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If you have sold or otherwise transferred all of your Ordinary Shares in DM plc, please immediately forward this document, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you have sold or transferred part only of your holding of Ordinary Shares, you should retain these documents.

Altium, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for DM plc as financial adviser (within the meaning of the Financial Services Authority Handbook of notes and guidance) and no one else in connection with the matters described herein and is not advising any other person or treating any other person as its client in relation thereto and will not be responsible to anyone other than DM plc for providing the protections afforded to clients of Altium or for providing advice in relation to DM plc, the contents of this document or any other matters referred to herein.



DM plc

(Incorporated and registered in England and Wales with Registered No. 4020844)

**Acquisition of Dodd Marketing Limited
Notice of Extraordinary General Meeting**

Nominated Adviser
Altium Capital Limited

Your attention is drawn to the letter from the Independent Directors of DM plc which is set out on pages 6 to 8 of this document and which recommends you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

Notice of the Extraordinary General Meeting to be held on 24 April 2006 at 10.30 a.m. at The Chase Hotel, Gloucester Road, Ross-on-Wye, Herefordshire, HR9 5LH, is set out on page 24 of this document. A Form of Proxy for use at the EGM forms part of this document and in order for it to be valid it should be completed and returned to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive no later than 10.30 a.m. on 22 April 2006.

CONTENTS

| | <i>Page</i> |
|---|-------------|
| Expected Timetable | 2 |
| Definitions | 3 |
| Directors and Advisers | 5 |
| Part 1 Letter from the Independent Directors of DM plc | 6 |
| Part 2 Unaudited Pro Forma Statement of Consolidated Net Assets | 9 |
| Part 3 Group's Preliminary Results for year ended 31 December 2005 | 11 |
| Part 4 Additional Information | 20 |
| Notice of Extraordinary General Meeting | 24 |

EXPECTED TIMETABLE

| | |
|---|-----------------------------|
| Circular posted to Shareholders (by first class post) | 30 March 2006 |
| Latest time and date for receipt of the Form of Proxy | 10.30 a.m. on 22 April 2006 |
| Extraordinary General Meeting | 10.30 a.m. on 24 April 2006 |

DEFINITIONS

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

| | |
|--|---|
| “Acquisition” | the proposed acquisition of the entire issued share capital of Dodd Marketing from the Vendor |
| “Acquisition Agreement” | the conditional share acquisition agreement dated 29 March 2006 between the Vendor and DM to effect the Acquisition, details of which are set out in paragraph 6.1.1 of Part 4 of this document |
| “Act” | the Companies Act 1985 (as amended) |
| “AIM” | the Alternative Investment Market of the London Stock Exchange |
| “AIM Rules” | the rules for AIM companies and their nominated advisers published by the London Stock Exchange |
| “Altium” | Altium Capital Limited |
| “Board” or “Directors” | the directors of the Company at the date of this document |
| “Business Day” | a day (other than a Saturday or Sunday) on which banks are generally open in London for the transaction of normal business |
| “Circular” | this document, Notice of Extraordinary General Meeting and Form of Proxy |
| “Company’s Solicitors” | Davies and Partners, 135 Aztec West, Bristol BS32 4UB |
| “Completion” | the actual date of completion of the Acquisition |
| “Consideration” | up to £9.0 million, payable in cash to the Vendor as set out in the Acquisition Agreement |
| “Cyberdyne” | Cyberdyne Entertainment Limited, a subsidiary of the Company |
| “DM” or the “Company” | DM plc |
| “DM Group” or “Group” | the Company and its subsidiaries |
| “Dodd Marketing” | Dodd Marketing Limited |
| “Dodd Marketing Group” | Dodd Marketing and its subsidiaries |
| “Dodd Marketing Shares” | 100 ordinary shares of £1 each, issued and fully paid, in the capital of Dodd Marketing |
| “Enlarged Group” | the Company as enlarged by the Acquisition |
| “Escrow Account” | the deposit account held at Barclays Bank plc in the joint names of the Vendor’s Solicitors and the Company’s Solicitors |
| “Escrow Interest” | the portion of the interest earned in the Escrow Account relative to the monies paid out of the Escrow Account |
| “Extraordinary General Meeting” or “EGM” | the extraordinary general meeting of the Company to be held at 10.30 a.m. on 24 April 2006 or any adjournment thereof, notice of which is set out on page 24 of this document |
| “Facility Agreement” | the £9.135 million term loan facility agreement dated 29 March 2006 between DM and Barclays Bank plc setting out the terms on which Barclays Bank plc will make available a loan of £9.135 million to DM for the purpose of financing the Acquisition, details of which are set out in paragraph 6.1.2 of Part 4 of this document |
| “Form of Proxy” | the form of proxy accompanying this document for use by Shareholders in connection with the EGM |
| “Independent Directors” | Mark Winter and John Gommès |

| | |
|---|---|
| “Independent Shareholders” | the Shareholders in the Company other than Adrian Williams and Wendy Ruck |
| “LIBOR” | the London Inter Bank Offered Rate which appears on the Telerate Page 3750 at about 11.00 a.m. London time on the relevant date |
| “London Stock Exchange” | London Stock Exchange plc |
| “McIntyre” | McIntyre & Dodd Marketing Limited, the 100 per cent. owned trading subsidiary of Dodd Marketing |
| “Notice of Extraordinary General Meeting” | the notice set out on page 24 of this document |
| “Ordinary Shares” | ordinary shares of 1p each in the capital of the Company |
| “Purely Creative” | Purely Creative Limited, a subsidiary of the Company |
| “Resolutions” | the resolutions set out in the Notice of Extraordinary General Meeting to be proposed at the EGM |
| “Retention Release” | the occurrence of release of retention monies on the terms agreed in the Acquisition Agreement |
| “Shareholders” | holders of Ordinary Shares |
| “Strike Lucky” | Strike Lucky Games Limited, a subsidiary of the Company |
| “Vendor” | Adrian Williams |
| “Vendor Loan Agreement” | the loan agreement between the Vendor and the Company as detailed in paragraph 6.1.6 of Part 4 of this Circular |
| “Vendor’s Solicitors” | Burges Salmon LLP, Narrow Quay House, Narrow Quay, Bristol BS1 4AH |

DIRECTORS AND ADVISERS

Directors

Adrian Williams (Chairman)
Wendy Ruck (Operations Director)
Mark Winter (Finance Director)*
John Gommès (Non-Executive Director)*

* Independent Directors

All of:
Boscombe House
20 Station Street
Ross-on-Wye
Herefordshire
HR9 7AG

Registered Office

King's Buildings
Lydney
Gloucestershire
GL15 5HE

Nominated Adviser

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

Broker

Rowan Dartington & Co
7th Floor
Colston Tower
Colston Street
Bristol
BS1 4RD

Auditor

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

Reporting Accountant

BDO Stoy Hayward LLP
125 Colmore Row
Birmingham
B3 3SD

Legal Advisers

Davies and Partners
135 Aztec West
Bristol
BS32 4UB

Registrars

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

PART 1

LETTER FROM THE INDEPENDENT DIRECTORS OF DM PLC

DM plc

(Incorporated and registered in England and Wales with Registered No. 4020844)

Directors:

Adrian Williams (Chairman)
Wendy Ruck (Operations Director)
Mark Winter (Finance Director)*
John Gommès (Non-Executive Director)*

**Independent Directors*

Registered Office:

King's Buildings
Lydney
Gloucestershire
GL15 5HE

30 March 2006

Dear Shareholder

PROPOSED ACQUISITION OF DODD MARKETING LIMITED NOTICE OF EXTRAORDINARY GENERAL MEETING

Introduction

The Board is pleased to announce the agreement of terms to acquire Dodd Marketing for a maximum consideration of £9.0 million in cash. Dodd Marketing operates a specialist list broker and promoter of games via addressed mail and is wholly owned by Adrian Williams, the Group's Chairman. Therefore, the Acquisition is a related party transaction under the AIM Rules and is a transaction regulated by section 320 of the Act, which requires the prior approval of Shareholders. Additionally, pursuant to Article 98 of the Company's Articles of Association, a resolution is required to be passed extending the authority of the Directors in respect of borrowings by the Company. Accordingly, the Acquisition is conditional on the passing of the Resolutions. Adrian Williams and Wendy Ruck, as a connected person to Adrian Williams, have taken no formal part in the Board's decision to proceed with the transaction and will not vote on the Resolutions.

The purpose of this document is to give you the background to and reasons for the Acquisition, to provide details of the Acquisition, explain why the Independent Directors, Mark Winter and John Gommès, consider that it is fair and reasonable insofar as Shareholders are concerned (as required under the AIM Rules), and to seek approval of the Independent Shareholders for the Acquisition by proposing the Resolutions set out in the Notice of Extraordinary General Meeting on page 24 of this document.

Information on Dodd Marketing

Dodd Marketing is the holding company of McIntyre, a well established, privately owned, specialist list broker and promoter of games via addressed mail. McIntyre is based in Ross-on-Wye and has 4 full time staff and 2 part time staff.

In its audited accounts for the eight months to 31 December 2005, McIntyre reported turnover of £3.41 million and profit before tax of £1.26 million. Net assets as at 31 December 2005 were £0.56 million. For illustrative purposes, an unaudited pro forma statement of consolidated net assets for the DM Group as enlarged by the Acquisition (as if it had taken place as at 31 December 2005) is included in Part 2 of this document. Following 31 December 2005 and prior to Completion, dividends of £1.20 million and £0.5 million will have been paid by the Dodd Marketing Group. Further details are set out in paragraph 4.3 of Part 4 of this document.

Background to and reasons for the Acquisition

Since the reversal of Strike Lucky into the Company in October 2004, DM has seen substantial growth in terms of both turnover and profitability, primarily due to the acquisition and subsequent turnaround of Purely Creative, which was completed in March 2005.

It has been DM's stated strategy to continue to look to expand the activities of the business into related areas where the Group's core skills in relation to home gaming and direct marketing can be further exploited. In December 2005, DM announced the acquisition of Cyberdyne, an online betting and gambling company. The Group intends to use its financial resources and games expertise, along with its related databases, to drive more clients to Cyberdyne's websites, including www.lotteryuniverse.com.

Currently, DM's revenue is generated from responses to games and the rental of the Group's various databases. The databases are promoted both directly, as with the contract previously announced with Cornhill Insurance, and via third party list brokers who rent the details of respondents to direct marketing organisations. McIntyre own or rent a large number of response driven databases, including a number of the Company's databases, from which they generate rental income via their list brokers, including in-house broker, £ist\$® and via websites including its premier site, www.lists.co.uk. McIntyre also promote their own proprietary games via addressed mail.

Prior to the Acquisition, a proportion of DM's database revenue was generated using McIntyre's list broking services. It is the Company's intention that following the Acquisition, all of the Group's database management will, as soon as practicable, be moved in-house. DM intends to continue to use the McIntyre brands, including £ist\$®, to market DM's databases.

Principal terms and conditions of the Acquisition Agreement

The Company intends to acquire the entire issued share capital of Dodd Marketing from the Vendor for a maximum consideration of £9.0 million in cash. The Acquisition Agreement sets out the basis on which the Company is to acquire the entire issued share capital of Dodd Marketing.

The Acquisition Agreement contains various warranties and indemnities usual in an agreement of this nature given by the Vendor in relation to the Dodd Marketing Group. Completion of the Acquisition Agreement is only subject to the passing of the Resolutions. Assuming the Resolutions are passed, the Acquisition will be completed on the business day immediately following the EGM. Further details of the Acquisition Agreement and Facility Agreement are set out in paragraphs 6.1.1 and 6.1.2 of Part 4 of this document.

Related Party Transaction and Resolutions

Adrian Williams is a director of both DM and Dodd Marketing. Dodd Marketing is wholly owned by Adrian Williams. The Acquisition is therefore deemed a "Related Party Transaction" under the AIM Rules and having regard to its size, a "substantial property transaction involving directors" under section 320 of the Act. Pursuant to section 320 of the Act, the Acquisition requires the prior approval of the Shareholders in general meeting. Adrian Williams and Wendy Ruck, by virtue of being a connected person of Adrian Williams, will abstain from voting on the Resolutions. Further, a resolution is required pursuant to Article 98 of the Company's Articles of Association to extend the authority of the Directors in respect of borrowings by the Company in relation to the Acquisition. The Acquisition is therefore conditional on the passing of the Resolutions to be proposed at the Extraordinary General Meeting. In addition, pursuant to the AIM Rules, the approval of the Acquisition requires confirmation from the Independent Directors that, having consulted Altium, the Company's Nominated Adviser, they consider the terms of the Acquisition to be fair and reasonable insofar as the Shareholders are concerned.

Irrevocable Undertakings

Irrevocable undertakings to vote in favour of the Resolutions have been given by Mark Winter, the Group Finance Director and Independent Director, in relation to 35,911 Ordinary Shares representing 0.03 per cent. of the issued share capital. In addition, certain other Shareholders who, in aggregate, own 3,695,981 Ordinary Shares, which represent 2.95 per cent. of the issued share capital of the Company as at the date of this document, have irrevocably undertaken to vote in favour of the Resolutions.

In total, irrevocable undertakings to vote in favour of the Resolutions have been received in respect of 3,731,892 Ordinary Shares, representing 2.98 per cent. of the current issued capital of DM and 53.04 per cent. of the Independent Shareholders as at the date of this document.

Current Trading and Prospects

The Board is pleased to confirm that DM's results for the year ended 31 December 2005, announced today were excellent, reporting record turnover and profitability. For the year ended 31 December 2005, DM reported a profit before tax of £2.388 million (2004: £1.317 million) an increase of 81 per cent. on turnover of £10.481 million (2004: £4.201 million) an increase of 149 per cent. The full text of the Group's preliminary results are set out in Part 3 of this document. Since the year end, the Group has made further progress and the results for 2006 will report a full twelve months' contribution from the fully integrated operations of Purely Creative and Cyberdyne which were acquired during 2005.

Extraordinary General Meeting

The Acquisition is conditional upon the approval of Independent Shareholders, which is to be sought at the Extraordinary General Meeting convened for 10.30 a.m. on 24 April 2006. The Notice of EGM is set out on page 24 of this document. At this meeting, the Resolutions will be proposed to approve the Acquisition and to extend the borrowing authorisation of the Directors. Adrian Williams and Wendy Ruck will abstain from voting on the Resolutions.

Action to be Taken*Form of Proxy*

A Form of Proxy is part of this document for use by Independent Shareholders at the Extraordinary General Meeting.

Whether or not Shareholders intend to be present at the Extraordinary General Meeting, they are asked to complete, sign and return the Form of Proxy to the Company's registrars, Capita Registrars, as soon as possible, but in any event so as to arrive no later than 10.30 a.m. on 22 April 2006. The completion and return of a Form of Proxy will not preclude Shareholders from attending the Extraordinary General Meeting and voting in person should they wish to do so. Accordingly, whether or not Shareholders intend to attend the Extraordinary General Meeting in person they are urged to complete and return the Form of Proxy as soon as possible.

Further Information

Your attention is drawn to the further information set out in the remainder of this document.

Recommendation

The Independent Directors, having consulted with Altium, consider the terms of the Acquisition to be fair and reasonable insofar as Shareholders are concerned. In advising the Independent Directors, Altium has taken into account the commercial assessments of the Independent Directors.

The Independent Directors unanimously recommend Independent Shareholders to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings of 35,911 Ordinary Shares, representing approximately 0.03 per cent. of the current issued ordinary share capital of the Company and 0.52 per cent. of shares held by Independent Shareholders.

Yours faithfully

Mark Winter
Finance Director

John Gommès
Non-Executive Director

PART 2

UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS

Set out below is an unaudited pro forma statement of consolidated net assets of the DM Group as at 31 December 2005, which has been prepared on the basis of the net assets of the DM Group as at that date as contained in the statutory accounts for the year ended on that date, and the adjustments described in the notes below.

The unaudited pro forma statement has been prepared solely to illustrate the effect on the consolidated net assets of the DM Group of the Acquisition as if that event had taken place at 31 December 2005. The pro forma net assets statement has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position of the DM Group.

| | <i>DM Group</i> | <i>Dodd Marketing</i> | <i>McIntyre</i> | <i>Adjustments</i> | | <i>Enlarged Group</i> |
|--|-------------------|---------------------------|-------------------|--------------------------------------|------------------------------------|---------------------------|
| | | | | <i>Consolidation adjustments</i> | <i>Acquisition adjustments</i> | |
| | <i>Note 1</i> | <i>Note 2</i> | <i>Note 3</i> | <i>Note 4</i> | <i>Note 5</i> | |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Fixed assets | | | | | | |
| Investments | — | 30 | 6 | (30) | — | 6 |
| Intangible fixed assets | 80 | — | 5 | — | 8,864 | 8,949 |
| Tangible fixed assets | 175 | — | 7 | — | — | 182 |
| | <u>255</u> | <u>30</u> | <u>18</u> | <u>(30)</u> | <u>8,864</u> | <u>9,137</u> |
| Current assets | | | | | | |
| Debtors | 1,963 | 1,220 | 1,043 | (1,200) | — | 3,026 |
| Cash at bank and in hand | 3,105 | 18 | 1,569 | — | (265) | 4,427 |
| | <u>5,068</u> | <u>1,238</u> | <u>2,612</u> | <u>(1,200)</u> | <u>(265)</u> | <u>7,453</u> |
| Creditors: | | | | | | |
| amounts falling due within one year | (4,200) | (1,266) | (2,066) | 1,200 | (1,800) | (8,132) |
| Net current assets/liabilities | 868 | (28) | 546 | — | (2,065) | (679) |
| Creditors: | | | | | | |
| amounts falling due after more than after one year | (422) | — | — | — | (7,200) | (7,622) |
| Provisions for liabilities and charges | (15) | — | — | — | — | (15) |
| Net assets | <u><u>686</u></u> | <u><u>2</u></u> | <u><u>564</u></u> | <u><u>(30)</u></u> | <u><u>(401)</u></u> | <u><u>821</u></u> |

Notes

- (1) The net assets of the DM Group are extracted from the consolidated balance sheet of the DM Group as at 31 December 2005 without material adjustment as set out in the audited statutory accounts for the year ended on that date.
- (2) The net assets of Dodd Marketing are extracted from the balance sheet of the company as at 31 December 2005 without material adjustment as set out in the audited statutory accounts for the 8 months ended on that date.
- (3) The net assets of McIntyre are extracted from the balance sheet of the company as at 31 December 2005 without material adjustment as set out in the audited statutory accounts for the 8 months ended on that date.
- (4) Adjustments have been made to reflect the elimination of the cost of investment in McIntyre (£30,000) together with the elimination of intercompany balances between Dodd Marketing and McIntyre (amounting to £1.2 million) in relation to a proposed but unpaid dividend of £1.2 million declared by McIntyre and payable to Dodd Marketing for the year ended 31 December 2005.
- (5) Adjustments have been made to reflect (i) the total consideration in respect of the Acquisition amounting to £9 million (plus estimated transaction costs of £400,000), as set out in this document, and the funds receivable under the new bank loan of £9.135 million (of which £1.8 million is due and payable within one year), (ii) estimated goodwill of £8.864 million arising on the Acquisition.
- (6) No adjustments have been made to reflect the trading results of the DM Group, Dodd Marketing or McIntyre since 31 December 2005 nor to reflect any other event save as disclosed above.



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DM plc
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20 Station Street
Ross-on-Wye
Herefordshire HR9 7AG

The Directors
Altium Capital Limited
5 Ralli Courts
New Bailey Street
Manchester M3 5FT

30 March 2006

Dear Sirs

DM plc (the “Company”)

Pro forma financial information

We report on the pro forma net assets statement (the ‘Pro Forma Financial Information’) set out in Part 2 of this document dated 30 March 2006 which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the acquisition of Dodd Marketing Limited and its subsidiary might have affected the financial information presented on the basis of accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2005.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro Forma Financial Information. It is our responsibility to form an opinion, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

BDO Stoy Hayward LLP

PART 3

GROUP'S PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2005

Set out below is the full text of the announcement of the preliminary results for the year ended 31 December 2005 released today.

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

PRELIMINARY RESULTS
FOR YEAR ENDED 31 DECEMBER 2005

DM plc (“DM” or the “Group”), the direct marketing group specialising in response oriented competitions, announces its preliminary 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: 0.7 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, announced today, 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, announced today, 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.”

CHAIRMAN'S STATEMENT

DM, the direct marketing group specialising in generating revenue through the provision of response oriented competitions, announces its preliminary results for the period ended 31 December 2005. In addition the Group has today also announced the proposed acquisition of specialist competition promoter and list broker, Dodd Marketing Limited ("Dodd Marketing"), for a maximum 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, announced today, 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: 0.7 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.

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.

Dodd Marketing

The Board of DM have today 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. 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 £3.41 million. The balance sheet at 31 December 2005 showed net assets of £0.56 million. 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 announcement made today 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 the Group's resources and skill base, and consequently the opportunities open to the Group. We look forward to another successful year during 2006.

A J Williams
Chairman

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

| | <i>Continuing Operations</i> | <i>Acquisitions</i> | <i>Total</i> | <i>Total</i> |
|--|----------------------------------|---------------------|--------------------|--------------------|
| | <i>31 December</i> | <i>31 December</i> | <i>31 December</i> | <i>31 December</i> |
| | <i>2005</i> | <i>2005</i> | <i>2005</i> | <i>2004</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| Group turnover | 1,797 | 8,684 | 10,481 | 4,201 |
| Cost of sales | (1,088) | (6,124) | (7,212) | (2,610) |
| Gross profit | 709 | 2,560 | 3,269 | 1,591 |
| Administrative expenses | (259) | (878) | (1,137) | (345) |
| Other operating income | — | 295 | 295 | — |
| Operating profit | 450 | 1,977 | 2,427 | 1,246 |
| Interest payable | | | (58) | — |
| Interest receivable | | | 19 | 71 |
| Profit on ordinary activities before tax for the financial period | | | 2,388 | 1,317 |
| Taxation | | | (647) | (426) |
| Profit on ordinary activities after tax for the financial period | | | 1,741 | 891 |
| Dividends | | | — | (3,500) |
| Retained profit/(loss) for the year | | | 1,741 | (2,609) |
| Earnings per share — basic | 3 | | 1.40p | 0.7p |
| Earnings per share — diluted | 3 | | 1.40p | 0.7p |

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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

| | <i>31 December</i> | <i>31 December</i> |
|--|--------------------|--------------------|
| | <i>2005</i> | <i>2004</i> |
| | <i>£000</i> | <i>£000</i> |
| Fixed assets | | |
| Intangible assets | 80 | — |
| Tangible assets | 175 | 31 |
| | <u>255</u> | <u>31</u> |
| Current assets | | |
| Debtors | 1,963 | 597 |
| Cash at bank | 3,105 | 795 |
| | <u>5,068</u> | <u>1,392</u> |
| Creditors: amounts falling due within one year | (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 | (422) | (1,078) |
| Provisions for liabilities | (15) | — |
| Net assets | <u>686</u> | <u>(692)</u> |
| Capital and reserves | | |
| Called up share capital | 1,251 | 1,244 |
| Share premium account | 108 | 55 |
| Merger reserve account | (3,108) | (2,685) |
| Profit and loss account | 2,435 | 694 |
| Shareholders' funds | <u>686</u> | <u>(692)</u> |

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

| | <i>31 December</i> | <i>31 December</i> |
|---|--------------------|--------------------|
| | <i>2005</i> | <i>2004</i> |
| | <i>£000</i> | <i>£000</i> |
| 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 |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 3,008 | 2,652 |
| 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 | — | (3,500) |
| | <hr/> | <hr/> |
| Cash inflow/(outflow) before financing | 2,315 | (1,492) |
| Financing | | |
| Repayment of debt | (1,078) | — |
| | <hr/> | <hr/> |
| Increase/(Decrease) in cash for the period | <u>1,237</u> | <u>(1,492)</u> |

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2005

1. This preliminary announcement does not consist of a full set of statutory accounts for the year ended 31 December 2005, within the meaning of section 240 of the 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

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.

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.

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:

| | <i>Reverse acquisition accounting (as disclosed) £000</i> | <i>Normal acquisition accounting £000</i> | <i>Impact of reverse acquisition accounting £000</i> |
|--------------------------------|---|---|--|
| 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.

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.

3. **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.

4. The annual report and accounts will be posted to shareholders as soon as practicable and will be available from the Company's registered office at King's Buildings, Lydney, Gloucestershire, GL15 5HE.

PART 4

ADDITIONAL INFORMATION

1. Responsibility statement

The Directors of the Company, whose names appear in paragraph 3 below, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The registered office of the Company is King's Buildings, Lydney, Gloucestershire GL15 5HE.

The business address of the Company is Boscombe House, 20 Station Street, Ross-on-Wye, Herefordshire HR9 7AG.

3. Directors

Adrian Williams (Chairman)

Wendy Ruck (Operations Director)

Mark Winter (Finance Director)*

John Gommès (Non-Executive Director)*

**Independent Directors*

The business address of all of the Directors is DM plc, Boscombe House, 20 Station Street, Ross-on-Wye, Herefordshire HR9 7AG.

4. Directors' and other interests

4.1 The interests, all of which are beneficial, of the Directors in the ordinary share capital of the Company which have been notified to the Company pursuant to section 324 or 328 of the Act or which are required to be entered in the register maintained pursuant to section 325 of the Act or which are interests of a connected person of a Director which would, if the connected person were a Director, be disclosed and the existence of which is known to, or could with reasonable diligence be ascertained by that Director, as at 29 March 2006 (being the last practicable date prior to the publication of this document) are set out below:

| <i>Name</i> | <i>Ordinary Shares (beneficial)</i> | <i>Percentage held</i> |
|-----------------|---|------------------------|
| Adrian Williams | 117,014,565 | 93.53% |
| Wendy Ruck | 1,181,965 | 0.94% |
| Mark Winter | 35,911 | 0.03% |
| John Gommès | — | — |

Loan Notes of £1.078 million have been issued to Adrian Williams and Wendy Ruck pursuant to a loan note instrument dated 26 July 2004, with a further £422,000 expected to be issued following the publication of DM's audited results for 2005.

4.2 Save as disclosed in paragraph 4.1 above, no Director has any interest in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of section 346 of the Act) have any such interests, whether beneficial or non-beneficial.

4.3 Save as disclosed in paragraph 6 below and below in this paragraph 4.3, no Director has or has had, an interest in any transactions which are or were unusual in their nature or conditions significant to the business of the DM Group and which were effected by the Company during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

4.3.1 All outstanding related party loans owing to McIntyre from Accolade Publishing Limited, Activ8 Limited, Eiger Properties Limited, Evolution Direct Marketing Limited and Rowan Forrester Limited, which are connected persons of the Vendor have been repaid in full prior to the Acquisition.

4.3.2 For the year ended 31 December 2005, Dodd Marketing declared a dividend of £1.2 million payable to the Vendor which has been paid in full prior to the Acquisition.

4.3.3 A pre-sale dividend of £509,059 has been declared by McIntyre, payable to Dodd Marketing, with a dividend of the same amount to be paid by Dodd Marketing to the Vendor prior to Completion.

4.4 As far as the Company is aware, save as disclosed in paragraph 4.1 above, there are no persons who were interested, directly or indirectly, in 3 per cent. or more of its issued ordinary share capital as at 29 March 2006 (being the latest practicable date prior to the publication of this document).

5. Directors' service contracts and remuneration

5.1 There are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be terminated by the employing Company without payment for compensation (other than statutory compensation) by notice not exceeding one year.

6. Material contracts

6.1 The following contracts (not being contracts entered into in the ordinary course of business), have been entered into by members of the DM Group either within the two years immediately preceding the date of this document and are or may be material to the DM Group, or (regardless of when entered into) contain any provision under which any member of the DM Group has any obligation or entitlement which is material to the DM Group as at the date of this document:

6.1.1 The Acquisition Agreement, dated 29 March 2006, was entered into between the Vendor (1) and the Company (2) pursuant to which the Vendor will sell to the Company the entire issued share capital of Dodd Marketing. The Company will also acquire the subsidiaries of Dodd Marketing. McIntyre is the only trading subsidiary of Dodd Marketing with the other subsidiaries being either non-trading or dormant companies. The principal current purpose of the non-trading and dormant companies is to protect from use by other limited companies as their registered name certain trading names used by McIntyre in its business.

On Completion of the Acquisition Agreement the Vendor will be paid £8,640,000 and £360,000 will be paid by the Company into the Escrow Account in case there is claim under the tax warranties in the Acquisition Agreement or under the tax deed between the Vendor and the Company. On the date of the occurrence of the Retention Release to the extent that monies are payable to the Vendor they will be released from the Escrow Account and paid to the Vendor together with Escrow Interest or to the extent that monies are payable to the Company they will be released from the Escrow Account and paid to the Company together with Escrow Interest.

Completion of the Acquisition Agreement is conditional only upon the passing of the Resolutions by the Independent Shareholders at the Extraordinary General Meeting.

The Acquisition Agreement provides that the Vendor will procure that during the period between exchange and Completion ("the Interim Period") the Dodd Marketing Group will continue to trade in the ordinary course of business and contains certain Interim Period covenants that are usually found in transactions of this type.

The Acquisition Agreement contains such warranties and indemnities as are usually found in a transaction of this type, including in relation to the past performance of the business of the Dodd Marketing Group and its financial statements. There is in addition a customary deed of tax indemnity in relation to the Dodd Marketing Group.

6.1.2 The Acquisition is to be financed pursuant to a Facility Agreement between the Company (1) and Barclays Bank plc ("the Bank") (2) dated 29 March 2006. Under the Facility Agreement the Bank will advance to the Company the sum of £9,135,000 for the purposes of the acquisition of the Dodd Marketing Group and for the purposes of the arrangement fee associated with the lending concerned. The Company has agreed to pay the Bank interest at a rate equivalent to an aggregate margin of 2.25 per cent. per annum over LIBOR plus the Bank's mandatory liquid asset cost rate in respect of the Facility Agreement. The Company has made representations, warranties and undertakings in favour of the Bank including financial condition warranties, all of which are customary for an agreement of this type. There are events of default, all of which are customary for an agreement of this nature, upon the occurrence of which the Bank may terminate the Facility Agreement and demand repayment. The term of the advance, subject to any

requirement for earlier repayment, is five years. The Facility Agreement is secured by security given by DM, Strike Lucky, Purely Creative, Dodd Marketing and McIntyre. The grant of such security by Dodd Marketing and McIntyre, will when given, constitute financial assistance in accordance with the provisions of section 151 of the Companies Act and accordingly, as required, each of such companies approved the giving of such financial assistance in accordance with the procedure set out in sections 155 *et seq* of the Companies Act 1985.

- 6.1.3 On 13 December 2005, by an agreement between W. Krouse and J. Krouse (1) and DM (2) DM acquired the entire issued share capital of Cyberdyne for a consideration of £90,000 in cash and the issue of 685,714 ordinary shares of 1p in the share capital of DM. Certain additional consideration of a maximum sum of £24,384 may become payable. This share acquisition agreement contains warranties, undertakings and indemnities normal for an acquisition of this nature.
- 6.1.4 On 22 November 2004, McIntyre granted an option to Strike Lucky to acquire the entire issued share capital of Purely Creative for the aggregate price of £50,000 plus interest from 7 October 2004 until the option exercise date payable in cash. The option was exercisable at any time from grant until 31 March 2005 (both dates inclusive). The option agreement contained representations, warranties and undertakings normal for a transaction of this nature. By notice dated 30 March 2005 the option was exercised by Strike Lucky for an aggregate consideration of £51,627 including interest.
- 6.1.5 By a share purchase agreement dated 26 July 2004, DM acquired the entire issued share capital of Strike Lucky from the Vendor and Wendy Ruck for a maximum consideration of £15,684,000 satisfied as to £14,184,000 by the issue and allotment on completion of shares in the share capital of the Company at 12p per share credited as fully paid and up to £1,500,000 satisfied by the issue of loan notes. This share acquisition agreement contains representations, warranties and undertakings normal for a transaction of this type. This acquisition became unconditional on 5 October 2004. Except in respect of certain permitted interests set out in this agreement the Vendor and Wendy Ruck have entered into non-competition undertakings.
- 6.1.6 By the Vendor Loan Agreement entered into on 29 March 2006 Adrian Williams has agreed to provide to DM an unsecured stand-by loan facility in the maximum sum of £500,000 at an aggregate interest rate per annum of 2.0 per cent. above LIBOR as applicable from time to time.
- 6.2 The following contracts (not being contracts entered into in the ordinary course of business), have been entered into by members of the Dodd Marketing Group either within the two years immediately preceding the date of this document and are or may be material to the Dodd Marketing Group, or (regardless of when entered into) contain any provision under which any member of the Dodd Marketing Group has any obligation or entitlement which is material to the Dodd Marketing Group as at the date of this document:
- 6.2.1 By an agreement dated 7 October 2004 between Purely Creative (then called Rowan (176) Limited (1) Thus plc (2) and McIntyre (3) Purely Creative acquired the business and assets of the Creative Division of Thus plc for a consideration of £50,000 together with an earn-out obligation equal to 2 per cent. of the sales turnover of Purely Creative for the period of two years from the date of acquisition of such business and assets and 20 per cent. of the profits earned by Purely Creative during such period. Thus plc entered into certain warranties and undertakings normal for an agreement of this nature. The obligations of Purely Creative to Thus plc were guaranteed by McIntyre. In conjunction with this business acquisition agreement Purely Creative entered into an underlease with Thus plc dated 22 February 2005 in respect of premises at Lancaster Business Park, Lancaster for a term up to and including 25 November 2013 at a rent of £69,953 per annum. McIntyre is the guarantor in respect of the obligations of Purely Creative in respect of such underlease. McIntyre is the guarantor in respect of the obligations of Purely Creative in respect of such underlease and licence.
- 6.2.2 On 22 November 2004, McIntyre granted an option to Strike Lucky to acquire the entire issued share capital of Purely Creative for the aggregate price of £50,000 plus interest from 7 October 2004 until the option exercise date payable in cash. The option was exercisable at any time from grant until 31 March 2005 (both dates inclusive). The option agreement contained representations, warranties and undertakings normal for a transaction of this nature. By notice dated 30 March 2005 the option was exercised by Strike Lucky for an aggregate consideration of

£51,627 including interest. Notwithstanding the exercise of this option McIntyre remains the guarantor of the obligations of Purely Creative as set out in paragraph 6.2.1 above.

7. Litigation

- 7.1 There have been, and are, no legal or arbitration proceedings (including, so far as the Company is aware any such proceedings which are pending or threatened by or against any member of the DM Group) which may have or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the DM Group.
- 7.2 There have been, and are, no legal or arbitration proceedings (including, so far as the Company is aware any such proceedings which are pending or threatened by or against any member of the Dodd Marketing Group) which may have or have had during the 12 months preceding the date of this document, a significant effect on the financial position of the Dodd Marketing Group.

8. Significant changes

- 8.1 There has been no significant change in the financial or trading position of the DM Group since 31 December 2005, being the date to which its most recent audited consolidated results have been drawn up.
- 8.2 Save as disclosed in paragraph 4.3 of Part 4 of this document, there has been no significant change in the financial or trading position of Dodd Marketing and McIntyre since 31 December 2005, being the date to which their most recent audited accounts have been drawn up.

9. Working capital

The Company is of the opinion that, having made due and careful enquiry, taking into account available bank and other facilities, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

10. Consents

Altium has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

BDO Stoy Hayward LLP has given and has not withdrawn its written consent to the inclusion of their letter set out in Part 2 of this document and the references to its letter, in the form and context in which they appear.

11. Documents available for inspection

Copies of the following documents may be inspected at King's Buildings, Lydney, Gloucestershire, GL15 5HE, the Company's registered office during normal hours on any weekday (Saturdays and public holidays excepted) from the date of this document until 24 April 2006 and will be on display at the Extraordinary General Meeting:

- 11.1 the Acquisition Agreement;
- 11.2 the Facility Agreement;
- 11.3 the material contracts referred to in paragraph 6 above;
- 11.4 the letters of consent referred to in paragraph 10 above;
- 11.5 the audited consolidated accounts of the Company for the year ended 31 December 2005;
- 11.6 the audited accounts of Dodd Marketing and McIntyre for the periods ended 31 December 2005;
- 11.7 the memorandum and articles of association of the Company;
- 11.8 the irrevocable undertakings referred to on page 7 of this document; and
- 11.9 this document.

30 March 2006

DM plc

(Incorporated and registered in England and Wales with Registered No. 4020844)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of DM plc will be held at The Chase Hotel, Gloucester Road, Ross-on-Wye, Herefordshire, HR9 5LH on 24 April 2006 at 10.30 a.m. for the purposes of considering and, if thought fit, passing the following Resolutions as Ordinary Resolutions.

Ordinary Resolutions

1. That the Acquisition as described in the Circular of the Company dated 30 March 2006, of which this Notice is part, by the Company of the entire issued share capital of Dodd Marketing Limited from Adrian Williams, who is a Director of the Company, on the terms of the Acquisition Agreement produced to the meeting, be and it is hereby approved in accordance with section 320 of the Companies Act 1985 (the "Act") and the Independent Directors (as defined in the Circular) be and they are hereby authorised to take all necessary steps to effect the Acquisition with such minor modifications, variations or amendments to the Acquisition Agreement and Facility Agreement produced to the meeting as they consider are in the best interests of the Company.
2. That pursuant to Article 98(B) of the Company's Articles of Association the Directors be and they are hereby authorised to exercise their powers in respect of the Company and, additionally to exercise all voting and other rights or powers of control of the Company in respect of its subsidiaries, to permit the Group (as defined in Article 98(C)(e) to have pursuant to the Facility Agreement and the Vendor Loan Agreement produced to the meeting an aggregate principal amount of all borrowings (as defined in Article 98(C)(b) of the Company's Articles of Association) of the Group in excess of an amount equal to twice the Adjusted Capital and Reserves (as defined in Article 98(C)(a) of the Company's Articles of Association).

By Order of the Board

Thomas Brennan
Company Secretary

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

Notes:

1. A member of the Company entitled to attend and vote at the above-mentioned Extraordinary General Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. Completion and return of the attached Form of Proxy will not preclude members of the Company from attending and voting at the meeting.
2. A pre-paid form of proxy is provided with this notice and instructions for use are shown on the form. To be valid, the completed Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be received at the office of the Company's registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time fixed for the meeting, or any adjourned meeting at which the proxy is to vote.
3. The Company, pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those Shareholders registered in the register of members of the Company as at 10.30 a.m. on 21 April 2006, shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of shares registered in their respective names at that time. Changes to the entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting notwithstanding any provision in any enactment, any provision in the articles of association of the Company or in any other instrument.

DM plc

EXTRAORDINARY GENERAL MEETING FORM OF PROXY

For use by Shareholders at the Extraordinary General Meeting on 24 April 2006 at 10.30 a.m.

I/We (block capitals please):.....
of

being (a) member(s) of DM plc, hereby appoint the Chairman of the meeting (Note 3), or

.....
as my/our proxy to vote for me/us on my/our behalf as indicated below at the Extraordinary General Meeting of the Company to be held at The Chase Hotel, Gloucester Road, Ross-on-Wye, Herefordshire, HR9 5LH on 24 April 2006 at 10.30 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate box below how you wish your votes to be cast. If you sign this Form of Proxy and return it without any specific directions, your proxy will vote (or abstain from voting) as he thinks fit. On any other business arising at the Extraordinary General Meeting (including any motion to amend a resolution or to adjourn the Extraordinary General Meeting) the proxy will act at his discretion.

| Ordinary Resolutions | FOR | AGAINST |
|--|-----|---------|
| 1. To approve in accordance with the provisions of section 320 of the Companies Act 1985 (substantial property transactions involving directors etc.) the Acquisition of the entire issued share capital of Dodd Marketing Limited by the Company in accordance with the terms of the Acquisition Agreement and to authorise the Independent Directors to take all necessary steps to effect the Acquisition with such minor modifications, variations or amendments to the Acquisition Agreement and Facility Agreement as they consider are in the best interests of the Company. | | |
| 2. To approve in accordance with Article 98(B) of the Company's Articles of Association the authorisation of the Directors to exercise their powers in respect of the Company and, additionally to exercise all voting and other rights or powers of control of the Company in respect of its subsidiaries, to permit the Group (as defined in Article 98(C)(e) to have pursuant to the Facility Agreement and the Vendor Loan Agreement an aggregate principal amount of all borrowings (as defined in Article 98(C)(b) of the Company's Articles of Association) of the Group in excess of an amount equal to twice the Adjusted Capital and Reserves (as defined in Article 98(C)(a) of the Company's Articles of Association). | | |

Signature: Dated: April 2006

Notes:

- To be valid, this completed Form of Proxy together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy thereof must be deposited at Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by not later than 10.30 a.m. on 22 April 2006.
- Where the appointer is a corporation, this Form of Proxy must be signed either under its common seal or under the hand of two directors or one director and the company secretary or an officer duly authorised in writing.
- A proxy need not be a member of the Company. A member may appoint a proxy of his own choice and, if such an appointment is made, delete the words "the Chairman of the Meeting, or" and insert the name and address of the person appointed proxy in the space provided. If you delete such words and you appoint a proxy the Chairman shall not be entitled to vote as proxy.
- Completion and return of this Form of Proxy will not preclude a member of the Company from attending and voting at the Extraordinary General Meeting.
- In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority will be determined by the order in which the names stand in the register of members of the Company.
- Any alteration made on this Form of Proxy must be initialled.
- The Company specifies, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, that only the Shareholders registered in the register of members of the Company at 10.30 a.m. on 21 April 2006 shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of shares registered in their respective names at that date. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend and vote at the meeting notwithstanding any provision in any enactment, any provision in the articles of association of the Company or in any other instrument.



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BUSINESS REPLY SERVICE
Licence No. MB 122



Capita Registrars
Proxy Dept.
PO Box 25
Beckenham
Kent
BR3 4BR

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2nd FOLD

