



DM PLC

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2005

DM plc
(“DM”, “Company” or the “Group”)

RESULTS
FOR YEAR ENDED 31 DECEMBER 2005

DM plc (“DM” or the “Group”), the direct marketing group specialising in response oriented competitions, presents its results for the period ended 31 December 2005.

Overview:

- Substantial growth achieved via acquisition
- Group consolidated turnover up 149 per cent to £10.48 million (2004: £4.20 million)
- Group consolidated profit before tax up 81 per cent to £2.39 million (2004: £1.32 million)
- Earnings per share up 100 per cent. to 1.4 pence (2004: 0.72 pence)
- Established position in direct mail industry, building on core capabilities of response oriented competitions and database ownership and management
- Joint Venture with Cornhill beginning to produce revenue
- Acquisition of Purely Creative Limited in March 2005, followed by early satisfaction of earn-out obligation, for a total cash consideration of £350,000
- Acquisition of Cyberdyne Entertainment Limited in December 2005, for an initial consideration of £150,000
- Proposed £9.0 million acquisition of Dodd Marketing Limited, a specialist promoter of games and competitions to UK consumers via addressed mail

DM Chairman, Adrian Williams said:

“2005 was an important year in the continued development of the DM Group. The key acquisition of Purely Creative has strengthened our presence in marketing competitions and promotions, complementing Strike Lucky’s response oriented products. The acquisition of Cyberdyne in December 2005, takes DM into the internet betting market commencing our strategy to extend our activities into new areas where we can leverage our home gaming expertise.”

In addition to the progress we made during 2005, the proposed acquisition of Dodd Marketing, will give the Group further critical mass and bring in-house additional database management skills and associated list brokerage revenue. With this acquisition we look forward to another strong year in the Group’s development.”

DM plc
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CHAIRMAN'S STATEMENT

DM, the direct marketing group specialising in generating revenue through the provision of response oriented competitions, is pleased to report its results for the period ended 31 December 2005. In addition the Group announces the proposed acquisition of specialist competition promoter and list broker, Dodd Marketing Limited ("Dodd Marketing"), for a total consideration of £9 million in cash.

During 2005, we successfully built a platform for future growth with the acquisition and successful integration of Purely Creative Limited ("Purely Creative"). The acquisition of Cyberdyne Entertainment Limited ("Cyberdyne") will allow us to expand into the growing internet betting market. Furthermore, the progress the Group has made during 2005 has also been effectively translated into impressive financial performance, resulting in a 149 per cent increase in turnover and almost doubling of the profitability for the period.

The proposed acquisition of Dodd Marketing, will further enhance DM's position in the direct marketing industry and allow us to benefit from operational synergies and cross selling opportunities. Dodd Marketing is the holding company of McIntyre & Dodd Marketing Limited ('McIntyre') which is a specialist promoter of games and competitions to UK consumers via addressed mail and a successful list broker which currently acts as one of the list brokers to the Group.

Financial results

For the period ended 31 December 2005, the Group reported a consolidated turnover of £10.48 million (2004: £4.20 million), an increase of 149 per cent on 2004. Consolidated profit before tax increased 81 per cent to £2.39 million (2004: £1.32 million). Earnings per share for the period increased 100 per cent to 1.4 pence (2004: 0.72 pence). These figures only include nine months contribution from Purely Creative and less than one month's contribution from Cyberdyne.

Business Review

The Group's core business currently consists of Strike Lucky Games Limited ("Strike Lucky"), which develops and promotes a proprietary range of games of skill and chance and Purely Creative, a producer and distributor of marketing competitions and promotions, managing high volume response levels via phone, internet and post. Strike Lucky and Purely Creative generate revenue by respondents telephoning premium rate lines or responding by text and through the rental via list brokers of respondents' details from the Group's database of over 3 million customers.

During the period, DM entered into an agreement to supply data for up to five years with Cornhill Direct a trading division of Allianz Cornhill Insurance plc. Under the terms of the agreement DM will supply Cornhill Direct with its database of customer details to conduct targeted direct marketing programmes for insurance products such as home insurance, home contents and motor insurance. Commissions will be paid to DM depending upon the levels of new business generated by Cornhill Direct. It is the Group's intention that following the proposed acquisition of Dodd Marketing the Group will look at new ways to further exploit DM's substantial customer databases.

CHAIRMAN'S STATEMENT (continued)

The Group currently outsource the majority of its business services, including its media space procurement, database placement and printing and production of games while retaining (in-house) the design and development of games. Following the proposed acquisition of Dodd Marketing, database management is expected to be brought in house.

Corporate Activity

Strike Lucky

Under the terms of the acquisition of Strike Lucky in 2004, a three year earn-out agreement of up to £1.5 million was payable in loan notes, based on the profitability of Strike Lucky over the three financial years ending 31 December 2006. The results of Strike Lucky for the year ended 31 December 2004, gave rise to the issue of £1.078 million of loan notes, which were redeemed in December 2005. Based on the audited results for Strike Lucky for the period ended 31 December 2005, the remaining £422,000 of loan notes payable under the Strike Lucky earn-out will now be issued. Following the issue and redemption of these loan notes there will be no further liabilities in respect of the Strike Lucky acquisition.

Purely Creative

On 30 March 2005, DM acquired the entire issued share capital of Purely Creative for £50,000 in cash, and in May 2005, the Group settled in full an earn-out obligation in respect of the acquisition by the payment of £300,000 in cash. The early satisfaction of the earn-out obligation has led to a one-off profit of £248,000 in the period due to the reduction in the earn-out liability accrued at the date of acquisition.

Cyberdyne

On 14 December 2005, DM announced the acquisition of the entire issued share capital of online betting and gambling company, Cyberdyne for an initial consideration of £150,000. The initial consideration comprised of £90,000 in cash with the balance satisfied by the issue of 685,714 ordinary shares. The consideration shares are subject to a 12-month lock-in restriction and orderly market provision thereafter. Subject to the collection of a doubtful debt owed to Cyberdyne, a maximum further sum of £24,384 may become payable in cash to the vendors.

Cyberdyne's online gambling business specialises in receiving worldwide fixed odds bets upon the outcome of lotteries from around the world. Bets are placed through websites operated by Cyberdyne including www.lotteryuniverse.com. Bets on lotteries are subject to a maximum payout by Cyberdyne of \$1,000,000, which is subject to insurance arrangements. Further expansion is planned into betting in respect of additional overseas lotteries. Cyberdyne has a UK bookmakers permit and since it began trading on 1 January 2004 it has built a client base of approximately 33,000 customers.

CHAIRMAN'S STATEMENT (continued)

Dodd Marketing

The Board of DM is pleased to announce the proposed acquisition of the entire issued share capital of Dodd Marketing for £9 million, payable in cash. The proposed acquisition is a related party transaction under the AIM Rules and is a transaction regulated by section 320 of the Companies Act, which requires the prior approval of shareholders. Accordingly, the proposed acquisition is conditional on shareholder approval at an Extraordinary General Meeting. The acquisition will be funded by £9 million of newly agreed banking facilities from Barclays Bank PLC. Via its trading subsidiary McIntyre, Dodd Marketing operates in the direct mail industry, specialising in promoting home gaming and competitions to UK consumers. McIntyre has developed a range of products and services to generate clients and profit from their subsequent responses. McIntyre also own or rent a number of large response driven databases from which they generate rental income via their list brokers, including in house broker, £ist\$® (www.lists.co.uk). Currently, a proportion of DM's database revenue is generated via McIntyre's list broking services.

McIntyre's audited accounts for the 8 months to 31 December 2005, reported pre-tax profits of £1.26 million on turnover of £3.41million. The balance sheet at 31 December 2005 showed net assets of £0.56million. DM intends to continue to use the McIntyre brands and actively develop synergies including using £ist\$® to market Strike Lucky and Purely Creative's databases.

Further details of the proposed acquisition are set out in the Stock Exchange announcement and the shareholder circular in relation to the acquisition.

Outlook

2005 was an important year for DM, and we have seen the business grow substantially over the last twelve months, primarily, through the acquisition and subsequent turnaround of Purely Creative, which has now been successfully integrated into the Group. This growth has been reflected in the financial performance of the Group with turnover up by 149 per cent and pre-tax profitability up by 81 per cent. The acquisition of Cyberdyne at the end of 2005 and proposed acquisition of Dodd Marketing will further build resources the skill base, and consequently the opportunities open to the Group. We look forward to another successful year during 2006.



A J Williams
Chairman
29 March 2006

DM plc

THE BOARD OF DIRECTORS

Adrian John Williams (aged 48) Chairman

Adrian studied Economics and Marketing at University before joining a computer software company in Ross on Wye in 1981. He then became Marketing Director of a fire protection company prior to leading a management buy-in of a toy and gift company in 1990. In 1992 Adrian founded Scenic Maps Limited which provided 3-D maps of town and city centres. Adrian founded Strike Lucky Games Limited in 1993.

Wendy Elaine Ruck (aged 47) Operations Director

Wendy has enjoyed a sales career within both the public and private sectors. Furthermore, she has managed recruitment and training within the UK for direct sales companies. She now manages these functions for Strike Lucky Games Limited, whilst also directing the prize fulfilment operations.

Mark Winter (aged 42) Finance Director

Mark qualified as a chartered accountant with KPMG in 1992 and worked as a financial controller in several companies. He was finance director at Minerva International Holdings Limited from 1998 to 2001 and of Regency Group, part of South Staffordshire Group plc, from 2002 to 2003. Since then, he has been an associate at the financial consultancy, FDUK where he has had experience of a range of roles including fast growing businesses.

John Gommers (aged 64) Non-Executive Director

From 1963 to 1975 John was a director of a number of companies in the banking sector. In 1977 John established Chartsearch plc as a publisher of newsletters and books. Chartsearch plc was floated on the Unlisted Securities Market in 1987 and acquired by means of a reverse takeover by Burford plc, which was admitted to the official List in 1989. In 1991 John established Carnell plc as a publisher of mainly health related titles. Carnell plc was admitted to the Unlisted Securities Market in 1994 and was subsequently acquired in 1996 by means of a reverse takeover by Columbus Press, which itself was taken over by Highbury House Communications plc in 2000. John continued to manage the Carnell subsidiary until 2001 since which time he has been an adviser to various direct marketing publishers.

DM plc

ADVISERS

Registered Office

King's Buildings, Lydney, Glos, GL15 5HE.

Registered in England and Wales under Company Number, 4020844.

Nominated Adviser

Altium Capital Limited, 5 Ralli Courts, West Riverside, Manchester, M3 5FT.

Broker

Rowan Dartington & Co Limited, Colston Tower, Colston Street, Bristol, BS1 4RD.

Solicitors

Davies and Partners, 135 Aztec West, Almondsbury, Bristol, BS32 4UB.

Auditors

Horwath Clark Whitehill LLP, Arkwright House, Parsonage Gardens, Manchester, M3 2HP.

Bankers

National Westminster Bank plc, PO Box 666, Ashton House, Waterloo Street, Bolton, BL1 8FH.

Registrars

Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA.

DM plc

DIRECTORS' REPORT

The Directors present their report and audited accounts covering the 12 months ended 31 December 2005.

Principal Activity

The principal activity of the Group during the year was that of prize games and database rental.

Results and Dividends

The Consolidated Profit and Loss account is set out on Page 14. The directors do not recommend the payment of a dividend.

Business review and future developments

A review of the business and future developments can be found in the Chairman's Statement on Page 3.

Post Balance Sheet Events

As noted in the Chairman's Statement the Company has announced the acquisition of Dodd Marketing Limited subject to shareholder approval. The acquisition is to be funded by new banking facilities entered into after the balance sheet date.

Directors

The Directors who served on the Board during the year and their beneficial interests in the issued share capital of the Company at the beginning and end of the financial year were as follows:-

	Shareholding at 1 January 2005 Ordinary Shares of 1p each	Shareholding at 31 December 2005 Ordinary Shares of 1p each	% of Issued Share Capital at 31 December 2005
A J Williams	117,014,565	117,014,565	93.5%
W E Ruck	1,181,965	1,181,965	1%
J C Y P Gomme	-	-	-
M Winter (appointed 17/06/05)	-	35,911	0.03%

Significant shareholding

Other than the holding of the director A J Williams, the board is not aware of any other single beneficial holding in excess of 3% of the company's issued equity share capital.

Share Options

No director held options over shares in the Company at 31 December 2005.

DM plc

DIRECTORS' REPORT (continued)

Share capital

Changes in share capital during the year are shown in Note 19 to the accounts.

Creditor payment policy

It is the Group's policy to fix the terms of payment with suppliers when agreeing the terms of each transaction and the Group abides by these terms of payment. At 31 December 2005, the average number of Group creditor days outstanding was 30 days.

Auditors

Horwath Clark Whitehill LLP are willing to continue in office and a resolution to reappoint them as auditors will be proposed at the Annual General Meeting.

Annual General Meeting

The notice convening the Annual General Meeting to be held on (to be advised) is included in this document.

By order of the Board

A handwritten signature in black ink, appearing to read 'T P Brennan', is written over a light grey rectangular background.

T P Brennan
Company Secretary

29 March 2006

CORPORATE GOVERNANCE

The requirements of the combined code of principles of corporation governance set out in the listing rules of the Financial Services Authority are not mandatory for companies traded on AIM. However, the Directors intend to comply with requirements of the combined code where appropriate.

Board of Directors and Board Committees

The Board consists of three executive and one non-executive Directors, and is responsible for the Group's system of corporation governance. The role of the non-executive Director is to bring independent judgement to Board discussions and decisions.

The Board met regularly throughout the period. It has a schedule of matters referred to it for decision, which includes Group strategy and future developments, allocation of financial resources, investments, annual and interim results, and risk management. The Company has two Board committees, which operate within defined terms of reference.

Audit Committee

The Audit Committee reviews half year and full year results. In addition, the Audit Committee monitors the framework of internal control.

Remuneration Committee

The Remuneration Committee reviews the remuneration of the executive Directors and senior executives of the Group and considers the grant of options and payment of performance related bonuses.

Internal Financial Control

The Directors are responsible for ensuring that the Company maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control. On the basis that such a system can only provide reasonable but not absolute assurance against material misstatement or loss and that it relates only to the needs of the business at the time, the system as a whole was found by the Directors at the time of approving the accounts to be generally appropriate to the size of the business.

Going Concern

The Directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future and they have therefore adopted a going concern basis in preparing the accounts.

DM plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit and loss of the Group for that period. In preparing those accounts the Directors are required to:-

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

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In determining how amounts are presented within items in the profit and loss account and balance sheet the Directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

So far as each of the Directors is aware at the time of the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

DM plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DM PLC

We have audited the group and parent company accounts of DM plc for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow statement and the related notes. These accounts have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors Responsibilities the Company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

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

We read other information contained in the annual report and consider whether it is consistent with the audited accounts. The other information comprises the Directors' report and Chairman's Statement and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

DM plc

**INDEPENDENT AUDITORS' REPORT TO THE
SHAREHOLDERS OF DM PLC – Continued**

Unqualified opinion

In our opinion the accounts:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of Group's and the parent company's affairs as at 31 December 2005 and of the profit of the Group for the period then ended and;
- have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill LLP

Arkwright House
Parsonage Gardens
Manchester
M3 2HP

Horwath Clark Whitehill LLP
Chartered Accountants
& Registered Auditors

29 March 2006

DM plc

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005**

		Continuing	Operations	Total	Total
	Notes	2005	Acquisitions	2005	2004
		£000	2005	£000	£000
			£000		
Group turnover	2	1,797	8,684	10,481	4,201
Cost of sales		<u>(1,088)</u>	<u>(6,124)</u>	<u>(7,212)</u>	<u>(2,610)</u>
Gross profit		709	2,560	3,269	1,591
Administrative expenses		(259)	(878)	(1,137)	(345)
Other operating income	3	<u>-</u>	<u>295</u>	<u>295</u>	<u>-</u>
Operating Profit	4	450	1,977	2,427	1,246
Interest payable	7			(58)	-
Interest receivable				<u>19</u>	<u>71</u>
Profit on ordinary activities before tax for the financial period				2,388	1,317
Taxation	8			<u>(647)</u>	<u>(426)</u>
Profit on ordinary activities after tax for the financial period				1,741	891
Dividends	9			<u>-</u>	<u>(3,500)</u>
Retained profit/(loss) for the year				<u>1,741</u>	<u>(2,609)</u>
Earnings per share – basic	10			<u>1.40p</u>	<u>0.7p</u>
Earnings per share – diluted	10			<u>1.40p</u>	<u>0.7p</u>

There were no recognised gains or losses for the period other than those stated above.

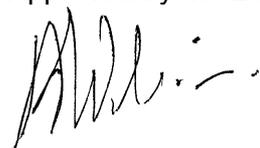
The notes on pages 18 to 34 form an integral part of these accounts.

DM plc

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Notes	2005 £000	2004 £000
Fixed assets			
Intangible assets	11	80	-
Tangible assets	12	175	31
		<u>255</u>	<u>31</u>
Current assets			
Debtors	14	1,963	597
Cash at bank		3,105	795
		5,068	1,392
Creditors: amounts falling due within one year	15	(4,200)	(1,037)
Net current assets		<u>868</u>	<u>355</u>
Total assets less current liabilities		1,123	386
Creditors: amounts falling due after more than one year	16	(422)	(1,078)
Provisions for liabilities	17	(15)	-
Net assets		<u>686</u>	<u>(692)</u>
Capital and reserves			
Called up share capital	18	1,251	1,244
Share premium account	19	108	55
Merger reserve account	19	(3,108)	(2,685)
Profit and loss account	19	2,435	694
Shareholders' funds		<u>686</u>	<u>(692)</u>

Approved by the Board on 29 March 2006 and signed on its behalf by:-



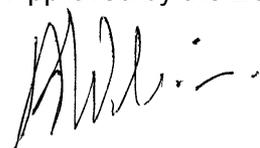
A J Williams
Chairman

The notes on pages 18 to 34 form an integral part of these accounts

DM plc
COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	2005 £000	2004 £000
Fixed assets			
Investments	13	5,548	4,977
Current assets			
Debtors	14	2	10
Cash at bank		291	22
		293	32
Creditors: amounts falling due within one year	15	(1,188)	(368)
Net current assets		(895)	(336)
Total assets less current liabilities		4,653	4,641
Creditors: amounts falling due after more than one year	16	(422)	(1,078)
Net assets		4,231	3,563
Capital and reserves			
Called up share capital	18	1,251	1,244
Merger reserve account	19	2,286	2,286
Share premium account	19	108	55
Profit and loss account	19	586	(22)
		4,231	3,563
Shareholders' funds		4,231	3,563

Approved by the Board on 29 March 2006 and signed on its behalf by:-



A J Williams
Chairman

The notes on pages 18 to 34 form an integral part of these accounts.

DM plc

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 £000	2004 £000
Reconciliation of operating loss to net cash outflow from operating activities			
Operating profit		2,427	1,246
Depreciation of tangible fixed assets		35	5
Decrease in debtors		592	1,127
(Decrease)/Increase in creditors		(46)	274
Net cash inflow from operating activities		<u>3,008</u>	<u>2,652</u>
Returns on investment and servicing of finance			
Interest received		19	71
Interest paid		(58)	-
Taxation		(325)	(364)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(127)	(2)
Acquisition and disposals			
Cash acquired by reverse acquisition		-	22
Purchase of subsidiary undertaking		(440)	(371)
Cash acquired with subsidiaries		238	-
Dividends paid		<u>-</u>	<u>(3,500)</u>
Cash inflow/(outflow) before financing		2,315	(1,492)
Financing			
Repayment of debt		(1,078)	-
Increase/(Decrease) in cash for the period	21	<u><u>1,237</u></u>	<u><u>(1,492)</u></u>

The notes on pages 18 to 34 form an integral part of these accounts

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

1. **ACCOUNTING POLICIES – Company and Group**

Basis of Preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of Consolidation

The acquisition of Strike Lucky Games Limited on 6 October 2004 has been accounted for as a reverse acquisition as explained below. The acquisitions of Purely Creative Limited and Cyberdyne Entertainment Limited have been accounted for using acquisition accounting. The results of companies acquired in the period are consolidated from the date of acquisition. A separate profit and loss account for the parent company has not been presented by virtue of section 230 Companies Act 1985.

Reverse Acquisition Accounting

On 6 October 2004 the Company became the legal parent company of Strike Lucky Games Limited in a share-for-share transaction. Due to the relative size of the companies, Strike Lucky Games Limited's shareholders became the majority holders of the enlarged share capital. Further, the Company's continuing operations and executive management were those of Strike Lucky Games Limited. Accordingly, the substance of the combination was that Strike Lucky Games Limited acquired DM plc in a reverse acquisition.

Under the requirements of the Companies Act 1985 it would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination. However, this would portray the combination as the acquisition of Strike Lucky Games Limited by DM plc and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the Directors adopted reverse acquisition accounting as the basis of consolidation in order to give a true and fair view.

In invoking the true and fair override, the Directors note that reverse acquisition accounting is recognised under International Financial Reporting Standard 3 and that the Urgent Issues Task Force (UITF) of the UK's Accounting Standards Board has considered the subject and concluded that there are instances where it is right and proper to invoke the true and fair override in such a way (UITF Information Sheet 17).

The consolidated results are presented for the year ended 31 December 2005 with the comparative figures shown for the year ended 31 December 2004 as this reflected the accounting period date of Strike Lucky Games Limited.

DM plc

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES - Company and Group - Continued

There are a number of effects on the consolidated Financial Statements of adopting reverse acquisition accounting. The principal effect of consolidating using reverse acquisition accounting is that no goodwill arises on the consolidation of Strike Lucky Games Limited. No goodwill arose as the fair value of DM plc was equal to the book value of £62,000 at the time of acquisition. A merger reserve is created which reflects the difference between the book value of the shares issued by DM plc as consideration for the acquisition of Strike Lucky Games Limited and the share capital of Strike Lucky Games Limited. The merger reserve account also reflects additional costs of the acquisition. Under normal acquisition accounting, the goodwill arising on the investment by DM plc in Strike Lucky Games Limited would be shown on the consolidated balance sheet and amortised in accordance with FRS 10. The directors believe that by adopting reverse acquisition accounting, the consolidated profit and loss account more fairly reflects the actual trading results of the group.

The following table indicates the principal effects on the composition of the reserves as at 31 December 2005 from the adoption of reverse acquisition accounting for the acquisition of Strike Lucky Games Limited:-

	Reverse acquisition accounting (as disclosed) £000	Normal acquisition accounting £000	Impact of reverse acquisition accounting £000
Share capital	1,251	1,251	-
Share premium	108	108	-
Merger reserve	(3,108)	13,002	(16,110)
Opening P&L and other reserves	694	5	689
P&L account	1,741	963	(778)
Goodwill	75	14,723	(14,648)

Investments

Fixed asset investments are stated at cost except where, in the opinion of the Directors, there has been an impairment in the value of an investment, in which case an appropriate adjustment is made.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:-

Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	15%-25% reducing balance

The carrying values of tangible fixed assets are reviewed annually and provision for impairment is made if appropriate.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

1. ACCOUNTING POLICIES - Company and Group- Continued

Amortisation

Amortisation is calculated so as to write off the cost of the intangible asset over their useful economic life as follows:

Goodwill- 20 years

The directors review the carrying value of goodwill if there are indications of impairment and adjustment is made to the carrying value as required.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term

Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse based on tax rates enacted at the balance sheet date.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences arising on translation are taken to profit and loss account.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the ordinary activities of the Group, stated net of value added tax. All turnover arose within the United Kingdom and Ireland.

3. OTHER OPERATING INCOME

	2005	2004
	£000	£000
Early settlement of earn out liability relating to acquisition of Purely Creative Limited	248	-
Loan liabilities waived on acquisition of Cyberdyne Entertainment Limited	47	-
	<u>295</u>	<u>-</u>

DM plc

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

4. OPERATING PROFIT

	2005	2004
	£000	£000
This is stated after charging/(crediting):		
Directors' remuneration (note 5)	167	37
Auditors' remuneration – audit	16	16
– non audit	17	-
Depreciation of tangible fixed assets	35	2
Difference on foreign exchange	(1)	2
Operating leases – land and buildings	20	20

5. STAFF COSTS

	2005	2004
	£000	£000
Wages and salaries	491	185
Social security costs	47	13
	538	198

The average number of persons employed during the year was made up as follows:

	2005	2004
	Number	Number
Directors	4	3
Administration	28	9
	32	12

6. DIRECTORS REMUNERATION

There were three directors receiving remuneration during the year. The total directors remuneration paid during the year was £167,000 (2004: £37,000).

7. INTEREST PAYABLE

	2005	2004
	£000	£000
Bank interest	-	-
Interest on loan notes	58	-
	58	-

DM plc

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

8. TAXATION

	2005	2004
	£000	£000
Analysis of tax charge in year		
UK corporation tax charge on profit of the year	638	403
Adjustments in respect of prior periods	-	23
Deferred taxation	9	-
Total current tax		
Tax on profit on ordinary activities	647	426

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applicable to the Company (30%). The differences are explained below:-

	2005	2004
	£000	£000
Profit on ordinary activities before tax	2,388	1,317
Profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2004 – 30)	716	395
Effects of:		
Group income not subject to tax	(88)	-
Disallowed expenditure	17	-
Consolidation adjustments	(36)	-
Capital allowances for period in excess of depreciation	17	-
Unrelieved losses of parent company	12	8
Adjustments to tax charge in respect of prior period	-	23
Current tax charge for year (see note above)	638	426

Factors affecting future tax charge

DM plc (the Company) has taxable losses of £127,262 available to offset against future taxable profits.

These taxable losses cannot be offset against the profits of its subsidiary entities.

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NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

9. DIVIDENDS

There were no dividends paid during the year, and none are proposed.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the financial period of £1,741,000 (2004 - £891,000) and a weighted average number of shares in issue during the period of 124,449,337 (2004: 124,417,400) ordinary shares. The share options in issue are non-dilutive.

11. INTANGIBLE FIXED ASSETS

	Website Development £000	Goodwill £000	Total £000
Group Cost			
At 1 January 2005	-	-	-
Acquisition of subsidiaries	5	75	80
At 31 December 2005	5	75	80
Amortisation			
At 31 January 2005 and 31 December 2005	-	-	-
Net book value			
At 31 December 2005	5	75	80
At 31 December 2004	-	-	-

Goodwill arises on the acquisition of Cyberdyne Entertainment Limited in December 2005. Amortisation will be provided in the year ending 31 December 2006 and subsequent years.

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NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

12. TANGIBLE FIXED ASSETS

	Motor Vehicles £000	Fixtures & Fittings £000	Total £000
Group Cost			
At 1 January 2005	7	56	63
Acquisition of subsidiaries	-	64	64
Additions in the year	26	101	127
	<hr/>	<hr/>	<hr/>
At 31 December 2005	33	221	254
Depreciation			
At 1 January 2005	4	28	32
Acquisition of subsidiary	-	12	12
Charge for the year	2	33	35
	<hr/>	<hr/>	<hr/>
At 31 December 2005	6	73	79
Net book value			
At 31 December 2005	<hr/>	<hr/>	<hr/>
	27	148	175
At 31 December 2004	<hr/>	<hr/>	<hr/>
	3	28	31

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NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

13. INVESTMENTS

	£000
Unlisted investments	
Cost	
At 1 January 2005	15,693
Additions during the year	<u>571</u>
	16,264
Provisions	
At 31 December 2005	10,716
Charge for year	-
	<u>10,716</u>
Net book value	
As at 31 December 2005	<u><u>5,548</u></u>
As at 31 December 2004	<u><u>4,977</u></u>

On 6 October 2004 the Company acquired the entire issued share capital of Strike Lucky Games Limited for a total consideration, including costs, of £14,615,000. The majority of the consideration was satisfied by the issue of 118,196,530 ordinary shares of 1p each, valued at 12 per share. Under the terms of the acquisition agreement, earn out loan notes up to a maximum of £1.5m can also be issued. At 31 December 2004 the results of Strike Lucky Games Limited created a liability for £1,078,000 of loan notes which were reflected in the cost of the investment at that date. In the year ended 31 December 2005 a further liability of £421,500 of loan notes arises and is reflected in the cost of the investment.

The directors reduced the carrying value of the investment in Strike Lucky Games Limited at 31 December 2004 to their estimate of its recoverable amount.

The addition to investments also includes the cost of acquisition of Cyberdyne Entertainment Limited, acquired on 13 December 2005. Purely Creative was acquired by a subsidiary company on 30 March 2005.

The profit after taxation for each subsidiary acquired analysed between pre and post acquisition is given below:

	Pre Acquisition £000	Post Acquisition £000
Purely Creative Limited Period from 1 October 2004 to 31 December 2005	548	599
Cyberdyne Entertainment Limited Year ended 31 December 2005	49	30

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

13. INVESTMENTS (Continued)

Details of the subsidiary undertakings at the balance sheet date, all of which were incorporated in England, are as follows:-

Name of Company	Class of Share	Nature of Business	Proportion of voting shares held
Strike Lucky Games Ltd	Ordinary	Games	100%
Strike Lucky.com Ltd	Ordinary	Dormant	100%
Name That Tune Ltd	Ordinary	Dormant	100%
Bingoline Ltd	Ordinary	Dormant	100%
Strike It Lucky Ltd	Ordinary	Dormant	100%
Purely Creative Ltd	Ordinary	Competitions	100%
Cyberdyne Entertainment Ltd	Ordinary	Gambling	100%

The investment in Purely Creative Ltd is held by Strike Lucky Games Ltd

14. DEBTORS

	Group 2005 £000	Company 2005 £000	Group 2004 £000	Company 2004 £000
Amounts falling due within one year				
Trade debtors	671	-	452	-
Other debtors	52	-	-	-
Prepayments	1,240	2	145	10
	<u>1,963</u>	<u>2</u>	<u>597</u>	<u>10</u>

15. CREDITORS: amounts falling due within one year

	Group 2005 £000	Company 2005 £000	Group 2004 £000	Company 2004 £000
Banks overdrafts and loans	1,074	-	-	-
Trade creditors	1,810	-	467	11
Amounts owed to group undertakings	-	1,071	-	252
Corporation tax	835	-	276	-
Social security and other taxes	137	14	111	-
Other creditors	-	-	80	78
Accruals	344	103	103	27
	<u>4,200</u>	<u>1,188</u>	<u>1,037</u>	<u>368</u>

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**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

16. CREDITORS: amounts falling due after more than one year.

	Group 2005 £000	Company 2005 £000	Group 2004 £000	Company 2004 £000
Earn out loan notes	<u>422</u>	<u>422</u>	<u>1,078</u>	<u>1,078</u>

Under the terms of the acquisition agreement entered into on 6 October 2004, DM plc had a potential liability of £1,500,000 to be satisfied by the issue of Earn Out Loan Notes. At 31 December 2004 a liability of £1,078,500 had arisen based on trading results of Strike Lucky Games Limited. The loan notes were paid in December 2005. Based on profits for the current year the balance of £421,500 loan notes becomes payable.

17. PROVISIONS FOR LIABILITIES

Group	2005 £000	2004 £000
Deferred taxation		
At 1 January 2005	-	-
On acquisition of subsidiary	6	-
Charge for the year	9	-
At 31 December 2005	<u>15</u>	<u>-</u>

The deferred tax provision is made up as follows:

	2005 £000	2004 £000
Accelerated capital allowances	15	-
	<u>15</u>	<u>-</u>

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NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

18. SHARE CAPITAL

	2005 £000	2004 £000
Authorised		
500,000,000 Ordinary Shares of 1p each (2004 – 250,000,000 Ordinary Shares of 1p each)	5,000	2,500
50,000 Redeemable Preference Shares of £1 each	<u>50</u>	<u>50</u>
	<u>5,050</u>	<u>2,550</u>
Allotted, called up and fully paid		
125,103,100 Ordinary Shares of 1p each (2004 – 124,417,400 Ordinary Shares of 1p each)	<u>1,251</u>	<u>1,244</u>

On 14 December 2005 a further 685,714 shares of 1p were issued at a price of 8.75p per share as part consideration for the acquisition of Cyberdyne Entertainment Limited.

The Company has an unapproved share option scheme. At the balance sheet date, options had been granted to certain individuals over an aggregate of 135,812 Ordinary Shares at an exercise price of £2 between 24 July 2003 and 23 July 2010. No new options were granted during the year.

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**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

19. RESERVES

	Merger Reserve Account £000	Share Premium Account £000	Profit & Loss Account £000
Group			
At 1 January 2005	(2,685)	55	694
Profit for the period	-	-	1,741
Effects of reverse acquisition accounting	(423)	-	-
Premium on shares issued in period	-	53	-
At 31 December 2005	<u>(3,108)</u>	<u>108</u>	<u>2,435</u>
Company			
At 1 January 2005	2,286	55	(22)
Premium on shares issued in period	-	53	-
Profit for period	-	-	608
At 31 December 2005	<u>2,286</u>	<u>108</u>	<u>586</u>

In accordance with s131 Companies Act 1985, the premium on the issue of shares to acquire Strike Lucky Games Limited has been credited to a merger reserve in the Company's balance sheet. The impairment of the investment value in the year ended 31 December 2004 has resulted in a transfer from the merger reserve to the profit and loss account, as that amount of the merger reserve has become realised.

In the Group balance sheet, the merger reserve represents the difference between the nominal value of the shares issued to acquire Strike Lucky Games Limited and the nominal value of that companies share capital, together with the additional costs of the acquisition.

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NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2005 £000	2004 £000
Group		
Profit for the year	1,741	891
Dividends	-	(3,500)
Issue of shares	60	1,242
Cost of reverse acquisition	-	(1,612)
Issue of loan notes	(423)	(1,078)
Assets acquired on reverse acquisition	-	62
	<hr/>	<hr/>
Net movement in shareholders' funds	1,378	(3,995)
Opening shareholders' funds	<hr/> (692)	<hr/> 3,303
Closing shareholders' funds	<hr/> 686	<hr/> (692)
Company		
	2005 £000	2004 £000
Profit/(Loss) for the year	608	(10,823)
Issue of shares	60	14,244
	<hr/>	<hr/>
Net movement in shareholders' funds	668	3,421
Opening shareholders' funds	<hr/> 3,563	<hr/> 142
Closing shareholders' funds	<hr/> 4,231	<hr/> 3,563

21. NOTES TO THE CASH FLOW STATEMENT

Analysis of changes in net debt	At 1 January 2005 £000	Cash flow £000	Non cash flow £000	At 31 December 2005 £000
Cash at bank	795	2,310	-	3,105
Overdrafts	<hr/> -	<hr/> (1,074)	<hr/> -	<hr/> (1,074)
	795	1,236	-	2,031
Debt greater than 1 year	<hr/> (1,078)	<hr/> 1,078	<hr/> (422)	<hr/> (422)
Net debt	<hr/> (283)	<hr/> 2,314	<hr/> (422)	<hr/> 1,609

DM plc

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005

21. NOTES TO THE CASH FLOW STATEMENT (continued)

	2005 £000	2004 £000
Reconciliation of net cash flow to movement in net funds/(debt) for the period ended 31 December 2005		
Increase/(Decrease) in cash in the period	2,314	(1,492)
Non cash movement from increase in debt Note 16	(422)	(1,078)
	<u>1,892</u>	<u>(2,570)</u>
Net (debt)/funds at 31 December 2004	(283)	2,287
Net funds/(debt) at 31 December 2005	<u>1,609</u>	<u>(283)</u>

Major non cash transactions

Under the terms of the acquisition agreement relating to Strike Lucky Games Limited, entered into on 6 October 2004, loan notes with a value of £421,500 have been issued. These have been added to the cost of the investment in subsidiaries.

Part of the consideration for the purchase of Cyberdyne Entertainment Limited that occurred in December 2005 comprised of shares issued. Further details of the acquisitions are given below.

	Purely Creative Limited £000	Cyberdyne Entertainment Limited £000
Intangible fixed assets	-	5
Tangible fixed assets	6	46
Cash at bank	226	12
Earn out liability	(548)	-
Other net current assets	366	18
Provisions for liabilities and charges	-	(6)
	<u>50</u>	<u>75</u>
Net assets acquired	50	75
Goodwill	-	75
	<u>50</u>	<u>150</u>
Satisfied by:		
Cash	50	90
Shares allotted	-	60
	<u>50</u>	<u>150</u>
Total consideration	<u>50</u>	<u>150</u>

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

21. NOTES TO THE CASH FLOW STATEMENT (continued)

The net assets acquired above represent the fair value of those assets.

Under the terms of the acquisition of Purely Creative Limited a liability was acquired relating to an earn out obligation based on a percentage of turnover and a percentage of earnings before interest, tax depreciation and amortisation for a two year period. A fair value estimate of this liability at the date of acquisition is included in the net assets acquired.

22. OPERATING LEASE COMMENTS

At 31 December 2005, Strike Lucky Games Limited had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings	
	2005	2004
	£000	£000
Expiry Date		
Between 2 and 5 years	20	20

23. RELATED PARTY TRANSACTIONS

The following companies are regarded to be related parties as A Williams holds a controlling interest in them.

Dodd Marketing Limited and its 100% subsidiary McIntyre & Dodd Marketing Limited are direct marketing companies with whom Strike Lucky Games Limited trade on an arm's length basis.

Strike Lucky Games Limited made sales to McIntyre & Dodd Marketing Limited of data lists which were invoiced on the nature and volume of information provided. During the year ended 31 December 2005, Strike Lucky Games Limited made sales to McIntyre & Dodd Marketing Limited of £396,608 (2004 £765,458).

In addition to the sale of data lists Strike Lucky Games Limited also provided payroll management accounting and invoicing services, which were recharged on the basis of apportionment of time consumed. Strike Lucky Games Limited also provided office space for McIntyre & Dodd Marketing Limited and these costs were apportioned and recharged on the basis of utilisations. The recharge allocated to McIntyre & Dodd Marketing Limited for the services for the year was £49,765 (2004 £16,480).

Strike Lucky Games Limited was owed at year end date £55,830 (2004 £23,834 from McIntyre & Dodd Marketing Limited and owed McIntyre & Dodd Marketing Limited £NIL (2004 £26,000). Strike Lucky Games Limited hold leasehold premises under a short term tenancy agreement with Eiger Properties Limited. The total rental paid to Eiger Properties Limited during the year was £20,000 (2004 £20,000).

During the year Strike Lucky Games Limited recharged Activ 8 Ltd salary costs totalling £286 (2004 £2,703) based upon the apportionment of staff time and office costs, no amounts remained outstanding to Strike Lucky Games Limited.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2005**

24. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and liquid resources and other net current assets that arise directly from operations. The main purpose of these financial instruments is to fund the Group's activities. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions.

25. COMMITMENTS

At the balance sheet date, the Group had no significant commitments other than as disclosed.

26. POST BALANCE SHEET EVENTS

The Board of DM have announced the proposed acquisition of the entire issued share capital of Dodd Marketing for £9 million, payable in cash. The proposed acquisition is a related party transaction under the AIM Rules and is a transaction regulated by section 320 of the Companies Act, which requires the prior approval of shareholders. Accordingly, the proposed acquisition is conditional, on shareholder approval at an Extraordinary General Meeting. The acquisition will be funded by £9 million of newly agreed banking facilities from Barclays Bank PLC.

DM plc

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 11.30am on Tuesday 27th June 2006 at Davies and Partners, 135 Aztec West, Bristol BS32 4UB for the following purposes:

Ordinary Business

- Resolution 1: To receive and adopt the Financial Statements of the Group for the period ended 31 December 2005 together with the Reports of the Directors and Auditors thereon.
- Resolution 2: To reappoint Horwath Clark Whitehill LLP as auditors of the Company and to authorise the Directors to determine their remuneration.
- Resolution 3: To re-elect Wendy Elaine Ruck as a Director of the Company who retires by rotation and who being eligible offers herself for re-election as a director of the Company.

Special Business

- Resolution 4: To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:
"THAT as a result of error in numerals in the ordinary resolution of the Company passed on 2 August 2005 in the following terms: "That the authorised share capital of the Company be and it is hereby increased from the registered authorised share capital of £2,500,000 to £5,000,000 by the creation of 250,000,000 Ordinary Shares of 1p each bearing the same rights as the Ordinary Shares of 1p each currently in issue and ranking pari passu therewith in all respects", where the figure of £2,500,000 should have been stated at £2,550,000 and the figure of 250,000,000 should have been stated at 245,000,000, such ordinary resolution shall be amended as follows: "That the authorised share capital of the Company be and it is hereby increased from the registered authorised share capital of £2,550,000 to £5,000,000 by the creation of 245,000,000 Ordinary Shares of 1p each bearing the same rights as the Ordinary Shares of 1p each currently in issue and ranking pari passu therewith in all respects." "
- Resolution 5: To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:
"THAT subject to the passing of Resolution 4 the authorised share capital of the Company be and it is hereby increased from the registered authorised share capital of £5,000,000 to £6,550,000 by the creation of 155,000,000 Ordinary Shares of 1p each bearing the same rights as the Ordinary Shares of 1p each currently in issue and ranking pari passu therewith in all respects."
- Resolution 6: To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:
"THAT the directors be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined by section 80(2) of the Act) of the Company up to a maximum nominal amount equal to the nominal amount of the authorised but unissued share capital immediately following the passing of this Resolution during the period of five years from the date on which this Resolution is passed, at the end of which period such authority will expire unless previously varied or revoked by the Company in general meeting of shareholders, provided that the Company shall be entitled under the authority hereby conferred to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities after the expiry of such authority pursuant to such offer or agreement as if such authority had not expired."

Resolution 7: To consider and, if thought fit, pass the following Resolution as a Special Resolution:

“**THAT**, in substitution for any existing and unexercised authorities and subject to the passing of Resolution 6, the Directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred by Resolution 6 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

- 7.1 the allotment of equity securities in connection with a rights issue or open offer in favour of holders of ordinary shares of 1 pence each in the share capital of the Company and other persons entitled to participate by way of rights where the equity securities attributable to the interests of all holders of ordinary shares and such other persons’ holdings (or as appropriate to the number of such ordinary shares of 1 pence each in the share capital of the Company which such other persons are for the purposes deemed to hold) are proportionate (as nearly as may be) to the respective numbers of ordinary shares of 1 pence each in the share capital of the Company held or deemed to be held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of or the requirements of any regulatory body or any Stock Exchange in any territory;
- 7.2 the allotment (otherwise than pursuant to paragraph 7.3 of this Resolution) pursuant to placing, subscription, offer or otherwise of equity securities equal to the Company’s authorised but unissued share capital;
- 7.3 the allotment of equity securities up to an aggregate nominal amount of £125,103 to executive directors, employees and/or consultants of the Company or any of its subsidiary companies (representing approximately 10 per cent of the issued ordinary share capital of the Company on the date immediately following the passing of this Resolution);

and shall expire on the date of the next annual general meeting of the Company or (if earlier) 15 months from the date of the passing of this Resolution save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.”

By order of the Board



T P Brennan
Company Secretary
19th May 2006

Registered Office:
King’s Buildings
Lydney
Gloucestershire
GL15 5HE

Notes

1. A member entitled to attend and vote at the meeting convened by this notice may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. Completing and returning a form of proxy does not preclude a member from attending the meeting.
3. To be valid, a form of proxy and, if applicable, any authority under which it is signed, or a certificated copy of such authority must be lodged at the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time for holding the meeting.
4. For the purposes of determining who is entitled to attend or vote (whether on a show of hands or a poll) at the meeting a person must be entered on the register of members not later than 48 hours before the time of the meeting, or any adjournment thereof.