Company Number 4020844

DM plc

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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."

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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.

Business review (continued)

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

DM plc

THE BOARD OF DIRECTORS

Adrian John Williams (aged 53) 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. Adrian founded Strike Lucky Games Limited in 1993.

Wendy Elaine Ruck (aged 52) 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 the Group, whilst also directing the prize fulfilment operations in Ross on Wye.

Mark Winter (aged 46) 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 a principal at the financial consultancy, FD Centre, 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 70) 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 had been an adviser to various direct marketing publishers. It is with deep sadness that this note must conclude with the information that John died on February 15th 2011.

ADVISERS

Nominated Adviser and Broker
Altium Capital Limited, 6th Floor, Belvedere, Booth Street, Manchester, M2 4AW

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

Auditors
PKF (UK) LLP, 4th Floor, 3 Hardman Street, Spinningfields, Manchester, M3 3HF

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, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

DIRECTORS' REPORT

Directors' report
The Directors present their annual report and the audited financial statements for the year ended 31 December 2010.

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.

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 2010.

Transactions in shares
The Company repurchased and cancelled 1,625,000 Ordinary shares of nominal value £16,250 during 2010. The aggregate amount paid for these shares was £94,314.

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.

The one significant area of regulative uncertainty is 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. This matter is discussed in the Business review section of the Chairman's Statement.

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.

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 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 2010 Ordinary Shares of 1p each	Shareholding at 31 December 2010 Ordinary Shares of 1p each	% of Issued Share Capital at 31 December 2010
A J Williams	118,069,112	118,069,112	71.69%
W E Ruck	1,350,817	1,350,817	0.82%
JCYP Gommes	571,428	571,428	0.34%
M Winter	49,041	49,041	0.03%

JCYP Gommes also had a non-beneficial interest, as at 31 December 2010, in 731,000 Ordinary Shares (representing 0.44% of the Issued Share Capital) via Pinkberry Consultants Ltd (2009: 731,000 shares). Pinkberry Consultants Ltd is wholly owned by a discretionary family trust connected to Mr Gommes but in which Mr Gommes had 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 2010 was 50 days (2009 – 48 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, 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 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 judgements and 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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.

Statement of Directors' Responsibilities (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Group 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.

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 auditor is 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 auditor is aware of that information.

Auditors

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

By order of the Board

T P Brennan
Company Secretary

11 March 2011

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 AUDITOR’S REPORT TO THE MEMBERS OF DM PLC

We have audited the group financial statements of DM plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor
As explained more fully in the Directors’ responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors’ report for the financial year for which the financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the parent company financial statements of DM plc for the year ended 31 December 2010 and on the information in the Directors' remuneration report that is described as having been audited.

PKF (UK) LLP.

Timothy Entwistle (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditor

Manchester, UK
11 March 2011

DM plc

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

	Notes	Group 2010 £'000	Group 2009 £'000
Continuing Operations			
Revenue	5	**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	9	**(144)**	(356)
Profit Before Tax		**5,121**	4,574
Income tax expense	10	**(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	11	**2.31p**	2.18p
Diluted	11	**2.31p**	2.18p

There are no other items of comprehensive income for the year other than the profit attributable to equity holders of the parent.

The notes on pages 15 to 26 form an integral part of these accounts.

DM plc
Company Number 4020844

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Notes	Group 2010 £'000	Group 2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	161	135
Goodwill	13	12,824	12,824
Other intangible assets	14	608	782
		13,593	13,741
Current assets			
Inventories	15	167	279
Trade and other receivables	16	5,842	7,072
Cash and cash equivalents	17	4,374	902
		10,383	8,253
Total assets		23,976	21,994
Liabilities			
Current liabilities			
Trade and other payables	18	(5,022)	(5,033)
Borrowings	19	(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	19	-	(3,391)
Deferred tax	20	(1)	(1)
		(1)	(3,392)
Net assets		14,997	11,246
Equity attributable to equity holders of the parent			
Ordinary shares	21	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

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 11 March 2011.

A J Williams
Chairman

The notes on pages 15 to 26 form an integral part of these accounts.

DM plc

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

Attributable to equity holders of the parent

Group	**Ordinary Shares £'000**	**Capital Redemption Reserve £'000**	**Merger Reserve £'000**	**Share Premium £'000**	**Retained Earnings £'000**	**Total £'000**
Balance at 1 January 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**

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

	Notes	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)**	-
Repayment of borrowings		**(1,937)**	(1,937)
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	**17**	**4,374**	902

The notes on pages 15 to 26 form an integral part of these accounts.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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.

ACCOUNTING POLICIES (continued)

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.

ACCOUNTING POLICIES (continued)

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:

ACCOUNTING POLICIES (continued)

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 (see note 13). 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. REVENUE

	2010	2009
	£'000	£'000
The Group's revenue comprises:		
Customer recruitment and database management	**27,562**	25,590

6. OPERATING PROFIT

	2010	2009
	£'000	£'000
Group operating profit for the year is stated after the following:		
Exchange losses	**18**	11
Staff costs	**5,220**	5,777
Depreciation of property, plant and equipment	**38**	36
Amortisation of other intangible assets	**201**	200
Loss on disposal of property, plant and equipment	**-**	21
Impairment losses on other intangible assets	**-**	266
Operating lease expense – land and buildings	**265**	266

7. AUDITOR'S REMUNERATION

	2010	2009
Fees payable to the Group's auditor for:	**£**	£
The audit of the Group's annual financial statements	**10,000**	10,000
The audit of the Group's subsidiaries, pursuant to legislation	**5,000**	5,000
Other services pursuant to legislation	**1,750**	1,750

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

8. STAFF COSTS

	2010	2009
Staff costs comprised:	**£'000**	£'000
Wages and salaries	**4,449**	5,166
Social security costs	**531**	598
Pension scheme contributions (direct contribution)	**240**	13
	5,220	5,777

The number of employees can be categorised as follows:		
	Number	Number
Directors	**4**	4
Administration	**116**	135
	120	139

There was £228,262 (2009: £Nil) paid into a Money Purchase Scheme for 2 of the directors (2009: Nil).

9. FINANCE COSTS

	2010	2009
	£'000	£'000
Interest on borrowings	**144**	356

10. INCOME TAX EXPENSE

	2010	2009
	£'000	£'000
Current tax:		
UK corporation tax	**1,275**	1,096
Deferred tax	**-**	(1)
	1,275	1,095

Corporation tax is calculated at 28% (2009: 28%) 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:

	2010	2009
	£'000	£'000
Profit before tax	**5,121**	4,574
UK standard rate tax expense	**1,434**	1,280
Prior year tax adjustment	**(12)**	-
Tax losses on acquisition	**-**	(84)
Tax repayment re losses carried forward	**(147)**	-
Permanent difference arising from goodwill amortisation	**-**	(101)
Tax charge	**1,275**	1,095

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.

11. 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, as detailed in note 25, 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.

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £'000	**Furniture and fittings £'000**	**Total £'000**
Cost			
Opening cost at 1 January 2009	14	177	191
Additions	-	85	85
Disposals	(7)	(24)	(31)
Opening cost at 1 January 2010	7	238	245
Additions	-	64	64
Disposals	-	-	-
Closing cost at 31 December 2010	**7**	**302**	**309**
Accumulated depreciation			
Opening balance at 1 January 2009	10	70	80
Depreciation	1	35	36
Disposals	(6)	-	(6)
Opening balance at 1 January 2010	5	105	110
Depreciation	1	37	38
Disposals	-	-	-
Closing balance at 31 December 2010	**6**	**142**	**148**
Carrying value at 1 January 2009	4	107	111
Opening carrying value at 1 January 2010	2	133	135
Closing carrying value at 31 December 2010	**1**	**160**	**161**

13. GOODWILL

	£'000
Cost	
Cost at 1 January 2009 and 1 January 2010	13,164
Additions	-
Fair Value Adjustment	-
Closing cost at 31 December 2010	**13,164**
Accumulated impairment	
Opening balance at 1 January 2009	74
Impairment loss	266
Opening balance at 1 January 2010	**340**
Impairment loss	**-**
Closing balance at 31 December 2010	**340**
Opening carrying value at 1 January 2009	13,561
Opening carrying value at 1 January 2010	12,824
Closing carrying value at 31 December 2009	**12,824**

The Directors carry out impairment reviews of the carrying value of intangible fixed assets in accordance with the accounting policies stated in note 2. At 31 December 2010, in the opinion of the Directors, there are no indicators of impairment of the intangible fixed asset carrying value.

The recoverable amounts of the income generating units are determined from value in use calculations, derived from the present value of future cash flows generated by these units. There are a number of assumptions and estimates involved in calculating the present value of future cash flows, including, but not restricted to the following:

- Growth rates applied to EBITDA used as the basis for future cash flows; and
- The discount rate applied to the cash flows to calculate their present value.

Although the Directors are satisfied that the assumptions used are appropriate to the current circumstances of the Company, changes to these key assumptions or estimates could significantly affect the result of the impairment calculation. Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the business. The growth rates are based on GDP trend rates.

The Company prepares pre-tax cash flow forecasts derived from assuming a steady state for market conditions. The rate used to discount the forecast pre-tax cash flows was 8% and represents management's current best estimate of the weighted average cost of capital in each of the years for which cash forecasts have been discounted.

14. OTHER INTANGIBLE ASSETS

	Data Lists £'000
Cost	
Opening cost at 1 January 2009	1,113
Additions	-
Opening cost at 1 January 2010	1,113
Additions	32
Disposals	(5)
Closing cost at 31 December 2010	**1,140**
Accumulated Amortisation	
Opening balance at 1 January 2009	131
Amortisation	200
Opening balance at 1 January 2010	331
Amortisation	201
Closing balance at 31 December 2010	**532**
Opening carrying value at 1 January 2009	982
Opening carrying value at 1 January 2010	782
Closing carrying value at 31 December 2010	**608**

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

15. INVENTORIES

	2010	2009
	£'000	£'000
Finished goods	167	279

16. TRADE AND OTHER RECEIVABLES

	2010	2009
	£'000	£'000
Prepayments and accrued income	2,119	2,166
Related party receivables (see note 24)	6	-
Trade receivables	3,717	4,906
	5,842	7,072

Trade receivables are stated net of provisions of £379k (2009: £459k).

Provision for doubtful debts:	2010	2009
	£'000	£'000
Opening balance	459	49
Reversal and reduction of doubtful debts previously provided for	(242)	-
Bad debts provided for now written off	(75)	-
New and increased doubtful debts provided for	237	410
Closing balance	379	459

Trade receivables are aged as follows: -

		Not impaired but past due by the following periods				
	Current	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
2010	2,047	736	294	145	495	3,717
2009	3,218	441	197	41	1,009	4,906

17. 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

18. TRADE AND OTHER PAYABLES

	2010	2009
	£'000	£'000
Accrued expenses	3,523	2,832
Trade payables	1,499	2,201
	5,022	5,033

19. BORROWINGS

	2010	2009
	£'000	£'000
Barclays Bank PLC		
Current portion of loan facility	3,391	1,937
Non-current portion of loan facility	-	3,391
Total borrowings	3,391	5,328

The loan facility with Barclays Bank PLC bears interest at 2.5% p.a. above LIBOR (2009: 2.5% p.a. above LIBOR). The loan capital repayments are £1,937.5k per annum, split quarterly, and a final capital repayment of £1,937.5k 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.

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

20. DEFERRED TAX

Deferred tax liabilities:	**Accelerated Capital Allowances £'000**
Balance at 1 January 2009	2
Recognised in the income statement	(1)
Balance at 1 January 2010	1
Recognised in the income statement	-
Balance at 31 December 2010	**1**

21. ORDINARY SHARES

	2010 £'000	2009 £'000
Issued and fully paid for		
164,684,094 Ordinary shares of 1p each (2009: 166,309,094 Ordinary shares of 1p each)	**1,647**	1,663

Reconciliation of the number of shares outstanding:		
Opening balance	**166,309,094**	145,520,457
Shares issued	**-**	20,788,637
Shares repurchased	**(1,625,000)**	-
Closing balance	**164,684,094**	166,309,094

22. RETIREMENT BENEFIT OBLIGATIONS

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

Defined contribution schemes

	2010 £'000	2009 £'000
Amount recognised as an expense	**240**	13

23. OPERATING LEASE COMMITMENTS

	2010 £'000	2009 £'000
As a lessee:		
Total future minimum lease payments under non-cancellable operating leases:		
Within one year	**265**	265
From one to five years	**1,060**	1,060
	1,325	1,325

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

24. RELATED PARTIES

The Group's investments in subsidiaries have been disclosed in note 28. 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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Related companies of which A J Williams is a director	2	11	43	13	-	5	6	-

Directors:	2010	2009
	£	£
Aggregate emoluments	**500,662**	255,450

Directors' remuneration, including pension contributions, were:
Adrian J Williams £323,112 (2009: £150,000). The 2010 amount includes £173,112 for pension rights accruing since 2004, of which £28,852 accrued in 2010, and crystallising in 2010 (2009: £Nil).
Wendy Ruck £141,150 (2009: £43,500). The 2010 amount includes £55,150 for pension rights accruing since 2004, of which £9,192 accrued in 2010, and crystallising in 2010 (2009: £Nil).
Mark Winter £36,400 (2009: £61,950).

25. 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. This unapproved scheme has now terminated and no options have been exercised.

EMI share option scheme	2010 Options	2010 Weighted average exercise price	2009 Options	2009 Weighted average exercise price
Outstanding at the beginning of the period	**1,728,108**	**12.97p**	1,728,108	12.97p
Granted during the period	**-**	**-**	-	-
Outstanding at the end of the period	**1,728,108**	**12.97p**	1,728,108	12.97p

EMI share options outstanding at 31 December 2010 had a weighted average exercise price of 12.97p, and a weighted average remaining contractual life of 0.19 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.

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 profit and loss with respect to share options because the amount involved is judged to be not material.

26. 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. The financial risk environment for the Group has not changed greatly over the year, the movement from having a net debt to having a net cash surplus has reduced exposure to interest rate variations.

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 16 and 17 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 19). 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, trade payables and cash and cash equivalents that sum to an asset balance of £3,201k (2009: credit/liability balance of £3,607k) which are treated as loans and receivables for IFRS 7 classification purposes. They also include borrowings, as set out in note 19, which are treated as financial liabilities measured at amortised cost.

The Group had an outstanding loan balance of £3,391k at December 31 2010 (2009: £5,329k) and a projected average capital balance outstanding of £2,502k for 2011. Therefore a change in LIBOR of 1% would change the profit before tax by £25k (2009: £36k).

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 loan facility as described in note 19. Capital repayments are at £1,938k per annum on a quarterly basis and the balancing final capital repayment is due in December 2011.

The average creditor payment period is 50 days (2009: 48 days).

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 trade payables and bank loans. The maturity profile for the bank loans are disclosed in note 19. The bank overdrafts and trade payables are all payable within 3 months.

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

27. 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. The Group seeks to fund investments by either equity or long term debt, working capital requirements would be funded by overdraft facilities as needed.

28. 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%
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%
Database Holdings Ltd	Ordinary	Database	100%
PDV Ltd	Ordinary	Database	100%
NDL Realtime Ltd	Ordinary	Dormant	100%

NDL Realtime Ltd was dormant during the year and was dissolved on 28 September 2010.

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 Database Holdings Ltd. The investment in NDL Realtime Ltd is held by PDV Ltd.

PARENT COMPANY FINANCIAL STATEMENTS

The separate financial statements of DM plc are presented on pages 29 to 32, as required by the Companies Act 2006 ("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 AUDITOR'S REPORT TO THE MEMBERS OF DM PLC

We have audited the parent company financial statements of DM plc for the year ended 31 December 2010 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of DM plc for the year ended 31 December 2010.

PKF (UK) LLP.

Timothy Entwistle (Senior statutory auditor) Manchester, UK
for and on behalf of PKF (UK) LLP, Statutory auditor 11 March 2011

DM plc
Company only

COMPANY BALANCE SHEET
AT 31 DECEMBER 2010

	Notes	2010 £'000	2009 £'000
Fixed assets			
Property, plant and equipment	**4**	**1**	1
Investments	**5**	**15,979**	15,979
		15,980	15,980
Current Assets			
Debtors	**6**	**3,636**	4,809
Cash at bank		**-**	-
		3,636	4,809
Creditors			
Amounts falling due within one year	**7**	**4,726**	5,953
Net current liabilities		**(1,090)**	(1,144)
Total assets less current liabilities		**14,890**	14,836
Creditors			
Amounts falling due after more than one year	**8**	**-**	3,390
Net assets		**14,890**	11,446
Capital and reserves			
Called up share capital	**9**	**1,647**	1,663
Capital redemption reserve	**10**	**32**	16
Share premium	**10**	**3,685**	3,685
Merger reserves	**10**	**2,286**	2,286
Profit and loss account	**10**	**7,240**	3,796
Shareholders' funds		**14,890**	11,446

The financial statements were approved and authorised for issue by the Board of Directors on 11 March 2011 and were signed on its behalf by:

A J Williams
Director

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

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 note 25 of the group accounts.

2. PROFIT AND LOSS ACCOUNT

The Company profit for the year is £3,538,360 (2009: £2,104,765). As permitted by s 408 of the Companies Act 2006, a separate profit and loss account has not been prepared.

3. AUDITOR'S REMUNERATION

	2010	2009
	£'000	£'000
Fees payable to Company's auditor for the audit of the Company's accounts	**10**	10

4. PROPERTY, PLANT & EQUIPMENT

	Furniture and Fittings £'000
Cost	
As at 1 January 2010	**1**
Additions	**-**
Closing cost at 31 December 2010	**1**
Accumulated depreciation	
As at 1 January 2010	**-**
Depreciation	**-**
At 31 December 2009	**-**
Closing carrying value at 31 December 2010	**1**

5. FIXED ASSET INVESTMENTS

	Investments £'000
Cost	
At 1 January 2010 and at 31 December 2010	**15,979**
Net Book Value	
At 31 December 2010	**15,979**
At 31 December 2009	**15,979**

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. FIXED ASSET INVESTMENTS (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%
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%
Database Holdings Ltd	Ordinary	Database	100%
PDV Ltd	Ordinary	Database	100%
NDL Realtime Ltd	Ordinary	Dormant	100%

All trading subsidiaries are included in the consolidation.

NDL Realtime Ltd did not trade during the year and was dissolved on 28 September 2010.

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 Database Holdings Ltd.

6. DEBTORS

	2010	2009
	£'000	£'000
Prepayments	**932**	568
Due from Group undertakings	**2,704**	4,241
	3,636	4,809

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010	2009
	£'000	£'000
Bank loans and overdrafts	**4,275**	5,860
Trade creditors	**8**	29
Taxation and social security	**34**	41
Amount owed to Group undertakings	**71**	-
Accruals	**338**	23
	4,726	5,953

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

	2010	2009
	£'000	£'000
Bank loan	**-**	3,390
	-	3,390

The loan facility with Barclays Bank is repayable in equal instalments of £484,375 (2009: £484,375) until completion of the loan repayments on 2 December 2011.

The loan facility with Barclays Bank bears interest at 2.5% p.a. above LIBOR (2009: 2.5% 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 an extent by the cash balances held by the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. CALLED UP SHARE CAPITAL

	2010	2009
	£'000	£'000
Allotted, issued and fully paid		
164,684,094 Ordinary Shares of 1p each	**1,647**	1,663

The Company repurchased and cancelled 1,625,000 Ordinary shares of nominal value £16,250 during 2010. The aggregate amount paid for these shares was £94,314 excluding stamp duty.

10. RESERVES

	Profit and Loss Account	Capital Redemption Reserve	Share Premium	Merger Reserves	Totals
	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	**3,796**	**16**	**3,685**	**2,286**	**9,783**
Profit for the year	**3,540**	**-**	**-**	**-**	**3,540**
Purchase of own shares	**(96)**	**16**	**-**	**-**	**(80)**
At 31 December 2010	**7,240**	**32**	**3,685**	**2,286**	**13,243**

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010	2009
	£'000	£'000
Profit for the financial year	**3,540**	2,103
Issue of shares	**-**	1,000
Purchase of own shares	**(96)**	-
Net addition to shareholders' funds	**3,444**	3,103
Opening shareholders' funds	**11,446**	8,343
Closing shareholders' funds	**14,890**	11,446

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 2010 amounted to £Nil (2009: £Nil).

13. RELATED PARTIES

The Group's investments in subsidiaries have been disclosed in note 5. DM plc considers A J Williams to be the ultimate controlling party by virtue of his majority shareholding.

The company has taken advantage of the exemptions granted by Financial Reporting Standard 8 not to disclose transactions with Group companies.

	2010	2009
Directors:	**£**	£
Aggregate emoluments	**500,662**	255,450

The above includes £228,262 contributed to a Money Purchase Pension Scheme for A J Williams and W Ruck. During the year retirement benefits were accruing to 2 directors (2009: £Nil) in respect of Money Purchase Pension Schemes.

DM plc

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 20 May 2011 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 2010 together with the Reports of the Directors and Auditors thereon.

Resolution 2: To reappoint PKF (UK) LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

Resolution 3: 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 4: 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 560 of the Companies Act 2006 to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares of the Company up to an aggregate nominal amount of £20,050,000 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 shares to be allotted after the expiry of such authority and the directors may allot any shares after the expiry of such authority pursuant to such offer or agreement as if such authority had not expired."

Resolution 5: 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 4, the Directors be and they are hereby empowered pursuant to sections 570 and 571(1) of the Companies Act 2006 from time to time to allot equity securities (as defined in section 560(1) of the Companies Act 2006) pursuant to the authority conferred by Resolution 4 as if section 561 of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:

5.1 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;

5.2 one or more allotments (otherwise than pursuant to paragraph 5.3 of this Resolution) pursuant to placing, sale, subscription, offer or otherwise of equity securities in aggregate up to an aggregate nominal amount of £20,050,000;

5.3 one or more allotments of equity securities up to an aggregate nominal amount of £165,000 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 6: To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

"**THAT** pursuant to section 701 of the Companies Act 2006 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:

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

6.2 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 percent 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;

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

6.4 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
11 March 2011

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 18 May 2011. 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 11.30 am on 18 May 2011.