



Digital Marketing Group plc

placing and admission to AIM

October 2006

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The directors and proposed directors of DMG, whose names appear on page 6 of the document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the rules of AIM.

Application will be made to the London Stock Exchange plc for the whole of the issued share capital of DMG to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. AIM securities are not admitted to the Official List and it is emphasised that no application is being made for admission of these securities to the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document.

The whole of the text of this document should be read. Your attention is drawn to the Risk Factors set out in Part II of this document.

DIGITAL MARKETING GROUP PLC

(Incorporated in England and Wales under the Companies Act 1985,
with registered number 5935923)

Acquisition of HSM Limited and Scope Creative Marketing Limited (trading as Dig For Fire)

Admission to AIM

Nominated Adviser

CENKOS SECURITIES LIMITED

Share Capital on readmission of enlarged entity to AIM

<i>Authorised</i>		<i>Issued and fully paid</i>
100,000,000	ordinary shares of 50 pence each	34,152,753

This document, being an AIM admission document by DMG, has been drawn up in accordance with the AIM Rules. **The DMG Shares (as defined on page 3 of this document) have not and will not be registered under the United States Securities Act of 1933, as amended, or under the securities laws of any jurisdiction in the United States and may not be offered or sold in the United States or to any citizens, nationals or residents of the United States (including US based custodians, nominees or trustees for persons who are, or are not, citizens, nationals or residents of the United States), unless and until the shares are registered under that Act or unless an exemption from the registration requirements of that Act is available. DMG currently has no plans to register the DMG Shares under the United States Securities Exchange Act of 1934 (as amended) and DMG is not seeking to list its securities on any United States exchange or quotation system and does not expect there to be a market for its shares in the United States.**

Cenkos Securities Limited which is regulated in the United Kingdom by The Financial Services Authority, is acting as nominated adviser to DMG in relation to the AIM Admission and is not acting for any other persons and will not be responsible to such persons for providing protections afforded to customers of Cenkos Securities Limited or advising them on the contents of this document or any matter referred to in it.

The contents of this communication have been approved by Cenkos Securities Limited solely for the purposes of Section 21(2)(b) of the Financial Services and Markets Act 2000. Cenkos Securities Limited can be contacted at 6.7.8 Tokenhouse Yard, London EC2R 7AS.

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DEFINITIONS

In this document, unless the context requires otherwise, defined terms shall have the meaning given to them below:

Acquired Businesses	HSM and Scope
Act	the United Kingdom Companies Act 1985;
Admission	admission of all of the DMG Shares to trading on AIM;
AIM	a market operated by the London Stock Exchange;
AIM Rules	the rules of AIM as published by the London Stock Exchange from time to time;
Acquisitions	the acquisition of the entire issued share capitals of HSM and Scope;
Board	the Directors and Proposed Directors;
Cenkos	Cenkos Securities Limited, which is regulated in the United Kingdom by The Financial Services Authority;
Circular	the document sent to Seashell II Shareholders with this document which describes the Merger and the Placing;
CREST	the relevant system (as defined in the Uncertificated Securities Regulations 2001) for the paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which CRESTCo Limited is the Operator (as defined in those Regulations);
Dig For Fire	the trading name of Scope
Directors	Stephen Davidson, Ben Langdon, Ian Robinson and Andrew Wilson;
Enlarged Group	DMG and its subsidiaries following completion of the Merger and the Acquisitions and any subsidiaries or businesses it may acquire following Admission;
Executive Directors	those persons identified as executive directors of DMG on page 6 of this document;
DMG or the Company	Digital Marketing Group plc, a company incorporated in England and Wales with registered number 5935923;
DMG Shares	ordinary shares of 50 pence each in the capital of DMG issued or to be issued pursuant to the Merger and the Acquisitions;
IBCA	the International Business Companies Act, 1990 of Belize;
HSM	HSM Limited, registered in England and Wales with number 03482936;
London Stock Exchange	London Stock Exchange plc;
Merger	the merger of Seashell II and DMG pursuant to Part VII of the IBCA;
Nominated Adviser	Cenkos Securities Limited;
Official List	the Official List of the UK Listing Authority;
Placing	the placing by Seashell II of 13,728,070 ordinary shares with places;
Proposed Directors	Barry Jenner, Bob Millington and Gary Stevens;

PSP	the Digital Marketing Group plc Performance Share Plan adopted by the Directors on 2 October 2006, under which conditional share awards, nil-cost options or options with an exercise price equal to the market value of the DMG Shares on the date of grant may be awarded;
Scope	Scope Creative Marketing Limited, registered in England and Wales with number 01677363;
Seashell II	Seashell II Limited, an international business company incorporated in Belize under the IBCA with registered number 37,074;
Seashell II Shareholders	holders of Seashell II Shares;
Seashell II Shares	ordinary shares of 50 pence each in the capital of Seashell II;
UK	The United Kingdom of Great Britain and Northern Ireland;
UK Listing Authority	the Financial Services Authority as the competent authority for listing in the United Kingdom under the United Kingdom Financial Services and Markets Act 2000; and
United States or US	the United States of America, its territories and possessions, any state or political sub-division of the United States of America and the District of Columbia.

GLOSSARY

banner advertising	a graphic image or animation used as an advertisement on a web page;
blue chip	well-established companies which have stable earnings and, in general, do not have extensive liabilities;
CAGR	compound annual growth rate;
database marketing	a form of direct marketing using databases of customers or potential customers to gain insight and generate personalised communications, in order to promote a product or service for marketing purposes;
digital direct marketing	the combination of “online” and “offline” direct marketing;
digital media planning and buying	planning and buying any type of media or information in “online” or digital format for the purposes of marketing;
direct marketing	directly targeted communications intended to deliver a response sufficient, at a minimum, to offset the marketing investment made;
email marketing	the practice of sending marketing communications direct to an individual via electronic mail (email). The recipient can then click through to the sender’s website for further information;
mobile marketing	using mobile communications to carry out marketing campaigns;
“offline” direct marketing	a large and diverse industry which encompasses services such as direct mail, direct response advertising and telemarketing;
“online” direct marketing	all interactive marketing and advertising channels of the “online” world that enable a direct and interactive relationship between a brand and a consumer/customer;
“online” marketing	all marketing and advertising channels of the “online” world including the Internet, mobile telephones and interactive television;
ROI	return on investment is the ratio of money gained or lost on an investment to the amount of money invested;
search advertising	a relevant Internet search which creates, with precision, an opportunity to market businesses to people who are actively seeking information at that very moment about the goods and services those businesses provide; and
viral advertising	techniques which result in marketing messages or content being willingly passed from person to person. If successful, exponential increases in brand awareness can be achieved.

DIRECTORS AND ADVISERS OF THE COMPANY

Directors	Stephen James Davidson Richard Benedict (Ben) Langdon Ian George Robinson Andrew Stephen Wilson	<i>(Chairman)</i> <i>(Chief Executive)</i> <i>(Non-executive director)</i> <i>(Non-executive director)</i>
	of 7 Cowley Street London SW1P 3NB	
Proposed Directors	Barry Graham Jenner John Robert (Bob) Millington Gary Peter Stevens	<i>(Non-executive director)</i> <i>(Finance director)</i> <i>(Executive director)</i>
	of 7 Cowley Street London SW1P 3NB	
Secretary and registered office	John Robert Millington 7 Cowley Street London SW1P 3NB	
Nominated adviser and broker	Cenkos Securities Limited 6.7.8 Tokenhouse Yard London EC2R 7AS	
Reporting accountants	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL	
Legal advisers	Allen & Overy LLP One New Change London EC4M 9QQ	
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

KEY INFORMATION

The following summarised information is derived from and should be read in conjunction with the full text of this document. You should read the whole of this document and not rely solely on the key information set out below. In particular your attention is drawn to the risk factors set out in Part II of this document.

DMG

Digital Marketing Group (“DMG”) is a UK incorporated company with no trading history. Seashell II intends to merge with DMG to create a UK holding company for the Enlarged Group. DMG intends to establish itself as a leading specialist UK digital direct marketing group, initially through the acquisition of interests in two companies, HSM Limited (“HSM”) and Scope Creative Marketing Limited (“Dig For Fire”).

Upon completion of the Merger and the Acquisitions, DMG will become the holding company for the Enlarged Group which brings together the Acquired Businesses and the financial resources of Seashell II.

The proposals are being effected by the merger of Seashell II with DMG under the laws of Belize, where Seashell II is incorporated, and the acquisition of HSM and Dig For Fire. DMG is incorporated under English law. If the Acquisitions do not complete DMG will remain as a strategic investment company.

Upon completion of the Placing, the Merger and the Acquisitions, DMG is expected to have 34.2 million shares in issue which will be owned as to approximately 18.6 per cent. by current Seashell II Shareholders (of which Lord Ashcroft is expected to be interested in up to 13.8 per cent.), approximately 20.5 per cent. by the vendors of HSM, approximately 20.0 per cent. by the vendors of Dig For Fire, approximately 5.2 per cent. by the DMG Directors and 35.7 per cent. by Cenkos and third party placees (of which Lord Ashcroft is expected to be interested in a further 23.0 per cent.) Lord Ashcroft will be interested in, in aggregate, 36.8 per cent. of DMG on the basis that no DMG Shares are subscribed for by Mayfair Limited under its placing underwriting commitment).

The Company is also in discussions regarding further possible acquisitions consistent with its strategy which is described below.

Seashell II

Seashell II was admitted to AIM in June 2005 with the intention of seeking an investment opportunity for its shareholders. As at 2 October 2006, Seashell II had funds available for investment of approximately £2.7 million as shown by the unaudited consolidated management accounts at that date.

Immediately prior to the Merger, Seashell II is preparing to raise an additional £7.8 million (before expenses) to provide further funds for the growth of the Enlarged Group. This placing will be underwritten by Mayfair Limited for the full amount.

Strategy

DMG will operate in both the “online” marketing and “offline” direct marketing sectors. The particular business focus of DMG will be the integration of “online” and “offline” direct marketing, which the Directors and Proposed Directors call digital direct marketing.

“Online” marketing encompasses all marketing and advertising media of the “online” world including the Internet, mobile telephones and interactive television. The core channels of “online” marketing include:

- interactive advertising (including banner advertising, search advertising, viral advertising, digital media planning and buying);
- email marketing;

- websites (through website design and build programmes); and
- emerging technologies (including mobile marketing, search engine optimisation and interactive TV).

Much of the success of “online” marketing is, in the opinion of the Directors and Proposed Directors due to the emergence of “online” direct marketing. “Online” direct marketing is the means by which brands can establish interactive and often personalised relationships with consumers via “online” marketing channels. “Online” direct marketing has, in part, grown due to the fact that technology enables brands to measure how many consumers interact to a given marketing message, often in real time. “Online” direct marketing is also flexible and campaigns can be redesigned or adapted at short notice as a result of data captured from previous marketing campaigns, thereby making the medium attractive to clients who look to enhance their return on investment from marketing.

“Offline” direct marketing is a large, diverse industry encompassing services such as direct mail, direct response advertising and telemarketing. These more traditional direct marketing tools, when coupled with “online” direct marketing campaigns and effective database use, create the combination of services DMG has described as digital direct marketing.

Direct marketing, and in particular “online” direct marketing, can produce large amounts of customer data. The effective capture and use of this data gives rise to database marketing which is the practice of using data, analysis and insight to deliver highly targeted marketing campaigns to existing and prospective customers.

Therefore, DMG intends to focus its digital direct marketing business around the skills of “online” and “offline” direct marketing and database marketing.

The strategy of DMG is, through acquisition, to create a focused and specialised group of businesses offering clients digital direct marketing. The Directors and Proposed Directors intend that each acquisition will demonstrate the following characteristics:

- specialisation in one of the services or sectors of digital direct marketing;
- significant incremental growth to be gained through harnessing the collective resources of the Enlarged Group;
- significant organic growth potential;
- blue chip client list with strong client loyalty; and
- experienced and high quality management teams.

The Directors and Proposed Directors envisage three key benefits that being part of the Enlarged Group will have for the Acquired Businesses:

- the availability of a range of “online” marketing services will enable each of the Acquired Businesses to offer a wider range of specialist services than they currently provide, thereby helping them to achieve incremental growth opportunities and to broaden their relationships with their existing customers. In addition, the planned acquisitions of database marketing and digital media planning and buying businesses will allow the Acquired Businesses to offer clients a range of integrated digital, direct and database services which, in the opinion of the Directors and Proposed Directors, will enable those clients to achieve more effective marketing, higher brand-consumer loyalty and improved profitability;
- the benefits of scale, resource and profile derived from the Enlarged Group will enable the Acquired Businesses to attract larger clients; and
- the benefits of synergy going forward, which could include centralisation of support functions including, HR administration, IT, insurance, business development, banking and treasury arrangements and a streamlining of professional advisors and group purchasing, would enable the acquired businesses to operate more efficiently in areas of back-office and administration.

PART I

INFORMATION RELATING TO THE COMPANY

1. INTRODUCTION

DMG is a newly incorporated company which intends to merge with Seashell II, which was admitted to AIM in June 2005 as a strategic investment company. Subsequent to the Merger and Acquisitions, DMG, which is incorporated in England and Wales, will be the ultimate holding company of the Enlarged Group. Further details on Seashell II are set out in paragraph 3 below.

By completing the Acquisitions, DMG intends to establish itself as a business focusing on digital direct marketing in the UK.

2. THE ACQUISITIONS

DMG has entered into conditional agreements to acquire the entire issued share capital of two separate companies; HSM and Scope.

The total consideration for HSM consists of £8 million, plus an element of deferred consideration based on any surplus cash over an agreed minimum level of net assets. The consideration will be satisfied as to £4 million in DMG Shares and the balance in cash.

The total consideration for Scope consists of £7.8 million plus additional consideration, part of which is deferred, based on any surplus cash over an agreed minimum level of net assets. The consideration will be satisfied as to £3.9 million in DMG Shares and the balance in cash. Neither of the Acquisitions provides for an earn-out.

HSM's and Dig For Fire's businesses are described in more detail in paragraphs 6 and 7 below.

The Acquisitions are conditional on the Placing, the Merger and the London Stock Exchange not having indicated that it will not admit the DMG Shares to trading on AIM. Given DMG's strategy, completion of each acquisition is conditional on the other acquisition completing.

It is anticipated that these acquisitions will be part of the cornerstone acquisitions which will provide a platform for the Enlarged Group to pursue its objectives. The Directors are also in discussions with other potential acquisition targets.

3. SEASHELL II

Following its admission, Seashell II's primary objective was to invest in either a publicly traded or private company in which it could, by influencing the management and strategic direction of that company, create value for its shareholders. Following the admission of Seashell II to AIM, Lord Ashcroft was and continues to be interested in approximately 73 per cent. of Seashell II's issued capital.

As at 2 October 2006, Seashell II had funds available for investment of approximately £2.7 million as shown by the unaudited consolidated management accounts at that date. Following the Merger, these funds (net of expenses) will be available to the Enlarged Group.

Prior to the Merger, Seashell II Shares are being placed by Seashell II with third parties to raise approximately £7.8 million (before expenses). These places may include the vendors and potential vendors of HSM and Dig For Fire and senior management. The Placing will be underwritten by Mayfair Limited, a company in which Lord Ashcroft is interested.

The Placing is described in more detail in the Circular. The Merger and the Acquisitions are conditional on the Placing to ensure an increased level of capital for the Enlarged Group.

The proceeds of the Placing will be used to fund the Enlarged Group and its growth strategy. Further details of the Merger are set out in the Circular.

4. MARKET OVERVIEW AND TRENDS

Market Overview

Traditionally, marketing expenditure was dominated by mass market advertising through TV, radio, press and posters. According to the bi-annual study carried out by the Internet Advertising Bureau (the trade body for “online” advertising) in partnership with PricewaterhouseCoopers (“PwC”) and the World Advertising Research Centre (March 2006), advertising across all media other than “online” advertising, fell by approximately £200 million in the UK; year on year, for the period 2004 to 2005.

UK annual expenditure on direct marketing is now estimated at £16 to £17 billion (Direct Marketing Association Census of the Direct Marketing Industry 2005) and is now approaching the same size as the annual expenditure on traditional advertising (which is £19 billion according to the Advertising Association Factsheet 2005). Direct marketing can be described as directly targeted communications intended to deliver a response level sufficient, at a minimum, to offset the marketing investment made.

A Direct Marketing Association (“DMA”) report (“Marketing and Direct Marketing Budgets Report 2006”) recently published a survey of 300 medium and large client companies which revealed that 35 per cent. of those companies are planning to increase their direct marketing budgets in 2007. Fewer than 10 per cent. of client companies predicted a reduction in direct marketing budgets in their next financial year.

“Online” advertising is experiencing significant growth. The Internet Advertising Bureau (“IAB”) which measures the UK “online” advertising market confirms that in 2005 the market grew by 66 per cent. to £1.4 billion to take the “online” sector’s market share to 7.8 per cent. of the total advertising market. “Online” advertising spend now exceeds spend on outdoor, radio and cinema advertising (IAB, March 2006).

The results of the bi-annual study carried out by PwC and World Advertising Research Centre also suggest that “online” advertising is driving the growth in the entire advertising market; “The whole of the UK advertising market grew by just 2.5 per cent. year-on-year – a jump of £429.2 million. “Online” grew by £541.3 million, meaning that the rest of the advertising market actually declined”. (IAB Fact Sheet: Online Adspend – Full Year 2005).

The Internet has revolutionised direct marketing as it has created an entirely new direct-to-consumer medium. Direct marketing now operates through both “online” and “offline” channels. “Online” direct marketing is best described as the means by which brands interact directly with consumers via channels including the Internet, mobile telephones and interactive television. “Offline” direct marketing is the means by which brands interact directly with consumers outside these channels.

“Online” direct marketing can be carried out through:

- interactive advertising (including “online” advertising, search advertising and viral advertising);
- email marketing;
- websites (through website design and build programmes); and
- emerging technologies (including mobile, search engine optimisation and interactive television).

“Offline” direct marketing can be carried out through:

- direct mail;
- telemarketing;
- off-the-page press advertising/direct response TV;
- inserts;

- door drops; and
- catalogues.

Market Trends

In the opinion of the Directors and Proposed Directors, “online” direct marketing provides three significant advantages over traditional marketing techniques:

- Measurement: using technology, brands can better measure the effectiveness of marketing campaigns by tracking “online” behaviour and transactions often in real-time;
- Data capture: brands can develop direct and cost-effective communications with customers and gain a greater degree of consumer data than through traditional advertising channels, many of which contain no data capture opportunities; and
- Flexibility of medium: “online” campaigns can be adapted at very short notice (in some cases in real-time) as a result of information gleaned from previous marketing, which can increase the levels of personalisation and enhance ROI in the short-term at low cost.

In the opinion of the Directors and Proposed Directors, the following key factors will support the continued trend towards “online” direct marketing:

- Fragmentation and decline in traditional mass media: as the number of television channels has increased, mass market audiences delivered by the medium have fragmented. This, along with the gradual decline in newspaper readership (Newspaper Marketing Agency, Marketplace Charts, April 2006), has and will continue to require brands to look for new media channels to engage with consumers. In the opinion of the Directors and the Proposed Directors, the main beneficiary will be digital and interactive media channels;
- Client emphasis on ROI: digital and interactive media are attractive to marketing clients who wish to measure the degree of interaction that takes place between a brand and a consumer, and who wish to measure their return on marketing investment. A recent report by KPMG and Thomson Intermedia (Thomson Intermedia Advertising Barometer 22 May 2006) stated that the advertising market appeared to be experiencing structural shifts. Head of Media at KPMG, Richard Bawden, commented “the ability to trial, test and refine the opportunities offered by digital and response media is clearly winning followers amongst advertisers who appear increasingly willing to swap budgets out of established media to improve the efficacy of their marketing spend”;
- Emerging Technologies: a number of different e-marketing business models have emerged that target different types of “online” advertisers. An example of this is the growth of paid listings in search engines, which has been particularly effective at attracting ROI-driven marketing clients;
- Share of media: “online” share of advertising expenditure is currently below its share of consumer leisure time. A Forrester survey (US Online Marketing Forecast, Forrester, 2 May 2005) found that US households spent 30 per cent. of total media time “online”, with estimates closer to 20 per cent. in the UK (IAB). This contrasts with the fact that the Internet only currently accounts for approximately 7.8 per cent. of total advertising expenditure in the UK (IAB). In the opinion of the Directors and Proposed Directors, a “gap” between share of “advertising pounds” and share of consumer leisure time, denotes a growth opportunity for “online” advertising;
- Acceptance amongst mainstream advertising budget holders: in the opinion of the Directors and Proposed Directors, the growing acceptance of digital direct marketing channels and the increase in content-rich activity delivered by broadband, will encourage such as companies in sectors, like the fast moving consumer goods sector to increase spend through digital media channels;
- The increase in broadband connections: In the UK 76 per cent of home Internet connections are now broadband (BMRB Internet Monitor, November 2005). The increasing penetration of broadband connections provides consumers with the

opportunity to see and enjoy more content-rich (that is, advertising that includes audio, graphics, video or animation) communication at greater connection speeds than through dial-up connections. In the opinion of the Directors and Proposed Directors, this is one of the factors likely to continue to drive the growth in “online” marketing;

- The “ipod generation”: brands that wish to engage with a younger audience will need to balance their marketing investment towards channels that are digital and mobile. As Rupert Murdoch, Chairman and Chief Executive Officer, News Corporation, recently said: “A new generation of media consumers has risen demanding content delivered when they want it, how they want it, and very much as they want it. This new media audience – and we are talking here of tens of millions of young people around the world – is already using technology, especially the web, to inform, entertain and above all to educate themselves.” (Speech to the newspaper industry London March 2006);
- Increasing e-commerce: 18.5 million people now shop “online” in the UK whilst 13.3 million do their banking over the Internet (IAB Online Facts and Figures – BMRB Internet Monitor, Q3 2005). Consumers are spending an increasing amount of money “online”. E-commerce is estimated to increase to £60 billion by 2010, accounting for 20 per cent. of all UK retail spending (IAB Online Facts and Figures- Future Foundation, Aug 2005);
- “Online” Activity: there are now 29.8 million people “online”, 63 per cent. of the total Great Britain population (IAB Online Facts and Figures, NOP World, Dec 2005). More than 73 per cent. of UK Internet users have been “online” for at least 3 years (TGI.net, wave 9, 2005). Consumers have also become accustomed to use Internet for product and brand research, with 80.4 per cent. of Internet users using “online” to “source information on activity/interest” (IAB Online Facts and Figures – TGI.net, wave 9, 2005). In the opinion of the Directors and Proposed Directors of DMG, brands will therefore continue to need an “online” presence to ensure that they are making connections with their existing and future consumers; and
- Consumer data: “online” and email interaction data (what people click on and the “online” journeys they take from page to page) enable brands to develop more intelligent databases and create personalised strategies to communicate directly and more relevantly with consumers (for example through personalised web, e-mail and mobile experiences).

5. THE STRATEGY OF DMG

DMG aims to provide its clients and the clients of each of the Acquired Businesses with a range of digital direct marketing services, coupled with database marketing skills.

By doing this, DMG believes it can offer clients the ability to coordinate both their “online” and “offline” direct marketing strategy and concurrently offer the skills necessary to input, collect, analyse and apply customer data in order to generate more effective digital direct marketing, higher brand-consumer loyalty and improved client profitability.

DMG’s development strategy will consist of two key elements:

- “buy and build” through the acquisition of a number of businesses with complementary skills in digital direct marketing; and
- “organic growth” driven by the inherent growth within the Acquired Businesses and the application of a group business development programme.

Buy and build

The acquisition strategy encompasses three elements:

- completion of the Acquisitions, which have activities in “online” marketing, “offline” direct marketing and database marketing and which the Directors and Proposed Directors

consider to be cornerstone acquisitions for the Enlarged Group (i.e. providing it with a platform to pursue its objectives);

- addition of further companies in digital marketing, digital media and emerging technologies such as mobile marketing and search optimisation; and
- addition of sector-specific agencies where the opportunity for digital direct marketing is believed to be significant for example the business-to-business sector and the media and entertainment sector.

Organic growth

- In addition to the anticipated growth in the acquired businesses, DMG will implement a marketing and new business development programme to directly target clients who already use digital, direct or database marketing as part of their existing marketing efforts.
- DMG will also implement a rigorous cross referral programme for new business across the existing client base.

6. HSM

6.1 History and business overview

HSM is considered by the Directors and Proposed Directors to be a cornerstone acquisition for DMG as HSM offers both “online” and “offline” direct marketing skills.

HSM, based in Swindon, was founded in 1991 and incorporated in 1997 by the current owners as an outbound telemarketing business, specialising in the, business to business sector. HSM is wholly owned by Gary Stevens and Helena Stevens. On Admission, Gary Stevens will join the Board and Helena Stevens will join the operating board of DMG.

In 1999, following the creation of Inbox Digital (“Inbox”), the directors identified the opportunity to link outbound telemarketing with “online” marketing. This greatly improved results for clients by enhancing communication with current and prospective customers and providing better targeting for outbound telemarketing. This strategy has resulted in award winning campaigns and has been pivotal in building and retaining HSM’s client base.

HSM operates via two divisions: Inbox, a full-service “online” marketing business and HSM Telemarketing (“HSMT”), which specialises in outbound telemarketing and database management. Its strength is the level of integration that has been achieved across the two businesses enabling direct marketing through a number of digital channels. Underlying this is a proprietary technology platform that integrates key real-time marketing channels encompassing email, the Internet and the telephone. At the heart of the platform is an email marketing system that delivers highly targeted and personalised email campaigns. The use of data can allow related websites to be personalised when a recipient clicks through from an email, thereby creating a tailored experience. In addition, where appropriate, the data can then automatically drive outbound telemarketing. With the platform’s ability to track “online” interaction, detailed campaign reporting can be carried out which can help refine future activity.

The Directors and Proposed Directors believe that the way in which it uses this platform has led to HSM’s numerous awards and growing blue chip client base.

Inbox plans, creates and manages end-to-end digital marketing campaigns for many leading brands. Its services include:

- “online” advertising;
- email marketing;
- viral advertising;

- websites (through website design and build programmes); and
- campaign reporting.

HSMT provides a full spectrum of telemarketing services together with a broad range of value added support services including database management.

The success of HSM can, in part, be demonstrated by the following facts:

- HSMT is the only UK telemarketing company to have Inbox's technology integrated into its solutions;
- analysing industry data, the Directors and Proposed Directors believe that HSMT is ranked within the top 10 largest independent outbound telemarketing agencies in the UK; and
- analysing industry data, the Directors and Proposed Directors believe that Inbox is ranked within the top 50 interactive marketing agencies in the UK.

HSM acts for a blue chip client base across a broad range of industry sectors including the fast moving consumer goods, automotive, technology, manufacturing and financial services sector. HSM has experienced a significant level of client retention, which the Directors and Proposed Directors believe is due to the service offering and constant innovation provided. HSM has experienced growth from most of its major clients.

6.2 Financial Performance

For the year ended 31 December 2005, HSM reported revenues of £4.2 million, comprising £2.9 million for HSMT and £1.3 million for Inbox. Operating profit was £0.3 million and net profit for the year was £0.3 million.

Further details are set out in Part IV of this document.

7. DIG FOR FIRE

7.1 History and business overview

Dig For Fire (trading then as Scope Creative Marketing) was established in Sheffield in 1979 and is majority owned by its chief executive Charles Buddery and related family interests. Charles Buddery will join the operating board of DMG.

Charles Buddery joined the business in 1981 and by 1993 had positioned Dig For Fire as a direct marketing agency.

Dig For Fire is now the largest direct marketing agency operating exclusively outside of London (Marketing Magazine 2006).

By 1997 the growing importance of the Internet led Dig For Fire to recruit two employees of a web design company called Tapir, also based in Sheffield. This enabled Dig For Fire to offer clients both "online" and "offline" direct marketing – a forerunner of the digital direct marketing proposition of DMG. Approximately 19 per cent. of Dig For Fire's gross profits is now derived from "online" marketing, including "online" direct marketing.

Dig For Fire offers clients an end-to-end integrated direct marketing service accommodating both "online" and "offline" direct marketing including web design and build, viral advertising, banner advertising, direct mail, direct response press communications and "online" and "offline" press relations.

Dig For Fire also offers a strategic planning service which enables clients to understand the direct marketing "customer journey", to identify key consumer insights and to begin the process of customer segmentation critical to successful direct marketing campaigns. In addition, they offer clients "Dig Research" as a stand-alone service in order to provide objective advice in the area of direct marketing strategy.

Dig For Fire acts for a blue chip client base across a broad range of industry sectors, including the financial services, retail and leisure sectors. The client base has generally

been loyal, although where client loss has been experienced, Dig For Fire has managed to replace such losses with other clients within a relatively short period of time.

7.2 Financial Performance

For the year ended 31 March 2006, Dig For Fire reported revenues of £6.9 million. Operating profit was £0.6 million and net profit for the year was £0.4 million.

Further details are set out in Part V of this document.

8. RATIONALE FOR ACQUISITIONS

The strategy and vision of DMG requires the acquisition of both “online” and “offline” direct marketing skills, underpinned by excellent database marketing services skills.

HSM offers clients the “online” skills of digital strategy and planning, “online” advertising, web design and build, e-mail marketing and campaign reporting. Furthermore, given HSM’s blue chip client base and service offering, and in particular its successful integration of “online” and “offline” direct marketing, the Directors and Proposed Directors believe that HSM is an ideal cornerstone acquisition from which to develop DMG.

For the last five years digital marketing has been a key element of HSM’s business and its founders recognise that there is significant commercial value to be gained by participating in a specialist digital direct marketing group with complementary skills in database management, “offline” direct marketing and digital media planning and buying.

The Directors and Proposed Directors believe Dig For Fire is a suitable complementary acquisition as it offers clients “offline” direct marketing skills, in particular strategic planning, direct response advertising and direct mail. Critically, Dig For Fire, through its strategic planning and research skills, has the ability to guide clients’ entire direct marketing strategies across both “online” and “offline” channels. The Directors and Proposed Directors believe that this will be extremely useful to HSM and its clients, as being part of a wider digital direct marketing group with a broader range of skills will allow HSM to compete more effectively for more lucrative digital direct marketing accounts and improve new business conversion.

Dig For Fire offers its clients a digital direct marketing product which over time could become integrated more fully with other products of the Enlarged Group as part of a strategy to create a digital brand under the DMG name throughout the UK.

In the opinion of the Directors and Proposed Directors, the wider digital direct marketing group, incorporating HSM and Dig For Fire, as well as other potential strategic acquisitions, would be viewed as an end-to-end digital direct marketing business with the full spectrum of digital marketing tools.

9. INTEGRATION STRATEGY

The Acquired Businesses and future acquired businesses will form the Enlarged Group. The Enlarged Group will look to achieve incremental growth through its integration strategy.

The primary driver for DMG is the incremental revenue growth that the Directors and Proposed Directors believe will be derived from marketing the individual acquired businesses to clients as a digital direct marketing group.

The Enlarged Group will be marketed to existing clients of the Acquired Businesses and future acquired businesses with a view to cross-selling services, and to client prospects with a view to selling the Enlarged Group’s integrated digital direct marketing proposition.

The speed with which the Enlarged Group is able to achieve additional incremental growth through this form of marketing activity is dependent, in part, on the timing of further acquisitions in the area of digital media planning and buying and database marketing.

In addition, the Enlarged Group will look to achieve synergies and integration benefits in areas that are beneficial to clients and where efficiency and saving benefits can be achieved without

affecting the smooth running of the Acquired Businesses and the future acquired businesses. In terms of synergies and integration benefits, the emphasis of the Enlarged Group will be for the Acquired Businesses and the future acquired businesses to adopt best practice advice in the key support functions of the Enlarged Group, and to use the Enlarged Group's leverage in key supply areas. Efficiencies and saving benefits will be focused on those areas of the business that can be achieved without affecting the smooth running of the Acquired Businesses and the future acquired businesses and in areas that do not damage the entrepreneurial spirit of the Acquired Businesses and the future acquired businesses. Focus will therefore be on two key areas:

Technology

The Enlarged Group will:

- look to develop an integrated digital marketing platform for both campaign management and delivery and to produce integrated reporting and analysis tools to help ROI measurement;
- look to integrate "online" and "offline" direct marketing campaigns in order to be able to provide clients with a single digital direct marketing reporting and analysis solution; and
- integrate and coordinate, especially if it acquires a database marketing agency, "online" and "offline" data to enable the group to provide data-driven solutions for clients.

Support Services

The Enlarged Group will:

- consider full or partial centralisation of accounts functions including standardisation of accounting packages, as well as centralising its banking and treasury arrangements;
- consider centralising HR, all staff employment administration and supplier negotiations; and
- look to eliminate duplication in the area of professional advisers where appropriate.

10. CURRENT TRADING AND PROSPECTS

Financial information on DMG is contained in Part III of this document.

Financial information on HSM is contained in Part IV of this document and financial information on Dig For Fire is contained in Part V of this document.

Unaudited pro forma financial information on the Enlarged Group is contained in Part VI of this document.

The Company's accounting reference date is 31 March. The first audited financial statements of DMG will be prepared for the period 14 September 2006 (date of incorporation) to 31 March 2007. The Company will also publish half-yearly reports.

The Board believes that the prospects for the Enlarged Group are positive, supported by favourable market dynamics.

In addition, the Directors and the Proposed Directors believe that the Enlarged Group will be well positioned to capitalise on the growth opportunities available in the direct digital marketing sector, as evidenced by their ability to date to attract leading entrepreneurs and enter into negotiations with them.

11. MANAGEMENT AND EMPLOYEES

Management

The Directors and Proposed Directors are:

Stephen Davidson, Chairman (aged 51). Stephen is Chairman of SPG Media plc and Interaction TV Ltd. He is also a non-executive director of Inmarsat plc, Betex Group plc and EBT Mobile China plc. Stephen has held various positions in Investment Banking, most

recently at WestLB Panmure where he was Global Head of Media and Telecoms, Investment Banking, then Vice Chairman of Investment Banking.

From 1993 to 1998 Stephen was Finance Director, then CEO of Telewest Communications plc. He was Chairman of the Cable Communications Association from 1996 to 1998.

Stephen holds a 1st Class Honours in Mathematics and Statistics from the University of Aberdeen.

Ben Langdon, Chief Executive (aged 43). Ben was previously Chairman of Euro RSCG UK, one of the largest marketing service groups which includes businesses in digital and direct marketing, advertising, public relations, sales promotion, and design.

From 1996-2003 Ben worked at McCann-Erickson where he was promoted from Chief Executive of the London business to UK Group Chairman. In 2000 he was promoted to European Regional Director of Universal McCann the media planning and buying business within the group, and then in late 2001 at the age of 38, to Regional Director for McCann-Erickson World Group, Europe, Middle East and Africa (“EMEA”). During Ben’s time at McCann-Erickson the UK agency was voted the best overall agency in the UK in Marketing Week magazine’s Annual Survey (2002) amongst the country’s client community.

Ben has led successful pitches for News International, LG Electronics Europe, Bacardi-Martini, Bird’s Eye, Glaxo Wellcome (Glaxo Smithkline), CGU/Norwich Union, Esso, PriceWaterhouseCoopers (Consulting), Honda, Royal & Sun Alliance, Superdrug, and British Nuclear Fuels plc, amongst others.

Ben holds an Honours degree in Modern History from Oxford University, class 2:1 (“upper second”).

Gary Stevens, Executive Director (aged 36). Gary is a marketing professional with over 16 years experience in direct marketing. Gary started his marketing career at Teledata, a London-based telemarketing agency. In 1991 he left Teledata and co-founded HSM and has been pivotal in its development. Gary is a member of the Institute of Direct Marketing and manages the Inbox Digital division within HSM. Gary will remain the Chief Executive of HSM.

Robert Millington, Finance Director and Company Secretary (aged 51). Robert was Company Secretary and Financial Director of Dig For Fire from 2001 to the current time. Robert had previously worked at Palamatic Handling Systems Limited and Norton Holdings, as well as running his own accountancy practice.

Andrew Wilson, Non-Executive Director (aged 46). Andrew is currently Chairman of London Town Plc and a non-executive director of The Corporate Services Group plc, Watford Leisure plc and Wraith plc. Previously he was an investment banker with UBS Warburg specialising in mergers and acquisitions.

Ian Robinson, Non-Executive Director (aged 59). Ian is currently a director of Strand Associates Limited and London Town plc. Previously he was Chief Financial Officer of Carlisle Group’s UK staffing and facilities services operations.

Ian qualified as a chartered accountant having trained with KPMG in London. He has held other senior financial appointments in UK service group companies and has spent several years overseas in both chief executive and chief financial officer roles of a quoted international services group.

Barry Jenner, Non-Executive Director (aged 48). Barry is the managing director of the UK division of Gallaher Group Plc (“Gallaher”), managing the sales, marketing, trade marketing and distribution UK functions. He was appointed managing director of Gallaher in January 2000.

Barry joined Gallaher as a management trainee in 1979 and held a series of sales positions until entering brand management/marketing in 1985. He was appointed trade marketing manager in 1987, before assuming responsibility for the flagship brand Benson & Hedges in 1988. Barry was

appointed head of cigarette marketing in 1991, before becoming marketing director, UK in 1994.

Operations Board

The Chief Executives/Managing Directors of the Acquired Businesses will sit on the operations board of the Enlarged Group. This board will be chaired by Ben Langdon and will meet monthly with a fixed agenda covering integration, new business, product quality, client service, and financial performance.

Employees

As at the date of Admission, DMG is expected to have 241 employees.

12. MANAGEMENT INCENTIVES

The Board has adopted the Digital Marketing Performance Share Plan (“PSP”) under which the Remuneration Committee may grant conditional share awards, nil-cost options or options with an exercise price equal to the market value of the DMG Shares on the date of grant (Awards). While possible, it is intended that options under the PSP would be granted as qualifying options for the purpose of the EMI Code (as defined in section 527(3) of the Income Tax (Earnings and Pensions Act 2003). It is also intended that the PSP will contain a schedule under which HMRC approved options may be granted (up to a maximum value of £30,000 for each option holder). All employees within the Enlarged Group are eligible to participate in the PSP but it is intended that only the senior management will be granted Awards initially. Awards may be granted in the 42 day period following the announcement of DMG’s results for any period and at any other times that the Remuneration Committee considers exceptional circumstances exist justifying the grant of Awards.

Up to a maximum of 20 per cent of the issued share capital of DMG (inclusive of DMG Shares that can be issued under the PSP and pursuant to options granted to directors (see below)) will be available for issue to directors and employees of the Enlarged Group. Awards will vest after three years subject to the achievement of performance criteria determined by the Remuneration Committee.

It is proposed that vesting the initial grant of Awards under the PSP will be subject to the achievement of a CAGR in adjusted earnings per share as defined in the PSP of at least 15 per cent. at which point 25 per cent. of the Shares subject to an Award would vest with a proportionate and linear interpolation up to a CAGR of 25 per cent. at which point all of the DMG Shares subject to an Award would vest.

For the purpose of the PSP, the base year will be the adjusted 12 months ended 31 March 2007 and the base year earnings per share will be an agreed figure as defined in the PSP. The PSP will run for the three years ended 31 March 2010.

If a participant ceases employment with the Enlarged Group before an Award vests, the Award will usually lapse. However, if the cessation is due to disability, ill-health, injury, redundancy or retirement, or the sale of the employing company or business for which the participant works (or where exceptional circumstances exist, another reason not involving gross misconduct), the Award will vest at the end of the performance period to the extent the applicable performance criteria have been met, but pro rata to the time elapsed between the date of grant and the date of cessation of employment. The Remuneration Committee will have discretion to allow an Award to vest on another basis if it believes that the circumstances warrant this. If a participant dies, the participants Award will vest in full.

If there is a takeover of DMG other than part of an internal reconstruction), Awards will vest to the extent that the performance criteria have been met up to that time, and pro rata to the time elapsed since the date of the grant. However, the Remuneration Committee will have discretion to allow Awards to vest to a greater extent if it believes there are exceptional factors which warrant this.

On the vesting of an Award, participants will receive additional DMG Shares (or cash) equal to the value of dividends which would have been paid on the DMG Shares subject to the Award which is vested in the period since the date of grant.

The number of DMG Shares subject to Awards, and, in the case of market value options, the exercise price, may be adjusted in the event of a variation in the share capital of DMG.

The Remuneration Committee may amend the rules of the PSP at any time. However, no amendment which is to the advantage of the participants may be made without the prior approval of shareholders if it relates to the limits on the number of DMG Shares which may be made the subject of Awards, the persons to whom Awards may be granted, the rights attaching to Awards and the DMG Shares subject to Awards, in the case of market value options the determination of the option price and the rights of participants in the event of a variation in the share capital of the DMG, except for minor amendments to benefit the administration of the Plan, or amendments to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment in any jurisdiction for any participant or member of the enlarged group.

Barry Jenner, Stephen Davidson, Ian Robinson and Strand Associates Limited (in respect of Andrew Wilson's appointment as a director) will also be granted nil cost options over DMG Shares on the same terms and subject to the same performance criteria as the initial grant of Awards under the PSP. Details of these option grants are set out in paragraph 7 of Part VII of this document "Additional Information".

The Enlarged Group intends to offer an annual bonus scheme to senior executives based on achieving key financial metrics which the Remuneration Committee believes measure the financial performance of the Enlarged Group and create long term value.

13. THE CIRCULAR

The Circular contains details of the proposed merger between the Company and Seashell II and the proposed placing by Seashell II.

14. LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

Certain persons have undertaken to the Company and Cenkos (subject to certain limited exceptions, including disposals by way of acceptance of a recommended takeover offer for the entire issued share capital of the Company) not to dispose of any DMG Shares for a certain period from Admission and furthermore, not to dispose of any DMG Shares except through Cenkos or, if Cenkos is unable to effect the disposal, through a broker notified to Cenkos, for a period of twelve months following expiry of their lock-in.

The Directors and Proposed Directors, as well as the vendors of HSM and Scope, have agreed a lock-in period in respect of the DMG Shares they will receive as consideration, the lock-in period in respect of the Directors and Proposed Directors (other than Gary Stevens and Bob Millington) will be two years and the lock-in period for the vendors of HSM and Scope and Gary Stevens and Bob Millington will be one year. Each of these has also agreed only to dispose of any of their DMG Shares they receive as a result of the Merger through Cenkos or through a broker notified to Cenkos for a period of one year following the expiry of the lock-in period.

A description of the orderly marketing and lock-up deed is provided in Part VII paragraph 6.

15. CORPORATE GOVERNANCE

Following Admission, the Company will be subject to the continuing requirements of the AIM Rules and will be committed to adhering to corporate governance standards appropriate for a company of this size. The Company intends to follow the Quoted Companies Alliance guidelines and will have audit, remuneration and nomination committees with written terms of reference.

16. DIVIDEND POLICY

For the foreseeable future, it is anticipated by the Directors and the Proposed Directors that the Company will not pay dividends but will preserve any surplus cash for business development purposes. This policy will be reviewed at least on an annual basis.

17. ADMISSION, SETTLEMENT AND CREST

It is expected that on or about 25 October 2006, DMG Shares will be admitted to trading on AIM and that dealings will commence on that date. It is intended that, where applicable, in respect of DMG Shares, CREST holders' accounts will be credited on that day and definitive share certificates will be distributed as soon thereafter as is practicable. DMG Shares are issued in registered form and may be held either in certificated or uncertificated form.

The Company has applied for DMG Shares to be admitted to CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The articles of association of the Company permit the holding of DMG Shares under the CREST system. Accordingly, settlement of transactions in DMG Shares following Admission may take place within the CREST system if any shareholder so wishes.

CREST is a voluntary system and holders of DMG Shares who wish to receive and retain share certificates will be able to do so.

18. RISK FACTORS

The business of the Enlarged Group is dependent on many factors and prospective investors are advised to read the whole of this document and, in particular, Part II entitled "Risk Factors".

19. FURTHER INFORMATION

The attention of prospective investors is drawn to the information contained in Parts II to VII (inclusive) of this document which provide additional information on DMG and the Enlarged Group and to the Circular which should be read in conjunction with this document.

PART II

RISK FACTORS

RISK FACTORS RELATING TO DMG

An investment in the Company involves a high degree of risk. Accordingly, in relation to any investment decision concerning DMG Shares you are advised to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in the acquisition of shares and other securities. In addition to the other information contained in this document, the following risk factors affecting the Enlarged Group business should be considered carefully.

It should be noted that this list is not exhaustive and does not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Company.

1. Further Equity Issues

The Company may in the future seek to raise further equity funds for future growth and expansion through the issue of additional DMG Shares. Any additional share issue may have a dilutive effect on existing shareholdings.

2. Trading on AIM and Liquidity

The share prices of publicly quoted companies can be volatile. The price of shares is dependent upon a number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company. It may be the case that the market price of the Company's shares does not fully reflect the underlying net asset value of the Company.

Although the DMG Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the DMG Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies and the fact that a significant proportion of DMG Shares will be held by a small number of persons may also affect the liquidity of the market for DMG Shares. Therefore an investment in DMG Shares may be difficult to realise and the share price may be subject to greater fluctuations than might otherwise be the case.

The DMG Shares will be quoted on AIM rather than on the Official List of the UK Listing Authority. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List as the AIM Rules are less demanding than the rules of the Official List. Investors should be aware that the value of the DMG Shares may be volatile and may go down as well as up and investors may not recover their original investment.

3. The Company's acquisition and organic growth strategy

The Company's plans for continued expansion are based on acquisitions and organic growth. However, opportunities for further acquisitions may not materialise and there are an increasing number of competitive acquirers for acquisition opportunities.

The Board intends to utilise debt finance in part as a means of funding future acquisitions. It is intended that interest and principal will be repaid from the Enlarged Group's cashflows. However, if cash flows are reduced this may have a negative effect on earnings to the detriment of shareholders.

The availability of debt finance to fund future acquisitions may also be limited. If the Company fails to carry out future acquisitions, the Company's rate of growth could be adversely affected and it may be unable to fully implement its strategic objectives.

The risks associated with organic growth include higher investment or start-up costs than anticipated, delay in developing operations, an inability to obtain the requisite high calibre individuals and other key staff members and slower growth than anticipated in contract volumes leading to lower than expected revenues.

In addition, the Company's plans for continued expansion and its integration strategy will also require considerable management attention and will place substantial demands on operational and financial information systems and other resources.

If the Company fails to implement successfully its expansion plans and organic growth strategy, the Company's rate of growth may be adversely affected and it may be unable fully to implement its strategic objectives.

RISK FACTORS RELATING TO THE ENLARGED GROUP

1. Dependence on key management personnel and technical staff

The operations of the Enlarged Group are dependent upon the continuing employment of a number of key management personnel. The future results of the Enlarged Group depend significantly upon the efforts and expertise of such individuals. The loss of the service of any key management personnel could have a material adverse effect on the business of the Enlarged Group.

2. Difficulty in recruiting adequately skilled staff

As the Enlarged Group operates in a specialised sector, it is dependant on its ability to recruit personnel with adequate experience and technical expertise. However, as the supply of such personnel is limited, the Enlarged Group is likely to encounter significant competition for the recruitment of suitably experienced and skilled personnel. The future results of the Enlarged Group could depend significantly upon the recruitment of such personnel and failure to do so could have a material adverse effect on the business of the Enlarged Group.

3. The market

The Enlarged Group is likely to face competition from other entities operating in the advertising sector that may have greater resources than the Company and the competitive pressures that result could affect the Company. Potential investors should consider the Enlarged Group's prospects in light of the risks, expenses and difficulties frequently encountered by companies in the digital direct marketing sector.

4. Obsolescence of products and services

The "online" marketing industry is characterised by rapidly changing technology, evolving industry standards, frequent product and service introductions and evolving web publisher and advertiser demands. These uncertainties are exacerbated by the emerging nature of Internet use and advertising. The Enlarged Group's future success will depend on its ability to modify its products and services to respond in a timely and cost-effective manner to new technologies and changing web publisher and advertiser demands. If the Enlarged Group is unable to adapt its technologies to these pressures or to develop products and services to address new and converging technologies, the Enlarged Group may be unable to compete successfully. The Board cannot assure potential investors that the Enlarged Group will not experience difficulties that could delay or prevent the introduction of new products and services or that any new products or services will be attractive to web publishers and advertisers. Any delay or inability to introduce competitive solutions may cause web publishers and advertisers to forgo the Enlarged Group's solutions and use the Enlarged Group's competitors' solutions.

5. Increasing governmental regulation

Due to the increasing popularity and use of the Internet, various laws and regulations may be adopted covering issues such as pricing, content, database protection, unsolicited commercial e-mail and taxation. Due to the global nature of the Internet, multiple jurisdictions might adopt laws or regulations that relate to the Enlarged Group's business. This could have a negative impact on the Enlarged Group's business.

6. Forward-looking statements

This document contains forward-looking statements that are based on the Board's current expectations, assumptions and projections about the Enlarged Group and the industry, which contain risks and uncertainties. The Enlarged Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of other factors.

7. Past performance is not an indicator of future performance

This document includes information about the historical financial performance of the Enlarged Group. Past performance is not, however, a guarantee as to the future financial performance of the Enlarged Group, which may be materially different from its past performance and which may be adversely affected by, amongst other things, the risk factors described in this Part II.

8. Client relationships

The Acquired Businesses have, historically, derived a substantial amount of their revenue from contracts with a limited number of clients and these contracts are generally terminable upon three months' notice by the client. However, the Acquired Businesses have a proven track record of retaining customers.

The loss of one or more contracts with the Enlarged Group's clients, especially one of the two largest contracts, which combined account for 23 per cent. of the Acquired Businesses' gross profit on an aggregated basis, or a significant decrease in revenue derived from such contracts, could have an adverse impact on the Enlarged Group's businesses, financial condition and results of operations.

In order to mitigate this risk, each of the Acquired Businesses has instigated a system of customer satisfaction reviews to identify areas for improving its service.

Certain contracts entered into by the Acquired Businesses, including one of the two largest contracts, include change of control provisions and, where relevant, clients' consent to the transfer of their contracts has been discussed with the client. However, the Enlarged Group cannot be certain that consent will, in all cases, including in respect of one of the two largest contracts, be obtained prior to Admission. Where consent has not been obtained, this could constitute a technical breach of contract which could lead to termination of the contract.

9. Conflicts and synergy

Following completion of the Acquisitions, there is an increased risk of client conflicts arising, which could cause the Enlarged Group to be obliged to resign from or not compete for such conflicted assignments. The Enlarged Group, however, will also benefit from access to an enlarged customer base, which could enhance synergy opportunities for the Enlarged Group.

10. Protection of intellectual property rights

The Enlarged Group recognises the value of its intellectual property and the need for protecting its rights in relation to its proprietary technology and website content. Failure to protect the Enlarged Group's intellectual property may result in an adverse impact on the Enlarged Group's business and may also result in competitors copying or otherwise obtaining and using its proprietary content and technology without its authorisation. There may not be adequate protection for intellectual property rights in every country in which the Enlarged Group's services are made available, and policing unauthorised use of proprietary information, particularly on the Internet, is difficult and expensive.

The steps the Enlarged Group has taken to protect its intellectual property may be inadequate to prevent the misappropriation of its proprietary information or other intellectual property rights. Any misappropriation of the Enlarged Group's intellectual property could have a negative effect on the Enlarged Group's business, its operating results and the value of its brand. Furthermore, in future, the Enlarged Group may need to take legal action to enforce its intellectual property rights, to protect trade secrets or to determine the validity or scope of the

proprietary rights of others. Litigation relating to the Enlarged Group's intellectual property, whether instigated by the Enlarged Group to protect its rights or arising out of alleged infringement of third party rights, might result in substantial costs and the diversion of resources and management attention.

INDUSTRY SPECIFIC RISK FACTORS

1. Competitive industry

The Enlarged Group may continue to face significant competition from a range of global, national and regional competitors. Competition in the marketing communications industry is based upon the services offered, the reputation of the relevant agency and the strength of client relationships. Certain of the Enlarged Group's competitors have greater financial and other resources relating to the provision of services than those of the Enlarged Group. There is no assurance that the Enlarged Group will be able to continue to compete successfully with existing or potential competitors or that such competitive factors may not have a material adverse effect on the Enlarged Group's businesses, financial condition or results.

2. General economic and business conditions

The sector in which the Enlarged Group operates, is sensitive to both general economic and business conditions and can be affected by the condition of specific industries such as the professional, financial services, retail, technology, pharmaceuticals, telecommunications and automotive industries. Some of these industries have in the past been sensitive to event-driven disruptions such as government regulation, war, terrorism, disease, natural disasters and other significant adverse events. A general decline in economic conditions or disruptions in specific industries characterised by falls in spending on advertising and marketing could cause a material decline in the Enlarged Group's revenue.

PART III

FINANCIAL INFORMATION ON THE COMPANY

Section A – Accountant’s Report on the Company



BDO Stoy Hayward LLP
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

The Directors and Proposed Directors
Digital Marketing Group plc
7 Cowley Street
London
SW1P 3NB

3 October 2006

The Directors
Cenkos Securities Limited
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Dear Sirs

Digital Marketing Group plc (the “Company”)

Introduction

We report on the financial information set out in Section B of Part III. This financial information has been prepared for inclusion in the admission document dated 3 October 2006 of the Company (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules consenting to its inclusion in the Admission Document.

Responsibilities

As described in Section B of Part III, the directors and proposed directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and United Kingdom Accounting Standards (“United Kingdom Generally Accepted Accounting Practice”).

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with applicable UK Generally Accepted Accounting Practice as described in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART III

Section B – Financial information on the Company

Responsibility

The directors and proposed directors of the Company are responsible for preparing the financial information set out below on the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and United Kingdom Accounting Standards (“United Kingdom Generally Accepted Accounting Practice” or “UK GAAP”).

Balance sheet as at 14 September 2006

	<i>As at 14 September 2006 £</i>
Current assets	
Debtors – unpaid share capital	1
Share capital and reserves	
Called up share capital (note 2)	1

Notes to the financial information

1 *Accounting policies*

Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable UK GAAP.

The Company was incorporated as Seashell II Plc on 14 September 2006 by the Registrar of Companies for England and Wales as a public company with the registered number 5935923.

On 22 September 2006, the Company changed its name to Digital Marketing Group plc.

Since incorporation, the Company has not traded and has prepared no financial statements for presentation to its members, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented.

2 *Share capital*

The Company was incorporated with authorised share capital of £50,049,999, comprising 100,000,000 ordinary shares of 50p each and 49,999 redeemable preference shares of £1 each, of which two ordinary shares of 50 pence each were issued.

On 20 September 2006, 49,999 redeemable preference shares of £1 each were issued for cash at par value.

3 *Post balance sheet events*

On 2 October 2006, the Company entered into Articles of Merger with Seashell II Limited, a company incorporated in Belize, whereby, in due course and conditional on the merger plan being submitted to the Registrar of International Business Companies of Belize and the Registrar confirming the merger of Seashell II and the Company, the Company will issue 20,293,104 ordinary shares of 50p each to the shareholders of Seashell II Limited. In accordance with the International Business Companies Act, 1990, of Belize, the Company will be the surviving entity resulting from this proposed merger and all rights and obligations of Seashell II Limited will vest in the Company.

PART IV

FINANCIAL INFORMATION ON HSM LIMITED

Section A – Accountant’s Report on HSM Limited



BDO Stoy Hayward LLP
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

3 October 2006

The Directors and Proposed Directors
Digital Marketing Group plc
7 Cowley Street
London
SW1P 3NB

The Directors
Cenkos Securities Limited
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Dear Sirs

HSM Limited

Introduction

We report on the financial information set out in Section B of Part IV. This financial information has been prepared for inclusion in the admission document dated 3 October 2006 of Digital Marketing Group plc (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules consenting to its inclusion in the Admission Document.

Responsibilities

As described in Section B of Part IV, the directors and proposed directors of Digital Marketing Group plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and United Kingdom accounting standards (“United Kingdom Generally Accepted Accounting Practice”).

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of HSM Limited as at the dates stated and of its profits, cash flows and recognised gains and losses for the years then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice as described in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART IV

Section B – Financial information on HSM Limited

Responsibility

The directors and proposed directors of Digital Marketing Group plc are responsible for preparing the financial information set out below on the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and United Kingdom accounting standards (“United Kingdom Generally Accepted Accounting Practice”).

Profit and loss accounts

	<i>Notes</i>	<i>Year ended 31 December</i>		
		<i>2003</i>	<i>2004</i>	<i>2005</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Turnover	2	3,333	3,721	4,151
Cost of sales		(1,945)	(2,306)	(2,587)
Gross profit		1,388	1,415	1,564
Administrative expenses		(1,160)	(1,209)	(1,297)
Operating profit	3	228	206	267
Interest receivable		25	44	51
Interest payable and similar charges	6	(5)	(1)	–
Profit on ordinary activities before taxation		248	249	318
Tax on profit from ordinary activities	7	(51)	(56)	(62)
Profit on ordinary activities after taxation		197	193	256
Earnings per share	8	0.197	0.193	0.256

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

Balance sheets

		<i>As at 31 December</i>		
	<i>Notes</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed assets				
Tangible assets	9	143	131	182
Current assets				
Debtors	10	833	973	1,252
Cash at bank and in hand		866	1,031	1,126
		1,699	2,004	2,378
Creditors: amounts falling due within one year	11	(570)	(674)	(838)
Net current assets		1,129	1,330	1,540
Total assets less current liabilities		1,272	1,461	1,722
Provision for liabilities	12	(6)	(2)	(7)
		1,266	1,459	1,715
Capital and reserves				
Called up share capital	14	1	1	1
Profit and loss account	15	1,265	1,458	1,714
Shareholders' funds	16	1,266	1,459	1,715

Cash flow statements

		<i>Year ended 31 December</i>		
	<i>Notes</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Net cash inflow from operating activities	21	227	264	235
Returns on investments and servicing of finance				
Interest received		25	44	51
Interest paid		(5)	(1)	–
Net cash inflow from returns on investments and servicing of finance		20	43	51
Taxation				
UK corporation tax		(62)	(57)	(57)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(82)	(85)	(134)
Increase in cash for the year	22	103	165	95

Notes to the financial information

1 Accounting policies

The principal accounting policies are set out below and have been consistently applied in dealing with items which are considered material in relation to the financial information of HSM Limited.

Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards.

Turnover

Turnover represents amounts desired from the provision of goods and services in the ordinary course of business, excluding value added tax.

Tangible fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less the estimated residual value, based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows.

Leasehold improvements	5 years
Plant and machinery	3-5 years

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give HSM Limited an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains and losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

When contractual terms of the share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Hire purchase and leasing commitments

Assets held under hire purchase contracts and finance leases are included in the balance sheet as tangible fixed assets. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest elements of the rental obligations are charged to the profit and loss account over the relevant period and represent a constant proportion of the balance of capital repayments outstanding. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates a defined contribution pension scheme. Contributions payable are charged to the profit and loss account as incurred.

2 Turnover and segmental analysis

Turnover	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Analysis by class of business:			
Telemarketing	2,642	2,778	2,866
Inbox	691	943	1,285
	3,333	3,721	4,151
	3,333	3,721	4,151

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

It has not been possible to obtain an accurate analysis of profit or net assets by class of business.

3 Operating profit

Operating profit is stated after charging:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Depreciation of owned assets	92	77	83
Loss on disposal of fixed assets	–	20	–
Operating lease charges:			
Plant and machinery	–	–	9
Other assets	187	180	171
Auditors' remuneration:			
Audit services	2	3	4
	2	3	4
	2	3	4

4 Staff costs

Staff costs for all employees, including executive directors, comprise:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Wages and salaries	2,000	2,406	2,796
Social security costs	183	211	265
Pension costs	76	73	58
	2,259	2,690	3,119
	2,259	2,690	3,119

The average number of employees during the year, including executive directors, was 105 (2004: 95; 2003: 95).

5 Directors

	<i>Basic salary £000</i>	<i>Perfor- mance related bonus £000</i>	<i>Benefits in kind £000</i>	<i>Pension £000</i>	<i>Total £000</i>
2003					
G P Stevens	91	79	1	5	180
H M Stevens	91	79	1	13	180
	<u>182</u>	<u>158</u>	<u>2</u>	<u>18</u>	<u>360</u>
2004					
G P Stevens	94	111	1	5	215
H M Stevens	94	111	1	13	215
	<u>188</u>	<u>222</u>	<u>2</u>	<u>18</u>	<u>430</u>
2005					
G P Stevens	100	155	1	5	265
H M Stevens	100	155	1	13	265
	<u>200</u>	<u>310</u>	<u>2</u>	<u>18</u>	<u>530</u>

The number of directors to whom retirement benefits were accruing was as follows:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
Money purchase schemes	<u>2</u>	<u>2</u>	<u>2</u>

6 Interest payable and similar charges

	<i>Year ended 31 December</i>		
	<i>2003 £000</i>	<i>2004 £000</i>	<i>2005 £000</i>
Other interest payable	<u>5</u>	<u>1</u>	<u>–</u>

7 Taxation on profit from ordinary activities

(a) Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
UK Current tax:			
UK corporation tax at 19%			
(2004: 19%, 2003: 19%)	58	60	57
Deferred tax	(7)	(4)	5
Tax on profit on ordinary activities	<u>51</u>	<u>56</u>	<u>62</u>

(b) Factors affecting current tax charge

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
The ordinary tax at UK corporation tax rate of 19%	<u>248</u>	<u>249</u>	<u>318</u>
Theoretical tax at UK corporation tax rate of 19%	47	47	60
Effects of:	-	-	-
Excess depreciation over capital allowances	8	2	(3)
Expenditure not allowable for tax purposes	-	11	-
Difference between effective and standard rate of tax and over and under accruals	3	-	-
Total current tax	<u>58</u>	<u>60</u>	<u>57</u>

8 Earnings per share

Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the earnings, being profit after tax, minority interests and preference dividends are as follows:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Weighted average number of equity shares	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Earnings, being profit after tax, minority interests and preference dividends	<u>197</u>	<u>193</u>	<u>256</u>

9 Tangible fixed assets

	<i>Improve- ments to property £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
Cost			
As at 1 January 2003	30	426	456
Additions	–	82	82
As at 31 December 2003	<u>30</u>	<u>508</u>	<u>538</u>
Additions	–	85	85
Disposals	–	(55)	(55)
As at 31 December 2004	<u>30</u>	<u>538</u>	<u>568</u>
Additions	–	134	134
As at 31 December 2005	<u><u>30</u></u>	<u><u>672</u></u>	<u><u>702</u></u>
Depreciation			
As at 1 January 2003	15	288	303
Charge for the year	15	77	92
As at 31 December 2003	<u>30</u>	<u>365</u>	<u>395</u>
Charge for the year	–	77	77
On disposals	–	(35)	(35)
As at 31 December 2004	<u>30</u>	<u>407</u>	<u>437</u>
Charge for the year	–	83	83
As at 31 December 2005	<u><u>30</u></u>	<u><u>490</u></u>	<u><u>520</u></u>
Net book value			
As at 31 December 2003	<u>–</u>	<u>143</u>	<u>143</u>
As at 31 December 2004	<u>–</u>	<u>131</u>	<u>131</u>
As at 31 December 2005	<u><u>–</u></u>	<u><u>182</u></u>	<u><u>182</u></u>

10 Debtors

	<i>As at 31 December</i>		
	<i>2003 £000</i>	<i>2004 £000</i>	<i>2005 £000</i>
Trade debtors	799	590	786
Directors' loan accounts (note 17)	–	352	390
Other debtors	–	–	14
Prepayments and accrued income	34	31	62
Other debtors	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>833</u></u>	<u><u>973</u></u>	<u><u>1,252</u></u>

11 Creditors: amounts falling due within one year

	<i>As at 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade creditors	59	35	33
Corporation tax	54	57	57
Other tax and social security	196	174	243
Other creditors	195	334	352
Accruals and deferred income	66	74	153
	<u>570</u>	<u>674</u>	<u>838</u>

Included within creditors is £4,000 (2004: £nil, 2003: £20,000) relating to employer's pension contributions.

Lloyds TSB Bank plc have held a debenture in respect of payment facilities as security over the assets of the company throughout the period, which has never been drawn upon.

12 Provision for liabilities

	<i>As at 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Deferred taxation (see below)	<u>6</u>	<u>2</u>	<u>7</u>
Capital allowances	<u>6</u>	<u>2</u>	<u>7</u>

Deferred taxation movements are:

	<i>As at 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance at start of year	13	6	2
Transfer to/from profit and loss account	<u>(7)</u>	<u>(4)</u>	<u>5</u>
Balance at end of year	<u>6</u>	<u>2</u>	<u>7</u>

13 Derivatives and other financial instructions

HSM Limited's financial instruments comprise cash and various items, such as trade debtors and trade creditors which arise directly from its operations.

It is, and has been throughout the period, HSM Limited's policy that no trading in financial instruments shall be undertaken.

The main risks arising from HSM Limited's financial instruments are interest rate risk and liquidity risk. It is the directors' intention to review these risks on a regular basis and agree policies to manage them.

14 Called up share capital

	<i>As at 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Authorised			
1,000 ordinary shares of £1 each	1	1	1
Allotted, called up and fully paid			
1,000 ordinary shares of £1 each	1	1	1

15 Reserves

	<i>Profit and loss account £000</i>
At 1 January 2003	1,068
Profit for the year	197
As at 31 December 2003	1,265
Profit for the year	193
As at 31 December 2004	1,458
Profit for the year	256
As at 31 December 2005	1,714

16 Reconciliation of movement in equity shareholders' funds

	<i>As at 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At the start of the year	1,069	1,266	1,459
Profit for the year	197	193	256
At the end of the year	1,266	1,459	1,715

17 Transactions with directors

HSM Limited has made loans to and received loans from its directors as follows:

	<i>Year ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
GP Stevens			
Balance due (from)/to HSM Limited outstanding at year end	(23)	352	7
Maximum balance outstanding during the year	10	352	352
HM Stevens			
Balance due (from)/to HSM Limited outstanding at year end	(14)	(83)	383
Maximum balance outstanding during the year	1	-	383

Interest is payable on these loans at 5% per annum based on the average monthly balance throughout the year. The directors' loan accounts are cleared within nine months of each year end.

18 Ultimate controlling party

Throughout the period HSM Limited was under the control of HM Stevens and GP Stevens, the directors of HSM Limited.

19 Pensions

A defined contribution pension scheme is operated on behalf of the employees of HSM Limited. The assets are held separately from those of HSM Limited in an independently administered fund. The annual pension charge represents contributions payable by HSM Limited to the fund, along with contributions payable on behalf of H M Stevens and G P Stevens to a self-administered pension scheme, and amounted to £58,000 in 2005 (2004: £55,000; 2003: £58,000).

20 Commitments

There was no capital expenditure contracted for but not provided for at 31 December 2005 (2004: £nil, 2003: £nil).

The following annual rentals are committed in respect of non-cancellable operating leases:

	2003		As at 31 December 2004		2005	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:						
Within one year	–	–	–	–	–	–
In two to five years	187	–	161	–	161	8
Over five years	–	–	–	–	–	–
	<u>187</u>	<u>–</u>	<u>161</u>	<u>–</u>	<u>161</u>	<u>8</u>

21 Reconciliation of operating profit to net cash flow from operating activities

	Year ended 31 December		
	2003 £000	2004 £000	2005 £000
Operating profit	228	206	267
Depreciation	92	77	83
(Increase) in debtors	(188)	(140)	(279)
Increase in creditors	95	101	164
Loss on disposal of fixed assets	–	20	–
Net cash flow from operating activities	<u>227</u>	<u>264</u>	<u>235</u>

22 Reconciliation of net cash flow to movement in net funds

	Year ended 31 December		
	2003 £000	2004 £000	2005 £000
Increase in cash in the year	103	165	95
Net funds at the start of the year	<u>763</u>	<u>866</u>	<u>1,031</u>
Net funds at the end of the year	<u>866</u>	<u>1,031</u>	<u>1,126</u>

23 Analysis of change in net funds

	<i>At start of year £000</i>	<i>Cash flows £000</i>	<i>At end of year £000</i>
Year ended 31 December 2003			
Net cash:			
Cash at bank and in hand	763	103	866
	<u>763</u>	<u>103</u>	<u>866</u>
Year ended 31 December 2004			
Net cash:			
Cash at bank and in hand	866	165	1,031
	<u>866</u>	<u>165</u>	<u>1,031</u>
Year ended 31 December 2005			
Net cash:			
Cash at bank and in hand	1,031	95	1,126
	<u>1,031</u>	<u>95</u>	<u>1,126</u>

PART V

FINANCIAL INFORMATION ON SCOPE CREATIVE MARKETING LIMITED

Section A – Accountant’s report on Scope Creative Marketing Limited



BDO Stoy Hayward LLP
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

3 October 2006

The Directors and Proposed Directors
Digital Marketing Group plc
7 Cowley Street
London
SW1P 3NB

The Directors
Cenkos Securities Limited
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Dear Sirs

Scope Creative Marketing Limited (trading as Dig for Fire) (“Scope”)

Introduction

We report on the financial information set out in Section B of Part V. This financial information has been prepared for inclusion in the admission document dated 3 October 2006 of Digital Marketing Group plc (the “Admission Document”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules consenting to its inclusion in the Admission Document.

Responsibilities

As described in Section B of Part V, the directors and proposed directors of Digital Marketing Group plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and United Kingdom accounting standards (“United Kingdom Generally Accepted Accounting Practice”).

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Scope as at the dates stated and of its profits, cash flows and recognised gains and losses for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice as described in note 1 to the financial information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

BDO Stoy Hayward LLP
Chartered Accountants

PART V

Section B – Financial information on Scope Creative Marketing Limited

Responsibility

The directors and proposed directors of Digital Marketing Group plc are responsible for preparing the financial information set out below on the basis of preparation set out in note 1 to the financial information and in accordance with applicable law and United Kingdom accounting standards (“United Kingdom Generally Accepted Accounting Practice”).

Profit and loss account

	<i>Notes</i>	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Turnover	2	4,986	5,806	6,409	6,873
Cost of sales		(2,206)	(3,006)	(3,181)	(3,276)
Gross profit		<u>2,780</u>	<u>2,800</u>	<u>3,228</u>	<u>3,597</u>
Other operating charges	3	(2,180)	(3,195)	(2,618)	(2,989)
Charge for issue of share options		–	(9)	–	(21)
Other operating income	3	–	–	55	–
Operating profit/(loss)	4	<u>600</u>	<u>(404)</u>	<u>665</u>	<u>587</u>
Profit on disposal of fixed assets	4	–	129	–	–
		600	(275)	665	587
Income from shares in group undertakings	6	–	–	44	–
Interest receivable		19	12	32	23
Amounts written off investments	7	–	–	(44)	–
Interest payable and similar charges	8	(17)	(9)	(57)	(47)
Profit/(loss) on ordinary activities before taxation		<u>602</u>	<u>(272)</u>	<u>640</u>	<u>563</u>
Tax (charge)/credit on profit from ordinary activities	9	(213)	73	(202)	(204)
Profit/(loss) on ordinary activities after taxation		<u>389</u>	<u>(199)</u>	<u>438</u>	<u>359</u>
Earnings/(loss) per share	11	<u>£38.90</u>	<u>(£21.33)</u>	<u>£36.50</u>	<u>£29.92</u>

All of the activities of the company are classed as continuing.

There were no recognised gains or losses other than the profit for the financial year other than in the period to 31 March 2004 when there was a transfer of gains from the revaluation reserve to the profit and loss account.

Balance sheet

		<i>As at</i>			
	<i>Notes</i>	<i>31 May 2003 £000</i>	<i>31 March 2004 £000</i>	<i>31 March 2005 £000</i>	<i>31 March 2006 £000</i>
Fixed assets					
Intangible assets	12	–	–	182	137
Tangible assets	13	686	1,097	1,294	1,209
Investments	14	–	55	11	11
		<u>686</u>	<u>1,152</u>	<u>1,487</u>	<u>1,357</u>
Current assets					
Stock	15	63	210	161	144
Debtors	16	1,391	1,449	1,657	1,744
Investments	17	32	7	7	6
Cash at bank and in hand		397	699	557	826
		<u>1,883</u>	<u>2,365</u>	<u>2,382</u>	<u>2,720</u>
Creditors: amounts falling due within one year	18	<u>(1,002)</u>	<u>(1,527)</u>	<u>(1,839)</u>	<u>(2,104)</u>
Net current assets		<u>881</u>	<u>838</u>	<u>543</u>	<u>616</u>
Total assets less current liabilities		1,567	1,990	2,030	1,973
Creditors: amounts falling due after more than one year					
	19	<u>(11)</u>	<u>(504)</u>	<u>(359)</u>	<u>(266)</u>
		<u>1,566</u>	<u>1,486</u>	<u>1,671</u>	<u>1,707</u>
Capital and reserves					
Called up share capital	26	10	12	12	12
Revaluation reserve	28	270	–	–	–
Other reserves	28	1	1	1	1
Profit and loss account	28	1,275	1,473	1,658	1,694
Shareholders' funds	29	<u>1,556</u>	<u>1,486</u>	<u>1,671</u>	<u>1,707</u>

Cash flow statement

	<i>Notes</i>	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Net cash inflow from operating activities	30	294	1,275	805	1,061
Returns on investments and servicing of finance					
Income from group undertakings		–	–	44	–
Interest received		19	12	32	23
Interest paid		(15)	(6)	(43)	(41)
Interest element of finance lease payments		(1)	(3)	(14)	(6)
Net cash inflow/(outflow) from returns on investments and servicing of finance		3	3	19	(24)
Taxation					
UK corporation tax		(205)	(230)	(99)	(189)
Tax paid		(205)	(230)	(99)	(189)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(113)	(1,002)	(301)	(75)
Receipts from sale of fixed assets		64	632	–	35
Purchase of investments		–	(1,483)	(199)	(100)
Net cash outflow from capital expenditure		(49)	(1,853)	(500)	(140)
Acquisitions and disposals					
Net cash transferred from group undertaking		–	533	15	–
Net cash inflow/(outflow) from acquisitions and disposals		–	533	15	–
Equity dividends paid		–	–	(253)	(344)
Cash inflow/(outflow) before use of liquid resources and financing		43	(272)	(12)	364
Management of liquid resources					
Cash (placed)/refunded in other liquid investments		(9)	25	–	1
Cash (outflow)/inflow from management of liquid resources		(9)	25	–	1
Financing					
Capital element of finance leases and hire purchase		(13)	(14)	(20)	(3)
Net cash inflow/(outflow) from other long term creditors		–	563	(110)	(93)
Cash (outflow)/inflow from financing		(13)	549	(130)	(96)
Increase/(decrease) in cash for the period/year	30	21	302	(142)	269

Note of historical cost profits and losses

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Profit/(loss) on ordinary activities before taxation	602	(272)	640	563
Realisation of gains recognised in previous periods	–	270	–	–
Historical cost profit/(loss) on ordinary activities before taxation	<u>602</u>	<u>(2)</u>	<u>640</u>	<u>563</u>
Historical cost profit for the period/year retained after taxation and dividends	<u>389</u>	<u>71</u>	<u>185</u>	<u>15</u>

Notes to the financial information

1 Accounting policies

The principal accounting policies are set out below and have been consistently applied in dealing with items which are considered material in relation to the financial information of Scope.

Basis of preparation

The financial information has been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Consolidation

In the opinion of the directors, the preparation of consolidated financial information would not add to a reader's understanding of the results and balance sheets of Scope since the company's subsidiaries are either dormant or immaterial to the company.

The Group is entitled to the reliefs offered by sections 131 and 134 of the Companies Act 1985 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Paradigm Network Limited.

Turnover

Turnover represents amounts invoiced during the year, excluding value added tax.

Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the director's estimate of its useful economic life of five years.

Tangible assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less the estimated residual value, based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows.

Leasehold improvements	5 years
Plant and machinery	3-5 years

Following the implementation of FRS 15 “Tangible Fixed Assets” the company has adopted a policy of not revaluing fixed assets. The carrying amount of tangible fixed assets previously revalued have been retained at their book amount in accordance with the transitional provision of FRS 15.

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Pension costs

Scope operates a defined contribution pension scheme for its employees. The pension costs charged against operating profits represent the amount of the contribution payable to the scheme in respect of the accounting period.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but have not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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 and laws enacted or substantively enacted at the balance sheet date.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains and losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

When contractual terms of the share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Employee benefit trusts

Assets held by Scope's Employee Benefit Trusts (EBTs) are included Scope's balance sheet as current asset investments, subject to any provision for diminution in value, until they are unconditionally distributed to beneficiaries at the unfettered discretion of the trustees of the EBTs.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

2 Turnover

Turnover and profit before tax are attributable to the principal activity of Scope, namely the design and production of advertising materials and promotional activities.

In the period from 1 June 2003 to 31 March 2004, £2,033,512 of turnover as shown below has been generated as a result of the acquisition of Paradigm Network Limited.

An analysis of turnover is given below:

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
United Kingdom	4,986	5,806	6,063	6,637
Europe	–	–	225	124
Africa	–	–	121	112
	<u>4,986</u>	<u>5,806</u>	<u>6,409</u>	<u>6,873</u>

It has not been possible to obtain an accurate analysis of profit or net assets by class of business.

3 Other operating income and charges

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Administrative expenses	2,180	3,195	2,618	2,989
Other operating income	–	–	(55)	–
	<u>2,180</u>	<u>3,195</u>	<u>2,563</u>	<u>2,989</u>

4 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Amortisation	–	–	46	45
Depreciation:				
Owned fixed assets	148	109	115	131
Assets held under finance leases and hire purchase agreements	10	12	10	–
Auditors' remuneration:				
Audit fees	14	13	9	11
Non audit services	68	69	19	5
Operating lease costs:				
Plant and equipment	–	16	–	–
(Profit)/loss on disposal of fixed assets	(26)	–	15	6

5 Directors and employees

The average number of staff (including executive directors) employed by Scope during the financial periods amounted to:

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Production	30	40	42	45
Sales	11	15	13	15
Management and administration	11	18	16	14
	<u>52</u>	<u>73</u>	<u>71</u>	<u>74</u>

The aggregate payroll costs of the above were:

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Wages and salaries	1,714	3,178	2,641	2,788
Social security costs	171	236	296	570
Pension costs	80	57	71	467
	<u>1,965</u>	<u>3,471</u>	<u>3,008</u>	<u>3,825</u>

Remuneration in respect of directors was as follows:

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Emoluments receivable	388	1,732	1,018	902
From Employee Benefit Trusts	472	23	–	–
Value of company pension contributions to money purchase schemes	54	42	51	422
	<u>914</u>	<u>1,797</u>	<u>1,069</u>	<u>1,324</u>
Emoluments of highest paid director: Total emoluments (excluding pension contributions)	121	896	259	112
From Employee Benefit Trusts	264	13	–	–
Value of company pension contributions to money purchase schemes	29	21	25	375
	<u>414</u>	<u>930</u>	<u>284</u>	<u>487</u>

The number of directors who accrued benefits under company pension schemes was as follows:

Money purchase schemes	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
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6 Income from shares in group undertakings

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Income from group undertakings	–	–	44	–
	<u>–</u>	<u>–</u>	<u>44</u>	<u>–</u>

7 Amounts written off investments

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Amounts written off investments	–	–	44	–
	<u>–</u>	<u>–</u>	<u>44</u>	<u>–</u>

8 Interest payable and similar charges

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Finance charges	1	3	14	6
Other similar charges payable	16	6	43	41
	<u>17</u>	<u>9</u>	<u>57</u>	<u>47</u>

9 Taxation on profit on ordinary activities

(a) Analysis of charge in the year

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Current tax:				
UK corporation tax based on the results for the year at 30%	218	(73)	186	287
Over/under provision in prior year	(5)	(2)	(2)	(82)
Over/under provision in current year	–	–	–	3
Total current tax	<u>213</u>	<u>(75)</u>	<u>184</u>	<u>208</u>
Deferred tax:				
Original and reversal of timing differences	<u>–</u>	<u>2</u>	<u>18</u>	<u>(4)</u>
Tax charge/(credit) on profit on ordinary activities	<u>213</u>	<u>(73)</u>	<u>202</u>	<u>204</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than (2005: the same as; 2004: lower than; 2003: higher than) the standard rate of corporation tax in the UK of 30%.

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Profit/(loss) on ordinary activities before taxation	602	(272)	640	563
Profit/(loss) on ordinary activities by rate of tax	178	(82)	192	169
Expenses not deductible for tax purposes	38	–	19	120
Deductions allowable for tax purposes	–	(11)	–	–
Capital allowances for period in excess of depreciation	(7)	(4)	(6)	(2)
Utilisation of tax losses	–	(42)	(15)	(7)
Chargeable gain	–	39	–	–
Adjustments to tax charge in respect of prior periods	(5)	(2)	(2)	(82)
Short term timing differences	–	27	–	–
Other	9	–	(4)	7
Over/under provision in current year	–	–	–	3
Total current tax (note 11(a))	213	(75)	184	208

10 Dividends

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Equity dividends: Paid in the year	–	–	253	344

11 Earnings/(loss) per share

Earnings/loss per ordinary share have been calculated using the weighted average number of shares in issue during the relevant financial periods. The weighted average number of equity shares in issue and the earnings, being profit or loss after tax are as follows:

	<i>Period from 1 April 2002 to 31 May 2003 Number</i>	<i>Period from 1 June 2003 to 31 March 2004 Number</i>	<i>Year ended 31 March 2005 Number</i>	<i>Year ended 31 March 2006 Number</i>
Weighted average number of equity shares	10,000	12,000	12,000	12,000
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Earnings, being profit/(loss) after tax	389	(199)	438	359

12 Intangible fixed assets

	<i>Goodwill</i> <i>£000</i>
Cost	
As at 1 June 2003 and 1 April 2004	–
Additions during year ended 31 March 2005 (note 14)	228
As at 31 March 2005 and 31 March 2006	<u>228</u>
Amortisation	
As at 1 June 2003 and 1 April 2004	–
Charge for the year	46
As at 31 March 2005	<u>46</u>
Charge for the year	45
As at 31 March 2006	<u>91</u>
Net book value	
As at 31 March 2004	–
As at 31 March 2005	<u>182</u>
As at 31 March 2006	<u>137</u>

13 Tangible fixed assets

	<i>Freehold property £000</i>	<i>Improve- ments to leasehold property £000</i>	<i>Fixtures & fittings £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost					
As at 1 April 2002	550	–	803	189	1,542
Additions	38	–	109	–	147
Disposals	–	–	(75)	(132)	(207)
As at 31 May 2003	588	–	837	57	1,482
Additions	930	–	72	–	1,002
Disposals	(588)	–	(50)	(17)	(655)
Acquisition of business	–	–	26	8	34
As at 31 March 2004	930	–	885	48	1,863
Additions	209	–	83	9	301
Disposals	–	–	(23)	(17)	(40)
Acquisition	–	4	16	17	37
As at 31 March 2005	1,139	4	961	57	2,161
Additions	–	–	53	22	75
Disposals	(12)	–	(232)	(40)	(284)
As at 31 March 2006	1,127	4	782	39	1,952
Depreciation					
As at 1 April 2002	63	–	634	110	807
Charge for the period	14	–	124	20	158
On disposals	–	–	(74)	(95)	(169)
As at 31 May 2003	77	–	684	35	796
Charge for the period	14	–	98	9	121
On disposals	(88)	–	(50)	(13)	(151)
As at 31 March 2004	3	–	732	31	766
Charge for the period	21	4	86	14	125
On disposals	–	–	(7)	(17)	(24)
As at 31 March 2005	24	4	811	28	867
Charge for the period	21	–	99	11	131
On disposals	–	–	(232)	(23)	(255)
As at 31 March 2006	45	4	678	16	743
Net book value					
As at 1 April 2002	487	–	169	79	735
As at 31 May 2003	511	–	153	22	686
As at 31 March 2004	927	–	153	17	1,097
As at 31 March 2005	1,115	–	150	29	1,294
As at 31 March 2006	1,082	–	104	23	1,209

The figures stated above for cost or valuation include valuations as follows:

	<i>31 May</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Freehold land and buildings				
At valuation – 1998	550	–	–	–
	<u>550</u>	<u>–</u>	<u>–</u>	<u>–</u>

Finance leases and hire purchase agreements

Included within the net book value of £1,209,474 (2005: £1,294,694; 2004: £1,096,611; 2003: £686,265) is £nil (2005: £10,081; 2004: £26,363; 2003: £24,438) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £571 (2005: £10,143; 2004: £11,658; 2003: £10,062).

Freehold land and buildings were revalued in 1998 by Mr Paul Hough FSA of Mark Jenkinson and Son. The basis of the valuation was open market value.

If the freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amounts:

	<i>31 May</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost	275	–	–	–
Accumulated depreciation	(99)	–	–	–
Net book amount	<u>176</u>	<u>–</u>	<u>–</u>	<u>–</u>

14 Fixed asset investments

Shares in group undertakings

	<i>Dig for Fire Limited £000</i>	<i>Junction Brand Communi- cations Limited £000</i>	<i>Alipes £000</i>	<i>Total £000</i>
Cost				
As at 31 May 2003	–	–	–	–
Additions	503	–	1,100	1,603
Net assets hived up to parent company	(503)	–	–	(503)
As at 31 March 2004	–	–	1,100	1,100
Additions	–	299	–	299
Net assets hived up to parent company	–	(71)	–	(71)
Amount transferred to goodwill (note 12)	–	(228)	–	(228)
As at 31 March 2005 and 31 March 2006	–	–	1,100	1,100
Amounts written off				
As at 31 May 2003	–	–	–	–
Written off in period	–	–	1,045	1,045
As at 31 March 2004	–	–	1,045	1,045
Written off in period	–	–	44	44
As at 31 March 2005 and 31 March 2006	–	–	1,089	1,089
Net book value				
As at 31 May 2003	–	–	–	–
As at 31 March 2004	–	–	55	55
As at 31 March 2005 and 31 March 2006	–	–	11	11

At the following period ends the company held 20% or more of the allotted share capital of the following:

<i>Subsidiary undertaking</i>	<i>Country of incorporation</i>	<i>Class of share capital held</i>	<i>Proportion held</i>	<i>Nature of business</i>
At 31 May 2003				
Thornycroft no 132	England	A shares	100%	Investment company
Neban 106	England	A shares	100%	Investment company
At 31 March 2004				
Paradigm Network Limited	England	Ordinary	100%	Dormant
Alipes 19	England	N/A	100%	Unlisted investment company
At 31 March 2005				
Junction Brand Communications Limited	England	Ordinary	100%	Dormant
Paradigm Network Limited	England	Ordinary	100%	Dormant
Alipes 19	England	Ordinary	100%	Unlisted investment company
Junction Band Communications Limited	England	Ordinary	100%	Dormant
At 31 March 2006				
Junction Brand Communications Limited	England	Ordinary	100%	Dormant
Dig for Fire Limited (formerly Paradigm Network Limited)	England	Ordinary	100%	Dormant
Alipes 19	England	Ordinary	100%	Unlisted investment company

Since these companies have not and will not produce accounts, it is not possible to disclose the profit/loss and net assets information for these companies.

Acquisitions

On 12 June 2003, Scope acquired 3,412 ordinary shares of £1 in Paradigm Network Limited (“Paradigm”), being 100% of its nominal share capital for a consideration of £503,287, satisfied by the issue of 2,000 ordinary A shares of £1, cash of £382,787, and a further 400 ordinary A shares of £1 to be issued subsequently.

Advantage has been taken of the reliefs available in sections 131 and 134 of the Companies Act on merger relief in respect of the premium on the issue of the shares to finance the acquisition.

The date of the acquisition, 12 June 2003, was the accounting year end for Paradigm.

Upon acquisition the assets and liabilities of Paradigm were hived up to Scope at their net book value and consideration took the form of an intercompany loan.

True and fair override

As noted above, the trade and net assets of Paradigm were transferred into the company immediately following the acquisition. The consideration for this was based upon the book value of Paradigm's net assets. Subsequent to this, Paradigm paid a dividend to the company. This resulted in an apparent overvaluation of investments held in the company's books, although there was no overall loss to the Group. Schedule 4 of the Companies Act 1985 requires that, where such overvaluation is expected to be permanent, the investment should be written down accordingly. The directors consider that as the substance of the transactions referred to above (ie the transfer of assets and the dividend) was merely to reorganise the company's operations, recognising a dividend and an associated impairment would fail to give a true and fair view.

Therefore, the acquisition has been treated as the acquisition of an unincorporated business and accounted for in accordance with FRS 6 "Acquisitions and Mergers" and FRS 7 "Fair values in acquisition accounting". This results in no net effect on the profit and loss account.

The assets and liabilities of Paradigm acquired were as follows:

	<i>£000</i>
Fixed assets	33
Current assets	
Work in progress	58
Debtors	400
Cash	533
Creditors	
Trade creditors	(345)
Corporation tax	(14)
Other	(88)
Amounts due under finance leases	(16)
Accruals	(58)
	<hr/>
	503
	<hr/>
Satisfied by:	
Intercompany loan	503
	<hr/> <hr/>

On 1 November 2004, the company acquired 1,000 ordinary shares of £1 in Junction, being 100% of its normal share capital for a consideration of £299,309, as detailed below.

31 October 2004, the date immediately before the acquisition, was the accounting year end for Junction.

Upon acquisition the assets and liabilities of Junction were sold to Scope for £299,309.

True and fair override

As noted above, the trade and net assets of Junction were transferred into the company immediately following the acquisition. The consideration for this was based upon the book value of Junction's net assets including an amount for goodwill. Subsequent to this, Junction paid a dividend to the company. This resulted in an apparent overvaluation of investments held in the company's books, although there was no overall loss to the Group. Schedule 4 of the Companies Act 1985 requires that, where such overvaluation is expected to be permanent, the investment should be written down accordingly. The directors consider that as the substance of the transactions referred to above (ie the transfer of assets

and the dividend) was merely to reorganise the company's operations, recognising a dividend and an associated impairment would fail to give a true and fair view.

Therefore, the acquisition has been treated as the acquisition of an unincorporated business and accounted for in accordance with FRS 6 "Acquisitions and Mergers" and FRS 7 "Fair values in acquisition accounting". This results in no net effect on the profit and loss account.

The assets and liabilities of Junction acquired were as follows:

	<i>£000</i>
Investments	–
Fixed assets	37
	<u>37</u>
Current assets	
Debtors (including deferred tax asset of £12,365)	176
Cash	15
Creditors	
Trade creditors	(57)
Corporation tax	(100)
	<u>71</u>
Goodwill	228
	<u>299</u>
Satisfied by:	
Intercompany loan	<u>299</u>

15 Stocks

	<i>As at</i>			
	<i>31 May</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Work in progress	63	210	161	144
	<u>63</u>	<u>210</u>	<u>161</u>	<u>144</u>

16 Debtors

	<i>As at</i>			
	<i>31 May</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	1,285	1,097	1,460	1,635
Corporation tax repayable	–	74	–	–
Other debtors	–	165	95	–
Amounts owed by related undertakings	15	–	–	–
Prepayments and accrued income	63	88	82	85
Deferred taxation (note 21)	28	25	20	24
	<u>1,391</u>	<u>1,449</u>	<u>1,657</u>	<u>1,744</u>

17 Current asset investments

	<i>As at</i>			
	<i>31 May 2003 £000</i>	<i>31 March 2004 £000</i>	<i>31 March 2005 £000</i>	<i>31 March 2006 £000</i>
Unquoted investments				
Scope Creative Marketing	25	–	–	–
Scope Creative Marketing Employees' Benefit Trust (No 1)	4	4	4	4
Scope Creative Marketing Employees' Benefit Trust (No 2)	–	–	–	–
	<u>29</u>	<u>4</u>	<u>4</u>	<u>4</u>
Cash				
Scope Creative Marketing	–	–	–	–
Scope Creative Marketing Employees' Benefit Trust (No 1)	–	–	–	–
Scope Creative Marketing Employees' Benefit Trust (No 2)	3	3	3	2
	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>
Total	<u>32</u>	<u>7</u>	<u>7</u>	<u>6</u>

During the year ended 31 March 2006 the company did not make any contributions (2005: £nil; 2004: £nil; 2003: £3,000) to the Scope Creative Marketing Employees' Benefit Trust (No 1) which has been established to provide benefits to employees and directors of Scope. Assets held by the Trust may be distributed to individuals at the unfettered discretion of the trustees, from time to time.

18 Creditors: amounts falling due within one year

	<i>As at</i>			
	<i>31 May 2003 £000</i>	<i>31 March 2004 £000</i>	<i>31 March 2005 £000</i>	<i>31 March 2006 £000</i>
Bank loans	–	63	94	94
Trade creditors	155	432	360	339
Corporation tax	218	–	112	131
Other taxation and social security	166	141	338	700
Amounts due under finance leases and hire purchase agreements	10	19	3	–
Pension creditor	29	–	–	–
Other creditors	–	1	102	7
Directors current accounts	51	165	95	–
Accruals and deferred income	373	706	735	833
	<u>1,002</u>	<u>1,527</u>	<u>1,839</u>	<u>2,104</u>

Included within creditors falling due within one year are bank loans secured over the freehold property totalling £93,750 (2005: £93,750; 2004: £62,500; 2003: £nil).

19 Creditors: amounts falling due after more than one year

	<i>As at</i>			
	<i>31 May</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts due under finance leases and hire purchase agreements	11	4	–	–
Bank loans	–	500	359	266
	<u>11</u>	<u>504</u>	<u>359</u>	<u>266</u>

Included in creditors falling due after more than one year are bank loans secured over the freehold property totalling £265,625 (2005: £359,375; 2004: £500,000; 2003: £nil).

20 Borrowings

Creditors include loans and amounts due under finance leases which are due for repayment as follows:

	<i>As at</i>			
	<i>31 May</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts repayable:				
In one year or less	–	82	97	94
In more than one year but not more than two years	–	104	94	94
In more than two years but not more than five years	–	400	265	172
	<u>–</u>	<u>586</u>	<u>456</u>	<u>360</u>
Cash at bank and in hand	(397)	(699)	(557)	(826)
Current asset investment	(32)	(7)	(7)	(6)
	<u>(429)</u>	<u>(120)</u>	<u>(108)</u>	<u>(472)</u>

21 Deferred taxation

The movement in the deferred taxation account during the period was:

	<i>As at</i>			
	<i>31 May</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Balance brought forward	28	28	25	20
Profit and loss account movement arising during the period	–	(3)	(18)	4
Acquired as part of hive up (note 14)	–	–	13	–
	<u>28</u>	<u>25</u>	<u>20</u>	<u>24</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	<i>As at</i>			
	<i>31 May</i> 2003 £000	<i>31 March</i> 2004 £000	<i>31 March</i> 2005 £000	<i>31 March</i> 2006 £000
Excess of taxation allowances over depreciation on fixed assets	28	25	20	17
Other timing differences	–	–	–	7
	28	25	20	24
	28	25	20	24

22 Derivatives and other financial instructions

Scope's financial instruments comprise cash and various items, such as trade debtors and trade creditors which arise directly from its operations.

It is, and has been throughout the period, Scope's policy that no trading in financial instruments shall be undertaken.

The main risks arising from Scope's financial instruments are interest rate risk and liquidity risk. It is the directors' intention to review these risks on a regular basis and agree policies to manage them.

23 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	<i>As at</i>			
	<i>31 May</i> 2003 £000	<i>31 March</i> 2004 £000	<i>31 March</i> 2005 £000	<i>31 March</i> 2006 £000
Amounts payable within one year	10	19	3	–
Amounts payable between one and two years	10	4	–	–
Amounts payable between three and five years	1	–	–	–
	21	23	3	–
	21	23	3	–

24 Related party transactions

Mr C F Buddery was Scope's ultimate controlling related party at 31 May 2003 by virtue of his and his family's 100% shareholding of the ordinary A shares.

The Scope Creative Marketing Employees' Benefit Trust (dated 2003) was established during the year (see note 20) to provide benefits to employees and directors of Scope. During the year, the trustees subscribed for 100 A ordinary shares in Neban 106, an unlimited company, comprising all the voting share capital of that company. Scope Creative Marketing Limited subscribed for 5,000 B ordinary shares of £0.01 of Neban 106 for a total consideration of £500,000 and awarded these shares as remuneration to its employees and directors.

In the period to 31 March 2004, the premises known as 11 Broomfield Road were sold by Scope at market value to the Scope Creative Marketing Limited (1989) Executive Pension Plan.

At 31 March 2006 £nil (2005: £95,000; 2004: £165,000; 2003: £nil) was due to Scope by the Scope Creative Marketing Limited (1989) Executive Pension Plan in respect of this sale. This amount was included within other debtors.

In prior periods directors loans represent a loan to Scope made by Charles Buddery. The amount outstanding at the end of the year ended 31 March 2005 was £95,000 (2004: £165,000; 2003: £51,000). The loan has been repaid during the year ended 31 March 2006.

Charles Buddery was a director of Alphanumeric Limited. During the year ended 31 March 2006 Scope made sales of £32,766 (2005: £82,151; 2004: £nil; 2003: £nil) to Alphanumeric Limited, the amount due from Alphanumeric Limited at the end of the year ended 31 March 2006 was £3,106 (2005: £33,104; 2004: £nil; 2003: £nil).

Charles Buddery is a director of Kaizen IT Solutions Limited, a company which supplies IT services to Scope. During the year ended 31 March 2006, Scope paid £199,756 (2005: £89,843; 2004: £nil; 2003: £nil) to Kaizen IT Solutions Limited for such services and £3,322 (2005: £23,235; 2004: £nil; 2003: £nil) was due to Kaizen IT Solutions Limited at the end of the year ended 31 March 2005. During the year ended 31 March 2006, Scope charged Kaizen IT Solutions Limited £22,537 (2005: £7,632; 2004: £nil; 2003: £nil) for use of space and facilities at Players House and £4,121 (2005: £3,516; 2004: £nil; 2003: £nil) was due to Scope at 31 March 2006.

25 Ultimate controlling party

Mr C F Buddery is Scope's ultimate controlling related party by virtue of his majority shareholding of the ordinary A shares.

26 Share capital

	<i>31 May</i>	<i>31 March</i>	<i>31 March</i>	<i>31 March</i>
	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Authorised share capital:				
11,000 (2003 and 2004: 10,000) Ordinary				
A shares of £1 share	10	11	11	11
2,000 Ordinary B shares of £1 each	2	2	2	2
5,000 Ordinary C shares of £1 each	5	5	5	5
5,000 Ordinary D shares of £1 each	–	5	5	5
	<u>17</u>	<u>23</u>	<u>23</u>	<u>23</u>
Allotted, called up and fully paid:				
Ordinary A shares fully paid up	9	11	11	11
Ordinary B shares fully paid up	1	1	1	1
Ordinary C shares fully paid up	–	–	–	–
Ordinary D shares fully paid up	–	–	–	–
	<u>10</u>	<u>12</u>	<u>12</u>	<u>12</u>

27 Share option scheme

On 9 May 2001 a special resolution was passed adopting the Scope Creative Marketing Enterprise Management Incentive Scheme. The following options over ordinary C £1 shares were in place at the end of each of the periods.

The following options over ordinary D £1 shares, as part of an unapproved scheme, were also in place at the end of the year.

	<i>Exercisable on or after</i>	<i>Options</i>	<i>Exercise price</i>
Ordinary C share of £1 each	9 May 2001	2,600	1.00
Ordinary C share of £1 each	30 January 2006	300	1.00
Ordinary C share of £1 each	1 April 2006	400	1.00
Ordinary C share of £1 each	1 April 2007	400	1.00
Ordinary D share of £1 each	12 June 2003	250	1.00
Ordinary D share of £1 each	see below	3,200	1.00

Charles Buddery was granted 3,200 options over ordinary D £1 shares on 12 June 2003. The options are only exercisable when and to the extent that the options granted to N Wood, D Jones and S Beevers lapse.

28 Reserves

	<i>Shares to be issued £000</i>	<i>Revalua- tion reserve £000</i>	<i>Capital redemp- tion reserve £000</i>	<i>Merger Reserve £000</i>	<i>Profit and loss account £000</i>
Balance as at 1 April 2002	–	277	1	–	879
Retained profit for the period	–	–	–	–	389
Other movements					
– transfer to/from revaluation reserve	–	(7)	–	–	7
Balance as at 31 May 2003	–	270	1	–	1,275
Loss for the period	–	–	–	–	(199)
Merger reserve arising on the acquisition of Paradigm	–	–	–	118	–
Release of merger reserve on the hive up of the trade and assets of Paradigm	–	–	–	(118)	118
Other gains and losses					
Credit arising from charge in respect of granting share options	–	–	–	–	9
Other movements					
– transfer to/from revaluation reserve	–	(270)	–	–	270
Balance as at 31 March 2004	–	–	1	–	1,473
Profit after tax for the period	–	–	–	–	438
Dividends paid	–	–	–	–	(253)
Balance as at 31 March 2005	–	–	1	–	1,658
Profit after tax for the period	–	–	–	–	359
Dividends paid	–	–	–	–	(344)
Other gains and losses					
Credit arising from charge in respect of granting share options	–	–	–	–	21
Balance as at 31 March 2006	–	–	1	–	1,694

Shares to be issued represent shares due to C Glover resulting from the acquisition of Paradigm.

29 Reconciliation of movements in shareholders' funds

	<i>As at</i>			
	<i>31 May 2003 £000</i>	<i>31 March 2004 £000</i>	<i>31 March 2005 £000</i>	<i>31 March 2006 £000</i>
Profit/(loss) for the financial period	389	(199)	438	359
Dividends	–	–	(253)	(344)
	<u>389</u>	<u>(199)</u>	<u>185</u>	<u>15</u>
New equity share capital subscribed	–	2	–	–
Shares to be issued	–	–	–	–
	<u>389</u>	<u>(197)</u>	<u>185</u>	<u>15</u>
Credit arising from charge in respect of granting of share options	–	9	–	21
Transfer from revaluation reserve	7	–	–	–
Transfer to profit and loss account	(7)	–	–	–
Merger reserve arising on the acquisition of Paradigm	–	118	–	–
	<u>389</u>	<u>(70)</u>	<u>185</u>	<u>36</u>
Net addition/(reduction) to funds	389	(70)	185	36
Opening shareholders' equity funds	1,167	1,556	1,486	1,671
Closing shareholders' equity funds	<u><u>1,556</u></u>	<u><u>1,486</u></u>	<u><u>1,671</u></u>	<u><u>1,707</u></u>

30 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	<i>Period</i>		<i>Period</i>	
	<i>from 1 April 2002 to 31 May 2003 £000</i>	<i>from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Operating profit/(loss)	600	(404)	665	587
Amortisation	–	–	46	45
Depreciation	158	121	125	131
Loss on disposal of fixed assets	(26)	–	16	(6)
Decrease/(increase) in stocks	58	(89)	49	17
(Increase)/decrease in debtors	(215)	413	(123)	(83)
(Decrease)/increase in creditors	(281)	180	28	349
Amounts written off investments	–	1,045	–	–
Charge relating to issue of share options	–	9	–	21
Net cash inflow from operating activities	<u><u>294</u></u>	<u><u>1,275</u></u>	<u><u>806</u></u>	<u><u>1,061</u></u>

Reconciliation of net cash flow to movement in net funds

	<i>Period from 1 April 2002 to 31 May 2003 £000</i>	<i>Period from 1 June 2003 to 31 March 2004 £000</i>	<i>Year ended 31 March 2005 £000</i>	<i>Year ended 31 March 2006 £000</i>
Increase/(decrease) in cash in the period/year	21	302	(142)	269
Cash outflow in respect of finance leases and hire purchase	13	14	20	3
Net cash inflow from other long term creditors	–	(563)	110	93
Cash used to increase/(decrease) liquid resources	9	(25)	–	(1)
Change in net funds resulting from cash flows	43	(272)	(12)	364
New finance leases in the period	(34)	–	–	–
Finance lease acquired with business	–	(16)	–	–
Change in net funds	9	(288)	(12)	364
Net funds at start of period	399	408	120	108
Net funds at end of period	408	120	108	472

Analysis of changes in net funds

	<i>At start of period £000</i>	<i>Acquisition of business £000</i>	<i>Cash flows £000</i>	<i>Other changes £000</i>	<i>At end of period £000</i>
Period ended 31 May 2003					
Net cash:					
Cash in hand and at bank	376	–	21	–	397
Liquid resources:					
Current asset investments	23	–	9	–	32
Debt:					
Finance leases and hire purchase agreements	–	–	13	(34)	(21)
Net funds	399	–	43	(34)	408
Period ended 31 March 2004					
Net cash:					
Cash in hand and at bank	397	–	302	–	699
Liquid resources:					
Current asset investments	32	–	(25)	–	7
Debt:					
Debt due within one year	–	–	(63)	–	(63)
Debt due after one year	–	–	(500)	–	(500)
Finance leases and hire purchase agreements	(21)	(16)	14	–	(23)
	(21)	(16)	(549)	–	(586)
Net funds	408	(16)	(272)	–	120
Year ended 31 March 2005					
Net cash:					
Cash in hand and at bank	699	–	(142)	–	557
Liquid resources:					
Current asset investments	7	–	–	–	7
Debt:					
Debt due within one year	(63)	–	110	(141)	(93)
Debt due after one year	(500)	–	–	141	(359)
Finance leases and hire purchase agreements	(23)	–	20	–	(3)
	(586)	–	130	–	(456)
Net funds	120	–	(12)	–	108

	<i>At start of period £000</i>	<i>Acquisition of business £000</i>	<i>Cash flows £000</i>	<i>Other changes £000</i>	<i>At end of period £000</i>
Year ended 31 March 2006					
Net cash:					
Cash in hand and at bank	557	–	269	–	826
Liquid resources:					
Current asset investments	7	–	(1)	–	6
Debt:					
Debt due within one year	(93)	–	93	(93)	(93)
Debt due after one year	(360)	–	–	93	(267)
Finance leases and hire purchase agreements	(3)	–	3	–	–
	(456)	–	96	–	(360)
Net funds	108	–	364	–	472

During the period ended 31 May 2003 Scope entered into finance lease arrangements in respect of assets with a total value at the inception of the lease of £34,500.

31 Contingencies

In the year ended 31 March 2005, Scope was in correspondence with the HM Revenue & Customs in respect of its Corporation Tax Computations for the periods ended 31 March 2002 and 31 May 2003. This correspondence relates to Scope's use of Conditional Share Awards, inclusive of Employee Benefit Trusts (EBT), to provide incentives for its key employees. The creation of Scope's EBT and adoption of conditional share awards has been undertaken throughout under the advice and guidance of the company's specialist tax advisors. Scope's policy is to be open and honest with the tax authorities and the directors are cooperating fully with HM Revenue & Customs in its enquiries. However at the date of this financial information the outcome of the correspondence is unknown. That said, the advice received by the directors is that the awards made fully comply with UK tax legislation. Accordingly, the directors have made no provision in this financial information.

The directors have confirmed that there were no other contingent liabilities which should be disclosed at 31 March 2006, 31 March 2005 or at 31 March 2004 or 31 May 2003.

32 Capital commitments

The directors have confirmed that there were no capital commitments at 31 May 2003, 31 March 2005 and 31 March 2006.

At 31 March 2004, the directors had capital commitments amounting to £243,675 in relation to the refurbishment of Players House.

33 Pensions

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The pension cost charge for the year was £466,882 (2005: £70,710; 2004: £56,647; 2003: £79,989).

PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited pro forma statement of net assets of the Enlarged Group following the Merger, the Placing and the Acquisitions has been prepared for illustrative purposes only to provide information about the impact of the Merger, the Placing and the Acquisitions on the Company and, due to its nature, it may not give a true reflection of the financial position of the Enlarged Group. It has been prepared on the basis that the Merger, the Placing and the Acquisitions were undertaken as at 31 March 2006 and on the basis set out in the notes:

	<i>Adjustments</i>						
	<i>DMG as at 14 September 2006 (note 1) £000</i>	<i>Seashell II as at 31 March 2006 (note 2) £000</i>	<i>Pro forma DMG following Merger £000</i>	<i>HSM as at 31 Dec 05 (note 3) £000</i>	<i>Scope as at 31 Mar 06 (note 4) £000</i>	<i>Placing and Acquisitions (note 5) £000</i>	
Fixed assets							
Intangible assets	–	–	–	–	137	16,419 (a)	16,556
Tangible assets	–	6	6	182	1,209	–	1,397
Investments	–	–	–	–	11	–	11
	–	6	6	182	1,357	16,419	17,964
Current assets							
Stocks	–	–	–	–	144	–	144
Debtors	–	10	10	1,252	1,744	–	3,006
Investments	–	–	–	–	6	–	6
Cash at bank	–	3,564	3,564	1,126	826	(4,396) (b)	1,120
	–	3,574	3,574	2,378	2,720	(4,396)	4,276
Creditors:							
amounts due within one year	–	(190)	(190)	(838)	(2,104)	–	(3,132)
Net current assets	–	3,384	3,384	1,540	616	(4,396)	1,144
Total assets less current liabilities	–	3,390	3,390	1,722	1,973	12,023	19,108
Creditors:							
amounts due after more than one year	–	–	–	–	(266)	–	(266)
Provisions	–	–	–	(7)	–	–	(7)
Net Assets	–	3,390	3,390	1,715	1,707	12,023	18,835

Notes:

The unaudited pro forma statement of net assets has been prepared on the following basis:

- The net assets of DMG at 14 September 2006 have been extracted, without material adjustment from the financial information set out in Part III of this document. No account has been taken of the issue of shares for cash that was undertaken on 20 September 2006, raising £49,999.

Adjustments:

- The net assets of Seashell II at 31 March 2006 have been extracted from the audited consolidated financial statements of Seashell II for the period then ended. These financial statements were sent to shareholders on 29 September 2006.
- The net assets of HSM at 31 December 2005 have been extracted without material adjustment from the financial information set out in Part IV of this document.
- The net assets of Scope at 31 March 2006 have been extracted without material adjustment from the financial information set out in Part V of this document.

5 An adjustment has been made to reflect the effects of the Acquisitions and the Placing, as follows:

- (a) an estimate of the goodwill arising as a result of the Acquisitions amounting to £16,419,000, as illustrated in the table below:

	<i>£000</i>	<i>£000</i>
Consideration		
HSM	9,082	
Scope	9,637	
	<hr/>	
Total transaction costs of DMG relating to the Acquisitions, excluding VAT		18,719
		<hr/>
Total costs of acquisition of HSM and Scope		19,841
Pro forma separable net assets acquired (as above)		(3,422)
		<hr/>
Pro forma goodwill		<u>16,419</u>

The consideration for HSM is based on £4m in DMG Shares plus cash consideration of £4,000,000 and an estimate of the surplus cash in HSM at the date of completion of £1,082,000. The actual consideration payable will incorporate the actual surplus cash at the date of completion.

The consideration for Scope is based on £3.9m in DMG shares plus cash consideration of £3,900,000 and an estimate of the surplus cash in Scope at the date of completion of £1,837,000. The actual consideration payable will incorporate the actual surplus cash at the date of completion.

The final calculation of goodwill will incorporate the net assets of HSM and Scope at the actual date of acquisition, including any fair value adjustments. The calculations above and below are based on the net assets of HSM at 31 December 2005 (£1,715,000) and of Scope as at 31 March 2006 (£1,707,000). Any difference between actual net assets as at the date of acquisition and the net assets shown above as at 31 December 2005 and 31 March 2006 respectively will alter the calculation of the pro forma goodwill and the difference may be material.

The total cost of acquisition of HSM and Scope will be financed by:

	<i>£000</i>
Consideration shares	7,900
Cash	10,819
	<hr/>
	<u>18,719</u>

- (b) an estimate of the net cash flow resulting from the cash consideration in respect of the Acquisitions and the Placing, calculated as follows:

	<i>£000</i>
Proceeds of the Placing, net of expenses of £255,000	7,545
Cash consideration	(10,819)
Transaction costs	(1,122)
	<hr/>
	<u>(4,396)</u>

6 No account has been taken of any changes in the financial position of Seashell II, including its trading position, since 31 March 2006. In particular, no account has been taken of the loss before tax of £330,000 incurred up to 2 October 2006 by Seashell II Limited's subsidiary, Digital Marketing Group Services Limited (formerly Senturion Limited), as set out in Digital Marketing Group Services Limited's unaudited management accounts for the period from 1 April 2006 to 2 October 2006 or of the exchange loss on bank deposits of £287,000 incurred by Seashell II Limited in the period 1 April 2006 to 2 October 2006, as set out in Seashell II Limited's management accounts for this period. The business of Digital Marketing Group Services Limited has been discontinued. No account has been taken of any changes in the financial position of the Company, HSM or Scope, including their trading performance, since 14 September 2006, 31 December 2005 and 31 March 2006 respectively.

PART VII

ADDITIONAL INFORMATION

1. RESPONSIBILITY

To the best of the knowledge of the Directors and the Proposed 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 makes no omission likely to affect the import of such information. The Directors and the Proposed Directors, whose names, functions and business addresses are set out on page 6 of this document, accept responsibility for the information contained in this document.

2. DMG

2.1 Incorporation

- (a) The Company was incorporated in England on 14 September 2006 with registered number 5935923 as a public company with limited liability under the Act under the name Seashell II Plc. It changed its name to DMG on 22 September 2006.
- (b) DMG will be, following the acquisition of HSM and Scope and the Merger, the holding company of the following significant subsidiary companies:

<i>Company No.</i>	<i>Country of Incorporation</i>	<i>Percentage of Ownership</i>
HSM Limited (03482936)	UK	100%
Scope Creative Marketing Limited (01677363)	UK	100%

The registered office of DMG is 7 Cowley Street, London SW1P 3NB. Its telephone number is +44 207 248 6700.

- (c) The principal activity of the Enlarged Group will be the provision of direct marketing and digital marketing services. There are no exceptional factors that have influenced the Enlarged Group's activities.
- (d) The Directors became directors of the Company on 20 September 2006.

2.2 Share Capital and interests

- (a) DMG was incorporated on 14 September 2006 with an authorised share capital of £50,049,999 represented by one hundred million ordinary shares of 50 pence each and 49,999 redeemable preference shares of £1 each. The following alterations in the issued share capital of DMG have taken place since incorporation:
 - (i) on 20 September 2006, DMG's 49,999 redeemable preference, fully paid shares of £1 each were allotted to Mayfair Limited at par; and
 - (ii) on 20 September 2006, one ordinary share in DMG was transferred to Mayfair Limited and one ordinary share in DMG was transferred to Proways Venture Limited¹.

¹ Both Mayfair Limited and Proways Venture Limited are companies in which Lord Ashcroft has an interest.

- (b) DMG has an authorised share capital of 50,049,999. The authorised and issued share capital of DMG as at the date of this document is set out below:

	<i>Authorised</i>	<i>Issued</i>
Ordinary shares of £0.50 each	100,000,000	2
Redeemable preference shares of £1.00 each	49,999	49,999

- (c) Save for the allotments referred to in paragraph 2.2(a) above, since incorporation no capital of DMG has been allotted for cash or for a consideration other than cash.
- (d) No capital of DMG is proposed to be issued or is under option or is agreed conditionally or unconditionally to be put under option, save as set out in this document.

3. DIRECTORS AND DIRECTORS' INTERESTS

- 3.1 The current directorships and partnerships of the Directors and the Proposed Directors and the directorships and partnerships held by them over the previous five years are as follows:

<i>Name</i>	<i>Directorships and Partnerships</i>	
Stephen James Davidson	<i>Current</i>	
	Betex Group PLC	
	EBT Mobile China PLC	
	Enteraction TV Limited	
	Inmarsat Plc	
	SPG Media Group plc	
	<i>Past</i>	
	Broadreach Networks	
	Enic plc	
	The Wireless Group plc	
	Williams Lee Group Limited	
	Barry Graham Jenner	<i>Current</i>
		Benson & Hedges Limited
		Cope & Lloyd (Overseas) Limited
Cope Brothers & Co., Limited		
Gallaher International Limited		
The Chase (Maidenhead) Management Limited		
<i>Past</i>		
Gallaher (Trading Stamps) Limited		
Richard Benedict Langdon	<i>Current</i>	
	OWEN Film Partnership LLP	
	<i>Past</i>	
	BMO Limited	
	Ben Mark Orlando Limited	
	Hay and Robertson plc	
	LKH Investments Limited (dissolved)	
	McCann-Erickson Advertising Limited	
McCann-Erickson UK Group Limited		

John Robert Millington

Current

Scope Creative Marketing Limited
Dig For Fire Limited
Junction Brand Communications Limited
Neban No. 106
Thornycroft No. 132

Ian George Robinson

Current

Bankside Developments
Digital Marketing Group Services Limited
Jonathan Alexander Limited
London Town plc
London Town Developments Ltd
London Town Assured Properties Ltd
Strand Associates Ltd

Past

Abacus Recruitment (Holdings) Limited
Abacus Recruitment Limited
Abacus Search and Selection Limited
Agency Cover Limited
Akita Security Limited
Alexander Contracting Services Limited
Arcade Agency Limited
Aspillo Limited
Barker Personnel Services Limited
BMS Limited
Bourne Security Limited
Calibre International Limited
Capitol Consultants Limited
Capitol Group plc
Capitol Security Services Limited
Career Express Limited
Carlisle Acquisition Finance Limited
Carlisle Cleaning Services Holdings
(UK) Plc
Carlisle Cleaning Services Holdings
Limited
Carlisle Cleaning Services Limited
Carlisle Distribution Sector Services
Limited
Carlisle Facilities Group (UK) Plc
Carlisle Facilities Services Limited
Carlisle Group Plc
Carlisle Managed Solutions Limited
Carlisle Nominees Limited
Carlisle Public Sector Services Limited
Carlisle Security (Holdings) Limited
Carlisle Security Limited
Carlisle Security Services Limited
Carlisle Staffing Plc

Carlisle Staffing Services Holdings Limited
Carlisle Staffing Services Ireland Limited
Carlisle Staffing Services Limited
Carlisle Support Services Limited
Celsian Group Limited
Centre Point Associates Limited
Centre Point Group Limited
Cornhill Associates Limited
Delta Personnel Limited
Delta Security Limited
Ecosse Northern Securities Limited
Employment Screening Services Limited
Euro Professionals Limited
First Call Educational Services Limited
GA Advertising Limited
Griffin Personnel Consultants Limited
Guard Group Limited
Guard Services Limited
Hewitson-Walker Holdings Limited
Hewitson-Walker Limited
H-W Management Services Limited
Incomelight Limited
Indigo Hewitson-Walker Limited
Indigo Selection Limited
IRC Eglinton Recruitment Limited
Irish Recruitment Consultants Limited
Issueincome Limited
L.I. Commercial Limited
L.I. Company Limited
Largefirst Limited
Leatare Services Limited
LI Group Limited
Management Bureau Limited
Maritime & Aviation Security Services Limited
Monitoring Services Limited
Peraworth Limited
Pilkington Contract Cleaning Limited
Platinum Security Services Limited
Quadrant Staffing Services Limited
Rand Services (Bristol) Limited
RD Recruit Limited
Recruit Event Services Limited
Recruit Limited
Recruit Retail Services Plc
Recruit Retail Solutions Limited
Recruit Trustees Limited
Retail Protection Services Limited
Ryedale Associates Limited
Seeka Limited
Simon Power Personnel Limited
Solo Security Services Limited
Spark Recruitment Limited

Specialised Investigation Services Limited
Specialised Risk Management Holdings
Limited
Specialised Risk Management Limited
Stirling Recruitment (Basildon) Limited
Stirling Recruitment (Southampton)
Limited
Stirling Recruitment (West Sussex)
Limited
Stirling Recruitment Group Limited
Strathinver Investments Limited
Tadham Limited
Tate Appointments Limited
Tate Services (BVI) Limited
Thamespack Limited
Unicare Community Care Services
Limited
Unicare Services Limited
Wishingedge Limited

Gary Peter Stevens

Current
HSM Limited
Inbox Media Limited

Andrew Stephen Wilson

Current
Bawley Associated Ltd
Digital Marketing Group Services Limited
Global Health Partner PLC
Global Health Partner UK Limited
London Town Plc
Seashell II Limited
Strand Associates Limited
The Corporate Services Group plc
Watford Leisure Plc
Wraith Plc

Past
Bombshell Limited
Capio Healthcare UK Limited
Commonwealth Healthcare Limited
Emerald Healthcare Developments
Limited
Ohsea Holdings Limited
Professional Staff Limited
Seashell Group Limited
Specialised Risk Management Holdings
Limited
Southern Cross Equityco Limited
Southern Cross Healthcare Group Limited
Southern Cross Healthcare Holdings
Limited
Thomas Rivers Limited
Tracedance Holdings Limited
UK Healthcare Properties Limited

3.2 None of the Directors:

- (a) is, save as disclosed in 3.1 above, currently a director of a company or a partner in a partnership or has been a director of a company or a partner in a partnership within the five years immediately preceding the date of this document; or
- (b) has any unspent convictions for any indictable offences or has been declared bankrupt or has made any voluntary arrangement with his creditors; or
- (c) has been a director of a company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration or voluntary arrangement of that company or any composition or arrangement with its creditors generally or any class of creditors, save as set out in 3.3 below; or
- (d) has been a partner in a partnership at the time of or within the twelve months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership; or
- (e) has had any asset which has been subject to receivership or has been a partner in a partnership at the time of or within the twelve months preceding an asset of the partnership being subject to a receivership; or
- (f) has been subject of any public criticisms by any statutory or regulatory authorities or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

3.3 Mr Davidson was appointed as a director of Broadreach Networks Limited (“BRN”) and Broadreach Trains Services Limited (“BTSL”) on March 2004 and June 2004 respectively. BTSL was a 100 per cent. owned subsidiary of BRN. Mr Davidson resigned as a director of both companies in April 2005. Both businesses were placed in administration in October 2005. The administration of BTSL has concluded, with creditor liabilities of £702,496, with the largest creditor being BRN. The administration of BRN is still ongoing, with current creditor liabilities of £5,194,685.

3.4 As at 2 October 2006 (the last practicable date prior to the publication of this document), none of the Directors or Proposed Directors had an interest in the Company. On completion of the Placing, the Acquisitions and the Merger the interests of the Directors and the Proposed Directors, all of which are beneficial save where otherwise stated, are as follows:

<i>Director</i>	<i>Number of DMG Shares on completion of the Placing, the Acquisitions and the Merger</i>	<i>Percentage of issued share capital on completion of the Placing, the Acquisitions and the Merger</i>
Stephen Davidson	570,175	1.67%
Barry Jenner	–	–
Ben Langdon	1,008,772	2.95%
Bob Millington	170,520	0.50%
Ian Robinson	127,342	0.37%
Gary Stevens	3,508,772	10.27%
Andrew Wilson	75,970	0.22%

3.5 Immediately following completion of the Placing, the Acquisitions and the Merger, no persons (other than the Directors whose interests are set out in paragraph 3.4 above and as

set out below), will be interested, directly or indirectly, in 3 per cent. or more of DMG's issued share capital:

	<i>DMG Shares</i>	<i>Percentage</i>
Charles Buddery	3,836,694	11.23%
Charles Glover	1,087,063	3.18%
Mayfair Limited ¹	12,573,033	36.82%
Helena Stevens	3,508,772	10.27%
Tudor Capital	1,759,386	5.14%

- 3.6 No Director or Proposed Director or any member of a Director or a Proposed Director's family has a related financial product referenced to DMG Shares.
- 3.7 Save as disclosed in this document and so far as the Directors and the Proposed Directors are aware, there are no persons who, directly or indirectly, jointly or severally, exercise or could exercise control over DMG.

4. TAXATION

4.1 UK Taxation

The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of HM Revenue & Customs and are not a substitute for prospective subscribers obtaining individual advice from their tax advisers. They are intended to apply only to shareholders who are resident or ordinarily resident in the UK for UK tax purposes, who hold the DMG Shares as investments and who are the beneficial owners of the DMG Shares. The statements may not apply to certain classes of shareholder such as dealers in securities. Prospective subscribers for or purchasers of DMG Shares, in particular, those who are in any doubt as to their tax position regarding the acquisition, ownership and disposition of the DMG Shares or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

(a) Dividends

Under current UK tax law, the Company will not be required to withhold tax at source from dividend payments it makes.

(i) Individuals

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a tax credit which may be set off against his total income tax liability on the dividend. Such an individual shareholder's liability to income tax is calculated on the aggregate of the dividend and the tax credit (the gross dividend) which will be regarded as the top slice of the individual's income. The tax credit will be equal to 10 per cent. of the "gross dividend" (i.e. the tax credit will be one-ninth of the amount of the dividend).

Generally, a UK resident individual shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to any payment from HM Revenue and Customs in respect of any part of the tax credit. A UK resident shareholder who is liable to income tax at the lower or basic rate will be subject to income tax on the dividend at the rate of 10 per cent. of the gross dividend so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend. A UK resident individual shareholder liable to income tax at the higher rate will be subject to income tax on the gross dividend at 32.5 per cent. but will be able to set the tax credit off against part of this liability. The effect of that set off of the tax credit is that

¹ This shareholding will depend on the number of Seashell II Shares allotted to Mayfair Limited under the Placing which it has underwritten. This assumes an allotment of 7,850,877 Seashell II pursuant to the placing. Mayfair Limited is a company in which Lord Ashcroft is interested.

such a shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to one quarter of the net cash dividend received).

(ii) Companies

A corporate shareholder resident in the UK for tax purposes will not normally be subject to corporation tax on any dividend received from the Company. Such corporate shareholders will not be entitled to any payment from HM Revenue and Customs in respect of the tax credit attaching to any dividend paid by the Company.

(iii) Non-residents

Shareholders resident outside the UK will not generally be entitled to any payment from HM Revenue & Customs in respect of the tax credit attaching to any dividend paid by the Company.

(iv) Pension Funds

UK pension funds will not be entitled to any payment from HM Revenue and Customs in respect of the tax credit attaching to any dividend paid by the Company.

(b) Capital Gains

A disposal of DMG Shares by a shareholder who is either resident or ordinarily resident in the UK for tax purposes, or is not UK resident but carries on a trade, profession or vocation in the UK through a permanent establishment, branch or agency and has used, held or acquired the DMG Shares for the purposes of such trade, profession or vocation or such permanent establishment, branch or agency, may, depending on the shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains. A shareholder who is an individual and who has, on or after 17th March, 1998, ceased to be resident or ordinarily resident in the UK for tax purposes for a period of less than five years and who disposes of the DMG Shares during that period may also be liable on his return to the UK to any tax on any capital gain realised (subject to any available exemption or relief).

(c) Stamp duty and stamp duty reserve tax

In relation to the shares being issued by DMG, no liability to stamp duty or stamp duty reserve tax ("SDRT") will arise on the issue of, or on the issue of definitive share certificates in respect of, such shares by DMG, save in specific circumstances as set out below.

The conveyance or transfer on sale of the DMG Shares outside the CREST system will generally be subject to ad valorem stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration given (rounded up to the nearest £5). Stamp duty is normally the liability of the purchaser or transferee of the DMG Shares. An unconditional agreement to transfer DMG Shares will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration for the DMG Shares. However, where within six years of the date of the agreement, an instrument of transfer is executed and duly stamped, the SDRT liability will be cancelled and any SDRT which has been paid will be repaid. SDRT is normally the liability of the purchaser or transferee of the DMG Shares.

Where DMG Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the DMG Shares or, in the case of an issue to such persons, the issue price of the DMG Shares. Clearance service providers may opt, under certain circumstances, for the normal rates of stamp duty and SDRT to apply to an issue or transfer of DMG Shares into,

and to transactions within, the service instead of the higher rate applying to an issue or transfer of the DMG Shares into the clearance system and the exemption for dealings in the DMG Shares whilst in the system.

Under the CREST system for paperless share transfers, deposits of DMG Shares into CREST will generally not be subject to stamp duty or SDRT unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at the rate of 0.5 per cent. of the value of the consideration given. Paperless transfers of DMG Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT from the purchaser of the DMG Shares on relevant transactions settled within the system.

The above statements are intended as a general guide to the current position. Certain categories of person, including market makers, brokers, dealers and persons connected with depositary arrangements and clearance services, are not liable to stamp duty or SDRT and others may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

5. MEMORANDUM AND ARTICLES OF ASSOCIATION

5.1 Memorandum of association

The memorandum of association of the Company provides that its objects are, amongst other things, to carry on business as a general commercial company. The objects of the Company are set out in full in clause 4 of its memorandum of association which is available for inspection as described in paragraph 11 below.

5.2 Articles of association

The articles of association of the Company adopted on 14 September 2006, include provisions to the following effect:

(a) Rights attaching to ordinary shares

- (i) Voting rights of members – subject to disenfranchisement in the event of (A) non-payment of any call or other sum due and payable in respect of any share or (B) any non-compliance with any statutory notice requiring disclosure of the beneficial ownership of any shares or (C) mental incapacity and subject to any special rights or restrictions as to voting for the time being attached to any shares (as to which there are none at present except as regards the redeemable preference shares), on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative not being himself a member, has one vote and on a poll every member present in person or by proxy has one vote for every share of which he is a holder. In the case of joint holders, the vote of the person whose name stands first in the register of members and who tenders a vote is accepted to the exclusion of any votes tendered by any other joint holders.
- (ii) Dividends – subject to the rights attached to any shares issued on any special terms and conditions (as to which there are none at present except as regards the redeemable preference shares), dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls should be treated for these purposes as paid up on the share.
- (iii) Return of capital – the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by statute (A) divide among the members in specie the whole or any part of the assets of the Company; or (B) vest the whole or any part of the assets in trustees on such trusts for the benefit of

members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

- (iv) Capitalisation of reserves – the board may, with the authority of an ordinary resolution of the Company (A) resolve to capitalise any sum standing to the credit of any reserve account of the Company (including share premium account and capital redemption reserve) or any sum standing to the credit of profit and loss account not required for the payment of any preferential dividend (whether or not it is available for distribution); and (B) appropriate that sum as capital to the holders of ordinary shares in proportion to the nominal amount of the ordinary share capital held by them respectively and apply that sum on their behalf in paying up in full any unissued shares or debentures of the Company of a nominal amount equal to that sum and allot the shares or debentures credited as fully paid to those members, or as they may direct, in those proportions or in paying up the whole or part of any amounts which are unpaid in respect of any issued shares in the Company held by them respectively, or otherwise deal with such sum as directed by the resolution provided that the share premium account and the capital redemption reserve and any sum not available for distribution in accordance with the Act may only be applied in paying up unissued shares to be allotted credited as fully paid up.

(b) Rights attaching to redeemable preference shares

The redeemable preference shares carry no right to a dividend or to participate in the profits or assets of the Company other than on a return of capital on winding-up, in which case, the assets of the Company available for distribution among the members will first be applied in repaying to the holder the amount paid up on the redeemable preference shares.

Holders of the redeemable preference shares are not entitled to notice of or to vote at any general meeting of the Company unless a resolution is to be proposed at such a meeting to wind up the Company or which alters the rights attaching to the redeemable preference shares.

The Company may redeem the redeemable preference shares at their nominal amount at any time.

(c) Transfer of shares

A member may transfer all or any of his shares in any manner which is permitted by any applicable statutory provision and is approved by the board. The Company shall maintain a record of uncertificated shares in accordance with the relevant statutory provisions.

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form, or in such other form as the Board may approve. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason for it, refuse to register any transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in listed shares from taking place on an open and proper basis) and on which the Company has a lien as a result of such share not being fully paid up. The Board may also refuse to register any instrument of transfer of a certificated share unless it is lodged at the registered office, or such other place as the Board may decide, for registration, accompanied by the share certificate for the shares to be transferred (except where the shares are registered in the name of a market nominee and no certificate has been issued for them) and such other evidence as the Board may reasonably require to prove title of the intending transferor and it is in the respect of the class of shares. If the Board refuses to register a transfer of a certificated share it shall, within two months after the date on which the instrument of transfer was lodged, send to the transferee notice of the refusal. Unless otherwise agreed by the Board in any particular case, the maximum number of persons who may be entered on the register as joint holders of a share is four.

(d) **Changes in capital**

The Company may by ordinary resolution:

- (i) increase its share capital;
- (ii) consolidate and divide all or any of its share capital into shares of a larger amount;
- (iii) sub-divide all or part of its share capital into shares of a smaller amount; and
- (iv) cancel any shares which have not, at the date of the ordinary resolution, been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

The Company may by special resolution:

- (v) purchase its own shares including any redeemable shares; and
- (vi) reduce its share capital and any capital redemption reserve or share premium account.

(e) **Authority to allot securities and disapplication of pre-emption rights**

The Company may from time to time pass an ordinary resolution authorising, in accordance with section 80 of the Act, the Board to exercise all the powers of the Company to allot relevant securities up to the nominal amount specified in the resolution. The authority shall expire on the day specified in the resolution (not being more than five years after the date on which the resolution is passed).

On the passing of a special resolution, the Board shall have power to allot equity securities for cash as if section 89(1) of the Act did not apply to the allotment but that power shall be limited (A) to the allotment of equity securities in connection with a rights issue; and (B) to the allotment (other than in connection with a rights issue) of equity securities having a nominal amount not exceeding in aggregate the sum specified in the special resolution.

(f) **Variation of rights**

Whenever the share capital of the Company is divided into different classes of shares (which it is not as at the date of this document except as regards the redeemable preference shares), all or any of the rights for the time being attached to any class of shares may be varied, either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At any separate general meeting, the necessary quorum is two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class in question (but at any adjourned meeting, any person holding shares of the class or his proxy is a quorum).

(g) **Disclosure of interests in shares**

If the holder of, or any person appearing to be interested in, any share has been given a notice requiring any of the information mentioned in Section 212 of the Act (**section 212 notice**) and, in respect of that share (a **default share**), has been in default for a period of 14 days after the section 212 notice has been given in supplying to the Company the information required by the section 212 notice, the following restrictions shall apply (A) if the default shares in which any one person is interested or appears to the Company to be interested represent less than 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares, to attend or to vote, either personally or by proxy, at any general meeting of the Company; or (B) if the default shares in which any one person is interested or appears to the Company to be interested represent at least 0.25 per cent. of the issued shares of the class, the holders of the default shares shall not be entitled, in respect of those shares:

- (i) to attend or to vote, either personally or by proxy, at any general meeting of the Company; or

- (ii) to receive any dividend or other distribution; or
- (iii) to transfer or agree to transfer any of those shares or any rights to them.

(h) **Uncertificated shares – general powers**

In relation to any uncertificated share, the Company may utilise the relevant system in which it is held to the fullest extent available from time to time in the exercise of any of its powers or functions under any applicable statutory provision or the articles of association or otherwise in effecting any action. Any provision in the articles of association in relation to uncertificated shares which is inconsistent with any applicable statutory provision shall not apply. The Company may, by notice in writing to the holder of an uncertificated share, require the holder to change the form of that share to certificated form within such period as may be specified in the notice. For the purpose of effecting any action by the Company, the directors may determine that holdings of the same member in uncertificated form and in certificated form shall be treated as separate holdings.

(i) **Directors**

- (i) The directors (other than alternate directors) shall not, unless otherwise determined by an ordinary resolution of the Company, be less than 3. There is no maximum number of directors.
- (ii) A director need not be a member of the Company.
- (iii) There is no age limit for directors.
- (iv) At each annual general meeting any director then in office who has been appointed by the Board since the previous annual general meeting or has held office for three years or more since he was appointed or last re-appointed by the Company in general meeting shall retire from office but shall be eligible for re-appointment.
- (v) The directors shall be paid out of the funds of the Company by way of remuneration for their services as directors, as the directors may from time to time determine. Such fee shall be divided among them in such proportion and manner as they may agree, or failing agreement, equally.
- (vi) The Board may grant special remuneration to any director who performs any special or extra services to or at the request of the Company. Special remuneration may be payable to a director in addition to his ordinary remuneration (if any) as a director.
- (vii) The directors shall also be paid out of the funds of the Company all expenses properly incurred by them in and about the discharge of their duties, including their expenses of travelling to and from the meetings of the Board, committee meetings and general meetings.
- (viii) The Board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits, allowances or gratuities to any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or any subsidiary or associated company or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of, or participate in, or contribute to any non-contributory or contributory pension or superannuation fund, scheme or arrangement or pay any insurance premiums.
- (ix) Subject to any applicable statutory provisions, a director shall not be disqualified by his office from entering into any contract with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company, or as vendor, purchaser or otherwise. A director may hold and be remunerated in respect of any other office or place of profit with the Company

(other than the office of auditor of the Company) in conjunction with his office as director and he (or his firm) may also act in a professional capacity for the Company (except as auditor) and may be remunerated for it.

- (x) A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract with the Company shall declare the nature of his interest at a meeting of the directors.
- (xi) A director shall not vote or be counted in the quorum at a meeting in respect of any resolution concerning his own appointment (including fixing and varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any company in which the Company is interested, those proposals may be divided and considered in relation to each director separately; and in such case each of the directors concerned (if not otherwise debarred from voting under the articles of association) shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment or the termination of his own appointment.
- (xii) A director shall not vote (or be counted in the quorum at a meeting) in respect of any contract in which he has an interest which (together with any interest of a connected person) is to his knowledge a material interest. Notwithstanding the above, a director shall be entitled to vote (and be counted in the quorum) on: (A) any contract in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company; (B) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security; (C) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter; (D) any contract concerning another company in which he and any connected person do not to his knowledge hold an interest in shares (within the meaning of sections 198 to 211 of the Act) representing one per cent. or more of the issued shares of any class of such company or of the voting rights of that company; (E) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and (F) the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.

(j) **General meetings**

An annual general meeting shall be held in accordance with the Statutes at such place as may be determined by the Board. All other general meetings shall be extraordinary general meetings. Extraordinary general meetings shall be held whenever the Board thinks fit or on the requisition of shareholders in accordance with the Act.

An annual general meeting and any extraordinary general meetings at which it is proposed to pass a special resolution or (save as provided by the Act) a resolution of which special notice has been given to the Company, shall be called by at least 21 clear days' written notice and any other extraordinary general meeting shall be called by at least 14 clear days' written notice, unless such shareholder meetings are called by shorter notice in accordance with the Act.

The requisite quorum for general meetings of the Company shall be two persons, whether present in person or by proxy, entitled to vote on the business to be transacted at the meeting.

(k) Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (both present and future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (as regards subsidiary undertakings only so far as by such exercise it can secure) that the aggregate principal amount outstanding at any time in respect of all borrowings by the Group (exclusive of any borrowings which are owed by one Group company to another Group company) after deducting the amount of cash deposited will not, without the previous sanction of the Company in general meeting, exceed £100 million or any higher limit fixed by ordinary resolution of the Company which is applicable at the relevant time.

To date no resolution of the type referred to in this paragraph has been passed.

(l) Dividends

- (i) Declaration of dividends – the Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profits, and may fix the time for payment of such dividend, but no dividend shall exceed the amount recommended by the board.
- (ii) Fixed and interim dividends – the board may pay such interim dividends as appear to the board to be justified by the financial position of the Company and may also pay any dividend payable at a fixed rate at intervals settled by the board whenever the financial position of the Company, in the opinion of the board, justifies its payment. If the board acts in good faith, none of the directors shall incur any liability to the holders of shares conferring preferred rights for any loss such holders may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.
- (iii) Calculation and currency of dividends – except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide (A) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid up on the share; (B) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid; and (C) dividends may be declared or paid in any currency and the board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the Company or any other person to bear any costs involved. Dividends not to bear interest – no dividend or other moneys payable by the Company on or in respect of any share shall bear interest as against the Company unless otherwise provided by the rights attached to the share.
- (iv) Calls or debts may be deducted from dividends – the board may deduct from any dividend or other moneys payable to any person (either alone or jointly with another) on or in respect of a share all such sums as may be due from him (either alone or jointly with another) to the Company on account of calls or otherwise in relation to shares of the Company.

- (v) Dividends in specie – with the authority of an ordinary resolution of the Company and on the recommendation of the board, payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company.
- (vi) Scrip dividends – the board may, with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive further ordinary shares by way of scrip dividend instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution.
- (vii) Unclaimed dividends – any dividend unclaimed for a period of 12 years after having been declared shall be forfeited and cease to remain owing by the Company.

(m) Forfeiture of shares

If the whole or any part of any call or instalment remains unpaid on any share after the due date for payment, the Board may give a notice to the holder requiring him to pay so much of the call or instalment as remains unpaid, together with any accrued interest.

If the requirements of a notice are not complied with, any share in respect of which it was given may (before the payment required by the notice is made) be forfeited by a resolution of the Board. The forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

Every share which is forfeited or surrendered shall become the property of the Company and (subject to the Act) may be sold, re-allotted or otherwise disposed of, upon such terms and in such manner as the board shall decide either to the person who was before the forfeiture the holder of the share or to any other person and whether with or without all or any part of the amount previously paid up on the share being credited as so paid up.

(n) Indemnity of officers

Except to the extent prohibited or restricted by the Act, but without prejudice to any indemnity to which a director or other officer may otherwise be entitled, every director or other officer (excluding an auditor) of the Company may be indemnified out of the assets of the Company against all liabilities incurred by him in the actual or purported execution or discharge of his duties or the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.

6. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into or agreed by, (i) DMG; or (ii) as they will be following the completion of the Placing, the Acquisitions and the Merger, its subsidiaries; or (iii) Seashell and, pursuant to the Merger, will become the obligation of DMG; during the two years preceding the date of this document and are or may be material:

- (a) A share purchase agreement dated 2 October 2006 has been entered into between Gary Stevens and Helena Stevens as vendors and DMG as purchaser regarding the entire issued share capital of HSM. The agreement contains basic warranties regarding, amongst other things, title and ownership of shares in HSM and the conduct of business of HSM up to completion of the agreement. The maximum aggregate liability of the vendors for breach of warranty or for claims under the tax deed has been capped at £4.0 million.

The agreement is, amongst other things, conditional upon the Placing and the Merger and the London Stock Exchange not having indicated that they will not admit the DMG Shares to trading on AIM. The consideration is subject to a net asset adjustment and will be satisfied by the allotment of £4.0 million in DMG Shares issued at 57 pence per DMG Share and the payment of £4.0 million in cash.

- (b) A share purchase agreement dated 2 October 2006 has been entered into between Charles Buddery, Kathleen Buddery, Charles Glover, Nigel Wood, David Jones, Susan Beevers

and Bob Millington as vendors and DMG as purchaser regarding the entire issued share capital of Scope. The agreement contains basic warranties regarding, amongst other things, title and ownership of shares in Scope and the conduct of business of Scope up to completion of the agreement. The maximum aggregate liability of the vendors for breach of warranty or for claims under the tax deed has been capped at £3.9 million.

The agreement is, amongst other things, conditional upon the Placing and the Merger and the London Stock Exchange not having indicated that they will not admit the DMG Shares to trading on AIM. The consideration is subject to a net asset adjustment and will be satisfied by the allotment of £3.9 million in DMG Shares issued at 57 pence per DMG Share and the payment of £3.9 million in cash.

- (c) On 2 October 2006, DMG entered into an orderly marketing and lock up deed whereby certain shareholders in DMG agreed not to sell their DMG Shares for a certain period of time after Admission (the “Lock Up Period”) and subsequent to such period, for one further year, only to sell such shares through the Nominated Adviser or through a broker notified to the Nominated Adviser if the Nominated Adviser is unable to deal or otherwise dispose of such shares (the “Orderly Marketing Period”). The directors and proposed directors of DMG (other than Gary Stevens and Bob Millington) have agreed to a two year Lock Up Period and one year Orderly Marketing Period. Gary Stevens, Bob Millington and the vendors of HSM and Scope have agreed to a one year Lock Up Period and a one year Orderly Marketing Period. Each of these individuals has agreed to take all reasonable steps to procure the adherence, where applicable, of their related parties to the terms of this deed within two weeks of Admission where such adherence was impracticable prior Admission.
- (d) On 2 October 2006, Seashell II entered into a placing and marketing agreement with Mayfair Limited, a company in which Lord Ashcroft is interested, whereby Mayfair Limited agreed to subscribe for 7,850,877 Seashell II Shares and to underwrite the Placing.
- (e) By an agreement dated 3 October 2006 made between the Company (1) and Cenkos (2), the Company appointed Cenkos to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Cenkos an annual fee of £40,000 plus value added tax per annum for acting in these roles. In the event of a breach of its obligations under the agreement by the Company or Cenkos the agreement is terminable at any time by the other party giving written notice to the Company and following a failure by the party in breach to remedy such breach within 14 business days of having been requested to do so. In other circumstances the agreement is terminable by either party on the giving of three month’s written notice. The Company has agreed to indemnify Cenkos in relation to liabilities they may incur through performance of the agreement.
- (f) A share purchase agreement dated 18 September 2006 was entered into between Seashell II and David Foulds and Paul Roberts whereby the 50,000 A Shares of £1 each in the capital of Seashell II were purchased by Seashell II at par as part of the arrangements whereby the employment of David Foulds and Paul Roberts with Seashell II’s subsidiary Digital Marketing Group Services Limited (formerly Senturion Limited) was terminated and they resigned as directors of Seashell II.
- (g) A share sale agreement dated 1 November 2004, was entered into between Scope Creative Marketing Limited as purchaser and Darren Shaw as vendor regarding the entire issued share capital of Junction Brand Communications Limited (“Junction”). The agreement contained basic warranties regarding, amongst other things, title and ownership of shares in Junction and also certain restrictive covenants on the vendor which are to expire on 1 November 2006. The maximum aggregate liability of the vendor for breach of warranty claims under the agreement and the tax covenant was capped at the total consideration which was approximately £300,000 cash.

- (h) A contract will be entered into prior to completion of the acquisition of Dig For Fire to sell Players House, Dig For Fire's operating property, for a sum of £1.3 million which represents its market value. The purchaser will be Players House LLP a company controlled by Charles Buddery and Charles Glover, both currently directors and shareholders in Dig For Fire. A five year lease will be entered into between Dig For Fire and Players House LLP with an annual rental of £117,000.
- (i) An Agreement relating to the sale of the domain name *www.gamenet.com* and certain rights in the website located at *www.gamenet.com* from HSM to Gary Stevens and Paul Stevens (the "Buyers") and the license-back of certain rights in the website to the seller will be entered into on completion of the acquisition of HSM. Under the terms of this agreement, HSM shall sell the domain name and certain rights in the website to the Buyers in exchange for a three year exclusive licence to use the website for the purposes of the Inbox business. Revenues generated from the use of the website will be retained by HSM. Additionally the agreement contains a non-compete provision whereby each of the Buyers agrees not to use the website to compete with HSM throughout the period of the licence.
- (j) A warrant instrument dated 3 October 2006 has entered into pursuant to which Cenkos Securities Limited has been granted the right to subscribe for 341,528 Ordinary Shares in the Company at 57 pence per Ordinary Share such warrant to be exercisable at any time during the period of five years from the date of Admission. The warrant instrument provides that the warrant holder from time to time may transfer all or part of their warrants.

7. DIRECTORS' SERVICE AGREEMENTS

- (a) Ben Langdon has entered into a service contract with DMG dated 2 October 2006 subject to termination upon 6 months' notice by Mr Langdon and 12 months' notice by DMG. The agreement provides for an annual salary of £150,000. Mr Langdon may also be entitled to a bonus, subject to terms determined annually by the remuneration committee. It is envisaged that the bonus which may be achieved by Mr. Langdon will be between 60 per cent. and 100 per cent. of his annual salary. Mr Langdon will also participate in the PSP. Mr Langdon shall be granted an option, exercisable at a price of £1 on any exercise, over DMG Shares having a value of £2,200,000 at the date of grant subject to the applicable performance criteria. It is envisaged that on completion of the acquisition of further companies by DMG and on the approval of the remuneration committee Mr Langdon shall be granted a further option or options, exercisable at £1 on any exercise, over shares having a value of up to £400,000 subject to performance conditions determined by the remuneration committee. DMG will use its reasonable endeavours to obtain director's and officer's liability insurance for Mr Langdon.
- (b) Bob Millington has entered into a service contact with DMG dated 2 October 2006 subject to termination upon 3 months' notice by Mr Millington and 6 months' notice by DMG. The agreement provides for an annual salary of £80,000. Mr Millington may also be entitled to a bonus, subject to terms determined annually by the remuneration committee. Mr Millington will also participate in the PSP. Mr Millington shall be granted an option, exercisable at a price of £1 on any exercise, over DMG Shares having a value of £75,000 at the date of such grant, subject to the applicable performance criteria. On or around 18 months from Admission Mr Millington shall be granted a further option, exercisable at a price of £1 on any exercise, over shares having a value of £75,000 at the date of such grant, subject to the applicable performance criteria. Mr Millington is entitled to the following benefits, the cost of which will be borne by Scope: annual car allowance of £7,451, annual pension contributions of £5,750 and life assurance. DMG will use its reasonable endeavours to obtain director's and officer's liability insurance for Mr Millington.
- (c) Gary Stevens has entered into a service contract with HSM dated 2 October 2006 subject to termination upon 6 months' notice by HSM or Mr Stevens. The agreement provides for an annual salary of £100,000. Mr Stevens may also be entitled to a bonus, subject to terms

determined annually by the remuneration committee. Mr Stevens will also participate in the PSP. Mr Stevens shall be granted an option, exercisable at a price of £1 on any exercise, over DMG Shares having a value of £500,000 at the date of such grant, subject to the applicable performance criteria. In addition, Mr Stevens is entitled to life assurance, permanent health insurance, private healthcare and pension contributions (currently £5,200 per annum) at the cost of HSM. DMG will use its reasonable endeavours to obtain director's and officers liability insurance for Mr Stevens.

- (d) Stephen Davidson has entered into a letter of appointment with DMG dated 2 October 2006 subject to termination upon at least 3 months' notice by either Mr Davidson or DMG, although such notice may not expire before 2 October 2007. The letter provides for an annual fee of £40,000, Mr Davidson will also initially be granted an option exercisable at a price of £1 on any exercise over DMG Shares having a value of £800,000 at the date of grant on the same terms and subject to the same performance criteria as the initial grant of options under the PSP (see paragraph 12 of Part I of this document "Information relating to the Company"). It is envisaged that on the completion of the acquisition of further companies by DMG and on the approval of the remuneration committee. Mr Davidson shall be granted a further option or options, exercisable at £1 on any exercise, over shares having a value of up to £200,000 subject to performance conditions determined by the remuneration committee and any limits which would apply if the option were granted under the PSP. DMG will use its reasonable endeavours to obtain director's and officer's liability insurance for Mr Davidson.
- (e) Barry Jenner has entered into a letter of appointment with DMG dated 2 October 2006 subject to termination upon 3 months' notice by either Mr Jenner or DMG. The letter provides for an annual fee of £15,000. Mr Jenner will be granted an option, exercisable at a price of £1 on any exercise, over DMG Shares having a value of £40,000 at the date of grant on the same terms and subject to the same performance criteria as the initial grant of options under the PSP (see paragraph 12 of Part I of this document "Information relating to the Company"). DMG will use its reasonable endeavours to obtain director's and officer's liability insurance for Mr Jenner.
- (f) DMG has entered into agreements with Strand Associates Limited for the provision of the services of Andrew Wilson and Ian Robinson to DMG. An annual fee of £15,000 is payable to Strand Associates Limited under each of the agreements. Each of Mr Robinson and Strand Associates Limited will be granted an option, exercisable at a price of £1 on any exercise, over DMG Shares having a value of £40,000 at the date of grant on the same terms and subject to the same performance criteria as the initial grant of options under the PSP (see paragraph 12 of Part I of this document "Information relating to the Company"). The agreements may be terminated on 3 months' notice by DMG or Strand Associates.
- (g) There are no service agreements in existence between the directors and any member of the Enlarged Group which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

8. WORKING CAPITAL

In the opinion of the Directors and Proposed Directors, having made due and careful enquiry, and after taking into consideration the net proceeds receivable from the Placing, the working capital available to the Enlarged Group will be sufficient for its present requirements (that is for at least twelve months from the date of Admission).

9. LITIGATION

There are no active, pending or threatened legal or arbitration proceedings against, or being brought by, any member of the Enlarged Group which are having or may have or have had during the 12 months preceding the date of this document, a significant effect on the Enlarged Group's financial position.

10. GENERAL INFORMATION

- 10.1 There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Enlarged Group's business.
- 10.2 Save as disclosed in this document, no persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) have received, directly or indirectly, from DMG in the 12 months preceding the date of this document and no persons have entered into contractual arrangements to receive, directly or indirectly, from DMG on or after Admission:
- (a) fees totalling £10,000 or more;
 - (b) securities in DMG with a value of £10,000 or more; or
 - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- Cenkos will receive 129,310 Seashell II Shares immediately prior to the Merger in consideration of services rendered to Seashell II. Consequently, following the Merger, Cenkos will hold 129,310 DMG Shares representing approximately 0.4 per cent. of DMG.
- 10.3 Cenkos, and Capita Registrars have given and not withdrawn their respective written consent to the issue of this document with the inclusion of the references to their respective names in the form and context in which they appear.
- 10.4 BDO Stoy Hayward LLP has given and not withdrawn its written consent to the inclusion in this document of its Accountants' Reports in Part III A, IV A and V A of this document, in the form and context in which they are included and accepts responsibility for its reports.
- 10.5 Copies of this document and the Circular will be available free of charge at the offices of Cenkos, 6.7.8 Tokenhouse Yard, London EC2R 7AS during normal business hours on any weekday (Saturday, Sunday and public holidays excepted) for at least one month from the date of Admission in accordance with Rule 3 of the AIM Rules.
- 10.6 The Company confirms that the information in Part I of this document, sourced from the sources as identified in this document, has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection, during normal business hours, on any weekday (Saturdays and public holidays excepted) at the offices of Allen & Overy LLP, One New Change, London EC4M 9QQ until Admission:

- (a) the Memorandum and the Articles of the Company;
- (b) the material contracts referred to in paragraph 6 above;
- (c) the Merger Document;
- (d) the Merger Plan and the IBCA;
- (e) the consent letters referred to in paragraphs 10.3 and 10.4 above; and
- (f) the rules of the PSP.

Dated 3 October 2006



Digital Marketing Group plc
7 Cowley St.
London
SW1P 3NB

www.digitalmarketinggroup.co.uk