Company Number 4020844

# DM plc

## REPORT AND ACCOUNTS

## FOR THE YEAR ENDED 31 DECEMBER 2008

**DM plc**
**("DM" or the "Group")**

**FINAL RESULTS**
**FOR THE YEAR ENDED 31 DECEMBER 2008**

DM, the direct marketing group specialising in customer recruitment and database management, reports its results for the year ended 31 December 2008.

## A Transformational Year

- Established UK market leader in its sector, announces robust trading figures including like for like profit after tax up 4 per cent.;
- Like for like operating margin at a record 31 per cent. (2007: 27 per cent.) calculated on operating profit (excluding acquisition) before exceptional costs;
- Critical mass achieved in database activities via transformational acquisition in November 2008 of DLG, one of the UK's largest owners and providers of consumer lifestyle data to the direct marketing industry;
- Following reorganisation into Customer Recruitment and Database Management divisions, DM is now a fully integrated customer recruitment and database management business with extensive operations across the core media of post, phone, mobile, email and internet;
- Major expansion of Group databases to now include, approximately:
    - Postal details: 23.1 million (2007: 7.5 million)
    - Telephone numbers: 5.4 million (2007: 2.2 million)
    - Email addresses: 5.9 million (2007: 0.1 million)
    - Mobile phone numbers: 6.5 million (2007: 0.7 million)
- Gross profit of £8.57 million, up 8 per cent. (2007: £7.93 million) and gross margin improving to 47 per cent. (2007: 40 per cent.);
- Full year turnover down 9 per cent. to £18.27 million (2007: £20.01 million) following reduced first half gamecard volumes. Record second half turnover of £10.78 million following acquisition of DLG;
- Consolidated Group EBITDA of £4.50 million, down 19 per cent. (2007: £5.58 million);
- Exceptional and restructuring costs in relation to Strategic Review and acquisition of DLG of £613,000;
- Adjusted earnings per share, excluding DLG reorganisation costs and exceptional costs of Strategic Review, up 3 per cent. to 2.57 pence (2007: 2.49 pence). Basic earnings per share down 9 per cent. to 2.15 pence (2007: 2.37 pence); and
- £5.08 million returned to shareholders by way of a substantial interim dividend of 3.5 pence paid on 23 December 2008. Total dividend for the year ended 31 December 2008 of 3.5 pence (2007: 0.3 pence).

DM Chairman, Adrian Williams said:

*"2008 was an exciting year for DM. Despite the market turbulence we delivered a robust trading performance, including like for like profit after tax up 4% and operating margin up to a record 31%. We were also presented with unmissable opportunities, which culminated in the acquisition of DLG, one of the UK's largest owners and providers of consumer lifestyle data to the direct marketing industry. DM is now a fully integrated customer recruitment and database management business with extensive operations across the core direct mail media of post, phone, mobile, email and internet. We look forward to the future with great expectations."*

**DM plc**

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## CHAIRMAN'S STATEMENT

I am pleased to report DM's final results for the year ended 31 December 2008, during which we have transformed the business into a fully integrated direct marketing group and laid the foundation for future growth. Even in the face of some of the toughest trading conditions on record we have delivered a robust trading performance and made a major step forward in further strengthening and enhancing the medium to long-term prospects of the Group for its shareholders.

The major event of the year was undoubtedly the transformational acquisition of the trade and assets of Data Locator Group Ltd and of certain associated companies ("DLG") from the administrators of DLG for a cash consideration of £3.25 million. This acquisition in November 2008 of a business which, as recently as October 2007, was the subject of a £72.5 million secondary buy-out, now gives the Group the critical mass it was seeking in database products and services and in one move makes DM a major player in the database management sector.

DLG is one of the UK's largest providers of consumer lifestyle data to the direct marketing industry and has one of the UK's largest consumer lifestyle databases. DLG, at the time of the acquisition, owned postal details of over 20 million individuals; approximately 4.5 million telephone numbers; 5.8 million email addresses; and 6.2 million mobile phone numbers. This combined with the Group's existing database of over 8 million customers (mostly postal and telephone details) now makes DM a major player across all the core direct marketing media of post, phone, mobile, email and internet.

### Financial results

The trading and banking conditions during 2008 presented a challenge for the Group with the well documented economic downturn putting substantial pressure on consumer spending patterns. Based on past experience in recessionary periods, the Board believe that its direct mail products will perform robustly during the economic slowdown.

In the face of these difficult trading conditions the Board made the decision to concentrate on maintaining margin rather than driving absolute revenue growth. The lower revenue reported for the half year to 30 June 2008, continued through to the year end as the Group maintained its margin focus. Full year turnover was £18.27 million, down 9 per cent. (2007: £20.01 million), but the second half saw a record turnover for a six monthly period of £10.78 million, up 30 per cent. on the first half when taking into account the additional revenue of the DLG acquisition.

The resilience of the Group's performance comes from the control which the Group has over how and when it generates revenue, only placing media promotions or direct mail or committing any significant resource once there are statistically proven test results which maximise the operating profitability of each campaign. With a low fixed overhead, the Group therefore only incurs direct costs on campaigns when it has a high, statistically proven probability of success. For the year ended 31 December 2008, the Group's cost of sales, which is predominantly printing, media placement and postal costs was reduced 20 per cent. to £9.69 million (2007: £12.08 million).

Like for like profit after tax, based on prior year operations and excluding DLG was £3.53 million, up 4 per cent. (2007: £3.40 million). The exceptional costs of the Strategic Review amounted to £343,000 and the professional fees and reorganisation costs, post acquisition, in relation to DLG were £270,000 in 2008. For the period from the acquisition of DLG on 12 November 2008 to the year end, DLG overheads where £1.26 million, which in such a short period equate to approximately half of the Group's annual non-DLG overhead base. DLG overheads have now been substantially reduced and pleasingly, during January 2009, the DLG business performed well and is already approaching breakeven, considerably ahead of the timetable set out in our turnaround plan. This further demonstrates our expertise in turning around and benefiting from distressed acquisitions in the shortest possible timeframe.

## Financial results (continued)

EBITDA for the year fell to £4.50 million (2007: £5.58 million). Group consolidated profit before tax was down to £4.16 million (2007: £4.88 million). However, this included exceptional, one-off costs of £613,000 and was based on turnover down 9 per cent. resulting in a record gross margin of 47 per cent. due to the Group's strategically planned reduction in volumes and the Board focusing on margins. The underlying net margin of existing operations (calculated as operating profit before exceptional costs excluding the acquisition as a percentage of turnover) also increased to a record 31 per cent. This result demonstrates the strength of the Group's business model which allows the Group to manage campaigns across its operations on a prudent basis. As the mix of the business changes towards higher margin customer communication and database revenue, along with a pricing environment which has allowed the Group to aggressively reduce the cost of sales via lower media insert, printing and postal costs, margins should continue to improve.

Adjusted earnings per share excluding DLG reorganisation costs and exceptional costs of the Strategic Review were up 3 per cent. to 2.57 pence (2007: 2.49 pence). Basic earnings per share were down 9 per cent. to 2.15 pence (2007: 2.37 pence).

On 16 October 2008, the Board announced the conclusion of the Strategic Review and a substantial interim dividend of 3.5 pence per ordinary share which was paid on 23 December 2008 to shareholders. This returned £5.08 million of value to shareholders and reflects the Group's strength in converting profitability to cashflow, which over the last three years has averaged at approximately 94 per cent. In light of this payment the Board is not recommending a final dividend, resulting in a total dividend paid for the year ended 31 December 2008 of 3.5 pence (2007: 0.3 pence).

At the time of the DLG acquisition the Board gave shareholders the opportunity to elect to receive the interim dividend in new DM shares by way of a scrip dividend alternative. In total, elections under the scrip resulted in the admission of 445,681 new ordinary shares.

At DM's Annual General Meeting in April 2008, a renewal of the Group's authority to purchase its own shares was granted. In the year ended 31 December 2008, the Group bought back 1,078,479 ordinary shares of 1 pence each, for a total cost of £0.17 million, at an average price of 15.6 pence per share.

As at 31 December 2008, after including the cost of the DLG acquisition, the substantial interim dividend, share buy-backs and trading cashflow, the Group ended the year with a net debt position of £8.09 million (2007: net surplus £0.22 million). The Group employs strict operational controls and working capital management which have allowed the Group to carefully manage its cash throughout the year, an area which will be kept under close control during 2009.

## Strategic Review

On 10 June 2008, DM announced that the Board was to undertake a Strategic Review to consider the strategic options available to maximise shareholder value. The purpose of the Strategic Review was to assess all possible options available to the Company to maximise shareholder value including a continuation of the Company's share buyback programme, potential bolt-on and strategic acquisitions or whether it would be in shareholders' best interest to explore a potential sale of the Company.

Whilst the Strategic Review did not deliver what ultimately became the principal objective of a sale of the Group at a significant premium, there was considerable private equity interest in the Group and had it not been for the sudden lack of Bank financing in the Autumn of 2008, at the level previously indicated during the early stages of the process, the Board are confident that a transaction could have been concluded which would have delivered considerable shareholder value.

## DLG Acquisition

The Group has an outstanding track record of making selective acquisitions at the right price and rapidly improving the acquisitions' financial performance, whilst integrating them into the wider Group. This has allowed the Group to grow quickly, establishing critical mass and becoming a market leader in its chosen sectors and therefore delivering financial performance through a combination of organic and acquisitive growth. By 2008, the Group had established a highly successful business specialising in customer recruitment via gamecards and direct mail and whilst we had a promising database management division it was ultimately sub-scale. The acquisition of DLG presented the Group with an opportunity to rapidly establish critical mass and an influential market position in consumer lifestyle database marketing to the direct marketing industry.

The importance of the DLG acquisition should be set in the context of a business which was the subject of a £72.5 million secondary buy-out in October 2007. Based on the unaudited draft accounts for the year ended 30 June 2008, the turnover of DLG was £15.29 million with loss before tax of £3.67 million. As at 30 June 2008, fixed assets were £2.26 million.

As part of the turnaround and integration process for DLG, in January 2009 the Board appointed Mr Hugh Villiers to become non-executive Vice Chairman of DLG. Hugh is a successful entrepreneur with a proven track record in building and growing consumer lifestyle businesses having been involved in the initial development of the lifestyle data collection sector in the early 1980's and he has successfully sold a series of businesses to the Acxiom UK group of companies. Hugh is to be remunerated on a success only basis by reference to the financial performance of DLG in the financial years ending 31 December 2011.

Mr Villiers' demonstrated his commitment to his role as DLG Vice Chairman, and confidence in the future financial performance, by acquiring from Adrian Williams, DM Chairman, 15,290,520 ordinary shares in DM, at 9.81 pence per share for a total cost of £1.5 million. Adrian Williams shareholding was therefore reduced by the corresponding amount to 102,255,045, representing in aggregate 70.27 per cent. of the Group's issued share capital.

## Business Review

As the Group has grown and developed we have arranged our operations into complementary divisions which reflect the general activity undertaken by each operation. Until the acquisition of DLG, the Group's activities were dominated by customer recruitment via gamecards and customer communication via direct mail. These operations formed two separate divisions which were then complemented by the Group's database products operations as a third division which utilised the Group's database of over 8 million customer names, selling them to organisations who deploy direct marketing strategies and in particular via a number of data-sharing joint venture arrangements with financial institutions, including AXA Sun Life, Cornhill and In Retirement.

The transformational acquisition of DLG, is a giant step towards achieving the Group's strategy. During late 2007 and 2008, the Group's mix was increasingly moving towards the higher margin customer recruitment and database products. Furthermore, by concentrating on higher margin direct mail and database services, the Group should become more analogous to the large database type businesses of the likes of Experian and Acxiom. In order to achieve this, the Board has now restructured the Group into two divisional units:

- Customer Recruitment Division, consisting of the previous Gamecard and Direct Mail divisions; and

- Database Management Division, consisting of the previous Database division and DLG.

## Customer Recruitment Division

The Group's customer recruitment expertise is in designing, and then distributing a proprietary range of response orientated games of skill and chance. This brings new customers which are added to the Group's database where they are profitably communicated with via direct mail. In these activities, the Group's experience and knowledge of the market, creativity and reputation with customers and publishers (who distribute their products) represents significant barriers to entry.

Of particular note and pride in gamecard activities was the award, in January 2008, of what the Board believes to be an industry world record breaking prize of over £1 million. The prize winning Golden Ticket was the jackpot prize in one of the Group's *'Win a Million'* promotions distributed in national and regional newspapers and magazines. This prize was covered by DM's insurance company at no further cost to DM.

Customer communication via direct mail achieves high margins due to the significantly increased response rates generated from mailing existing customers. By combining the gamecard and direct mail operations into a single division the Group expects to more closely align the lead generation and customer recruitment activities. Activities will be further enhanced by the expansion of the Group's database activities from the DLG acquisition. The intention is to develop internally generated new opportunities via additional media channels in these operations using the multi media expertise of DLG in internet, email and mobile communication.

## Database Management Division

The original Database division was formed to actively manage, create and exploit opportunities to sell and profit from the Group's response driven database of over 8 million customers, which is still the largest response database in the UK in DM's market sector. The most successful examples of this are the joint ventures with financial services providers which have been showing strong growth over recent years. These kinds of joint ventures are only available to a limited number of providers with sufficiently large databases. This will be further enhanced by the retained customer base of direct mail users and the extensive, multi media databases acquired with DLG. The acquisition of DLG has significantly increased the size and depth of the Group's databases:

- Postal details: 23.1 million (2007: 7.5 million)
- Telephone numbers: 5.4 million (2007: 2.2 million)
- Email addresses: 5.9 million (2007: 0.1 million)
- Mobile phone numbers: 6.5 million (2007: 0.7 million)

The DLG database covers consumer lifestyle data, purchasing habits and consumer preferences and operates in the large and growing UK consumer data services market. The Group expects that combining the Group's existing database activities with DLG, will result in a step change in the Group's highly profitable database products activities. The Group anticipates realising significant cost and cross selling synergies between DM's existing database of over 8 million consumer names and DLG's consumer data.

The DLG acquisition is closely aligned with the Group's stated strategy to identify and acquire further response based databases, having made two smaller database acquisitions earlier in 2008. Such acquisitions have previously demonstrated rapid payback, often generating profitability of many times the purchase price. We are very excited about the future prospects for this newly enlarged division.

## Outlook

At the start of 2008, the Board’s strategy was to retain market leadership in the Group’s core gamecard and direct mail operations and to grow organically or via acquisition the Group’s promising, but ultimately sub-scale Database division. The opportunity to acquire DLG changed all of that, with the potential to catapult the Group into the top tier of consumer lifestyle database management businesses. This acquisition, made at a highly advantageous price, has now created the fully integrated direct marketing business we have been working towards and laid the foundation for the next phase of the Group’s development.

The Group’s business model has allowed it to re-size its operations to address the current market conditions and focus on profitable trading. We have delivered robust trading figures which we are justifiably proud of. However, it is the transformational acquisition of DLG which really excites us.

We are still in the early days of integrating the DLG acquisition, but much has already been achieved and we have an outstanding track record of acquiring businesses at the right price, at the right time and integrating them rapidly. We are not complacent and the appointment and commitment shown to the Group by Hugh Villiers, both in his stake in DM and incentive arrangements within DLG, have shown that we are prepared to be flexible to achieve our aim of maximising medium to long-term shareholder value.

With the acquisition of DLG, the Board believes that DM now has an opportunity to create a market leading, fully integrated off and on-line lead generation and direct marketing services Group. The Group’s shared values and complementary skill sets mean that even in these difficult and testing times the Board is confident that the Group has the management and proven track record to create and maintain a dominant market position in the Group’s chosen sectors and translate these into shareholder value. As always, I wish to thank all of the Group’s loyal and effective employees who are responsible for our success so far and will be central in delivering our vision.

A J Williams
Chairman

6 March 2009

## DM plc

## THE BOARD OF DIRECTORS

**Adrian John Williams (aged 51) 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 50) 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 44) 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 68) 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 and Broker**
Altium Capital Limited, 5 Ralli Courts, West Riverside, Manchester M3 5FT

**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 5DB*

# DIRECTORS' REPORT

## Directors' report
The Directors present their annual report and the audited financial statements for the year ended 31 December 2008.

## 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 7.

## Dividends
An interim dividend was paid this year of 3.5p per share. The Directors propose that no final dividend should be paid in respect of the year ended 31 December 2008.

## Transactions in shares
On 23 December 2008, the Company issued 445,681 new Ordinary shares in the form of a scrip dividend for 9.4p per share at a premium of 8.4p per share equating to a total value of £41,894.

The Company repurchased and cancelled 1,078,479 Ordinary Shares of nominal value £10,784.79 during 2008. The aggregate amount paid for these shares was £171,719.

## Risks and Uncertainties
In order to create adequate finance for the Group's operations, the Group uses various financial instruments including cash, bank loans, trade receivables and trade payables. The main risks arising from these financial instruments are market risk, cash flow risk, interest rate risk and liquidity risk.

Market risk arises mainly from legislative changes, and this situation is constantly under review. We are not aware of any imminent or proposed threat to any existing revenue streams. The trading and banking conditions during 2008 presented a challenge for the Group with the well documented economic downturn putting substantial pressure on consumer spending patterns. Based on past experience in recessionary periods, the Board believe that its direct mail products will perform robustly during the economic slowdown.

## Liquidity, Interest rate and cash flow risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Management review cashflow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements. Management also consider the exposure to variable interest rates to be acceptable in the current climate where the trend has been for rates to reduce.

The Directors do not consider credit or currency risk to be significant in this market. The Group has not used any financial hedges.

## KPIs
The size 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 2008 Ordinary Shares of 1p each | Shareholding at 31 December 2008 Ordinary Shares of 1p each | % of Issued Share Capital at 31 December 2008 |
|---|---|---|---|
| A J Williams | 117,545,565 | 117,545,565 | 80.8% |
| W E Ruck | 1,181,965 | 1,181,965 | 0.81% |
| JCYP Gommes | 500,000 | 500,000 | 0.34% |
| M Winter | 42,911 | 42,911 | 0.03% |

JCYP Gommes also has a non-beneficial interest, as at 31 December 2008, in 731,000 Ordinary Shares (representing 0.50% of the Issued Share Capital) via Pinkberry Consultants Ltd (2007: 731,000 shares). Pinkberry Consultants Ltd 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 2008 was 48 days (2007 – 53 days).

## Financial instruments

During the early part of the year the Directors determined that the group had sufficient cash available to allow it to purchase back some of its own shares, which it did and then stopped doing while a Strategic Review was being undertaken. The company has not purchased back any of its own shares since the Strategic Review preferring to make a special dividend instead.

The Company places any surplus 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.

## DIRECTORS' REPORT (continued)

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 were the Company's auditors during the year. A resolution to reappoint PKF (UK) LLP as auditors will be proposed at the Annual General Meeting.

By order of the Board

**T P Brennan**
**Company Secretary**

6 March 2009

# 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 Group 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 2008 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 2008.

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. The information in the Directors' report includes that specific information presented in the Chairman's statement that is cross referenced from the business review section of the Directors' report.

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 2008 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

6 March 2009

**DM plc**

## CONSOLIDATED INCOME STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2008

| | Notes | Group 2008 £'000 | Group 2008 £'000 | Group 2007 £'000 | Group 2007 £'000 |
|---|---|---|---|---|---|
| **Continuing Operations** | | | | | |
| Revenue | **5** | | **18,265** | | 20,012 |
| Cost of sales | | | **(9,691)** | | (12,082) |
| **Gross Profit** | | | **8,574** | | 7,930 |
| Administrative expense before exceptional items | | | | | |
| Existing operations | | (2,256) | | (2,572) | |
| Acquisitions | | (1,264) | | - | |
| Total Administrative expense before exceptional items | | (3,520) | | (2,572) | |
| Operating profit before exceptional items | | 5,054 | | 5,358 | |
| Administrative expenses – exceptional items | | | | | |
| Strategic review | | (343) | | - | |
| Acquisition - reorganisation | | (270) | | - | |
| Total Administrative expenses - exceptional items | | (613) | | - | |
| **Total Administrative expenses** | | | **(4,133)** | | (2,572) |
| **Operating Profit** | **6** | | **4,441** | | 5,358 |
| Investment Income | **9** | | **192** | | 112 |
| Finance Costs | **10** | | **(469)** | | (592) |
| **Profit Before Tax** | | | **4,164** | | 4,878 |
| Income tax expense | **11** | | **(1,027)** | | (1,478) |
| **Profit attributable to equity holders of the parent** | | | **3,137** | | 3,400 |
| Analysed as: | | | | | |
| Loss after tax in acquired business | | (393) | | | - |
| Like for like profit excluding acquisition | | 3,530 | | | 3,400 |
| **Earnings Per Share** | | | | | |
| From continuing operations | | | | | |
| Basic | **12** | | **2.15p** | | 2.37p |
| Diluted | **12** | | **2.15p** | | 2.37p |

The notes on pages 18 to 30 form an integral part of these accounts.

## DM plc

## CONSOLIDATED BALANCE SHEET
## AS AT 31 DECEMBER 2008

| | Notes | Group 2008 £'000 | Group 2007 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | **14** | **111** | 59 |
| Goodwill | **15** | **13,561** | 10,630 |
| Other intangible assets | **16** | **982** | 25 |
| | | **14,654** | 10,714 |
| **Current assets** | | | |
| Inventories | **17** | **234** | 240 |
| Trade and other receivables | **18** | **4,249** | 2,171 |
| Cash and cash equivalents | **19** | **3,861** | 6,068 |
| | | **8,344** | 8,479 |
| **Total assets** | | **22,998** | 19,193 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | **20** | **(4,011)** | (3,426) |
| Borrowings | **19/21** | **(6,619)** | (1,800) |
| Current tax payable | | **(271)** | (784) |
| | | **(10,901)** | (6,010) |
| **Assets less current liabilities** | | **12,097** | 13,183 |
| **Non-current liabilities** | | | |
| Borrowings | **21** | **(5,328)** | (4,050) |
| Deferred tax | **22** | **(2)** | (3) |
| | | **(5,330)** | (4,053) |
| **Net assets** | | **6,767** | 9,130 |
| **Equity attributable to equity holders of the parent** | | | |
| Ordinary shares | **23** | **1,455** | 1,462 |
| Capital redemption reserve | **24** | **16** | 5 |
| Merger reserve | **24** | **(3,108)** | (3,108) |
| Share premium | **24** | **2,893** | 2,854 |
| Retained earnings | **24** | **5,511** | 7,917 |
| **Total equity** | | **6,767** | 9,130 |

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 6 March 2009.

A J Williams
Chairman

The notes on pages 18 to 30 form an integral part of these accounts.

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2008

| | **Group 2008 £'000** | Group 2007 £'000 |
|---|---|---|
| Profit for the year | **3,137** | 3,400 |
| **Total recognised income and expense for the year** | **3,137** | 3,400 |
| **Attributable to:** | | |
| Equity holders of the parent | **3,137** | 3,400 |

## CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

| | **Notes** | **Group 2008 £'000** | Group 2007 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxation | | **4,164** | 4,878 |
| Adjustments for: | | | |
| Depreciation and amortisation | | **59** | 59 |
| Investment income | | **(192)** | (112) |
| Finance costs | | **469** | 592 |
| Impairment loss | | **-** | 74 |
| (Profit)/Loss on disposal of property, plant and equipment | | **(4)** | 86 |
| (Increase)/decrease in trade and other receivables | | **(2,078)** | 813 |
| Decrease/(increase) in inventories | | **6** | (102) |
| Increase in trade payables | | **585** | 1,259 |
| Cash generated from operations | | **3,009** | 7,547 |
| Interest paid | | **(469)** | (592) |
| Income taxes paid | | **(1,540)** | (1,868) |
| *Net cash from operating activities* | | **1,000** | 5,087 |
| **Cash flows from investing activities** | | | |
| Sale of property, plant and equipment | | **20** | - |
| Acquisition of subsidiaries, net of cash acquired | | **-** | - |
| Purchase of property, plant and equipment | | **(84)** | (15) |
| Purchase of intangible assets | | **(3,931)** | (10) |
| Interest received | | **192** | 112 |
| *Net cash (used in)/from investing activities* | | **(3,803)** | 87 |
| **Cash flows from financing activities** | | | |
| Net proceeds from the issue of share capital | | **43** | 1,928 |
| Shares bought back for cancellation | | **(174)** | (87) |
| Proceeds from long term borrowings | | **7,750** | - |
| Repayment of borrowings | | **(6,335)** | (2,357) |
| Dividends paid | | **(5,369)** | (292) |
| *Net cash used in financing activities* | | **(4,085)** | (808) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(6,888)** | 4,366 |
| **Cash and cash equivalents at beginning of year** | | **6,068** | 1,702 |
| **Cash and cash equivalents at end of year** | **19** | **(820)** | 6,068 |

The notes on pages 18 to 30 form an integral part of these accounts.

# NOTES TO THE ACCOUNTS
# FOR THE YEAR ENDED 31 DECEMBER 2008

**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.

**1. Basis of preparation**
These financial statements have been prepared 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 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.

**1.1 Adoption of standards effective in 2008**
There are no new standards applied which affect the balance sheet, income statement or other disclosure.

The following standards were mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the operations of the Group.

- IFRIC 11 (IFRS 2) Group and treasury share transactions
- IFRIC 12 Service concession arrangements
- IFRIC 14 (IAS 19) The limit on a defined benefit asset, minimum funding requirements and their interaction
- IAS 39 and IFRS 7 (Amendment) Reclassification of financial instruments

**1.2 EU adopted IFRS not yet applied**
The following IFRS were available for early application but have not yet been applied by the Group in these financial statements:

- IFRS 1 and IAS 27 (Amendment) Cost of investment in subsidiary
- IFRS 2 (Amendment) Share-based payment
- IFRS 3 (Revised) Business Combinations
- IFRS 8 Operating segments
- IAS 1 (Revised) Presentation of financial statements
- IAS 1 and IAS 32 (Amendment) Puttable financial instruments and obligations arising on liquidation
- IAS 23 (Amendment) Borrowing costs
- IAS 27 (Amendment) Consolidated and separate financial statements
- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation

The Directors consider that the adoption of these standards and interpretations in future periods will have no material financial impact on the consolidated financial statements other than the revised approach to accounting for business combinations under IFRS 3 “Business Combinations (revised 2008)” and only in the event that there are future material acquisitions.

**2. ACCOUNTING POLICIES**

**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.

**ACCOUNTING POLICIES (continued)**

**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.

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 - 5 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 reducing balance basis over the estimated useful life, as follows:

- 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.

**2.5 Impairment of assets**

The Group assesses 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 through profit and loss when the Group becomes a party to the contractual provisions of the instrument.

**ACCOUNTING POLICIES (continued)**

**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.

**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.

**ACCOUNTING POLICIES (continued)**

**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.

**2.15 Exceptional items**
Exceptional items are identified as being items which arise from events or transactions that fall within the ordinary activities of the Group where the Board believes, due to their nature and significance, it is useful to shareholders to disclose such items on the face of the consolidated profit and loss account to the extent that this does not conflict with any applicable IFRS. The disclosure of profit after tax in the acquired business is stated after charging the exceptional cost for the reorganisation.

**2.16 Cash and cash equivalents**
For the purposes of the cash flow statement, cash includes cash in hand and balances with banks and investments in money market instruments net of outstanding bank overdrafts. Bank overdrafts are presented within Borrowings in the balance sheet.

**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**

Key assumptions have been made in the following area when preparing the Group accounts:

Goodwill - Goodwill is tested for impairment at each balance sheet date. The recoverable amounts of cash generating units have been estimated based on value in use calculations. These calculations require the use of estimates (see note 15). If the discount rate used to assess the recoverable amount was to be increased by 1% then there would be no impairment.

Economic life of databases – The economic life of a database affects the amortisation charge and therefore the reported profit. The view of the Board is that small databases with a limited number of data records per individual have a useful life of two years or, in some cases, less than one year in which case the cost of the database is expensed. Larger databases where there is a greater range of data per individual have a useful life of up to five years. In both cases the judgement is based on extensive market experience. If the economic life of the large databases had been reduced by one year then the effect on the profit before tax this year would have been a reduction of £21k.

**4. SEGMENT REPORTING**
All DM's business activities relate to the maintenance, recruitment to and monetisation of databases. Therefore the business is considered to operate in only one business segment. All turnover arises in the UK and Eire.

**5. REVENUE**

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| The Group's revenue comprises: | | |
| Customer recruitment and database management | **18,265** | 20,012 |

**6. OPERATING PROFIT**

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Group operating profit for the year is stated after the following: | | |
| Exchange losses | **22** | 20 |
| Staff costs | **2,518** | 1,518 |
| Depreciation | **16** | 27 |
| Amortisation of other intangible assets | **43** | 32 |
| (Loss)/profit on disposal of fixed assets | **(4)** | 86 |
| Impairment losses on other intangible assets | **-** | 74 |
| Operating lease expense – land and buildings | **134** | 104 |

## 7. AUDITOR'S REMUNERATION

| Fees payable to the Group's auditor for: | **2008** **£** | 2007 £ |
|---|---|---|
| The audit of the Group's annual financial statements | **10,000** | 11,500 |
| The audit of the Group's subsidiaries, pursuant to legislation | **5,000** | - |
| Other services pursuant to legislation | **7,500** | - |

## 8. STAFF COSTS

| **Staff costs comprised:** | **2008** **£'000** | 2007 £'000 |
|---|---|---|
| Wages and salaries | **2,257** | 1,379 |
| Social security costs | **222** | 139 |
| Pension scheme contributions (direct contribution) | **39** | - |
| | **2,518** | 1,518 |

| **The number of employees can be categorised as follows:** | **Number** | Number |
|---|---|---|
| Directors | **4** | 4 |
| Administration | **60** | 67 |
| | **64** | 71 |

No directors were members of a money purchase pension scheme (2007: nil)

## 9. INVESTMENT INCOME

| | **2008** **£'000** | 2007 £'000 |
|---|---|---|
| Interest on short term deposits | **192** | 112 |

## 10. FINANCE COSTS

| | **2008** **£'000** | 2007 £'000 |
|---|---|---|
| Interest on borrowings | **469** | 592 |

## 11. INCOME TAX EXPENSE

| | **2008** **£'000** | 2007 £'000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax | **1,028** | 1,485 |
| Deferred tax | **(1)** | (7) |
| | **1,027** | 1,478 |

Corporation tax is calculated at 28.5% (2007:30%) 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:

| | **2008** **£'000** | 2007 £'000 |
|---|---|---|
| Profit before tax | **4,164** | 4,878 |
| UK standard rate tax expense | **1,187** | 1,463 |
| Prior year tax adjustment | **(25)** | - |
| Non deductible expenses | **-** | 17 |
| Tax repayment re losses carried forward | **(123)** | - |
| Interest on taxation | **(11)** | 5 |
| Depreciation in excess of capital allowances | **(1)** | (7) |
| Tax charge | **1,027** | 1,478 |

**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.

## NOTES TO THE ACCOUNTS (continued)
## FOR THE YEAR ENDED 31 DECEMBER 2008

### 12. EARNINGS PER SHARE

| | 2008 | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Reconciliation of net profit to basic earnings: | | |
| Net profit attributable to equity holders of the parent | **3,137** | 3,400 |
| Basic earnings | **3,137** | 3,400 |
| Reconciliation of basic earnings to diluted earnings: | | |
| Basic earnings | **3,137** | 3,400 |
| Interest on share options | **-** | 1 |
| Diluted earnings | **3,137** | 3,401 |

| | | |
|---|---|---|
| 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 | **145,361,224** | 143,232,335 |
| Dilutive effect of share options | **-** | 221,376 |
| Diluted weighted average number of ordinary shares | **145,361,224** | 143,453,711 |

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.

| **Adjusted earnings per share** | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Net profit attributable to equity holders of the parent | **3,137** | 3,400 |
| Costs of Strategic Review and restructuring at acquired company (2007: Impairment and asset write down with respect to closure of Cyberdyne Entertainment Limited) | **613** | 160 |
| Adjusted profit attributable to equity shareholders of DM plc | **3,750** | 3,560 |
| | | |
| Adjusted earnings per share | **2.57p** | 2.49p |
| Diluted adjusted earnings per share | **2.57p** | 2.49p |

### 13. DIVIDENDS

| | 2008 | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Dividends paid during the year – 2007 final plus 2008 interim (2007: 2006 final plus 2007 interim) | **5,369** | 292 |
| Dividends per share (pence per share) | **3.7p** | 0.2p |
| | | |
| Final dividend declared after year end | **-** | 292 |
| Final dividend per share (pence per share) | **-** | 0.2p |

There will not be a final dividend declared based on 2008 in addition to the special dividend declared and paid in the year (2007: final dividend 0.2p).

**NOTES TO THE ACCOUNTS (continued)**
**FOR THE YEAR ENDED 31 DECEMBER 2008**

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Motor vehicles £'000 | Furniture and fittings £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| Opening cost at 1 January 2007 | 40 | 231 | 271 |
| Additions | - | 15 | 15 |
| Disposals | - | (136) | (136) |
| Opening cost at 1 January 2008 | 40 | 110 | 150 |
| Additions | - | 84 | 84 |
| Disposals | (26) | (17) | (43) |
| **Closing cost at 31 December 2008** | **14** | **177** | **191** |
| **Accumulated depreciation** | | | |
| Opening balance at 1 January 2007 | 14 | 112 | 126 |
| Depreciation | 7 | 20 | 27 |
| Disposals | - | (62) | (62) |
| Opening balance at 1 January 2008 | 21 | 70 | 91 |
| Depreciation | 2 | 14 | 16 |
| Disposals | (13) | (14) | (27) |
| **Closing balance at 31 December 2008** | **10** | **70** | **80** |
| Carrying value at 1 January 2007 | 26 | 119 | 145 |
| Opening carrying value at 1 January 2008 | 19 | 40 | 59 |
| **Closing carrying value at 31 December 2008** | **4** | **107** | **111** |

## 15. GOODWILL

| | £'000 |
|---|---|
| **Cost** | |
| Cost at 1 January 2007 and 1 January 2008 | 10,704 |
| Additions | 2,931 |
| **Closing cost at 31 December 2008** | **13,635** |
| **Accumulated impairment** | |
| Opening balance at 1 January 2007 | - |
| Impairment loss | 74 |
| Opening balance at 1 January 2008 | **74** |
| Impairment loss | **-** |
| **Closing balance at 31 December 2008** | **74** |
| Opening carrying value at 1 January 2007 | 10,704 |
| Opening carrying value at 1 January 2008 | 10,630 |
| **Closing carrying value at 31 December 2008** | **13,561** |

During the period the Group acquired the business of Data Locator Group Ltd. The fair value (deemed to be the book value) of assets acquired and liabilities assumed were as follows:

| | £'000 |
|---|---|
| Property, plant and equipment | 80 |
| Trade payables | (732) |
| Total net liabilities | (652) |
| Goodwill | 2,931 |
| Total fair value of consideration paid | 2,279 |

## 15. GOODWILL (continued)

The purchase price was settled by £2,250k cash and £29k in professional fees.

The group also acquired, in a related transaction, the database of Data Locator Group for a price of £1M. This is dealt with as an intangible in note 16.

The carrying value of the Group's goodwill has been reassessed at 31 December 2008 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 addition in the year relates to the acquisition of the business of Data Locator Group Ltd. See note 31 for more information relating to Data Locator Group Ltd.

## 16. OTHER INTANGIBLE ASSETS

| | Data Lists |
|---|---|
| **Cost** | **£'000** |
| Opening cost at 1 January 2007 | 103 |
| Additions | 10 |
| Opening cost at 1 January 2008 | 113 |
| Additions | 1,000 |
| **Closing cost at 31 December 2008** | **1,113** |
| **Accumulated Amortisation** | |
| Opening balance at 1 January 2007 | 56 |
| Amortisation | 32 |
| Opening balance at 1 January 2008 | 88 |
| Amortisation | 43 |
| **Closing balance at 31 December 2008** | **131** |
| Opening carrying value at 1 January 2007 | 47 |
| Opening carrying value at 1 January 2008 | 25 |
| **Closing carrying value at 31 December 2008** | **982** |

## 17. INVENTORIES

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Finished goods | **234** | 240 |

## 18. TRADE AND OTHER RECEIVABLES

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Prepayments and accrued income | **2,514** | 1,541 |
| Related party receivables (see note 27) | **26** | 17 |
| Trade receivables | **1,709** | 613 |
| | **4,249** | 2,171 |

Trade debtors are stated net of provisions of £49,000 (2007 £NIL). The movement of the provision relates to the purchase from Data Locator Group Ltd.

Trade debts are aged 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 |
| **2008** | 1,344 | 218 | 85 | 3 | 59 | 1,709 |
| **2007** | 570 | 36 | 7 | - | - | 613 |

## NOTES TO THE ACCOUNTS (continued)
## FOR THE YEAR ENDED 31 DECEMBER 2008

### 19. CASH AND CASH EQUIVALENTS

| | 2008 | 2007 |
|---|---|---|
| | £'000 | £'000 |
| Cash in hand and balances with banks | 3,861 | 6,068 |
| Current borrowings | (4,681) | - |
| Cash and cash equivalents | (820) | 6,068 |

### 20. TRADE AND OTHER PAYABLES

| | 2008 | 2007 |
|---|---|---|
| | £'000 | £'000 |
| Accrued expenses | 2,792 | 1,278 |
| Trade payables | 1,219 | 2,148 |
| | 4,011 | 3,426 |

### 21. BORROWINGS

| | 2008 | 2007 |
|---|---|---|
| | £'000 | £'000 |
| **Barclays Bank plc** | | |
| Overdraft | 4,681 | - |
| Current portion of loan facility | 1,938 | 1,800 |
| Non-current portion of loan facility | 5,328 | 4,050 |
| Total borrowings | 11,947 | 5,850 |

The loan facility with Barclays Bank plc bears interest at 3.0% p.a. above LIBOR (2007: 2.0% p.a. above LIBOR). The loan capital repayments are £1,938k per annum, split quarterly, and a final capital repayment of £1,938k due in December 2011. This is a floating interest rate loan and therefore exposes the Group to cash flow risk based on changes in LIBOR. The loan is secured by a fixed and floating charge on the assets of the Group.

The Overdraft is repayable on demand and bears interest at 1.75% above base rate.

### 22. DEFERRED TAX

| | Accelerated Capital Allowances |
|---|---|
| **Deferred tax liabilities:** | **£'000** |
| Balance at 1 January 2007 | 10 |
| Recognised in the income statement | (7) |
| Balance at 1 January 2008 | 3 |
| Recognised in the income statement | (1) |
| **Balance at 31 December 2008** | **2** |

## NOTES TO THE ACCOUNTS (continued)
## FOR THE YEAR ENDED 31 DECEMBER 2008

### 23. ORDINARY SHARES

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| **Authorised** | | |
| 2,000 million Ordinary shares of 1p each (2007: 2,000 million Ordinary shares of 1p each) | **20,000** | 20,000 |
| 50,000 Redeemable Preference Shares of £1 each | **50** | 50 |
| | **20,050** | 20,050 |
| **Issued and fully paid for** | | |
| 145,520,457 Ordinary shares of 1p each (2007: 146,153,255 Ordinary shares of 1p each) | **1,455** | 1,462 |
| | | |
| Reconciliation of the number of shares outstanding: | | |
| Opening balance | **146,153,255** | 132,928,062 |
| Shares issued | **445,681** | 13,793,103 |
| Shares repurchased | **(1,078,479)** | (567,910) |
| Closing balance | **145,520,457** | 146,153,255 |

Shares were issued in connection with the scrip issue during the year.

### 24. CAPITAL AND RESERVES

| Group | Attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Ordinary Shares £'000 | Capital Redemption Reserve £'000 | Merger Reserve £'000 | Share Premium £'000 | Retained Earnings £'000 | Total £'000 |
| **Balance at 1 January 2007** | 1,329 | - | (3,108) | 1,064 | 4,896 | 4,181 |
| **Changes in equity for 2007** | | | | | | |
| Profit for the year | - | - | - | - | 3,400 | 3,400 |
| Dividend | - | - | - | - | (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 |
| **Changes in equity for 2008** | | | | | | |
| Profit for the year | - | - | - | - | 3,137 | 3,137 |
| Dividends | - | - | - | - | (5,369) | (5,369) |
| Buy back of share capital | (11) | 11 | - | - | (174) | (174) |
| Issue of share capital | 4 | - | - | 39 | - | 43 |
| **Balance at 31 December 2008** | **1,455** | **16** | **(3,108)** | **2,893** | **5,511** | **6,767** |

### 25. RETIREMENT BENEFIT OBLIGATIONS

The Group pension arrangements are operated through a defined contribution scheme.

**Defined contribution schemes**

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Amount recognised as an expense | 39 | - |

## NOTES TO THE ACCOUNTS (continued)
## FOR THE YEAR ENDED 31 DECEMBER 2008

### 26. OPERATING LEASE COMMITMENTS

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| As a lessee: | | |
| Total future minimum lease payments under non-cancellable operating leases: | | |
| Within one year | **-** | - |
| From one to five years | **401** | 104 |
| | **401** | 104 |

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

### 27. RELATED PARTIES

The Group's investments in subsidiaries, associates and joint ventures have been disclosed in note 31. DM plc considers A J Williams to be the ultimate controlling party by virtue of his majority shareholding.

**Transactions:**

| **Relationship** | **Sales of goods** | | **Purchase of goods** | | **Amounts owed to related party** | | **Amount owed by related party** | |
|---|---|---|---|---|---|---|---|---|
| | **2008 £'000** | **2007 £'000** | **2008 £'000** | **2007 £'000** | **2008 £'000** | **2007 £'000** | **2008 £'000** | **2007 £'000** |
| Parent | 420 | 420 | 3 | 23 | 441 | 236 | 3,914 | 332 |
| Subsidiaries | - | 519 | - | 882 | - | 1,139 | - | 1,026 |
| Related companies | - | - | - | 34 | - | - | 26 | 17 |

| Directors: | **2008** | 2007 |
|---|---|---|
| | **£** | £ |
| Aggregate emoluments | **245,367** | 230,450 |

The highest paid Director received £150,000 (2007: £150,000).

Directors received dividends where they held shares. The shareholdings of individual directors are disclosed in the Directors' report.

### 28. 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 24 July 2003 and 23 July 2010.

| **EMI share option scheme** | **2008 Options** | **2008 Weighted average exercise price** | **2007 Options** | **2007 Weighted average exercise price** |
|---|---|---|---|---|
| Outstanding at the beginning of the period | 1,537,182 | 12.63p | 1,469,386 | 12.53p |
| Granted during the period | 190,926 | 15.75p | 67,796 | 14.75p |
| Outstanding at the end of the period | 1,728,108 | 12.97p | 1,537,182 | 12.63p |

EMI share options outstanding at 31 December 2008 had a weighted average exercise price of 12.97p, and a weighted average remaining contractual life of 1.75 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 fair value of the share options as at 31 December 2006 was £16k.

## 28. SHARE BASED PAYMENTS (continued)

The Black-Scholes pricing model was used to value the share options issued in 2007 and this valuation applies to the current year end in accordance with the relevant accounting standards. 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 fair value of these options as at 31 December 2007 was £2k.

The Black-Scholes pricing model was used to value the share options issued in 2008. The inputs were share price volatility 10%, risk free interest 2% p.a. and a time to maturity of 3.5 years. On this basis the fair value of these options as at 31 December 2008 was £2k.

Volatility has been based on historic share price in all calculations. The risk free rate is based on the Bank of England base rate when options are granted.

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.

## 29. 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 general provision for doubtful debts is required and that specific debts may be assessed on their own merits. The maximum exposure to credit risk is the trade receivables balance and cash at bank amounts disclosed in notes 20 and 21 respectively. No collateral is held as security on these amounts.

Interest rate risk - The Group increased its borrowings in 2008 in order to acquire the business of Data Locator Group. Between April 2006 and March 2008 the Group had in place a financial instrument that provided 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 Board has considered the current LIBOR and decided not to enter into any financial instruments, such as interest rate fixes or swaps, for the time being. This decision is reviewed monthly.

Financial instruments include trade receivables and cash and cash equivalents of £5,570k (2007: £6,681k) which are treated as loans and receivables for IFRS 7 classification purposes. They also include borrowings, as set out in note 21, which are treated as financial liabilities measured at amortised cost.

The Group had an outstanding loan balance of £7,266k at December 31 2008 (2007: £5,850k) and a projected average capital balance outstanding of £6,539k for 2009. Therefore a change in LIBOR of 1% would change the profit before tax by £65k (2007: £59k).

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

Liquidity and cashflow 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. Management also monitor bank covenants on the loans on a monthly basis on both the actual historic performance and the forecasts to monitor compliance with its key banking terms.

The Group has a long term loan facility as described in note 21. Capital repayments are at £1,938k per annum on a quarterly basis and the balancing final capital repayment is due in December 2011. The Group also has undrawn banking facilities of £2,180k which can be used to ease liquidity risk if considered necessary.

The average creditor payment period is 48 days (2007: 53 days).

## 29. FINANCIAL RISK MANAGEMENT (continued)

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

It is the Directors' opinion that the carrying value of the Group's financial assets and liabilities are not materially different from their fair value. The fair value of financial assets and liabilities is assessed based on generally accepted pricing models based on discounted cashflow analysis.

The Group's financial liabilities consist of bank overdrafts, trade payables and bank loans. The maturity profile for the bank loans are disclosed in note 21. The bank overdrafts and trade payables are all payable within 3 months.

## 30. 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.

## 31. 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 | Database | 100% |
| Bingo Loopy Ltd | Ordinary | Dormant | 100% |
| Purely Creative Ltd | Ordinary | Database | 100% |
| Cyberdyne Entertainment Ltd | Ordinary | Dissolved | 100% |
| Dodd Marketing Ltd | Ordinary | Database | 100% |
| McIntyre & Dodd Marketing Ltd | Ordinary | Database | 100% |
| The Winners Club Ltd | Ordinary | Database | 100% |
| TPC Telecoms Ltd | Ordinary | Database | 100% |
| Data Locator Group Ltd | Ordinary | Database | 100% |
| Rowan (238) Ltd | Ordinary | Database | 100% |

All trading subsidiaries are included in the consolidation.

DM plc’s subsidiary Data Locator Group Ltd bought the trade and assets from the administrators of a company called, at that time, Data Locator Group Ltd on 12th November 2008.

Data Locator Group Ltd made a loss after tax of £392,508 from the date of acquisition to December 31 2008. This loss includes the exceptional restructuring cost and has been consolidated into the Group financial statements.

The investment in Purely Creative Ltd is held by Strike Lucky Games Ltd. The investment in McIntyre & Dodd Marketing Ltd is held by Dodd Marketing Ltd. The investment in Data Locator Group Ltd is held by Rowan (238) Ltd.

Cyberdyne Entertainment Ltd did not trade during the year and was dissolved on 20 January 2009.

## DM plc - Company only

### PARENT COMPANY FINANCIAL STATEMENTS

The separate financial statements of DM plc are presented on pages 33 to 36, 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 2008 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 2008.

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. The information in the Directors' report includes that specific information presented in the Chairman's statement that is cross referenced from the business review of the Directors' report.

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 2008;
- 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 6 March 2009

**DM plc**
**Company only**

## COMPANY BALANCE SHEET
## AT 31 DECEMBER 2008

| | Notes | 2008 £'000 | 2007 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Property, plant and equipment | **4** | **1** | - |
| Investments | **4** | **15,979** | 15,950 |
| | | **15,980** | 15,950 |
| **Current Assets** | | | |
| Debtors | **5** | **4,937** | 573 |
| Cash at bank | | **3** | 6,196 |
| | | **4,940** | 6,769 |
| **Creditors** | | | |
| Amounts falling due within one year | **6** | **(7,249)** | (7,462) |
| **Net current liabilities** | | **(2,309)** | (693) |
| **Total assets less current liabilities** | | **13,671** | 15,257 |
| **Creditors** | | | |
| Amounts falling due after more than one year | **7** | **(5,328)** | (4,050) |
| **Net assets** | | **8,343** | 11,207 |
| | | | |
| **Capital and reserves** | | | |
| Called up share capital | **8** | **1,455** | 1,462 |
| Capital redemption reserve | **9** | **16** | 5 |
| Share premium | **9** | **2,893** | 2,856 |
| Merger reserves | **9** | **2,286** | 2,286 |
| Profit and loss account | **9** | **1,693** | 4,598 |
| **Shareholder's funds** | | **8,343** | 11,207 |

The financial statements were approved and authorised for issue by the Board of Directors on 6 March 2009 and were signed on its behalf by:

Director

# 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.

**Investments**
Investments are included at cost less provision for impairment.

**Share based payments**
DM plc has an unapproved share option scheme and an EMI 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 24 July 2003 and 23 July 2010. 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. Further disclosure is included in the group accounts.

## 2. PROFIT AND LOSS ACCOUNT

The Company profit for the year, before charging dividends, is £2,638,000 (2007: £2,170,000). As permitted by s 230(4) of the Companies Act 1985, a separate profit and loss account has not been prepared.

## 3. AUDITORS REMUNERATION

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Fees payable to Company's auditor for the audit of the Company's accounts | **10** | 8 |

## 4. PROPERTY, PLANT & EQUIPMENT

| | **Furniture and Fittings £'000** |
|---|---|
| **Cost** | |
| Additions | **1** |
| Closing cost at 31 December 2008 | **1** |
| | |
| **Accumulated depreciation** | |
| Depreciation | **-** |
| At 31 December 2008 | **-** |
| | |
| Closing carrying value at 31 December 2008 | **1** |

**FIXED ASSET INVESTMENTS**

| | **Investments £'000** |
|---|---|
| **Cost** | |
| At 1 January 2008 | **15,950** |
| Addition during the year | **29** |
| At 31 December 2008 | **15,979** |
| | |
| **Net Book Value** | |
| At 31 December 2008 | **15,979** |
| At 31 December 2007 | **15,950** |

## NOTES TO THE FINANCIAL STATEMENTS

### 4. PROPERTY, PLANT & EQUIPMENT (continued)

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 | Database | 100% |
| Bingo Loopy Ltd | Ordinary | Dormant | 100% |
| Purely Creative Ltd | Ordinary | Database | 100% |
| Cyberdyne Entertainment Ltd | Ordinary | Dissolved | 100% |
| Dodd Marketing Ltd | Ordinary | Database | 100% |
| McIntyre & Dodd Marketing Ltd | Ordinary | Database | 100% |
| The Winners Club Ltd | Ordinary | Database | 100% |
| TPC Telecoms Ltd | Ordinary | Database | 100% |
| Data Locator Group Ltd | Ordinary | Database | 100% |
| Rowan (238) Ltd | Ordinary | Database | 100% |

All trading subsidiaries are included in the consolidation.

The investment in Purely Creative Ltd is held by Strike Lucky Games Ltd. The investment in McIntyre & Dodd Marketing Ltd is held by Dodd Marketing Limited. The investment in Data Locator Group Ltd is held by Rowan (238) Ltd.

Cyberdyne Entertainment Ltd did not trade during the year and was dissolved on 20 January 2009.

### 5. DEBTORS

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Prepayments | 71 | 33 |
| Due from Group undertakings | 4,866 | 332 |
| Other debtors | - | 208 |
| | 4,937 | 573 |

### 6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Bank loans and overdrafts | 6,470 | 7,145 |
| Trade creditors | 219 | 37 |
| Taxation and social security | 9 | 24 |
| Amount owed to Group undertakings | 442 | 236 |
| Accruals | 109 | 20 |
| | 7,249 | 7,462 |

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

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Bank loan | 5,328 | 4,050 |
| | 5,328 | 4,050 |

The loan facility with Barclays Bank is repayable in equal instalments of £484,375 (2007: £450,000) until completion of the loan repayments on 31 March 2011.

The loan facility with Barclays Bank bears interest at 3.0% p.a. above LIBOR (2007: 2.0% 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. CALLED UP SHARE CAPITAL

| **Authorised** | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| 2,000,000,000 Ordinary Shares of 1p each (2007: 200,000,000) | **20,000** | 20,000 |
| 50,000 Redeemable Preference Shares of £1 each | **50** | 50 |
| | **20,050** | 20,050 |
| **Allotted, issued and fully paid** | | |
| 145,520,457 Ordinary Shares of 1p each | **1,455** | 1,462 |

445,681 Ordinary Shares of 1p each were allotted as fully paid at a premium of 8.4p per share during the year.

The Company repurchased and cancelled 1,078,479 Ordinary Shares of nominal value £10,784.79 during the year. The aggregate amount paid for these shares was £171,719 excluding stamp duty.

### 9. RESERVES

| | **Profit and Loss Account** | **Capital Redemption Reserve** | **Share Premium** | **Merger Reserves** | **Totals** |
|---|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| At 1st January 2008 | **4,598** | **5** | **2,856** | **2,286** | **9,745** |
| Premium on shares issued in the year | **-** | **-** | **37** | **-** | **37** |
| Profit for the year | **2,638** | **-** | **-** | **-** | **2,638** |
| Purchase of own shares | **(174)** | **11** | **-** | **-** | **(163)** |
| Dividends | **(5,369)** | **-** | **-** | **-** | **(5,369)** |
| At 31st December 2008 | **1,693** | **16** | **2,893** | **2,286** | **6,888** |

### 10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Profit for the financial year | **2,638** | 2,170 |
| Dividends | **(5,369)** | (293) |
| | **(2,731)** | 1,877 |
| Issue of shares | **41** | 1,931 |
| Purchase of own shares | **(174)** | (87) |
| Net addition to shareholders' funds | **(2,864)** | 3,721 |
| Opening shareholders' funds | **11,207** | 7,486 |
| Closing shareholders' funds | **8,343** | 11,207 |

### 11. EMPLOYEE BENEFIT EXPENSE

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Salaries | **245** | 231 |
| Social Security costs | **30** | 27 |
| | **275** | 258 |

Details of Directors' remuneration are given on page 28.

### 12. 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 2008 amounted to £164,579 (2007: £111,950).

### 13. RELATED PARTIES

The Group's investments in subsidiaries, associates and joint ventures have been disclosed in note 4. DM plc considers A J Williams to be the ultimate controlling party by virtue of his majority shareholding.

| | **2008** | **2007** |
|---|---|---|
| Directors: | **£** | **£** |
| Aggregate emoluments | **245,367** | **230,450** |

No directors were members of a money purchase pension scheme.

Directors received dividends where they held shares.

## 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 22 May 2009 at Green Heys, Walford Road, Ross on Wye HR9 5DB for the following purposes:

### Ordinary Business

Resolution 1: To receive and adopt the Financial Statements of the Group for the period ended 31 December 2008 together with the Reports of the Directors and Auditors thereon.

Resolution 2: To approve and ratify the action of the Directors in declaring an interim dividend amounting to 3.5p per Ordinary Share of 1p which was paid to shareholders on 23 December 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 Adrian Williams 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.

Resolution 5: To re-elect Wendy Ruck as a Director of the Company who retires by rotation and who being eligible offers herself for re-election as a director of the Company.

### Special Business

Resolution 6: 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 7: 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 6, 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 6 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

7.1 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;

7.2 one or more allotments (otherwise than pursuant to paragraph 7.3 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;

7.3 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 8: 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:

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

8.2 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;

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

8.4 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
6 March 2009

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

*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.capitashareportal.com and follow the on-line instructions; or
   4.3 for shares held in uncertificated 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. 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 20 May 2009. 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 Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the company's registrars no later than 11.30am on 20 May 2009.