



**DM PLC**

**INTERIM REPORT**

**for the six month period ended 30 June 2007**

DM, the direct marketing group specialising in customer recruitment and database management reports its unaudited interim results for the period ended 30 June 2007.

**Strong organic growth generates record results for 6<sup>th</sup> consecutive period**

- Record financial results for the sixth consecutive reporting period;
- Market leader and owner of the largest database (over 7 million customers) in our sector;
- Turnover up 37 per cent. to £9.87 million (2006: £7.20 million);
- Profit before tax, interest and impairment charges from operating activities up 49 per cent. to £2.50 million (2006: £1.68 million);
- Group consolidated profit before tax up 31 per cent. to £2.05 million (2006: £1.58 million);
- Normalised earnings per share up 28 per cent. to 1.13 pence (2006: 0.88 pence);
- Integration of recent acquisitions completed and all subsidiaries profitable;
- All earn-outs and loan notes related to acquisitions now satisfied; and
- Interim dividend of 0.1 pence per share plus intention to pay final dividend.

DM Chairman, Adrian Williams said:

*“Another excellent period for the Group, with the results reflecting both the great progress we have made, and the hard work the team has put in. After a three year period of much activity and the successful integration of our acquisitions, we are extremely pleased with the organic growth now being achieved. As an integrated direct marketing group our strategy to become market leader in data management and rental has worked, enabling us to maximise our relationship with each of our customers and generate additional revenue streams. We intend to further consolidate our position through continuous organic growth, reaping further synergies between our activities and acquiring competitors and/or their databases when they become available at sensible prices.”*

I am delighted to report DM's interim results for the six months ended 30 June 2007, which highlight the Group's continued strong growth, with record results achieved for the sixth consecutive reporting period, since the creation of the DM Group. The first half of 2007 has seen the successful integration of our new acquisitions and a focus on organic growth, thus consolidating our position as the leading UK direct marketing group specialising in customer recruitment and database management.

### Financial results

Our management expertise in this sector has yet again been translated into record results. For the period ended 30 June 2007, the Group reported turnover up 37 per cent. to £9.87 million (2006: £7.20 million), and profit before tax, interest and impairment charges from operating activities up 49 per cent. to £2.50 million (2006: £1.68 million). Overall, Group consolidated profit before tax increased 31 per cent. to £2.05 million (2006: £1.58 million). Normalised earnings per share also increased for the sixth half year period in succession by 28 per cent. to 1.13 pence (2006: 0.88 pence).

The table below summarises the historic results for the Group for each of the six half year periods since the reversal of Strike Lucky into the Group in October 2004.

£000's	2004:	2005:		2006:		2007:
	H2	H1	H2	H1	H2	H1
Turnover	2,237	3,848	6,633	7,200	9,660	9,869
Profit before tax	711	1,112	1,276	1,576	1,941	2,054
Normalised EPS	0.37p	0.67p	0.73p	0.88p	1.05p	1.13p

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

In October 2006, DM acquired the core trading subsidiaries from the Home Gaming division of AIM listed Brightview plc, formerly Invox plc (together “The Winners Club”), for a total consideration of up to £2.0 million. The consideration consisted of an initial payment of £1.0 million, payable by the issue of DM shares. The remaining £1.0 million was payable under an earn-out obligation based on the profit before tax of The Winners Club as reported for the three years ended 31 December 2009.

On 4 July 2007, the Group assisted Brightview plc in placing the consideration shares received on the sale of The Winners Club and in return Brightview plc agreed to waive the remaining £1.0 million earn-out obligation. Accordingly, DM has no further payment commitments to Brightview plc. Since acquisition, the turnaround of The Winners Club under DM’s stewardship has been rapid with the first six months of this year generating £0.5 million in profit before tax, with further improvements expected.

In line with our strategy of re-organising the Group’s operations into three distinct divisions of Gamecards, Direct Marketing and Database Products, the decision was made to close Cyberdyne Entertainment Limited (“Cyberdyne”), the Group’s online betting business and regulated UK bookmaker. Cyberdyne was acquired in December 2005 for £150,000, of which £90,000 was payable in cash and the balance in DM shares. Cyberdyne specialised in receiving worldwide fixed odds bets upon the outcome of lotteries from around the world and was not involved in any sports betting in the US. Further to the decision to close Cyberdyne, it is appropriate to fully impair the value of previously recognised goodwill and other intangible and tangible assets relating to this subsidiary, resulting in a charge to the income statement of £160,000.

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

The final sections of the Gambling Act 2005 were implemented on 1 September 2007. The Act codifies much of the case law resulting from the Lotteries and Amusements Act 1976. We have considered the Act and The Gambling Commission’s Response Paper. We do not believe there to be any material adverse changes in relation to the Group’s activities, and the removal of the “no purchase necessary” option for certain promotions could offer interesting opportunities for us.

As part of its stated aim to raise standards in the Premium Rate industry, the Office of Fair Trading has been in consultation with all participants in our industry. This has resulted in action being taken against some of our competitors. Through our discussions with the OFT we have agreed to make some changes to future promotions, which should deliver greater clarity to consumers and greater certainty to our business.

As previously stated, the Group has not experienced any adverse impact from the recent postal dispute but continues to monitor the situation closely and has contingency plans in place should the situation escalate. Currently all strike action has been cancelled while talks resume.

Over the period the Group has yet again been highly cash generative. A final payment of £0.42 million was made during the period, discharging the remaining loan notes due under the earn-out from the original reverse, and the Group has continued to repay the debt taken on with the acquisition of Dodd Marketing in 2006. Accordingly, as at 30 June 2007, the Group had outstanding Bank debt of £6.82 million and net cash and cash equivalents of £2.72 million.

At DM's Annual General Meeting in May 2007, approval was granted for the Group to purchase shares issued by it within certain parameters. We have not yet undertaken any purchases but continue to monitor our share price and may, if the Board believes it is appropriate, undertake purchases over the coming months.

The Board has decided that in line with the commencement of dividend payments announced in the final results for the year ended 2006, the Board is proposing to pay an interim dividend of 0.1 pence per share, which will be paid on 30 October 2007 to shareholders on the register as at the close of business on 5 October 2007. The Board is committed to the implementation of a progressive dividend policy and is hopeful of increasing the total dividend payable for the full year ended for the 31 December 2007.

## **Business Review**

We coordinate our three complementary activities (Gamecards, Direct Marketing and Database Products) in order to maximise our relationship with each of our customers. We recruit most of our new customers via our Gamecards division, communicate with them profitably and retain their custom via addressed Direct Mail, and leverage our databases via affiliate partnerships with the likes of AXA Sun Life and Cornhill.

### **Gamecards**

We design, promote and distribute a response orientated proprietary range of games of skill and chance. Revenue is generated by respondents telephoning premium rate lines or responding by text or by post. DM is the UK market leader in this sector. This is a major strength since this generates more new customers which benefits our other group activities.

## **Direct Marketing**

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

## **Database Products**

We now have a total database of over 7 million customers which is the largest response database in the UK in our market sector. It owns a number of response driven databases from which it generates rental income via list brokers, including its in-house broker and via websites including [www.lists.co.uk](http://www.lists.co.uk).

We have a number of joint ventures in place to share data with financial institutions including AXA Sun Life and Cornhill which are proving increasingly successful. We are one of only a few partners able to provide this relationship, due to the size and quality of our databases. Following successful tests in 2006, profits from these activities are increasing rapidly and we expect this trend to continue.

As part of the Group's strategy to aggressively expand the business organically and through acquisitions, the Group recently acquired rights to a former competitor's database allowing the unlimited use of in excess of 1 million records. This is expected to further enhance earnings during the remainder of 2007. Profits from our mailings to this database are already in excess of the price we paid for it.

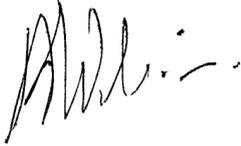
## **Outlook**

Our successes in the first half of 2007 have consolidated our position as UK market leader in our sector. This market leadership has delivered consistently improving financial results, a trend that we expect to continue.

Our linked divisional structure allows us to recruit more customers than our competitors, and benefit from a longer and more profitable relationship with these customers through our other activities. We have also enjoyed the cross selling and synergistic benefits of integrating The Winners Club. Most satisfying is the organic growth which has exceeded the targets we set ourselves in December 2006.

Our strategy to become and retain market leadership in our sector and maximise our relationship with each of our customers has worked well. We intend to further consolidate our position through continuous organic growth, reaping further synergies between our activities and acquiring competitors, and in particular their databases, as and when they become available at sensible prices. We are also working hard to improve and expand our relationship with major financial institutions where we believe the rapid expansion of revenues and excellent margins will continue. Finally, we are looking to expand into complementary new business areas whilst maintaining our low cost base and high operating margins. We are testing a variety of other products and services designed to appeal to our substantial customer base.

The Board would like to thank all those involved with DM and is confident of further growth and a successful future for the Group, aptly demonstrated by our decision to accelerate the introduction of an interim dividend of 0.1 pence.

A handwritten signature in black ink, appearing to read 'A J Williams', with a flourish at the end.

**A J Williams**  
**Chairman**

**DM plc****Consolidated Income Statement**

<b>£000</b>		<b>Six months to 30 June 2007 Unaudited</b>	Six months to 30 June 2006 Unaudited Restated	Year to 31 December 2006 Audited Restated
	<b>Notes</b>			
Revenue		<b>9,869</b>	7,200	16,860
Cost of Sales		<b>(6,182)</b>	(4,701)	(10,890)
Gross Profit		<b>3,687</b>	2,499	5,970
Administrative Expenses				
Impairment Charge	<b>4</b>	<b>(160)</b>	-	-
Other Administrative Expenses		<b>(1,189)</b>	(821)	(2,013)
Operating Profit		<b>2,338</b>	1,678	3,957
Finance costs		<b>(301)</b>	(116)	(466)
Investment income		<b>17</b>	14	26
Profit before tax for the financial period		<b>2,054</b>	1,576	3,517
Taxation		<b>(630)</b>	(469)	(1,056)
Profit after tax for the financial period		<b>1,424</b>	1,107	2,461
Earnings per share - basic	<b>5</b>	<b>1.02p</b>	0.88p	1.93p
- diluted	<b>5</b>	<b>1.02p</b>	0.88p	1.93p

**DM plc****Consolidated Balance Sheet**

<b>£000</b>	<b>30 June 2007 Unaudited</b>	30 June 2006 Unaudited Restated	31 December 2006 Audited Restated
<b>Assets</b>			
Non-Current Assets:			
Intangible Assets	10,671	9,538	10,751
Tangible Assets	64	193	145
	<b>10,735</b>	9,731	10,896
<b>Current Assets</b>			
Inventories	258	-	138
Trade and other receivables	4,403	3,001	2,996
Cash and cash equivalents	3,442	3,275	1,706
	<b>8,103</b>	6,276	4,840
<b>Total Assets</b>	<b>18,838</b>	16,007	15,736
<b>Current Liabilities:</b>			
Trade and other payables	3,908	5,030	3,334
Borrowings	2,589	1,834	1,939
	<b>6,497</b>	6,864	5,273
<b>Non Current Liabilities</b>			
Borrowings	4,950	7,301	6,272
Deferred Tax	4	15	10
	<b>4,954</b>	7,316	6,282
<b>Total Liabilities</b>	<b>11,451</b>	14,180	11,555
<b>Net Assets</b>	<b>7,387</b>	1,827	4,181

**DM plc****Consolidated Balance Sheet**

<b>£000</b>	<b>30 June 2007</b>	30 June 2006	31 December 2006
	<b>Unaudited</b>	Unaudited	Audited
		Restated	Restated
<b>Equity attributable to equity holders of the parent</b>			
Share Capital	<b>1,467</b>	1,254	1,329
Merger Reserve Account	<b>(3,108)</b>	(3,108)	(3,108)
Share Premium Account	<b>2,855</b>	139	1,064
Profit and Loss Account	<b>6,173</b>	3,542	4,896
<b>Total Equity</b>	<b>7,387</b>	1,827	4,181

**DM plc****Consolidated Cash Flow Statement**

<b>£000</b>	<b>Six months to 30 June 2007 Unaudited</b>	Six months to 30 June 2006 Unaudited Restated	Year to 31 December 2006 Audited Restated
<b>Cash flows from operating activities</b>			
Profit before taxation	<b>2,054</b>	1,576	3,517
Depreciation of tangible assets	<b>18</b>	29	47
Impairment and amortisation of intangible assets	<b>94</b>	-	14
Impairment of fixed assets	<b>80</b>	-	-
Investment income	<b>(17)</b>	(14)	(26)
Interest expense	<b>301</b>	116	466
(Increase) in inventories	<b>(120)</b>	-	(138)
(Increase) in trade and other receivables	<b>(1,407)</b>	(1,038)	(1,033)
Increase/ (Decrease) in trade and other payables	<b>546</b>	1,014	(230)
Tax paid	<b>(619)</b>	-	(1,119)
<b>Net cash from operating activities</b>	<b>930</b>	1,683	1,498
<b>Cash flows from investing activities</b>			
Interest received	<b>17</b>	14	26
Purchase of tangible fixed assets	<b>(11)</b>	(47)	(17)
Purchase of intangible fixed assets	<b>(9)</b>	-	(51)
Purchase of subsidiary undertaking	-	(9,458)	(9,555)
Cash acquired with subsidiaries	-	-	417
<b>Net cash used in investing activities</b>	<b>(3)</b>	(9,491)	(9,180)

**DM plc****Consolidated Cash Flow Statement**

<b>£000</b>	<b>Notes</b>	<b>Six months to 30 June 2007 Unaudited</b>	Six months to 30 June 2006 Unaudited Restated	Year to 31 December 2006 Audited Restated
<b>Cash flows from financing activities</b>				
Repayment of borrowings		(1,390)	-	(1,350)
Proceeds from long term borrowings		-	9,135	9,135
Interest paid		(301)	(116)	(466)
Equity dividend paid	6	(147)	-	-
Proceeds from issue of share capital		1,929	33	34
<b>Net cash from financing activities</b>		<b>91</b>	9,052	7,353
Net increase in cash and cash equivalents		1,018	1,244	(329)
Cash and cash equivalents at beginning of period		1,702	2,031	2,031
Cash and cash equivalents at end of period	7	<b>2,720</b>	3,275	1,702

**Consolidated Statement of Changes In Equity**

<b>£'000</b>	<b>Notes</b>	<b>Six months to 30 June 2007 Unaudited</b>	Six months to 30 June 2006 Unaudited Restated	Year to 31 December 2006 Audited Restated
Opening Equity		4,181	686	686
Profit for the period attributable to equity shareholders		1,424	1,107	2,461
Issue of share capital		1,929	34	1,034
Dividend paid		(147)	-	-
<b>Total changes in equity</b>		<b>3,206</b>	1,061	3,234
Closing Equity		<b>7,387</b>	1,827	4,181

**1. Basis of preparation**

The Group's interim results for the half year ended 30 June 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time and on a historical basis. As a consequence certain of the accounting policies adopted in the preparation of these results are different to those adopted in preparing the financial statements for the year ended 31 December 2006 which were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

The Group has adopted IFRS from the transitional date, being 1 January 2006. The Group has defined its accounting policies under IFRS and determined the opening balance sheet under IFRS at this date. A description of the effects of the transition from UK GAAP to IFRS on the Group's net income and equity are included in note 9 to this interim statement. Comparative figures have been restated for the effects of transition.

**2. Accounting policies**

The policies adopted in the preparation of the interim statement are the same as will be used in the preparation of the accounts for the year ending 31 December 2007, and include the following significant accounting policies which reflect the changes resulting from the adoption of IFRS.

**Basis of consolidation**

As permitted under IFRS1 the treatment of acquisitions prior to the transition date has not been amended. Acquisitions since the transition date being Dodd Marketing Limited, The Winners Club Limited and TPC Telecoms Limited have been accounted for using the purchase method as required by IFRS3. The results of companies acquired in the year are consolidated from the date of acquisition.

**Goodwill**

Goodwill arising on the acquisition of subsidiaries is recognised as an asset in the balance sheet. Goodwill is reviewed for impairment at least annually and any impairment is recognised in the income statement. Goodwill is carried at cost less accumulated impairment losses.

**Intangible assets**

Purchased intangible assets are capitalised on the balance sheet and are subject to amortisation over their estimated useful life.

**3. Segmental information**

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

**4. Impairment charge**

The charge results from the decision to close the subsidiary operation, Cyberdyne, resulting in an impairment of goodwill relating to that business and fixed assets held by the subsidiary.

**5. Earnings per share**

Basic earnings per share and diluted earnings per share are calculated using the profit on ordinary activities after tax and a weighted average number of ordinary shares as follows: -

	<u>Basic</u>	<u>Diluted</u>
- Period to 30 June 2007	139,557,896	140,161,191
- Period to 30 June 2006	125,158,059	125,158,059
- Year to 31 December 2006	127,267,684	127,279,044

Normalised earnings per share is calculated using the profit on ordinary activities after tax but adjusted for impairment charges.

**6. Dividends**

In the period ended 30 June 2007, the Group paid a dividend totalling £147,000 which represented a payment of 0.1p per ordinary share. No dividends were paid in comparative periods.

## DM plc

## Notes

### 7. Analysis of net cash and cash equivalents

<b>£'000</b>	<b>Six months to 30 June 2007 Unaudited</b>	Six months to 30 June 2006 Unaudited Restated	Year to 31 December 2006 Audited Restated
Cash and cash equivalents	<b>3,442</b>	3,275	1,706
Bank overdrafts	<b>(722)</b>	0	(4)
Net cash and cash equivalents	<b>2,720</b>	3,275	1,702

### 8. Status of information provided

The interim financial statements have not been audited and they do not constitute full financial statements within the meaning of S240 of the Companies Act 1985. The results for the year to 31 December 2006 are an abbreviated version of the full accounts restated for the effects of adopting IFRS. The statutory accounts for the year ended 31 December 2006, which received an unqualified report by the auditors, have been filed with the Registrar of Companies.

### 9. Transition to IFRS

As a result of the adoption of IFRS the accounting policy for goodwill has been changed such that goodwill is no longer amortised but is subject to impairment reviews. In restating comparative figures amortisation previously charged under UK GAAP has been removed.

The effects of the transition on reported intangible assets figures, equity shareholders funds, consolidated income and earnings per share are given below:

**DM plc****Notes****CONSOLIDATED INCOME STATEMENT EXTRACTS**

<b>£'000</b>	Six months to 30 June 2006	Year to 31 Dec 2006
Profit after taxation as previously reported under UK GAAP	1,027	2,200
Accounting policy adjustment under IFRS		
Amortisation of goodwill	80	261
<b>Profit after taxation as reported under IFRS</b>	<b>1,107</b>	<b>2,461</b>
Earnings per share as previously reported under UK GAAP	0.82p	1.73p
<b>Earnings per share as reported under IFRS</b>	<b>0.88p</b>	<b>1.93p</b>

**CONSOLIDATED BALANCE SHEET EXTRACTS**

<b>£'000</b>	As at 1 Jan 2006	As at 30 June 2006	As at 31 Dec 2006
Intangible assets as previously reported under UK GAAP	80	9,458	10,490
Accounting policy adjustment under IFRS	-	80	261
<b>Intangible assets as reported under IFRS</b>	<b>80</b>	<b>9,538</b>	<b>10,751</b>
Equity shareholder funds as previously reported under UK GAAP	686	1,747	3,920
Accounting policy adjustment under IFRS	-	80	261
<b>Equity shareholder funds as reported under IFRS</b>	<b>686</b>	<b>1,827</b>	<b>4,181</b>

10. Copies of the interim report are being posted to all of the Company's shareholders as soon as practicable and will be available at the Company's Registered Office at Green Heys, Walford Road, Ross on Wye, Herefordshire, HR9 5PQ.

## DM plc

## Company Information

**Directors:**

Adrian Williams (Chairman)  
Wendy Ruck (Operations Director)  
Mark Winter (Finance Director)  
John Gommès (Non Executive Director)

**Company Secretary:** Thomas Brennan**Company Number:** 4020844**Registered Office:**

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HR9 5PQ

**Auditors:**

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**Nominated Adviser:** Altium Capital Limited

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**Solicitors:**

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