



DM PLC

INTERIM REPORT

for the six month period ended 30 June 2006

DM plc

Highlights

DM, the direct marketing group specialising in database management and home gaming reports its unaudited interim results for the period ended 30 June 2006.

Overview:

- Record results reflecting continued strong growth, both organically and via acquisition
- Turnover up 87 per cent to £7.20 million (2005: £3.85 million)
- Profit before tax and goodwill amortisation from operating activities up 95 per cent to £1.68 million (2005: £0.86 million - excluding one-off profit from acquisition)
- Group consolidated profit before tax up 35 per cent to £1.50 million (2005: £1.11 million)
- Earnings per share up 22 per cent to 0.82 pence (2005: 0.67 pence)
- Completion of £9.0 million acquisition of Dodd Marketing Limited, a specialist promoter of games and competitions via addressed mail

DM Chairman, Adrian Williams said:

"I am delighted with the continued progress of the Group which has again been translated into impressive results. The acquisition of Dodd Marketing completed in April has given us real critical mass in the home gaming and related database management markets and a robust platform from which to deliver further organic growth. Based on the core businesses we now have in the Group and the potential for further growth via acquisition we look forward to the future with confidence."

DM, the direct marketing group specialising in generating revenue through database management and the provision of response oriented competitions reports its interim results for the period ended 30 June 2006. During the first half of 2006, the Group has continued its strong growth, both organically and via acquisition, and has delivered record levels of turnover and profitability for the fourth consecutive six month period.

The highlight for the period was the completion of the acquisition of specialist competition promoter and list broker Dodd Marketing Limited ("Dodd Marketing") in April 2006 for a maximum consideration of £9 million. This now adds a fourth trading subsidiary to the Group. Dodd Marketing enhances DM's position in the direct marketing industry bringing into the Group coverage of the addressed mail sector. The integration of Dodd Marketing into the Group is progressing well and running ahead of schedule. This acquisition, together with Strike Lucky Games Limited ("Strike Lucky") and Purely Creative Limited ("Purely Creative"), has created a successful platform for future growth. The acquisition of Cyberdyne Entertainment Limited ("Cyberdyne") at the end of 2005 has also allowed us to gain access to the growing internet betting market.

Financial results

The progress we have made has yet again been translated into record results. For the period ended 30 June 2006, the Group reported turnover of £7.20 million (2005: £3.85 million), an increase of 87 per cent over the same period in 2005. Profit before tax and goodwill amortisation from operating activities increased 95 per cent to £1.68 million (2005: £0.86 million - excluding the one-off profit generated from the early satisfaction of the Purely Creative earn-out). Overall, Group consolidated profit before tax increased 35 per cent to £1.50 million (2005: £1.11 million). Earnings per share increased for the fourth six month period in succession to 0.82 pence (2005: 0.67 pence).

The acquisition of Dodd Marketing was completed on 25 April 2006, so these results only include just over 2 months contribution. As at 30 June 2006, following the acquisition of Dodd Marketing, which was funded by £9 million of newly agreed banking facilities from Barclays Bank PLC, Group net debt increased to £5.86 million (2005: net cash £1.94 million).

The table below summaries the historic results for the Group for each of the last four six monthly periods since the reversal of Strike Lucky into the Company in October 2004.

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£000's	2004:	2005:		2006:
	H2	H1	H2	H1
Turnover	2,237	3,848	6,633	7,200
Profit before tax	711	1,112	1,276	1,496
EPS	0.37p	0.67p	0.73p	0.82p

Business Review

The Group's business now consists of the four complementary trading subsidiaries all of which are trading profitably:

Strike Lucky

Strike Lucky was the original business acquired by the Group in October 2004. The business develops and promotes a proprietary range of games of skill and chance in a variety of formats including scratch cards and newspaper inserts distributed via magazines and other direct mailings.

Purely Creative

Purely Creative is a producer and distributor of gamecard competitions and promotions, managing high volume response levels via phone, internet and post.

Dodd Marketing

Dodd Marketing operates through its trading subsidiary, McIntyre & Dodd Marketing Limited ("McIntyre") which is a specialist promoter of games and competitions to UK consumers via addressed mail. McIntyre is also a successful list broker which acts as one of the list brokers to the Group. McIntyre also owns a number of large response driven databases from which they generate rental income via list brokers, including in house broker, £ist§ (www.lists.co.uk).

Strike Lucky, Purely Creative and Dodd Marketing generate revenue from 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 4 million customers.

During the acquisition of Dodd Marketing in April 2006 we stated:

"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."

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Since the acquisition, synergies across the Group's core divisions have been exploited more quickly than expected with the results for Dodd Marketing performing ahead of expectations.

Cyberdyne

Cyberdyne is a regulated UK bookmaker and operates an online betting business specialising 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 and www.instalot.com. Cyberdyne is not involved in any sports betting in the US. It operates from premises in Bristol, England, and all its websites are hosted in the UK. Bets on lotteries are limited to a maximum payout by Cyberdyne of \$1,000,000. Insurance arrangements are applicable. Cyberdyne currently has a client base of over 30,000 customers. Further expansion is planned into betting in respect of additional overseas lotteries.

Outlook

We enjoyed strong growth in the first half of 2006. We continue to focus on becoming the UK market leader in response based home gaming and direct marketing and have started to see financial and synergistic benefits coming through from the combination of Strike Lucky, Purely Creative and Dodd Marketing. The performance of these three core businesses has driven the financial results of the Group, achieving another record set of results.

Our scale and experience has helped us to enjoy strong growth and good margins while several of our competitors have struggled to maintain margins and have consequently experienced reduced turnover and profits. We will also look to make further acquisitions that complement the Group's activities as and when opportunities become available at an attractive price.

During the remainder of 2006 we also intend to consolidate our position, completing the integration of Dodd Marketing, expanding the range of products we offer and increasing the associated revenue streams from both gaming and database management. I would like to take this opportunity to thank all the employees of the Group for their hard work and commitment in delivering another set of record results. Overall, we have made impressive progress since 2004, when the board changed and Strike Lucky was acquired by the Company, and hope to continue this growth throughout the remainder of 2006 and beyond.



A J Williams
Chairman

DM plc**Consolidated Profit and Loss Account**

£000		Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	Notes	Unaudited	Unaudited	Audited
Group Turnover		7,200	3,848	10,481
Group Cost of Sales		(4,701)	(2,538)	(7,212)
Gross Profit		2,499	1,310	3,269
Administrative Expenses				
Goodwill Amortisation		(80)	-	-
Other Administrative Expenses		(821)	(452)	(1,137)
Other Operating Income	3	-	248	295
Operating Profit		1,598	1,106	2,427
Interest Payable		(116)	-	(58)
Interest Receivable		14	6	19
Profit on ordinary activities before tax for the financial period		1,496	1,112	2,388
Taxation		(469)	(282)	(647)
Profit on ordinary activities after tax for the financial period		1,027	830	1,741
Dividends		-	-	-
		1,027	830	1,741
Earnings per share – basic and diluted	4	0.82p	0.67p	1.40p

DM plc**Consolidated Balance Sheet**

£000	30 June 2006	30 June 2005	31 December 2005
	Unaudited	Unaudited	Audited
Fixed Assets			
Intangible Assets	9,458	-	80
Tangible Assets	193	48	175
	9,651	48	255
Current Assets			
Debtors	3,001	2,549	1,963
Cash at Bank	3,275	1,938	3,105
	6,276	4,487	5,068
Creditors: amounts falling due within one year	(6,864)	(4,397)	(4,200)
Net Current Assets/(Liabilities)	(588)	90	868
Total assets less current liabilities	9,063	138	1,123
Creditors: amounts falling due after more than one year	(7,301)	-	(422)
Provisions for liabilities	(15)	-	(15)
Net Assets	1,747	138	686
Capital and Reserves			
Called up share capital	1,254	1,244	1,251
Merger Reserve account	(3,108)	(2,685)	(3,108)
Share Premium account	139	55	108
Profit & Loss account	3,462	1,524	2,435
Shareholders funds	1,747	138	686

DM plc**Consolidated Cash Flow Statement**

£000	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	Unaudited	Unaudited	Audited
Reconciliation of operating profit to net cash inflow from operating activities:			
Operating Profit	1,598	1,106	2,427
Depreciation of tangible assets	29	4	35
Amortisation of intangible assets	80	-	-
(Increase)/Decrease in debtors	(1,038)	(12)	592
Increase/(Decrease) in creditors	1,014	178	(46)
Net cash inflow from operating activities	1,683	1,276	3,008

DM plc**Consolidated Cash Flow Statement**

£000	Six months to 30 June 2006	Six months to 30 June 2005	Year to 31 December 2005
	Unaudited	Unaudited	Audited
Returns on investment and servicing of finance			
Interest received	14	6	19
Interest paid	(116)	-	(58)
Taxation	-	-	(325)
Capital Expenditure and Financial Investment			
Purchase of tangible fixed assets	(47)	(15)	(127)
Acquisition and disposals			
Purchase of subsidiary undertaking	(9,458)	(350)	(440)
Net cash acquired with subsidiary	-	226	238
Cash inflow/(outflow) before financing	(7,924)	1,143	2,315
Financing			
Repayment of debt	-	-	(1,078)
Increase in debt	9,135	-	-
Issue of Shares	33	-	-
Increase in cash for the period	1,244	1,143	1,237

1 Basis of preparation

The financial information included has been prepared on a consistent basis and using the same accounting policies as the audited financial statements for the year ended 31 December 2005.

2 Basis of consolidation

DM's acquisition of Strike Lucky has been accounted for as a reverse acquisition.

The principal effect of consolidating using reverse acquisition accounting is that no goodwill arose on consolidation. No goodwill arose as the fair value of DM was equal to the book value at the time of acquisition. A merger reserve is created which reflects the difference between the book value of the shares issued by DM as consideration for the acquisition of Strike Lucky and the share capital of Strike Lucky. The merger reserve also reflects additional costs of the acquisition. Under normal acquisition accounting, the goodwill arising on the investment by DM in Strike Lucky 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 acquisitions of Purely Creative, Cyberdyne and Dodd Marketing have been accounted for using acquisition accounting. The Group completed the acquisition of Dodd Marketing on 25 April 2006 and its results have been consolidated from that date.

3 Other operating income in the period to 30 June 2005 represents the benefit to the Group of the early settlement of the earn out liability payable in relation to the acquisition of Purely Creative and in the year to 31 December 2005 also includes the waiver of loan liabilities on the acquisition of Cyberdyne.

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- 4 Earnings per share is calculated using the profit on ordinary activities after tax and the weighted average number of ordinary shares in issue as follows:

- Period to 30 June 2006	- 125,158,059
- Period to 30 June 2005	- 124,417,400
- Year to 31 December 2005	- 124,449,337

Share options in issue are non-dilutive.

- 5 The interim financial statements have not been audited and they do not constitute full financial statements within the meaning of S240 of the Companies Act 1985. The results for the year to 31 December 2005 are an abbreviated version of the full accounts which received an unqualified report by the auditors and have been filed with the Registrar of Companies.
- 6 Copies of the interim report will be posted to all of the Company's shareholders as soon as practicable and will be available at the Company's Registered Office at King's Buildings, Lydney, Gloucestershire, GL15 5HE.

DM plc

Company Information

Directors:

Adrian Williams (Chairman)
Wendy Ruck (Operations Director)
Mark Winter (Finance Director)
John Gomme (Non Executive Director)

Company Secretary: Thomas Brennan**Company Number:** 4020844**Registered Office:**

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Auditors:

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