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

PRELIMINARY RESULTS
FOR PERIOD ENDED 31 DECEMBER 2004

DM plc, the Direct Marketing Group specialising in home gaming, announces its results for the period ended 31 December 2004. Key highlights include:

- Group consolidated profit before tax for the year ended 31 December 2004 of £1.317 million (2003: £1.208 million) on turnover of £4.201 million (2003: £5.470 million)
- Acquisition of Strike Lucky Games Limited (“Strike Lucky”) for up to £15.68 million
- Acquisition of Purely Creative Limited (“Purely Creative”) on 30 March 2005 for £50,000 in cash, plus interest and potential earn-out of up to £2 million over two years
- Early satisfaction of earn-out obligation in relation to Purely Creative acquisition for £300,000 in cash on 6 May 2005
- Name change from Hawthorn Holdings plc to DM plc
- Change in Group accounting reference date to 31 December

Adrian Williams, Chairman and Chief Executive commented:

“The acquisition of Strike Lucky and subsequently Purely Creative have laid the foundations for the Company. We have already enjoyed substantial synergies from the consolidation of Purely Creative and Strike Lucky. DM’s combined database of nearly five million customers is now one of the largest in our sector. Database exploitation continues to become a more important part of our profits.

We are investing in our database by adding further information which will make the database attractive to Banks and Major Financial Institutions who are the largest users of Direct Mail. We are also now exploring other methods of generating initial client contacts.”

CHAIRMAN’S STATEMENT

Introduction

DM, the Direct Marketing Group specialising in home gaming is pleased to report its results for the period ended 31 December 2004. In the period, DM has changed its name from Hawthorn Holdings plc and has changed its year end from 30 June to 31 December to bring the Group reporting date in line with the main trading subsidiary Strike Lucky Games Limited (“Strike Lucky”).

Financial results

The acquisition of Strike Lucky was completed on 6 October 2004. The terms of the acquisition were such that although DM is the legal parent of Strike Lucky, the substance of the combination was that Strike Lucky acquired DM in a reverse acquisition.

The results presented for the Group, therefore represent those of Strike Lucky for the year ended 31 December 2004 and consolidate the results of DM for the period from 6 October 2004 to 31 December 2004. Information has also been presented relating to DM as a single entity for the period from 30 June 2003, when statutory accounts were last presented, to 31 December 2004. The consolidated results of DM for the year ended 30 June 2003 as previously reported are also included.

For the year ended 31 December 2004, the Group reported a consolidated profit before tax of £1.317 million (2003: £1.208 million) on turnover of £4.201 million (2003: £5.470 million).

Business Review

The disposal of the trading subsidiaries of Poptones Group plc was concluded on 8 July 2003. The costs of these disposals were reflected in the results reported for the year ended 30 June 2003. This left the company, renamed Hawthorn Holdings plc, as an AIM listed non-trading cash shell. On 29 July 2004, the terms of the acquisition of Strike Lucky were announced, which completed on 6 October 2004.

The acquisition of Strike Lucky has given the Group a highly profitable core business operating in the direct marketing industry. This was further enhanced by the acquisition in 2005 of Purely Creative Limited ("Purely Creative"), which produces and distributes marketing competitions and promotions. Although, there were substantial costs in the year involved with the reverse takeover of Strike Lucky, the trading results and outlook of the newly constituted group are very promising.

The Group acquired by way of a reverse takeover all the shares in Strike Lucky on 6 October 2004. The acquisition cost was £14.184 million plus a three year earn out agreement of up to £1.5 million, 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, have given rise to the issue of £1.078 million of loan notes, redeemable six months from issue. This represents 71.9 per cent. of the maximum £1.5 million payable under the earn-out. 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.

On 31 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 since 7 October 2004. 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, which the Board considered to be in the interests of DM shareholders as a whole.

The unaudited draft management accounts for Purely Creative for the period ended 31 December 2004 reported a turnover of £2.1 million and net profit of £0.49 million. The unaudited net asset value for Purely Creative at 31 December 2004 was £0.54 million. These results are not consolidated in the Group results.

Following the divestment of Purely Creative from Thus plc on 7 October 2004, the management of Purely Creative has been under the direction of DM management. In the six months from 7 October 2004 to 31 March 2005, prior to the completion of the acquisition of Purely Creative by DM, the unaudited draft management accounts of Purely Creative reported a turnover of £3.9 million and net profit of £0.79 million. The earnings of Purely Creative since 7 October 2004, were retained and acquired by the Group on completion of the acquisition of Purely Creative.

Purely Creative designs, produces and distributes marketing competitions and promotions principally through the UK print media, managing high volume player response levels via telephone, SMS and post. Purely Creative is a subsidiary of Strike Lucky and trades as a separate entity.

Board appointment

I am delighted to announce the appointment of Mark Winter, age 41, to the Board as Finance Director. Mark has been providing financial consultancy to the Group since 1 November 2004, and will be a valuable addition to the Board. 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 Ltd 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.

There are no further disclosures for Mr. Winter under Schedule 2, paragraph (f) of the AIM rules.

Board and Management

With the completion of the reverse takeover of Strike Lucky, the then existing directors resigned and were replaced by new board members. The Board now consists of Adrian Williams as Chairman and Chief Executive, Wendy Ruck as Operations Director, Mark Winter as Finance Director and John Gommes as Non-Executive Director.

Outlook

Despite acquiring two profitable and cash generative companies in the past year, DM currently has no bank debt, no further Earn-Out Obligations in relation to Purely Creative and will have issued £1.078 million of loan notes out of the maximum £1.5 million payable under the terms of the Strike Lucky acquisition.

The addition of Purely Creative has substantially added to the activities of the Group and the year has started positively. The trading results of the newly acquired subsidiary company were good and I anticipate continuing to exploit synergies between the Group companies, which should feed through to improved overall gross margins in this financial year.

I would like to thank everybody at DM for their contribution and look forward to a successful 2005.

A J Williams
Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	2004 £000	2003 £000
Group turnover	4,201	5,470
Cost of sales	(2,610)	(4,076)
Gross profit	1,591	1,394
Administrative expenses	(345)	(252)
Operating profit	1,246	1,142
Interest receivable	71	66
Profit on ordinary activities before tax for the financial period	1,317	1,208
Taxation	(426)	(365)
Profit on ordinary activities after tax for the financial period	891	843
Dividends	(3,500)	-
Retained (loss)/profit for the year	(2,609)	843
Earnings per share – basic	0.7p	0.7p
Earnings per share – diluted	0.7p	0.7p

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2004

	2004 £000	2003 £000
Fixed assets		
Intangible assets	-	-
Tangible assets	31	34
	31	34
Current assets		
Debtors	597	1,683
Cash at bank	795	2,287
	1,392	3,970
Creditors: amounts falling due within one year	(1,037)	(701)
Net current assets	355	3,269
Total assets less current liabilities	386	3,303
Creditors: amounts falling due after more than one year	(1,078)	-
Net assets	**(692)**	**3,303**
Capital and reserves		
Called up share capital	1,244	-
Share premium account	55	-
Merger reserve account	(2,685)	-
Profit and loss account	694	3,303
Shareholders' funds	(692)	3,303

COMPANY PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 2004

	18 months ended 31 December 2004 £000	Year ended 30 June 2003 £000	Consolidated* year ended 30 June 2003 £000
Turnover	-	-	69
Cost of sales	-	-	(125)
Gross profit	-	-	(56)
Impairment of fixed asset investments	(10,716)	-	-
Selling and distribution expenses	-	-	(117)
Administration expenses	(112)	(476)	(337)
Operating loss	(10,828)	(476)	(504)
Share of operating profit of joint ventures	-	-	67
Interest receivable	5	13	13
Provision for loss on sale of subsidiaries	-	-	(64)
Loss on ordinary activities before tax for the financial period	(10,823)	(463)	(488)
Taxation	-	-	-
Loss on ordinary activities after taxation for the financial period	(10,823)	(463)	(488)

*The consolidated results to 30 June 2003 are of DM plc and its former subsidiary and joint venture interests which were disposed of on 6 July 2003.

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

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2004

	31 December 2004 £000	30 June 2003 £000
Fixed assets		
Investments	4,977	-
Current assets		
Debtors	10	8
Cash at bank	22	201
	32	209
Creditors: amounts falling due within one year	(368)	(67)
Net current assets	(336)	142
Total assets less current liabilities	4,641	142
Creditors: amounts falling due after more than one year	(1,078)	-
Net assets	3,563	142
Share capital and reserves		
Called up share capital	1,244	5,721
Merger reserve account	2,286	-
Share premium account	55	933
Profit and loss account	(22)	(6,512)
Shareholders' funds	3,563	142

CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 DECEMBER 2004

	31 December 2004 £000	31 December 2003 £000
Reconciliation of operating loss to net cash outflow from operating activities		
Operating profit	**1,246**	1,142
Depreciation and impairment of tangible fixed assets	**5**	6
Amortisation of intangible assets	**-**	5
Decrease/(Increase) in debtors	**1,127**	(337)
(Decrease)/Increase in creditors	**274**	(393)
Net cash inflow from operating activities	**2,652**	423
Returns on investment and servicing of finance		
Interest received	**71**	66
Taxation	**(364)**	(238)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(2)**	-
Acquisition and disposals		
Cash acquired by reverse acquisition	**22**	-
Purchase of subsidiary undertaking	**(371)**	-
		-
Dividends paid	**(3,500)**	-
(Decrease)/increase in cash for the period	**(1,492)**	251

NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2004

1. This preliminary announcement does not consist of a full set of statutory accounts for the year ended 31 December 2004, within the meaning of Section 240 Companies Act 1985.

2. ACCOUNTING POLICIES

Basis of Preparation

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

Basis of consolidation – 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. In that case, the pre-combination results would be those of DM plc and Strike Lucky Games Limited would be included only in relation to its performance from 6 October 2004. 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 have 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 2004 with the comparative figures shown for the year ended 31 December 2003. This reflects the accounting reference date of Strike Lucky Games Limited. DM plc has now changed its accounting reference date from 30 June to 31 December, and therefore the results of DM plc as a single entity are for an eighteen month period.

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 arose on consolidation. 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 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 2004.

31 December 2004	Reverse acquisition accounting (as disclosed) £000	Normal acquisition accounting £000	Impact of reverse acquisition accounting £000
Share capital	1,244	1,244	-
Share premium	55	55	-
Merger reserve	(2,685)	13,002	(15,689)
Opening P&L and other reserves	3,303	3	3,300
P&L account	(2,609)	(127)	(2,482)
Goodwill	-	15,124	15,124

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.

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.

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.

3. The full statutory accounts, upon which the auditors have expressed an unqualified opinion, will be filed with the Registrar of Companies before 30 June 2005.

4. The annual report and accounts will be posted to shareholders by 30 June 2005 and will be available upon application from the Company's registered office at King's Buildings, Lydney, Gloucestershire, GL15 5HE.