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

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

DM, the direct marketing group specialising in customer recruitment and database management, announces its final results for the year ended 31 December 2010.

Continued Growth,
Increasing Turnover and Profit,
and Strong Cash Generation

- Continued growth in turnover, EBITDA and profit after tax for the year ended 31 December 2010;
- Turnover up 7.7 per cent. to £27.56 million (2009: £25.59 million);
- Group EBITDA up 0.9 per cent. to £5.50 million (2009: £5.45 million);
- Profit after tax up by 10.3 per cent. to £3.84 million (2009: £3.48 million);
- Earnings per share up 6.0 per cent. to 2.31 pence (2009: 2.18 pence);
- Strong cash generation resulting in an improved balance sheet with net cash surplus of £0.98 million (2009: net debt £4.43 million);
- Fully integrated business with all previous acquisitions now restructured and operating profitably;
- One of the UK's largest owners and providers of consumer lifestyle data to the direct marketing industry underpinned by extensive multi-media database assets across post, phone, mobile, email and internet;
- Initial OFT ruling on 2 February 2011 and on-going discussions with OFT as to the form of the final Court order on promotion design and content;
- Progress across all business activities in continued challenging market conditions.

DM Chairman, Adrian Williams said:

"2010 has been another challenging year for the Group and we are quietly satisfied with the results. Progress has, and continues to be made across all business activities and the Group continues to be well placed to benefit when market conditions finally start to improve."

CHAIRMAN'S STATEMENT

Introduction

I am pleased to report DM's final results for the year ended 31 December 2010. Slightly unusually I am happy to report that the year ended consistent with the first half as relatively uneventful. In the context of the recent difficult and uncertain market conditions, this is better than just satisfactory.

The Group is stable and well managed with all businesses restructured and fully integrated. We have made selective improvements and investment where required and have been able to deliver another year of growth. Whilst everybody may desire faster growth in whatever they do, we have not seen the market conditions to support that in the sectors which the Group operates. During 2010, the market conditions did not improve and we have no reason to believe from current indicators that 2011 will be significantly better. That said, DM is in good operational and financial health, the Group now has net cash, has always been highly cash generative and is nimble enough to adapt to market conditions.

Financial results

For the year ended 31 December 2010, revenue reached a record £27.56 million, up 7.7 per cent. (2009: £25.59 million). This growth is purely organic with no acquisitions made during 2010.

EBITDA for the period was up 0.9 per cent. to £5.50 million (2009: £5.45 million), with Group consolidated profit before tax increasing 12.0 per cent. to £5.12 million (2009: £4.57 million). Basic earnings per share were 2.31 pence (2009: 2.18 pence).

For the period the Group generated £5.60 million of operating cash flow and as at 31 December 2010, the Group had a net cash surplus of £0.98 million (2009: net debt £4.43 million).

The Board is not recommending a dividend for the year ended 31 December 2010 (2009: nil). During the year ended 31 December 2010, the Group bought back 1,625,000 ordinary shares of 1 pence each, for a total cost of £0.09 million, at an average price of 5.8 pence per share.

Business Review

The Group is now an integrated, multi-channel business with the resources and market presence to compete across the complementary activities of consumer lifestyle database management and direct marketing, alongside the historic core customer recruitment activities of gamecard and direct marketing mailings.

The Group has yet again performed well in at best a flat market. DM's strength is in its multi-channel activities where having a diversity of business areas provides a buffer against extremes of trading conditions in any one sector. Throughout the year there are inevitably periods of low activity, fluctuations in response rates and changing demands of customers. During 2010, no one area suffered or prospered particularly and the overall outcome was pleasing if a little underwhelming, given our high standards and expectations.

The major expansion in Group activities over recent years has been in the consumer lifestyle and direct marketing sector. These services are most efficient and profitable when the economy is growing and/or our customers are looking to acquire or develop market share. Whilst historically the most active area of direct marketing has been financial services, which remains at depressed levels, direct marketing should be a leading indicator of economic growth and we have not yet seen any major improvement in the levels of general market activity.

In recent years, management time has been spent on carefully re-sizing and integrating acquired businesses, often bought when they were loss making or in financial distress. These businesses are now working efficiently and are all profitable. All this was done without losing sight of DM's core disciplines of operational flexibility and careful margin and cashflow management. It is these basics which we continue to do well and have allowed us to deliver the results that we have. The Group is lean, cost conscious, will not chase revenue growth at the expense of margin and always ensures that its products and services are customer focused.

The one area of uncertainty has been in relation to the Group's decision to seek a definitive ruling from the Court with respect to the action taken by the Office of Fair Trading ("OFT") following the implementation of certain EU legislation covering the Group's proprietary range of response orientated promotions.

DM has always applied the highest levels of care to the design of its promotions. The OFT reassessed the promotional formulae that the Group had previously agreed with the OFT that it would adhere to. In order to obtain regulatory clarity, the Group elected to gain a definitive Court ruling on the changes sought by the OFT. This procedure commenced in January 2010. Following a hearing which took place in January 2011, the High Court handed down a judgment, made on 2 February 2011, in relation to those proceedings.

The major issues in this case have not been previously tested before a Court. The Court has now delivered a detailed and considered judgment and DM welcomes the clarity brought by it. In making its decision the Court decided that in certain respects the promotions concerned did infringe the relevant regulations. In other respects the Court did not accept the OFT's contentions of infringement. The Group is now in a period of discussion with the OFT before a final order is made by the Court which will determine the exact amendments which will need to be made to the Group's promotions. It is therefore not possible at this stage to quantify the likely effect on response and profitability. The proceedings will not result in a fine of any kind on the Group and at this stage there has been no ruling in relation to costs.

John Gommes

It was with great sadness that the Group announced that its non-executive director, John Gommes, passed away on 15 February 2011. John had been a director of the Group since its formation in 2004 and his wealth of experience in the direct marketing industry, wise counsel and friendship will be sorely missed by all of his fellow directors and colleagues. We thank him and his family for the contribution that he made to the Group which exists today.

Outlook

2010 has been a period of quiet and cautious progress. The Group is now managed and operating in an efficient and integrated way. While there is little sign of significant market improvement, as and when the level of direct marketing activity eventually increases, DM will be in a strong position from which to capitalise on its market leading, multi-channel offering. The Board has made careful investments in people and systems and has a complementary suite of activities, utilising the core skills of customer recruitment, creative marketing, campaign design, and database management. There is however still a degree of uncertainty due to the ongoing OFT case since the final order of the Court has not yet been made.

As always, what we have achieved could not have been done without the commitment and hard work of all of the Group's staff, who I would like to take this opportunity to thank. We are confident of the Group's current position and future prospects and look forward to continuing the hard work to maximise shareholder returns going forward.

A J Williams
Chairman

11 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	Group 2010 £'000	Group 2009 £'000
Continuing Operations		
Revenue	**27,562**	25,590
Cost of sales	**(14,226)**	(11,775)
Gross Profit	**13,336**	13,815
Administrative expenses	**(8,071)**	(8,885)
Operating Profit	**5,265**	4,930
Finance Costs	**(144)**	(356)
Profit Before Tax	**5,121**	4,574
Income tax expense	**(1,275)**	(1,095)
Profit and total comprehensive income attributable to equity holders of the parent	**3,846**	3,479
Earnings Per Share		
From continuing operations		
Basic	**2.31p**	2.18p
Diluted	**2.31p**	2.18p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Group 2010 £'000	Group 2009 £'000
Assets		
Non-current assets		
Property, plant and equipment	**161**	135
Goodwill	**12,824**	12,824
Other intangible assets	**608**	782
	13,593	13,741
Current assets		
Inventories	**167**	279
Trade and other receivables	**5,842**	7,072
Cash and cash equivalents	**4,374**	902
	10,383	8,253
Total assets	**23,976**	21,994
Liabilities		
Current liabilities		
Trade and other payables	**(5,022)**	(5,033)
Borrowings	**(3,391)**	(1,937)
Current tax payable	**(565)**	(386)
	(8,978)	(7,356)
Assets less current liabilities	**14,998**	14,638
Non-current liabilities		
Borrowings	**-**	(3,391)
Deferred tax	**(1)**	(1)
	(1)	(3,392)
Net assets	**14,997**	11,246
Equity attributable to equity holders of the parent		
Ordinary shares	**1,647**	1,663
Capital redemption reserve	**32**	16
Merger reserve	**(3,108)**	(3,108)
Share premium	**3,685**	3,685
Retained earnings	**12,741**	8,990
Total equity	**14,997**	11,246

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Group 2010 £'000	Group 2009 £'000
Cash flows from operating activities		
Profit before taxation	**5,121**	4,574
Adjustments for:		
Depreciation and amortisation	**239**	236
Finance costs	**144**	356
Impairment loss	**-**	266
Loss on disposal of property, plant and equipment	**-**	21
Decrease/(Increase) in trade and other receivables	**1,230**	(2,823)
Decrease/(increase) in inventories	**112**	(45)
(Decrease)/increase in trade and other payables	**(11)**	1,757
Cash generated from operations	**6,835**	4,342
Interest paid	**(144)**	(356)
Income taxes paid	**(1,096)**	(980)
Net cash from operating activities	**5,595**	3,006
Cash flows from investing activities		
Sale of property, plant and equipment	**5**	4
Acquisition of subsidiaries, net of cash acquired	**-**	(266)
Purchase of property, plant and equipment	**(64)**	(85)
Purchase of intangible assets	**(32)**	-
Net cash (used in) investing activities	**(91)**	(347)
Cash flows from financing activities		
Net proceeds from the issue of share capital	**-**	1,000
Shares bought back for cancellation	**(95)**	-
Proceeds from long term borrowings	**-**	-
Repayment of borrowings	**(1,937)**	(1,937)
Dividends paid	**-**	-
Net cash used in financing activities	**(2,032)**	(937)
Net increase/(decrease) in cash and cash equivalents	**3,472**	1722
Cash and cash equivalents at beginning of year	**902**	(820)
Cash and cash equivalents at end of year	**4,374**	902

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

Attributable to equity holders of the parent

Group	Ordinary Shares	Capital Redemption Reserve	Merger Reserve	Share Premium	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2009	1,455	16	(3,108)	2,893	5,511	6,767
Changes in equity for 2009						
Total comprehensive income for the year	-	-	-	-	3,479	3,479
Issue of share capital	208	-	-	792	-	1,000
Balance at 31 December 2009	**1,663**	**16**	**(3,108)**	**3,685**	**8,990**	**11,246**
Changes in equity for 2010						
Total comprehensive income for the year	-	-	-	-	3,846	3,846
Buy back of share capital	(16)	16	-	-	(95)	(95)
Balance at 31 December 2010	**1,647**	**32**	**(3,108)**	**3,685**	**12,741**	**14,997**

This preliminary announcement does not consist of statutory accounts for the year ended 31 December 2010, within the meaning of Section 435 Companies Act 2006.

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 2006 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 2010

The Directors have reviewed each of the new standards, interpretations and amendments effective for the first time from 1 January 2010, none have had a material effect on the financial statements.

1.2 Recent accounting developments

The financial statements are prepared in accordance with International Financial Reporting Standards and Interpretations in force at the reporting date. The company has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

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.

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 profit or loss 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 profit or loss.

2.5 Impairment of assets

The Group assesses annually 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 profit or loss.

2.6 Financial instruments

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

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

2.6.1 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.

2.6.2 Trade payables

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

2.6.3 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 profit or loss over the period of the borrowings on an effective interest rate basis.

2.7 Share based payments

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.

2.8 Retirement benefit

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

2.9 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.

2.10 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.

2.11 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.

2.12 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 statement of financial position date.

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

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

2.13 Provisions
Provisions are recognised in the statement of financial position 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.

2.14 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 statement of comprehensive income to the extent that this does not conflict with any applicable IFRS.

2.15 Cash and cash equivalents
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 statement of financial position.

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 annually. The recoverable amounts of cash generating units have been estimated based on value in use calculations. These calculations require the use of estimates. If the discount rate used to assess the recoverable amount was to be increased by 1% then there would be no impact on 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 variables 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 £66k.

4. Segment reporting
All DM's business activities relate to the recruitment to, maintenance of and monetisation of databases. Therefore the business is managed by the chief operating decision maker ("CODM") as one business segment. The CODM receives reports at consolidated level and uses those to assess business performance. It is not possible to assess performance properly using the financial information collected at the subsidiary level because data generated by one subsidiary may be shared within the group database structure, (insofar as this complies with all relevant legislation), without charging other subsidiaries. Subsidiary level information is only used by the CODM as drill down information and it is not used to determine allocation of resources.

All turnover arises in the UK and Eire. The amount arising in Eire is not material to group turnover. All turnover relates to the monetisation of databases.

5. Earnings per share

	2010	2009
	£'000	£'000
Reconciliation of net profit to basic earnings:		
Net profit attributable to equity holders of the parent	**3,846**	3,479
Basic earnings	**3,846**	3,479
Reconciliation of basic earnings to diluted earnings:		
Basic earnings	**3,846**	3,479
Diluted earnings	**3,846**	3,479

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	**166,162,176**	159,645,339
Dilutive effect of share options	**-**	-
Diluted weighted average number of ordinary shares	**166,162,176**	159,645,339

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.

Share options granted by DM plc under an EMI scheme could potentially dilute basic earnings per share in future but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the period presented.

6. Cash and cash equivalents

	2010	2009
	£'000	£'000
Cash in hand and balances with banks	**4,374**	902
Cash and cash equivalents	**4,374**	902

The full statutory accounts, upon which the auditors have expressed an unqualified opinion, will be filed with the Registrar of Companies before 30 June 2011.

The annual report and accounts will be posted to shareholders as soon as practicable and will be available upon application from the Company's registered office at Green Heys, Walford Road, Ross on Wye, Herefordshire, HR9 5DB.

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For further information visit www.dmplc.com or contact

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