqualified and did not contain a statement under section 237(2) or (3) of the Act.

13.7 Other than D Squared Management Limited (of which David Lees is a director) which was paid £69,793.81 in the 12 months before the date of this document in respect of Consultancy Services and Adrian Moss who is entitled to receive a bonus of £100,000 conditional on Admission, no person (excluding professional advisers disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the issue price, or any other benefit with a value of £10,000 or more at the date of Admission.

13.8 Other than as disclosed, there are no significant investments in progress by either the Company or The Deal Group.

13.9 Other than the intellectual property developed and owned by the Enlarged Group and readily available software licences, the Directors and the Proposed Directors are not aware of any patent or intellectual property rights, licences or particular contracts which are or may be of fundamental importance of the Enlarged Group's business.

#### **14. Documents**

Copies of this document are available free of charge from the offices of KBC Peel Hunt up to one month from Admission.

24 September 2003

# IBNet plc

(Registered in England and Wales – No. 3904195)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of IBNet plc (the “Company”) will be held at the offices of KBC Peel Hunt Limited at 111 Old Broad Street, London EC2N 1PH at 11.15 am on 17 October 2003 for the purpose of considering and, if thought fit, passing the following resolution as a special resolution of the Company.

### SPECIAL RESOLUTION

That:

- (a) the proposed acquisition by the Company of The Deal Group Limited on or substantially on the terms and subject to the conditions of the Acquisition Agreement (as defined in the AIM Admission Document sent to Shareholders of the Company on 24 September 2003 (“AIM Admission Document”)) and dated 24 September 2003 (a copy of which is produced to the meeting and signed by the Chairman for the purpose of identification) be and is hereby approved and the Directors be and are hereby authorised to do all things that are in the opinion of the Directors (or a duly appointed and authorised committee of them) necessary or desirable to give effect to and complete the Acquisition Agreement with such modifications, amendments, variations or waivers as they (or any such committee) may consider to be necessary or desirable and not of a material nature;
- (b) the name of the Company be changed to “Deal Group Media plc”;
- (c) the authorised share capital of the company be increased from £19,000,000 to £22,000,000 by the creation of 300,000,000 ordinary shares of 1p each ranking *pari passu* in all respects with the existing ordinary shares of 1p each in the capital of the Company;
- (d) the Directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (“Act”) to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount of £5,777,283 (in substitution for and to the exclusion of previous allotment authorities granted prior to this meeting), such authority to expire on the conclusion of the Company’s Annual General Meeting to be held in 2004, save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired;
- (e) the Directors be empowered, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by part d above as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (i) the allotment of up to 51,319,648 new ordinary shares of 1p each in the capital of the Company (“Ordinary Shares”) in connection with the Placing (as defined in the AIM Admission Document);
  - (ii) the allotment of 205,221,335 new Ordinary Shares in connection with the Acquisition (as defined in the AIM Admission Document);
  - (iii) the allotment of 35,035,808 new Ordinary Shares in connection with the exercise of share options [to be] granted to employees of the Company;
  - (iv) the allotment of 5,865,103 new Ordinary Shares in connection with the capitalisation of £200,000 of Loan Stock as defined in the AIM Admission Document.
  - (v) the allotment of new equity securities in connection with any rights issue or other offering of new equity securities in favour of the holders of equity securities of the Company where the new equity securities attributable to the interests of such persons are proportionate (as nearly as may be) to the respective numbers of the relevant equity securities shares held by them (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractions of such securities or the issue and/or transfer and/or holding of any securities in uncertificated form or legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory); and

(vi) the allotment (otherwise than pursuant to paragraphs (i) to (v) above) of 70,071,616 new Ordinary Shares,

and shall expire at such time as the general authority conferred on the Directors by resolution 1(d) above expires, save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;

- (f) the terms of an agreement, a copy of which is produced to the meeting and signed by the Chairman for the purpose of identification (“Deferred Buy Back Agreement”), proposed to be made between the Company and Toby Smallpeice for the purchase out of the proceeds of the Placing (as defined in the AIM Admission Document) by the Company of 54,952,000 deferred shares of 24p each in the capital of the Company (“Deferred Shares”) be and is hereby approved and the Company be and is hereby authorised to enter into the Deferred Buy Back Agreement and purchase the Deferred Shares on the terms of such agreement, such authority to expire on the date being 18 months after the date on which this resolution is passed,
- (g) the terms of a contingent purchase agreement, a copy of which is produced to the meeting and signed by the Chairman for the purpose of identification (“Buy Back Agreement”), proposed to be made between the Company and Adrian Moss and under which the Company may, on the happening of certain specified events, be entitled to buy from Mr Moss out of the proceeds of the Placing (as defined in the AIM Admission Document) ordinary shares of 1p each in the capital of the Company (“Buy Back Shares”), be and is hereby approved and the Company be and is hereby authorised to enter into the Buy Back Agreement and to purchase Buy Back Shares (if any) on the terms of such agreement, such authority to expire on the date being 18 months after the date on which this resolution is passed;
- (h) subject to the confirmation of the High Court of Justice in England and Wales, the amount standing to the credit of the capital redemption reserve account of the Company immediately following the cancellation of the Deferred Shares and subsequent to the purchase by the Company of the Deferred Shares referred to in (f) above be cancelled; and
- (i) subject to the confirmation of the High Court of Justice in England and Wales, the amount standing to the credit of the share premium account of the Company as at the time of completion of the Placing (as defined in the AIM Admission Document) be cancelled.

*Registered office:*

Hogarth Centre  
Hogarth Lane  
Chiswick  
LONDON W4 2QN

By order of the Board

Toby Smallpeice  
*Company Secretary*

Dated: 24 September 2003

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, to the extent permitted by the Articles of Association of the Company, to vote instead of him or her. A proxy need not be a member of the Company.
2. A white pre-paid form of proxy is enclosed which members are invited to complete and return. Lodging a form of proxy will not prevent the member from attending the meeting and voting in person should he or she decide to do so.
3. To be effective, the instrument appointing a proxy together with a power of attorney or other authority under which it is signed, or a duly certified copy thereof, must be deposited at the offices of the Company's registrars; Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR not less than 48 hours before the time appointed for the meeting.
4. Copies of the Company's existing Articles of Association, the contract for the buy back of the Deferred Shares, and the contract for the buy back of the Buy Back Shares are available for inspection at the registered office of the Company and at the offices of Addleshaw Goddard, the Company's solicitors, at 150 Aldersgate Street, London EC1A 4EJ during normal business hours on a weekday (excluding Saturdays and public holidays) from the date of this notice until completion of the EGM and will also be available for inspection at the place of the meeting for at least 15 minutes before, and during, the meeting.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the meeting and the number of votes which may be cast at the meeting will be determined by reference to the register of members of the Company at 5.30pm on 15 October 2003. Changes to entries on the register of members after 5.30pm on 15 October 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting. If the meeting is adjourned, entitlements to attend and vote will be determined by reference to the register of members of the Company 48 hours before the time of the adjourned meeting.

