

DM plc

Interim Results

DM plc ("DM" or the "Group"), the direct marketing group specialising in response oriented competitions, announces its interim results for the six month period ended 30 June 2005.

Overview:

- Group consolidated turnover up 96% to £3.85 million (2004: £1.96 million)
- Group consolidated profit before tax up 82% to £1.11 million (2004: £0.61 million)
- Earnings per share up 97% to 0.67p (2004: 0.34p)
- Acquisition of Purely Creative Limited on 30 March 2005 for £50,000 in cash, plus interest and potential earn-out of up to £2.0 million over two years
- Subsequent successful negotiation leading to early satisfaction of earn-out obligation in relation to the acquisition of Purely Creative Limited for £300,000 in cash on 6 May 2005

DM Chairman Adrian Williams said: "As the figures reflect, we have performed well over the period and the Group is in good health. We made the acquisition of Purely Creative which has already had a significant impact on the scale and potential of the Group. Importantly we are generating strong revenues, we have £1.94 million on deposit and no bank debt."

CHAIRMAN'S STATEMENT

DM, the direct marketing group specialising in generating revenue through the provision of response orientated competitions, announces its interim results for the six month period ended 30 June 2005. During 2005, we have focused on building a platform for future growth with the acquisition of Purely Creative Limited ("Purely Creative"), which has now been successfully integrated into the Group, operating alongside our core subsidiary, Strike Lucky Games Limited ("Strike Lucky").

Financial results

For the six months to 30 June 2005, the Group reported a consolidated turnover of £3.85 million (2004: £1.96 million), an increase of 96 per cent on 2004. Consolidated profit before tax increased 82 per cent to £1.11 million (2004: £0.61 million). Earnings per share for the period increased 97 per cent to 0.67 pence (2004: 0.34 pence).

Due to the reverse acquisition accounting method adopted on the acquisition of Strike Lucky, the results represent the unaudited Group consolidated results for the period 1 January 2005 to 30 June 2005, compared against the unaudited Strike Lucky results for the period 1 January 2004 to 30 June 2004. The audited consolidated Group results for the year ended 31 December 2004, as previously reported, are also included.

Business Review

The core business is Strike Lucky, a profitable designer and promoter of a proprietary range of games of skill and chance in a variety of formats including cards and newspaper inserts. Revenue is generated through two channels. The first is by respondents telephoning premium rate lines or responding by text and the second through the rental of respondents' details from the Group's database of over 3 million customers.

The Group outsource the majority of its business services, including its media space procurement, database management, printing and production of games while retaining (in-house) the design and development of games.

On 30 March 2005, the Board of DM announced that it had acquired the entire issued share capital of Purely Creative for £50,000 in cash, plus interest between 7 October 2004 and 30 March 2005. As a consequence of this acquisition an earn-out of up to £2 million may have become payable to Thus plc, subject to the future performance of Purely Creative ("the Earn-Out Obligation").

On 6 May 2005, the Group settled the Earn-Out Obligation in full by the immediate payment to Thus plc of the sum 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.

The acquisition of Purely Creative has given the Group a second profitable subsidiary operating in the direct marketing industry. Purely Creative produces and distributes marketing competitions and promotions.

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 are redeemable from September 2005. As at 30 June 2005, the Group had cash at bank of £1.94 million. As previously stated, subject to the full discharge of the earn-out loan notes, the Board intends to commence the payment of dividends and operate a progressive dividend policy when it is commercially prudent to do so.

Outlook

The Group continues to be highly profitable, has no bank debt, and has now issued £1.078 million of loan notes out of the maximum £1.5 million payable under the terms of the Strike Lucky acquisition. Furthermore, although the period to 30 June 2005 only includes three months trading of Purely Creative, the Group has seen a substantial improvement in performance with turnover up by 96 per cent and pre-tax profitability up by 82 per cent. The Board are committed to continue to search for further opportunities to strengthen the operating and financial performance of the Group and I look forward to a positive second half reflecting the combined trading results of Strike Lucky and Purely Creative.

A J Williams
Chairman

Consolidated Profit and Loss Account

		Six month period to 30 June 2005	Six month period to 30 June 2004	Year to 31 December 2004
	Notes	Unaudited £000	Unaudited £000	Audited £000
Group Turnover		3,848	1,964	4,201
Group Cost of Sales		(2,538)	(1,262)	(2,610)
Gross Profit		1,310	702	1,591
Administrative Expenses		(452)	(133)	(345)
Other Operating Income	3	248		-
Operating Profit		1,106	569	1,246
Interest receivable		6	37	71
Profit on ordinary activities before tax for the financial period		1,112	606	1,317
Taxation		(282)	(181)	(426)
Profit on ordinary activities after tax for the financial period		830	425	891
Dividends		-	-	(3,500)
		830	425	(2,609)
Earnings per share - basic and diluted	4	0.67p	0.34p	0.72p

Consolidated Balance Sheet

	30 June 2005	30 June 2004	31 December 2004
	Unaudited	Unaudited	Audited
	£000	£000	£000
Fixed Assets			
Tangible assets	48	30	31
Current Assets			
Debtors	2,549	929	597
Cash at Bank	1,938	3,822	795
	4,487	4,751	1,392
Creditors: amounts falling due within one year	(4,397)	(1,053)	(1,037)
Net Current Assets	90	3,698	355
Total assets less current liabilities	138	3,728	386
Creditors: amounts falling due after more than one year		-	(1,078)
Net Assets/(Liabilities)	138	3,728	(692)
Capital and Reserves			
Called up share capital	1,244	-	1,244
Merger Reserve account	(2,685)	-	(2,685)
Share Premium account	55	-	55
Profit & Loss account	1,524	3,728	694
Shareholders funds	138	3,728	(692)

Consolidated Cash Flow Statement

	Six month period to 30 June 2005	Six month period to 30 June 2004	Year to 31 December 2004
	Unaudited £000	Unaudited £000	Audited £000
Reconciliation of operating profit to net cash inflow from operating activities:			
Operating Profit	1,106	569	1,246
Depreciation of tangible fixed assets	4	5	5
(Increase)/Decrease in debtors	(12)	754	1,127
Increase in creditors	178	171	274
Net cash inflow from operating activities	1,276	1,499	2,652

	Six month period to 30 June 2005	Six month period to 30 June 2004	Year to 31 December 2004
	Unaudited £000	Unaudited £000	Audited £000
Returns on investment and servicing of finance			
Interest received	6	37	71
Taxation	-	-	(364)
Capital Expenditure and Financial Investment			
Purchase of Tangible Fixed Assets	(15)	(1)	(2)
Acquisition and disposals			
Cash acquired by reverse acquisition	-	-	22
Purchase of subsidiary undertaking	(350)	-	(371)
Net cash acquired with subsidiary	226	-	-
Dividends paid	-	-	(3,500)
Increase/(Decrease) in Cash	1,143	1,535	(1,492)

Notes:

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 2004.

2. Basis of consolidation

DM's acquisition of Strike Lucky Games Limited 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 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 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 results of DM are therefore included from the transaction date, 6 October 2004. The six month period to 30 June 2004 represents the results of Strike Lucky as a single entity.

The results of Purely Creative Limited have been consolidated using the acquisition method of accounting. The Group completed the acquisition of Purely Creative Ltd on 30 March 2005 and its income and profits have been incorporated from that date.

3. Other operating income represents the benefit to the Group of the early settlement of the earn out liability payable in relation to the acquisition of Purely Creative Limited.
4. Earnings per share is calculated using the profit on ordinary activities after tax and a weighted average number of ordinary shares in issue of 124,417,400 for all periods, which assumes that the reverse acquisition occurred at the start of the comparative period.

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 2004 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 are being posted to all of the Company's shareholders. Further copies can be obtained from the Company Secretary at the Registered Office.