Company Number 4020844

DM plc

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2007

DM plc

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

DM plc ("DM" or the "Group"), the direct marketing group specialising in customer recruitment and database management, reports its results for the year ended 31 December 2007.

Continued strong organic growth generates record results for 4th consecutive year

- Record financial results for the 4th consecutive year
- Consolidated position as market leader and owner of the largest database (over 7.5 million customers) in our sector
- Recent, industry world record breaking prize of over £1 million awarded
- As at 31 December 2007 the Group had net cash of £0.22 million (2006: net debt £6.50 million)
- Revenue up 19 per cent. to £20.01 million (2006: £16.86 million)
- Profit before tax and interest up 35 per cent. to £5.36 million (2006: £3.96 million)
- Group consolidated profit before tax up 39 per cent. to £4.88 million (2006: £3.51 million)
- Normalised earnings per share up 29 per cent. to 2.49 pence (2006: 1.93 pence)
- EBITDA conversion rate to cash of 135 per cent.
- All earn-outs and loan notes related to acquisitions are now satisfied
- Proposed final dividend of 0.2 pence per share making a total dividend for the year of 0.3 pence (2006: 0.1 pence), a 200 per cent. increase

£million	2007	2006	2005	2004
Revenue	20.01	16.86	10.48	4.20
Profit before tax	4.88	3.51	2.39	1.32
Normalised EPS	2.49p	1.93p	1.40p	0.70p

DM Chairman, Adrian Williams said:

"We have again achieved record results, allowing us to significantly increase our dividend to shareholders. Our strategy of developing the business both organically and through acquisitions continues to be highly successful, has driven our expansion and has consolidated DM's market leading position in our sector. The business is cash generative and with complementary revenue streams and a low-cost base, we have the foundation from which to deliver continued earnings growth for our shareholders. Our enhanced database, which is now being used more efficiently, has meant that 2008 has already begun well for the Group and we look forward to updating shareholders on our progress."

DM plc

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DM plc

CHAIRMAN'S STATEMENT

I am delighted to report DM's final results for the year ended 31 December 2007, which again highlight the Group's operational strength and its outstanding financial performance in difficult and uncertain times. Our market position and management expertise has allowed us to yet again deliver period on period improvement for the 7th consecutive reporting period and the 4th year in a row since the formation of the Group.

2007 was a year of consolidation during which we completed the successful integration of previous acquisitions. We have concentrated on achieving cost and cross selling synergies and through organic growth consolidated our position as the leading UK direct marketing group specialising in customer recruitment and database management. In that context the record results achieved are particularly satisfying.

Of particular note was the award, in January 2008, of what we believe to be an industry world record breaking prize of over £1 million through our Gamecard division. The prize winning Golden Ticket was the jackpot in a recent *'Win a Million'* promotion distributed in national and regional newspapers and magazines. The £1 million prize was pre-insured and accordingly covered by DM's insurance company at no further cost to DM.

Financial results

DM's market leading position and specialist sector expertise has yet again been translated into record results. For the period ended 31 December 2007, the Group reported turnover up 19 per cent. to £20.01 million (2006: £16.86 million) and profit before tax and interest is up 35 per cent. to £5.36 million (2006: £3.96 million). Overall, Group consolidated profit before tax increased 39 per cent. to £4.88 million (2006: £3.51 million). Normalised earnings per share also increased for the 4th full year period in succession by 29 per cent. to 2.49 pence (2006: 1.93 pence).

The table below summarises the historic results for the Group for each of the last four full year periods since the reversal of Strike Lucky Games Ltd ("Strike Lucky") into the Group in October 2004.

£million	2007	2006	2005	2004
Turnover	20.01	16.86	10.48	4.20
Profit before tax	4.88	3.51	2.39	1.32
Normalised EPS	2.49p	1.93p	1.40p	0.70p

Note: 2004 and 2005 results reported under UK GAAP; 2006 and 2007 reported under IFRS. The principal changes to accounting policies and reported results are explained in the notes to the financial statements. Normalised earnings per share is calculated after adjusting for non-recurring charges.

At the end of 2006 the Group re-organised its operations into three distinct divisions - Gamecards, Direct Mail and Database Products. During the first half of 2007 the decision was made to close Cyberdyne Entertainment Limited. Accordingly, a write down of £160,000 has been charged to the income statement against previously recognised goodwill and other tangible assets relating to this subsidiary.

As at 31 December 2007, after taking into account outstanding debt of £5.85 million and cash at bank of £6.07 million, the Group ended the year with a positive net cash position of £0.22 million. This has been possible due to the strict operational controls in the Group, our working capital management and a focus on high margin promotions and data management services. This has allowed the Group to convert 135 per cent. of EBITDA to operational cashflow. During the period, a final payment of £0.42 million was made, discharging the remaining loan notes due under the earn-out from the original reverse.

At the half year the Board announced the commencement of an interim dividend of 0.1 pence per share which was paid in October 2007. In line with the Board's commitment to implement a progressive dividend policy, a final dividend of 0.2 pence per share is being proposed, an increase of 100 per cent. (2006: 0.1 pence), resulting in a total dividend for the period of 0.3 pence (2006: 0.1 pence), a total increase of 200 per cent. over the previous year. Subject to shareholder approval the final dividend will be paid on 1st May 2008 to shareholders on the register as at the close of business on 28th March 2008.

These results have been presented for the first time in accordance with International Financial Reporting Standards (IFRS).

Corporate Actions

In April 2007, DM raised £2.00 million (approximately £1.93 million net of expenses) through the issue of 13,793,103 new ordinary shares of 1 pence each at 14.5 pence per share to institutional investors. The proceeds were used to increase the size of mailings, further automate the fulfilment process and make database acquisitions.

At DM's Annual General Meeting in May 2007, approval was granted for the Group to purchase shares issued by it within certain parameters. In November 2007, we sent shareholders details of a share buy-back scheme funded by the Group, and provided by our registrars, that allowed small shareholders with holdings of less than 6,000 shares to tender their entire holding for sale with the trading cost paid for by the Group, and potentially to be bought back by the Group. Via this scheme and general market purchases designed to provide additional liquidity to selling shareholders, the Group bought back 567,910 ordinary shares of 1 pence each at an average price of 14.6 pence per share.

In October 2006, DM acquired the Home Gaming division of AIM listed Brightview plc, ("The Winners Club"), for a total consideration of up to £2.0 million, consisting of an initial payment of £1.0 million, payable by the issue of DM shares, the remaining £1.0 million was payable under an earn-out obligation based on the profit before tax of The Winners Club as reported for the three years ended 31 December 2009. In July 2007, the Group assisted Brightview plc in placing the consideration shares received on the sale of The Winners Club and in return Brightview plc agreed to waive the remaining £1.0 million earn-out obligation discharging all further commitments to Brightview plc.

Business Review

Within the current economic climate, 2007 was a challenging year for the Group. This makes the financial performance even more impressive. The fallout of the TV Premium Rate scandals and The Royal Mail strikes in the late Summer and Autumn did have some effect on performance, but due to the pre-emptive actions of management, rescheduling promotions and utilising alternative postal services this was minimised effectively.

As previously indicated we have carefully considered the final sections of the Gambling Act 2005 which were implemented in September 2007. There does not appear to be any material adverse changes from the perspective of the Group and the removal of the "no purchase necessary" option for certain promotions could offer interesting opportunities for us. As part of its stated aim to raise standards in the Premium Rate industry, the Office of Fair Trading has been in consultation with all participants in our industry. Through our discussions with the OFT we agreed to make certain changes to some of our promotions, which should deliver greater clarity to consumers and greater certainty to our business. These developments should give us more regulatory certainty than we have enjoyed for several years.

Business Review (continued)

The Group coordinates the complementary activities of our three divisions, Gamecards, Direct Mail and Database Products in order to maximise our relationship with each of our customers. However, the creative content of the divisions is managed locally across the divisional headquarters in Ross-on-Wye, Lancaster and Banbury. This ensures that our promotions from the Gamecard and Direct Mail divisions stay fresh and innovative, maximising the level of responses and quality of data for our Database Products division. This combination makes us more efficient at reducing costs and extracting synergies whilst maintaining the life blood of the Group – its creativity.

Gamecards

Our Gamecard division designs, promotes and distributes a response orientated proprietary range of games of skill and chance. Revenue is generated by respondents telephoning premium rate lines or responding by text or by post. DM is the UK market leader in this sector. This is a major strength since these activities generate more new customers for the benefit of our other divisions. Recently we have been focusing on increasing the quality and content of recruitment data, including additional information such as mobile phone numbers and e-mail addresses. This is becoming increasingly valuable as a higher percentage of our target demographic becomes more familiar with higher technology channels, already approximately 13.4 per cent. of 2007's total revenue comes from text responses.

In January 2008, our Gamecard division awarded what we believe to be an industry world record breaking prize of over £1 million. The prize was the jackpot in our *'Win a Million'* promotion distributed in national and regional newspapers and magazines. In cases like this the top prize is pre-insured and accordingly was covered by DM's insurance company at no further cost to the Group.

Direct Mail

Our Direct Mail division promotes the Group's proprietary games via addressed mail to UK consumers. Building on our core capabilities of response orientated competitions and database ownership and management, we have developed a specialist range of products and services to generate clients and profit from their subsequent responses. Careful analysis of response patterns and experienced campaign management allow us to generate high margins. We are also the UK's market leader in this profitable and cash generative sector.

Database Products

This division now has a total database of over 7.5 million customers and is the largest response database in the UK in our market sector. It owns a number of response driven databases from which it generates rental income via list brokers, including its in-house broker and via websites including www.lists.co.uk

We have a number of joint ventures in place to share data with financial institutions including AXA Sun Life, Cornhill and In Retirement which are proving increasingly successful. These kinds of joint ventures are only available to a limited number of providers with sufficiently large databases. Profits from these activities are increasing rapidly and we expect this trend to continue.

During the year the Group acquired the rights to a former competitor's database allowing the unlimited use of in excess of 1 million records. This showed a rapid return during the year with profits from our mailings to this database being in excess of the price paid for it. We hope to repeat this with further database purchases in 2008.

Outlook

The financial performance achieved during 2007 confirms our position as UK market leader in our sector. This leadership has been further consolidated and now underpins our ability to continue to deliver improving financial results over the medium term. Furthermore, whilst the current economic outlook is uncertain, from past experience in recessionary periods, we believe that the Group should be robust and relatively unaffected by an economic slowdown.

We are now recruiting more customers with better quality data and analysing and utilising this data more efficiently and profitably via our list brokers and joint ventures. Whilst we intend to continue to focus on improving our systems, increasing margins and designing the most creative, effective and accordingly profitable promotions in the market, we have also demonstrated our ability to make strategic purchases and will continue to do so if the right opportunities present themselves at the right prices. In this regard we are often offered businesses and assets which we assess on a case by case basis.

We also continue to assess the opportunities and threats presented by new technologies. We are increasing our mobile and internet content year on year, but remain cautious against over stretching ourselves or damaging the core business model that has proved so successful. As we indicated our joint ventures with major financial institutions are working well and we expect to see further expansion in this area.

The Board would yet again like to thank the Group's employees for their hard work and commitment without whom this performance would not have been possible and we look forward with continued optimism to the future.

A J Williams
Chairman
29 February 2008

THE BOARD OF DIRECTORS

Adrian John Williams (aged 50) Chairman

Adrian studied Economics and Marketing at University before joining a computer software company in Ross on Wye in 1981. He then became Marketing Director of a fire protection company prior to leading a management buy-in of a toy and gift company in 1990. In 1992 Adrian founded Scenic Maps Limited which provided 3-D maps of town and city centres. Adrian founded Strike Lucky Games Limited in 1993.

Wendy Elaine Ruck (aged 49) Operations Director

Wendy has enjoyed a sales career within both the public and private sectors. Furthermore, she has managed recruitment and training within the UK for direct sales companies. She now manages these functions for Strike Lucky Games Limited, whilst also directing the prize fulfilment operations.

Mark Winter (aged 43) Finance Director

Mark qualified as a chartered accountant with KPMG in 1992 and worked as a financial controller in several companies. He was Finance Director at Minerva International Holdings Limited from 1998 to 2001 and of Regency Group, part of South Staffordshire Group plc, from 2002 to 2003. Since then, he has been an associate at the financial consultancy, FDUK where he has had experience of a range of roles including fast growing businesses. Mark was appointed a Director of DM plc on 17th June 2005.

John Gommes (aged 67) Non-Executive Director

From 1963 to 1975 John was a Director of a number of companies in the banking sector. In 1977 John established Chartsearch plc as a publisher of newsletters and books. Chartsearch plc was floated on the Unlisted Securities Market in 1987 and acquired by means of a reverse takeover by Burford plc, which was admitted to the official List in 1989. In 1991 John established Carnell plc as a publisher of mainly health related titles. Carnell plc was admitted to the Unlisted Securities Market in 1994 and was subsequently acquired in 1996 by means of a reverse takeover by Columbus Press, which itself was taken over by Highbury House Communications plc in 2000. John continued to manage the Carnell subsidiary until 2001 since which time he has been an adviser to various direct marketing publishers.

ADVISERS

Nominated Adviser
Altium Capital Limited, 5 Ralli Courts, West Riverside, Manchester M3 5FT

Broker
Blue Oar Securities Plc, 30 Old Broad Street, London, EC2N 1HT

Solicitors
Davies and Partners, 135 Aztec West, Almondsbury, Bristol, BS32 4UB

Auditors
PKF (UK) LLP, Sovereign House, Queen Street, Manchester, M2 5HR

Accountants
Wildin & Co, King’s Buildings, Lydney, Gloucestershire, GL15 5HE

Bankers
Barclays Bank PLC, PO Box 119, Park House, Newbrick Road, Stoke Gifford, Bristol, BS34 8TN

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

DM plc
Registered in England and Wales under Company Number 4020844
Registered Office: Green Heys, Walford Road, Ross on Wye, Herefordshire, HR9 5PQ

DM plc

DIRECTORS' REPORT

Directors' report
The Directors present their annual report and the audited financial statements for the year ended 31 December 2007.

Principal activities
The principal activity of the Group during the year was that of customer recruitment and database management.

Business review and future developments
The business review and future developments are covered in the Chairman's Statement on pages 3 to 6.

Dividends
An interim dividend was paid this year of 0.1p per share. The Directors propose that a final dividend of 0.2p per share should be paid on 1st May 2008 to shareholders on the register as at the close of business on 28th March 2008.

Transactions in shares
On 2nd April 2007, the Company issued 13,793,103 new Ordinary shares for 14.5p at a premium of 13.5p per share raising £1,928,000 net of expenses.

The Company repurchased and cancelled 567,910 Ordinary Shares of nominal value £5,679.10 in November and December. The aggregate amount paid for these shares was £87,291.

Risks and Uncertainties
The main potential risk is judged to be in the area of legislative changes. This situation is constantly under review and we are not aware of any imminent or proposed threat to any existing revenue streams.

KPIs
The size and activity of customer databases and the response rates to individual competitions are the key drivers of revenue and gross profit. A description of the key activities in the business is provided in the Business Review section of the Chairman's Statement.

Directors
The Directors who served on the Board during the year and their beneficial and non-beneficial interests in the issued share capital of the Company at the beginning and end of the financial year were as follows:-

All Directors and their beneficial interests	Shareholding at 1 January 2007 Ordinary Shares of 1p each	Shareholding at 31 December 2007 Ordinary Shares of 1p each	% of Issued Share Capital at 31 December 2007
A J Williams	117,014,565	117,545,565	80.4%
W E Ruck	1,181,965	1,181,965	0.81%
JCYP Gommes	500,000	500,000	0.34%
M Winter	35,911	42,911	0.03%

JCYP Gommes also has a non-beneficial interest, as at 31 December 2007, in 731,000 Ordinary Shares (representing 0.50% of the Issued Share Capital) via Pinkberry Consultants (2006: nil). Pinkberry Consultants is wholly owned by a discretionary family trust connected to Mr Gommes but in which Mr Gommes has no beneficial interest.

Policy and Practice on Payment of Creditors
It is the Group's policy to fix the terms of payment with suppliers when agreeing the terms of each transaction and the Group abides by these terms of payment. The average number of days taken to settle creditors in 2007 was 53 days (2006 – 48 days).

Financial instruments
The Company raised more capital during the year by the issue of further shares through the VCT and Enterprise Investment Scheme. During the latter part of the year the Directors felt that the group had sufficient cash available to allow it to purchase back some of its own shares, which it did, and is continuing to do so. The Directors have taken advice and are not in breach of VCT or EIS rules.

The Company places cash on short term money market deposits with its bank in order to maximise the risk free return on its cash balances.

Statement of Directors' Responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state, in the parent Company financial statements, whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Statement regarding information given to auditors
So far as each of the Directors is aware at the time of the report is approved;

- there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors
PKF (UK) LLP replaced Howarth Clark Whitehill LLP as the Company's auditors during the year. A resolution to reappoint them as auditors will be proposed at the Annual General Meeting.

By order of the Board

T P Brennan
Company Secretary 29 February 2008

CORPORATE GOVERNANCE

The requirements of the combined code of principles of corporate governance set out in the listing rules of the Financial Services Authority are not mandatory for companies traded on AIM. The Directors are therefore providing the following information on a voluntary basis.

Board of Directors and Board Committees
The Board consists of three executive Directors and one non-executive Director, and is responsible for the Group's system of corporate governance. The role of the non-executive Director is to bring independent judgement to Board discussions and decisions.

The Board met regularly throughout the year. It has a schedule of matters referred to it for decision, which includes Group strategy and future developments, allocation of financial resources, investments, annual and interim results, and risk management. The Company has two Board committees, which operate within defined terms of reference.

Audit Committee
The Audit Committee reviews half year and full year results. In addition, the Audit Committee monitors the framework of internal control.

Remuneration Committee
The Remuneration Committee reviews the remuneration of the executive Directors of the parent Company and considers the grant of options and payment of performance related bonuses.

Internal Financial Control
The Directors are responsible for ensuring that the Company maintains a system of internal financial controls to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control. On the basis that such a system can only provide reasonable but not absolute assurance against material misstatement or loss and that it relates only to the needs of the business at the time, the system as a whole was found by the Directors at the time of approving the accounts to be generally appropriate to the size of the business.

Going Concern
The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have therefore continued to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DM PLC

We have audited the Group financial statements of DM plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of DM plc for the year ended 31 December 2007.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the annual report and the group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors' report and the chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DM PLC (continued)

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;

- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' report is consistent with the Group financial statements.

PKF (UK) LLP

PKF (UK) LLP
Chartered Accountants and Registered Auditors
Manchester

29 February 2008

DM plc

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Group 2007 £'000	Group 2006 £'000
Continuing Operations			
Revenue	**5**	**20,012**	16,860
Cost of sales		**(12,082)**	(10,890)
Gross Profit		**7,930**	5,970
Administrative expenses			
Loss on disposal of fixed assets		**(86)**	-
Impairment		**(74)**	-
Other Administrative Expenses		**(2,412)**	(2,013)
Operating Profit	**6**	**5,358**	3,957
Investment Income	**9**	**112**	26
Finance Costs	**10**	**(592)**	(466)
Profit Before Tax		**4,878**	3,517
Income tax expense	**11**	**(1,478)**	(1,056)
Profit for the year		**3,400**	2,461
Earnings Per Share			
From continuing operations			
Basic	**12**	**2.37p**	1.93p
Diluted	**12**	**2.37p**	1.93p

The notes on pages 16 to 29 form an integral part of these accounts.

DM plc

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Notes	Group 2007 £'000	Group 2006 £'000
Assets			
Non-current assets			
Property, plant and equipment	**14**	**59**	145
Goodwill	**15**	**10,630**	10,704
Other intangible assets	**16**	**25**	47
		10,714	10,896
Current assets			
Inventories	**17**	**240**	138
Trade receivables	**18**	**2,171**	2,996
Cash and cash equivalents	**19**	**6,068**	1,706
		8,479	4,840
		19,193	15,736
Liabilities			
Current liabilities			
Trade and other payables	**20**	**(3,426)**	(2,167)
Current borrowings	**21**	**-**	(4)
Current portion of non-current borrowings	**21**	**(1,800)**	(1,935)
Current tax payable		**(784)**	(1,167)
		(6,010)	(5,273)
Assets less current liabilities		**13,183**	10,463
Non-current liabilities			
Non-current borrowings	**21**	**(4,050)**	(6,272)
Deferred tax	**22**	**(3)**	(10)
		(4,053)	(6,282)
Net assets		**9,130**	4,181
Equity attributable to equity holders of the parent			
Ordinary shares	**23**	**1,462**	1,329
Capital redemption reserve	**24**	**5**	-
Merger reserve	**24**	**(3,108)**	(3,108)
Share premium	**24**	**2,854**	1,064
Retained earnings	**24**	**7,917**	4,896
Total equity		**9,130**	4,181

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29 February 2008.

A J Williams
Chairman

The notes on pages 16 to 29 form an integral part of these accounts.

DM plc

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Group 2007 £'000	Group 2006 £'000
Profit for the year		**3,400**	2,461
Total recognised income and expense for the year		**3,400**	2,461
Attributable to:			
Equity holders of the parent		**3,400**	2,461

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	Group 2007 £'000	Group 2006 £'000
Cash flows from operating activities			
Profit before taxation		**4,878**	3,517
Adjustments for:			
Depreciation and amortisation		**59**	61
Investment income		**(112)**	(26)
Interest expense		**592**	466
Impairment loss		**74**	-
Loss on disposal of fixed asset		**86**	-
Decrease/(increase) in trade and other receivables		**813**	(1,033)
Increase in inventories		**(102)**	(138)
Increase/(decrease) in trade payables		**1,259**	(230)
Cash generated from operations		**7,547**	2,617
Interest paid		**(592)**	(466)
Income taxes paid		**(1,868)**	(1,119)
Net cash from operating activities		**5,087**	1,032
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**-**	(9,555)
Purchase of property, plant and equipment		**(15)**	(17)
Purchase of intangible assets		**(10)**	(51)
Interest received		**112**	26
Cash acquired with subsidiary		**-**	417
Net cash from /(used in) investing activities		**87**	(9,180)
Cash flows from financing activities			
Net proceeds from the issue of share capital		**1,928**	34
Shares bought back for cancellation		**(87)**	-
Proceeds from long term borrowings		**-**	9,135
Repayment of borrowings		**(2,357)**	(1,350)
Dividends paid		**(292)**	-
Net cash (used in)/from financing activities		**(808)**	7,819
Net increase (decrease) in cash and cash equivalents		**4,366**	(329)
Cash and cash equivalents at beginning of year		**1,702**	2,031
Cash and cash equivalents at end of year	**19**	**6,068**	1,702

The notes on pages 16 to 29 form an integral part of these accounts.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2007

ACCOUNTING POLICIES
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated, and in preparing an opening IFRS balance sheet at 1 January 2006 for the purpose of transition to IFRS.

1. Basis of preparation

These financial statements have been prepared for the first time in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in Note 31 – Transition to IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 3.

The parent Company accounts have been prepared under UK GAAP and have been presented separately at the end of this report.

1.1 Adoption of standards effective in 2007

The following standards have been applied by the group from 1 January 2007:

- IFRS 7 Financial Instruments: Disclosure.
- IAS 1 (Amendment) Capital Disclosures.

The application of IFRS 7 and IAS 1 (Amendment) in the year ended 31 December 2007 have not affected the balance sheet or income statement as the standards are concerned with disclosure only.

1.2 IFRS effective in 2007 but not relevant

The following amendment was mandatory for accounting periods beginning on or after 1 January 2007 but is not relevant to the operations of the Group.

- IFRIC 11 IFRS 2 - Group and treasury share transactions

1.3 EU adopted IFRS not yet applied

The following IFRS was available for early application but has not yet been applied by the Group in these financial statements:

- IFRS 8 Operating segments for years commencing on or after 1 January 2009.

The application of IFRS 8 in the year ended 31 December 2007 would not have affected the balance sheet or income statement as the standard is concerned only with disclosure.

1.4 Exemptions taken on first time adoption of IFRS1

1.4.1 Business combinations:

The Group has applied the exemption from retrospectively recalculating goodwill which arose on acquisitions prior to 1 January 2006. This goodwill is included at its deemed cost, being the amount recorded under UK GAAP as at 1 January 2006 following an impairment review.

1.4.2 Share based payment transactions:

The Group has elected to apply IFRS 2 Share based payments only to awards of equity instruments made after 7 November 2002 that had not vested by 1 January 2006.

2. ACCOUNTING POLICIES (continued)

2.1 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Inter-company transactions, balances and unrealised transactions between Group companies are eliminated.

2.2 Goodwill

Goodwill on acquisitions comprises the excess of the fair value of the consideration plus any associated costs for investments in subsidiary undertakings over the fair value of the net identifiable assets acquired. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition income statement.

In accordance with IFRS1, the Group has applied the exemption from retrospectively recalculating goodwill which arose on acquisitions prior to 1 January 2006. This goodwill is included at its deemed cost, being the amount recorded under UK GAAP as at 1 January 2006.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.3 Other intangible assets

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

- Lists/databases - 2 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

2.4 Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a straight line basis over the estimated useful life.

- Fixtures and fittings – 10%-25% reducing balance
- Computer equipment – 25% reducing balance
- Motor cars – 25% reducing balance

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in the income statement.

ACCOUNTING POLICIES (continued)

2.5 Impairment of assets

The Group assess at each balance sheet date whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

For goodwill, intangible assets that have an indefinite life and intangible assets not yet available for use, the recoverable amount is estimated at each balance sheet date and whenever there is an indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

2.6 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

2.7.1 Trade receivables

Trade receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. They are recognised on the trade date of the related transactions.

2.7.2 Trade payables

Trade payables are stated at their amortised cost. They are recognised on the trade date of the related transactions.

2.7.3 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

2.8 Share based payments

The Group has applied the exemption available under IFRS 1 and elects to apply IFRS 2 only to awards of equity instruments made after 7 November 2002 that had not vested by 1 January 2006.

Options are measured at fair value at grant date using the Black-Scholes model. The fair value is expensed on a straight-line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

Cash settled share based payment transactions results in the recognition of a liability at its current fair value.

2.9 Retirement benefit

Contributions to defined contribution plans are recognised as an expense as the contributions accrue.

2.10 Revenue

Revenue comprises sales and services to external customers (excluding VAT and other sales taxes). Consideration received from customers is only recorded as revenue to the extent that the Group has performed its contractual obligations in respect of that consideration.

ACCOUNTING POLICIES (continued)

2.11 Inventories

Inventories are valued at the lower of cost and net realisable value on a first-in-first out basis. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

2.12 Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the income statement on a straight-line basis over the lease term.

2.13 Deferred taxation

Deferred tax is provided in full using the balance sheet liability method. Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the balance sheet. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates as it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Group's policy to reinvest undistributed profits arising in Group companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

2.14 Provisions

Provisions are recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3. Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Key sources of estimation uncertainty

Under IFRS estimates or judgements are considered critical where they involve a significant risk of causing material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involved matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

Critical judgements have been made in the following area when preparing the group accounts:

Goodwill - Goodwill is tested for impairment at each balance sheet date. See note 15.

4. SEGMENT REPORTING

All DM's business activities relate to the main DM database and the activities are inextricably linked. Therefore the business is considered to operate in only one business segment. All turnover arises in the UK and Eire.

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007

5. REVENUE

	2007	2006
	£'000	£'000
The Group's revenue comprises:		
Customer recruitment and database management	20,012	16,860

6. OPERATING PROFIT

	2007	2006
	£'000	£'000
Group operating profit for the year is stated after the following:		
Exchange losses	20	4
Staff costs	1,518	1,363
Depreciation	27	47
Amortisation of other intangible assets	32	14
Loss on disposal of fixed assets	86	-
Impairment losses on other intangible assets	74	-
Operating lease expense – land and buildings	104	90

7. AUDITOR'S REMUNERATION

	2007	2006
	£	£
Fees payable to the group's auditor for the audit of the Group's annual financial statements	11,500	8,000

8. STAFF COSTS

	2007	2006
	£'000	£'000
Staff costs comprised:		
Wages and salaries	1,379	1,229
Social security costs	139	134
	1,518	1,363

The number of employees can be categorised as follows:

	Number	Number
Directors	4	4
Administration	67	62
	71	66

9. INVESTMENT INCOME

	2007	2006
	£'000	£'000
Interest on short term deposits	112	26

10. FINANCE COSTS

	2007	2006
	£'000	£'000
Interest on borrowings	592	466

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007

11. INCOME TAX EXPENSE

	2007	2006
	£'000	£'000
Current tax:		
UK corporation tax	**1,485**	1,061
Deferred tax	**(7)**	(5)
	1,478	1,056

Corporation tax is calculated at 30% (2006:30%) of the estimated assessable profit for the year.

The tax charge for the year can be reconciled to the profit for the year as follows:

	2007	2006
	£'000	£'000
Profit before tax	**4,878**	3,517
UK standard rate tax expense	**1,463**	1,055
Non deductible expenses	**17**	6
Interest on taxation	**5**	-
Depreciation in excess of capital allowances	**(7)**	(5)
Tax charge	**1,478**	1,056

Factors affecting future tax charge
DM plc (The Company) has taxable losses of £127,262 available to offset against future taxable profits. These taxable losses cannot be offset against the profits of the subsidiary entities.

12. EARNINGS PER SHARE

	2007	2006
	£'000	£'000
Reconciliation of net profit to basic earnings:		
Net profit attributable to equity holders of the parent	**3,400**	2,461
Basic earnings	**3,400**	2,261
Reconciliation of basic earnings to diluted earnings:		
Basic earnings	**3,400**	2,461
Interest on share options	**1**	-
Diluted earnings	**3,401**	2,461

Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares:	**Number**	Number
Basic weighted average number of ordinary shares	**143,232,335**	127,267,684
Dilutive effect of share options	**221,376**	11,360
Diluted weighted average number of ordinary shares	**143,453,711**	127,279,044

Share options granted before DM plc was formed by the reversal of Strike Lucky Games Ltd into Hawthorn Holdings plc, in 2004, could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the period presented.

Normalised earnings per share

	2007	2006
	£'000	£'000
Net profit attributable to equity holders of the parent	**3,400**	2,461
Impairment and asset write down with respect to closure of Cyberdyne Entertainment Limited	**160**	-
Normalised profit attributable to equity shareholders of DM plc	**3,560**	2,461
Normalised earnings per share	**2.49p**	1.93p
Diluted normalised earnings per share	**2.49p**	1.93p

13. DIVIDENDS

	2007 £'000	2006 £'000
Dividends paid during the year – 2006 final plus 2007 interim (2006: nil)	**292**	-
Dividends per share (pence per share)	**0.2p**	-
Final dividend declared after year end	**292**	147
Final dividend per share (pence per share)	**0.2p**	0.1p

The final dividend has not been included as a liability in these financial statements. It was declared after the year end but before the financial statements were authorised for issue.

14. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £'000	Furniture and fittings £'000	Total £'000
Cost			
Opening cost at 1 January 2006	33	221	254
Additions	7	10	17
Opening cost at 1 January 2007	40	231	271
Additions	-	15	15
Disposals	-	(136)	(136)
Closing cost at 31 December 2007	**40**	**110**	**150**
Accumulated depreciation			
Opening balance at 1 January 2006	6	73	79
Depreciation	8	39	47
Opening balance at 1 January 2007	14	112	126
Depreciation	7	20	27
Disposals	-	(62)	(62)
Closing balance at 31 December 2007	**21**	**70**	**91**
Carrying value at 1 January 2006	27	148	175
Opening carrying value at 1 January 2007	26	119	145
Closing carrying value at 31 December 2007	**19**	**40**	**59**

15. GOODWILL

	£'000
Cost	
Cost at 1 January 2006, 1 January 2007 and 31 December 2007	10,704
Accumulated impairment	
Opening balance at 1 January 2006 and 1 January 2007	-
Impairment loss	74
Closing balance at 31 December 2007	**74**
Opening carrying value at 1 January 2006	10,704
Opening carrying value at 1 January 2007	10,704
Closing carrying value at 31 December 2007	**10,630**

The carrying value of the Group's goodwill has been reassessed at 31 December 2007 for any evidence that the carrying value may be impaired. A discount rate of 8% based on the Group's weighted average cost of capital has been used in each review.

The impairment in the year of £74,000 related to the closure of Cyberdyne Entertainment Limited, the Group's online betting business.

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007

16. OTHER INTANGIBLE ASSETS

	Data Lists
Cost	**£'000**
Opening cost at 1 January 2006	5
Additions	51
Acquired through business combination	47
Opening cost at 1 January 2007	103
Additions	10
Closing cost at 31 December 2007	**113**
Accumulated Amortisation	
Opening balance at 1 January 2006	-
Amortisation	14
Acquired through business combination	42
Opening balance at 1 January 2007	56
Amortisation	32
Closing balance at 31 December 2007	**88**
Opening carrying value at 1 January 2006	5
Opening carrying value at 1 January 2007	47
Closing carrying value at 31 December 2007	**25**

17. INVENTORIES

	2007	2006
	£'000	£'000
Finished goods	**240**	138

18. TRADE RECEIVABLES

	2007	2006
	£'000	£'000
Trade receivables	**2,171**	2,996
Analysed as follows:		
Prepayments and accrued income	**1,541**	1,462
Related party receivables (see note 26)	**17**	-
Trade debtors	**613**	1,534
	2,171	2,996

Trade debtors are stated net of provisions of £NIL (2006 £NIL).

Trade debts are agreed as follows: -

Not impaired but past due by the following periods

	Not Impaired	30 days or less	Between 31 and 60 days	Between 61 and 90 days	More than 90 days	Total carrying amount
	£'000	£'000	£'000	£'000	£'000	£'000
2007	570	36	7	-	-	613
2006	1,344	103	87	-	-	1,534

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

	2007	2006
	£'000	£'000
Cash in hand and balances with banks	**6,068**	1,706
Current borrowings	**-**	(4)
Cash and cash equivalents	**6,068**	1,702

20. TRADE AND OTHER PAYABLES

	2007	2006
	£'000	£'000
Accrued expenses	**1,278**	613
Trade creditors	**2,148**	1,554
	3,426	2,167

21. BORROWINGS

	2007	2006
	£'000	£'000
Barclays Bank plc		
Non-current borrowings – Barclays Bank plc	**4,050**	5,850
Current portion of non-current borrowings - Barclays Bank plc	**1,800**	1,935
Non-current borrowings – Loan notes	**-**	422
Total non-current borrowings	**5,850**	8,207

The loan facility with Barclays Bank plc is repayable in equal quarterly instalments of £450,000 (2006: £483,750) until completion of the loan repayments at 31 March 2011.

The loan facility with Barclays Bank plc bears interest at 2.0% p.a. above LIBOR (2006: 2.3% above LIBOR p.a). This is a floating interest rate loan and therefore exposes the Group to cash flow risk although this is off set to a significant extent by the cash balances held by the Group.

The loan notes have been satisfied in full in 2007. The loan notes came into being based on an earn out arrangement between DM plc and the previous owners of Strike Lucky Games Ltd both of whom are currently Directors of DM.

22. DEFERRED TAX

	Accelerated Capital Allowances
Deferred tax liabilities:	**£'000**
Balance at 1 January 2006	15
Recognised in the income statement	(5)
Balance at 1 January 2007	10
Recognised in the income statement	(7)
Balance at 31 December 2007	**3**

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2007

23. ORDINARY SHARES

	2007 £'000	2006 £'000
Authorised		
2,000 million Ordinary shares of 1p each (2006: 650 million Ordinary shares of 1p each)	**20,000**	6,500
50,000 Redeemable Preference Shares of £1 each	**50**	50
	20,050	6,550
Issued and fully paid for		
146,153,255 Ordinary shares of 1p each (2006: 132,928,062 Ordinary shares of 1p each)	**1,462**	1,329

	2007	2006
Reconciliation of the number of shares outstanding:		
Opening balance	**132,928,062**	125,103,144
Shares issued	**13,793,103**	7,824,918
Shares repurchased	**(567,910)**	-
Closing balance	**146,153,255**	132,928,062

24. CAPITAL AND RESERVES

Attributable to equity holders of the parent

Group	Ordinary Shares £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2006	1,251	-	(3,108)	108	2,435	686
Changes in equity for 2006						
Profit for the year	-	-	-	-	2,461	2,461
Issue of share capital	78	-	-	956	-	1,034
Balance at 31 December 2006	1,329	-	(3,108)	1,064	4,896	4,181
Changes in equity for 2007						
Profit for the year	-	-	-	-	3,400	3,400
Dividends	-	-	-	-	(292)	(292)
Buy back of share capital	(5)	5	-	-	(87)	(87)
Issue of share capital	138	-	-	1,790	-	1,928
Balance at 31 December 2007	**1,462**	**5**	**(3,108)**	**2,854**	**7,917**	**9,130**

25. OPERATING LEASE COMMITMENTS

	2007 £'000	2006 £'000
As a lessee:		
Future minimum lease payments under non-cancellable operating leases:		
Within one year	**-**	-
From one to five years	**104**	104
	104	104

The Group does not sub-lease any of its leased premises.

26. RELATED PARTIES

The Group's investments in subsidiaries, associates and joint ventures have been disclosed in note 30. The Group is controlled by DM plc. DM plc is also the Group's ultimate controlling company.

Transactions:

Relationship	**Sales of goods**		**Purchase of goods**		**Amounts owed to related party**		**Amount owed by related party**	
	2007 £'000	**2006 £'000**	**2007 £'000**	**2006 £'000**	**2007 £'000**	**2006 £'000**	**2007 £'000**	**2006 £'000**
Parent	420	375	23	-	236	1,755	332	1,307
Subsidiaries	519	463	882	779	1,139	943	1,026	1,466
Related companies	-	1	34	60	-	76	17	1
Key management personnel	-	-	-	-	-	422	-	-

The amount owed to key management personnel was in the form of earn out loan notes. These loan notes were issued under the terms of an earn-out agreement based on the reverse acquisition between DM plc and Strike Lucky Games Ltd in 2004. The outstanding loan notes have been paid in full in 2007 and thereby all possible transactions under the earn-out scheme have been concluded. The interest rate payable on the loan notes was the Bank of England base rate plus 4% and all such interest has been paid.

All other amounts owed to and by related parties are unsecured, interest-free, and have no fixed terms of repayment. The balances will be settled in cash. No guarantees have been given or received. No provisions for doubtful debts have been raised against amounts outstanding, and no expense has been recognised during the period in respect of bad or doubtful debts due from related parties.

Directors:	**2007**	2006
	£	£
Aggregate emoluments	**230,450**	215,617

The highest paid Director received £150,000 (2006: £150,000).

27. SHARE BASED PAYMENTS

DM plc has an unapproved share option scheme and an EMI share option scheme.

Under the unapproved scheme at the balance sheet date options had been granted to certain individuals over an aggregate of 135,812 Ordinary Shares at an exercise price of £2 between 24th July 2003 and 23rd July 2010.

	2007		2006	
EMI share option scheme	**Options**	**Weighted average exercise price**	**Options**	**Weighted average exercise price**
Outstanding at the beginning of the period	1,469,386	12.53p	1,632,651	12.50p
Granted during the period	67,796	14.75p	-	-
Forfeited during the period	-	-	163,265	12.25p
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Exercisable at the end of the period	-	-	-	-
Outstanding at the end of the period	1,537,182	12.63p	1,469,386	12.53p

EMI share options outstanding at 31st December 2007 had a weighted average exercise price of 12.63p, and a weighted average remaining contractual life of 2.6 years.

The Black-Scholes pricing model was used to value the share options issued in 2006 and this valuation applies to the current year end in accordance with the relevant accounting standards. The inputs to the Black-Scholes model were share price volatility of 4.4%, risk free interest of 4.5% p.a. and a time to maturity of 3.5 years. On this basis the total value of the share options as at 31st December 2006 was £16k.

The Black-Scholes pricing model was again used to value the share options issued in 2007. The inputs were share price volatility 6.2%, risk free interest 5% p.a. and a time to maturity of 4.5 years. On this basis the value of these options as at 31st December 2007 was £2k.

It has been decided not to make a charge to the Income Statement with respect to share options because the amount involved is judged to be not material.

28. FINANCIAL RISK MANAGEMENT

The Group's operations expose it to a number of financial risks. A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks.

Credit risk - The Group invests some of its surplus funds in high quality liquid market instruments. Such investments have a maturity no greater than three months. The difference between the book and fair value of these instruments is not significant. To reduce the risk of counterparty default the Group deposits the rest of its surplus funds in approved high quality banks. Concentrations of credit risk with respect to customers are limited due to the Group's most significant customer debts being with PLC’s and the remainder of the customer base being large and unrelated. It is management's opinion that no provision for doubtful debts is required.

Interest rate risk - The Group currently has a low and reducing net debt. Between April 2006 and March 2008 the Group has had in place a financial instrument that provides an interest rate cap on the outstanding capital under a Barclays Bank facility agreement (note 21). The financial instrument effectively limited the LIBOR to 6% p.a. for the purposes of calculating loan interest. The Group has no net debt at 31st December 2007 and is therefore not significantly exposed to interest rate fluctuations.

28. FINANCIAL RISK MANAGEMENT (continued)

Price risk - The Group does not make investments in available for sale financial assets therefore the Group is not exposed to price risk.

Liquidity risk - The Group maintains sufficient cash and marketable securities. Management review cashflow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities.

Currency risk - The Group holds small balances in Euros. There is no significant exposure to exchange rate fluctuations.

29. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Net debt exposure in the context of likely future cash flows, earnings per share, a progressive dividend policy and a policy of growth by both organic means and acquisition are the elements of capital management given highest priority by the Group. The Group does not seek to maintain any particular debt to capital ratio but will consider investment opportunities on their merits and fund them in the most effective manner.

During 2007, the Group's strategy, which is unchanged from 2006, is to reduce net debt from its peak value in April 2006 unless complementary and attractively priced acquisitions are found.

30. INVESTMENTS IN SUBSIDIARIES

Details of the subsidiary undertakings at the balance sheet date, all of which were incorporated in England, are as follows:-

Name of Company	Class of Share	Nature of Business	Proportion of voting shares held
Strike Lucky Games Ltd	Ordinary	Games	100%
Strikelucky.com Ltd	Ordinary	Dormant	100%
Name That Tune Ltd	Ordinary	Dormant	100%
Bingoline Ltd	Ordinary	Dormant	100%
Strike It Lucky Ltd	Ordinary	Dormant	100%
Purely Creative Ltd	Ordinary	Competitions	100%
Cyberdyne Entertainment Ltd	Ordinary	Gambling	100%
Dodd Marketing Limited	Ordinary	Games	100%
McIntyre & Dodd Marketing Ltd	Ordinary	Games	100%
The Winners Club Ltd	Ordinary	Games	100%
TPC Telecoms Limited	Ordinary	Games	100%

The investment in Purely Creative Ltd is held by Strike Lucky Games Ltd. Likewise the investment in McIntyre & Dodd Marketing Ltd is held by Dodd Marketing Limited.

Cyberdyne Entertainment Ltd operated for part of the year but was dormant at the year end.

31. TRANSITION TO IFRS

This is the first year that the Group has presented its consolidated financial statements under IFRS.

The accounting policies set out above have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented in these financial statements for the year ended 31 December 2006 and in the preparation of the opening IFRS balance sheet at 1 January 2006 (transition date).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

There are no changes in net assets stated in the 31 December 2005 balance sheet between UK GAAP and IFRS.

Reconciliation of equity as at 31 December 2006

Equity attributable to shareholders under UK GAAP	3,920
Amortisation of goodwill	261
Equity attributable to shareholders under IFRS	4,181

Notes to the reconciliation of equity

IFRS 3, Goodwill - The Group has elected not to apply IFRS 3 to business combinations prior to 1 January 2006. However, goodwill of £10,443,000 in the opening balance sheet and £75,000 at 31 December 2005 has been reclassified into 'other intangible assets', as the assets met the broader definition of intangible assets under IFRS. Furthermore goodwill was assessed for impairment in terms of IAS36, Impairment of Assets, at the date of transition to IFRS and at 31 December 2006.

Reconciliation of profit for the year ended 31 December 2006

Profit for the period under UK GAAP	2,200
Amortisation of goodwill	261
Profit for the period under IFRS	2,461

Notes to the reconciliation of profit

IFRS 3, Goodwill -The Group has elected not to apply IFRS 3 to business combinations prior to 1 January 2006. Goodwill was assessed for impairment at 31 December 2006, which resulted in no impairment loss. Hence the goodwill previously charged under UK GAAP included within administrative expenses has been reversed.

Material adjustments to the cash flow statement for 2006
Income taxes of £1,119,000 paid during 2006 are classified as operating cash flows under IFRS, but were included in a separate category of tax cash flows under UK GAAP. There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

PARENT COMPANY FINANCIAL STATEMENTS

The separate financial statements of DM plc are presented on pages 32 to 34, as required by the Companies Act 1985 (“the Act”).

The Group has elected not to adopt International Financial Reporting Standards in the individual Company accounts for the parent Company and subsidiary undertakings and accordingly these financial statements have been prepared under UK standards and in accordance with the Act. They are therefore presented separately to the Group financial statements which have been prepared under International Financial Reporting Standards.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DM PLC

We have audited the parent Company financial statements of DM plc for the year ended 31 December 2007 which comprise the balance sheet and the related notes. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of DM plc for the year ended 31 December 2007.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the parent Company financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the parent Company financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the Directors' report and the chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements.

Opinion

In our opinion:

- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 December 2007;
- the parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent Company financial statements.

PKF (UK) LLP

PKF (UK) LLP
Chartered Accountants and Registered Auditors
Manchester

29 February 2008

DM plc
Company only

COMPANY BALANCE SHEET
AT 31 DECEMBER 2007

	Notes	2007 £'000	2006 £'000
Fixed assets			
Investments	**4**	**15,950**	16,091
Current Assets			
Debtors	**5**	**573**	1,568
Cash at bank		**6,196**	36
		6,769	1,604
Creditors			
Amounts falling due within one year	**6**	**7,462**	3,937
Net current liabilities		**(693)**	(2,333)
Total assets less current liabilities		**15,257**	13,758
Creditors			
Amounts falling due after more than one year	**7**	**(4,050)**	(6,272)
Net assets		**11,207**	7,486
Capital and reserves			
Called up share capital	**8**	**1,462**	1,329
Capital redemption reserve	**9**	**5**	-
Share premium	**9**	**2,856**	1,063
Merger reserves	**9**	**2,286**	2,286
Profit and loss account	**9**	**4,598**	2,808
Shareholder's funds		**11,207**	7,486

The financial statements were approved and authorised for issue by the Board of Directors on 29 February 2008 and were signed on its behalf by:

Director

DM plc
Company only

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting convention
The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007).

Turnover
Turnover represents net invoiced sales of goods, excluding value added tax.

Deferred tax
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. PROFIT AND LOSS ACCOUNT

The Company profit for the year, before charging dividends, is £2,170,000 (2006: £2,222,000). As permitted by s 230(3) of the Companies Act 1985, a separate profit and loss account has not been prepared.

3. AUDITORS REMUNERATION

	2007	2006
	£'000	£'000
Fees payable to Company's auditor for the audit of the Company's accounts	8	5

4. FIXED ASSET INVESTMENTS

	Investments
	£'000
Cost	
At 1st January 2007	16,091
Addition during the year	9
Amounts written off during the year	(150)
At 31st December 2007	15,950
Net Book Value	
At 31st December 2007	15,950
At 31st December 2006	16,091

Amounts written off during the year are in respect of the Company's interest in Cyberdyne Entertainment Limited

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£'000	£'000
Prepayments	33	4
Due to Group undertakings	332	1,383
Other debtors	208	181
	573	1,568

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£'000	£'000
Bank loans and overdrafts	7,145	1,935
Trade creditors	37	11
Taxation and social security	24	20
Amount owed to Group undertakings	236	1,830
Accruals	20	141
	7,462	3,937

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000	2006 £'000
Earn out notes	-	422
Bank loan	4,050	5,850
	4,050	6,272

The loan facility with Barclays Bank is repayable in equal instalments of £450,000 (2006: £483,750) until completion of the loan repayments on 31 March 2011.

The loan facility with Barclays Bank bears interest at 2.0% p.a.above LIBOR (2006:2.3% above LIBOR p.a.). This is a floating interest rate loan and therefore exposes the Group to cash flow risk although this is off set to a significant extent by the cash balances held by the Group.

The loan notes have been satisfied in full in 2007.

8. CALLED UP SHARE CAPITAL

Authorised	2007 £'000	2006 £'000
2,000,000,000 Ordinary Shares of 1p each (2006: 650,000,000)	20,000	6,500
50,000 Redeemable Preference Shares of £1 each	50	50
	20,050	6,550
Allotted, issued and fully paid		
146,153,255 Ordinary Shares of 1p each	1,462	1,329

13,225,193 Ordinary Shares of 1p each were allotted as fully paid at a premium of 13.55p per share during the year.

The Company repurchased and cancelled 567,910 Ordinary Shares of nominal value £5679.10 in November and December. The aggregate amount paid for these shares was £87,291.

9. RESERVES

	Profit and Loss Account £'000	Capital Redemption Reserve £'000	Share Premium £'000	Merger Reserves £'000	Totals £'000
At 1st January 2007	2,808	-	1,063	2,286	6,157
Premium on shares issued in the year	-	-	1,793	-	1,793
Profit for the year	2,170	-	-	-	2,170
Purchase of own shares	(87)	5	-	-	(82)
Dividends	(293)	-	-	-	(293)
At 31st December 2007	4,598	5	2,856	2,286	9,745

10. EMPLOYEE BENEFIT EXPENSE

	2007 £'000	2006 £'000
Salaries	231	216
Social Security costs	27	26
	258	242

Details of Directors' remuneration are given on page 26.

11. CONTINGENT LIABILITIES

The Group has in place a cross guarantee between the parent Company and its subsidiaries in respect of bank loans which at 31 December 2007 amounted to £11,195,000.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 11.30 am on 25 April 2008 at Green Heys, Walford Road, Ross on Wye HR9 5PQ for the following purposes:

Ordinary Business

Resolution 1: To receive and adopt the Financial Statements of the Group for the period ended 31 December 2007 together with the Reports of the Directors and Auditors thereon.

Resolution 2: To declare a final dividend of 0.2p per Ordinary Share of 1p in issue at 28 March 2008

Resolution 3: To reappoint PKF (UK) LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

Resolution 4: To re-elect Mark Winter as a Director of the Company who retires by rotation and who being eligible offers himself for re-election as a Director of the Company.

Special Business

Resolution 5: To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

"**THAT** the Directors be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined by section 80(2) of the Act) of the Company up to a maximum nominal amount equal in aggregate to the nominal amount of the authorised but unissued share capital immediately following the passing of this Resolution during the period of five years from the date on which this Resolution is passed, at the end of which period such authority will expire unless previously varied or revoked by the Company in general meeting of shareholders, provided that the Company shall be entitled under the authority hereby conferred to make at any time prior to the expiry of such authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot any relevant securities after the expiry of such authority pursuant to such offer or agreement as if such authority had not expired."

Resolution 6: To consider and, if thought fit, pass the following Resolution as a Special Resolution:

"**THAT**, in substitution for any existing and unexercised authorities and subject to the passing of Resolution 5, the Directors be and they are hereby empowered pursuant to section 95 of the Act from time to time to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred by Resolution 5 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

6.1 the allotment of equity securities in connection with one or more rights issues or open offers in favour of holders of ordinary shares of 1 pence each in the share capital of the Company and other persons entitled to participate by way of rights where the equity securities attributable to the interests of all holders of ordinary shares and such other persons' holdings (or as appropriate to the number of such ordinary shares of 1 pence each in the share capital of the Company which such other persons are for the purposes deemed to hold) are proportionate (as nearly as may be) to the respective numbers of ordinary shares of 1 pence each in the share capital of the Company held or deemed to be held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of or the requirements of any regulatory body or any Stock Exchange in any territory;

6.2 one or more allotments (otherwise than pursuant to paragraph 6.3 of this Resolution) pursuant to placing, sale, subscription, offer or otherwise of equity securities in aggregate up to the maximum of the Company's authorised but unissued share capital;

6.3 one or more allotments of equity securities up to an aggregate maximum nominal amount of £146,000 to executive Directors, employees and/or consultants of the Company or any of its subsidiary companies (representing approximately 10 per cent of the issued ordinary share capital of the Company on the date immediately following the passing of this Resolution);

and shall expire on the date of the next annual general meeting of the Company or (if earlier) 15 months from the date of the passing of this Resolution save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

Resolution 7: To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

"**THAT** pursuant to section 166 of the Companies Act 1985 the Company be and it is hereby generally and unconditionally authorised from time to time to make market purchases of its own ordinary shares of 1p each provided that:

7.1 the maximum aggregate number of such shares which may be purchased shall not exceed 50,000,000;

7.2 the maximum price which may be paid by the Company for purchase of any such share may not exceed the average closing sale price per ordinary share of 1p of the Company offered in the Alternative Investment Market of the London Stock Exchange plus five per cent. for the three days in which such market shall be open for business immediately preceding the date of purchase by the Company of such shares concerned;

7.3 the minimum price which may be paid by the Company for purchase of any such share shall be 1p; and

7.4 such authority shall expire on the date 18 months from the date of the passing of this Resolution save that the Company shall be authorised to conclude a contract for such purchase before such expiry which would or might be executed wholly or partly after such expiry."

By order of the Board

T P Brennan
Company Secretary
29 February 2008

Registered Office:
Green Heys
Walford Road
Ross on Wye
Herefordshire
HR9 5PQ

Notes

1. A Member entitled to attend and vote at the meeting convened by this notice may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. Completing and returning a form of proxy does not preclude a member from attending the meeting.
3. To be valid, a form of proxy and, if applicable, any authority under which it is signed, or a certificated copy of such authority must be lodged at the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time for holding the meeting.
4. To complete and lodge a proxy form, a shareholder can either:
   4.1 complete the enclosed proxy form and return it as directed; or
   4.2 log onto the website of Capita Registrars www.capitaregistrars,com/shareholders and follow the on-line instructions; or
   4.3 for shares held in uncertified form (i.e. in CREST), use the CREST electronic proxy appointment service, full details of which may be found on the proxy form.
5. For the purposes of determining who is entitled to attend or vote (whether on a show of hands or a poll) at the meeting a person must be entered on the register of members not later than 48 hours before the time of the meeting, or any adjournment thereof.
6. It will be proposed at the Annual General Meeting that a final dividend of 0.2p per Ordinary Share of 1p in issue at 28 March 2008 be declared in favour of those holders of Ordinary Shares of 1p whose names appear on the Company's Register of Members at close of business on that date. The shares will become ex-dividend on 26 March 2008 and the dividend will be paid on 1 May 2008.
7. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent RA10 by 11.30 am on 23 April 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your proxy form must be received by the Company's registrars no later than 11.30am on 23 April 2008.

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