REPORT FOR THE YEAR ENDED 31 DECEMBER 2011 BY ADRIAN WILLIAMS (CHAIRMAN)

Directors' report
The Directors present their annual report and the audited financial statements for the year ended 31 December 2011.

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

Business review and future developments
This has been a difficult trading year for the Group. Nonetheless, the Group remains profitable, excluding the goodwill impairment, and has a positive net cash position.

Turnover has decreased by 42% to £16,109k (2010: £27,562k) and operating profit excluding goodwill impairment has decreased by 82% to £944k (2010: £5,265k). Markets are expected to remain challenging.

The action taken by the Office of Fair Trading ("OFT") in 2011 caused a disruption to some of the group's recruitment activities as we stopped using promotions complying with the rules previously agreed with the OFT while the High Court hearing was taking place. New promotions, compliant with the new rules prescribed by the High Court, have been designed and tested and we continue to work on improving promotions to be more appealing to the public and therefore to be more profitable.

The group's cash position continues to remain strong. The net cash surplus, after deducting bank debt from the group's total cash, increased to £1,857k (2010: £983k). The final capital repayment of the bank loan facility was made in December 2011 after five years of successfully meeting all bank covenant requirements.

DM plc is now a private limited company following the successful conclusion, on 26th January 2012, to a cash offer from the Chairman, Adrian Williams, to own all the Ordinary shares of DM plc.

Dividends
No dividends were paid this year. The Directors propose that no final dividend should be paid in respect of the year ended 31 December 2011.

Transactions in shares
The Company repurchased and cancelled 1,350,000 Ordinary shares of nominal value £13,500 during 2011. The aggregate amount paid for these shares was £18,317.

Risks and uncertainties
Business risk arises mainly from legislative changes, and this situation is constantly under review. The possibility of a postal strike is also judged to be a risk. The Board keeps this matter under review so that, should there be a postal strike, the impact on profits is kept to a minimum by forward planning.

One area of regulatory uncertainty is in relation to the Group's decision to appeal against some of the rulings from the High Court with respect to the action taken by the OFT in 2011. The Court of Appeal has referred the matter to the European Court and we await notification of the date on which the European hearing will commence.

Liquidity, interest rate and cash flow risk
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 cash flow risk, interest rate risk and liquidity 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 given that the Group currently has no net debt and that the current climate has been one where the recent trend has been for rates to be reasonably steady and low by historical standards.

Liquidity, interest rate and cash flow risk (continued)
The Directors do not consider credit or currency risk to be significant given the Group's pattern of trading in this market. The Group has not used any financial hedges.

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

KPIs
The size and quantity of customer databases and the response rates to individual competitions are the key drivers of revenue and gross profit.

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 1 January 20 Ordinary Shares of 1p ea	Shareholding 31 December 20 Ordinary Shares of 1p ea	% of Issu Share Capital 31 December 20
A J Williams	118,069,1	136,894,8	83.81
M Winter	49,0	49,0	0.03

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 2011 was 57 days (2010 – 50 days).

Statement of Directors' Responsibilities
The directors are responsible for preparing the directors' 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 elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and accounting estimates that are reasonable and prudent;
- state whether the group financial statements have been prepared in accordance with IFRSs as adopted by the European Union;
- state, with regard to the parent company financial statements, whether applicable UK 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 and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement regarding information given to auditors
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of
- any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor
A resolution to reappoint PKF (UK) LLP as auditor will be proposed at the Annual General Meeting.

Adrian Williams
Chairman

13 April 2012