



DM plc

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009

DM, the direct marketing group specialising in customer recruitment and database management, announces its final results for the year ended 31 December 2009.

A Scalable, Integrated, Multi-channel Group

- Record turnover, gross profit and profit after tax for the year ended 31 December 2009;
- Step change in Group sales with turnover up 40 per cent. to £25.59 million (2008: £18.27 million);
- Gross profit of £13.82 million, up 61 per cent. including the effect of acquisitions (2008: £8.57 million) and gross margin improving to 54 per cent. (2008: 47 per cent.);
- Consolidated Group EBITDA of £5.45 million, up 21 per cent. (2008: £4.50 million);
- Profit after tax up by 11 per cent. to £3.48 million (2008: £3.14 million);
- Earnings per share up 1.4 per cent. to 2.18 pence (2008: 2.15 pence).
- Strengthened balance sheet due to careful cash flow management and £1 million equity fundraising resulting in net debt down 45 per cent. to £4.43 million (2008: £8.09 million);
- Establishment of the Group as one of the UK's largest owners and providers of consumer lifestyle data to the direct marketing industry;
- DLG now integrated and major restructuring of PDV progressing;
- Extensive multi-media database assets across post, phone, mobile, email and internet;
- Robust performance of customer recruitment activities during year despite difficult trading conditions and intermittent disruptions due to postal strikes and latterly extreme weather conditions.

DM Chairman, Adrian Williams said:

"Our strategy of making acquisitions, on favourable terms, of complementary businesses in our sector has once again proved successful. I am pleased with these robust results in a challenging marketplace."

DM plc
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CHAIRMAN'S STATEMENT

Introduction

I am pleased to report DM's final results for the year ended 31 December 2009. The year was dominated by the restructuring and integration of the Group's transformational database management acquisitions of Data Locator Group Ltd ("DLG") and PDV Ltd ("PDV"), set against a backdrop of difficult trading conditions and competitor pressures in the Group's customer recruitment activities. The integration of DLG and PDV has now been substantially completed, ahead of time and budget, with DLG performing strongly and well ahead of expectation.

The strategy of building a scalable, integrated, multi-channel business has rapidly demonstrated its value with the newly enlarged consumer lifestyle activities complementing the core customer recruitment activities of gamecard and direct marketing mailings which performed solidly throughout the year. In the customer recruitment sector, after a period of intense competitor activity at the start of the year, the Group has now seen improving competitive conditions and performance in the second half, diminished partly by the effects of the postal strike and latterly weather related disruptions.

Over the period, the Group has carefully managed its financial resources with the completion of a £1 million equity fundraising, strong cash flow management and prudent cost saving measures across the Group to size the cost base of the business to the prevailing market conditions. Based on this strong financial footing, and following the successful turnaround of DLG, the Group is now again looking forward and starting to selectively invest in new personnel and technology to drive growth over the coming years.

Financial results

In spite of the challenging market conditions since the start of the economic deterioration in 2008, the Group has performed creditably with the pressure of more demanding trading conditions more than offset by the opportunities presented for the Group to acquire complementary, market leading assets at highly attractive prices to build a broader platform for future growth.

Over this period DM has concentrated on maintaining margin in the Group's customer recruitment activities and restructuring and integrating the building blocks of DLG and PDV into its database management activities. This has meant that 2009 saw the Group focused more on operational efficiency and robust cost control measures rather than driving absolute revenue growth, leading to satisfactory rather than spectacular financial performance. However, even in spite of this inward looking focus the revenue of the Group has increased materially with corresponding EBITDA also increasing.

Throughout this period of consolidation, taking a prudent approach has minimised operational risks during a time of volatility and uncertainty whilst creating a platform from which to build future growth as and when market conditions begin to improve. When the hoped for improvement in market conditions emerges, the Board are now confident that the Group will be in a strong position from which to capitalise on its market leading, multi-channel offering. The Board believe that the Group now has the correct structure and resources from which to build for the future.

For the year ended 31 December 2009, revenue reached a record £25.59 million, up 40 per cent. (2008: £18.27 million) with growth principally driven by increasing revenue from database rental sales. Gross profit was £13.82 million, up 61 per cent. including the effect of acquisitions (2008: £8.57 million) with gross margin improving to 54 per cent. (2008: 47 per cent.). High margin online and database activity drove gross margin to this record level, accentuated by the focus on cost control and integration measures. As the focus starts to move towards stimulating growth this may plateau or reduce slightly, but nevertheless this highlights the benefits of online lead generation and database management activities on the profitability and ultimately scalability of the Group.

EBITDA for the period was up 21 per cent. to £5.45 million (2008: £4.50 million), with Group consolidated profit before tax increasing 10 per cent. to £4.57 million (2008: £4.16 million). Basic earnings per share were 2.18 pence (2008: 2.15 pence). In light of previous dividend payments, continued prudence and a renewed shift towards growth, the Board is not recommending a dividend for the year ended 31 December 2009 (2008: 3.5 pence).

CHAIRMAN'S STATEMENT (continued)

Financial results (continued)

As at 31 December 2009, the Group had a net debt position of £4.43 million (2008: £8.09 million). This changing position takes account of the recent acquisition activity, the comparison to the 2008 period when the one-off substantial interim dividend was paid, the £1 million (after expenses) equity fundraising in April 2009 and the careful cash management of the Group over the last twelve months. This has resulted in the Group materially strengthening its balance sheet, resulting in the availability of additional capital should it be required to invest in the business and a further increase in the Group's covenant headroom. As ever, the Group continues to employ strict operational controls and working capital management to carefully manage its cash.

Business Review

In the first half of the year the Group's customer recruitment activities experienced difficult trading conditions characterised by both challenging retail consumer market conditions and competitor actions. In the second half whilst these conditions eased, customer recruitment activities had then to deal with intermittent disruptions due to a number of postal strikes and latterly the extreme weather conditions. As a result the mix of the business continued to change towards the higher margin, customer communication and database revenue.

The focus of database activities continued to be on fully integrating DLG and PDV into the Group. Following a significant review of operations in both businesses, management actions were initially targeted on making efficiency savings and resizing these businesses for the current market conditions. This cost cutting and strategic reorganisation was completed ahead of time and budget and from the middle of the year the Group started to see improved results coming through with the newly acquired DLG ahead of internal expectations and profitable at the pre-tax level. This progress has continued with a number of new contracts being won and a switch of focus from reorganisation towards growth. This process has confirmed the Board's belief that the investment made in developing the strength and breadth of the Group's operations will deliver shareholder value in the future.

In March 2009, the Group announced that it had entered into an exclusive agreement to create a UK targeted bingo and casino service in conjunction with PartyGaming Plc, one of the world's leading, listed online gaming companies. The gaming service will be provided by PartyGaming and branded by DM who will promote the service in the UK market through its own marketing channels. The deal which was made possible following the expansion of the Group's multi-media, direct mail databases. This partnership leverages the Group's customer databases in incremental, complementary areas. However, progress to date has been slow.

The Group's customer recruitment expertise is in designing and then distributing a proprietary range of response orientated games. These attract new customers which are added to the Group's databases where they are profitably communicated with via direct mail or by database rental. The Group's experience and knowledge of the market, creativity and reputation with customers and publishers (who distribute their products) represent significant barriers to entry.

As previously indicated during the first half of 2009, the Group's gamecard activities were particularly hard hit by pressure on consumer spending and competitor activity. In combination these pressures led to a temporary reduction in historically stable response rates. At the time this occurred the Group's proven testing and monitoring methodology allowed management to act rapidly to reduce the absolute level of campaign volumes whilst maintaining overall margin through selective campaign placement.

Simultaneously it became apparent that the principal reason for this change in gamecard response rates was due to the Group's major competitors using response mechanisms which DM was not prepared to replicate as it did not believe that they were compliant with industry regulations. This view was subsequently proved correct by the action of the premium rate regulator, *PhonepayPlus*, who issued enforcement actions and imposed bans on the publication of gamecard products by these competitors. These operating bans have since resulted in increased public and media confidence in

CHAIRMAN'S STATEMENT (continued)

Business Review (continued)

the sector and a marked improvement in both consumer responses and the availability and cost of distribution channels, all of which have benefited the Group in the second half of the year. The Group continues to apply the highest levels of care to the design of its creative products where the Board believe DM is the market leader.

Accordingly, during the second half of 2009, customer recruitment activities saw an improvement in response rates and profitability with a number of major campaigns launched during the second half of the year. Unfortunately this corresponded with a period of disruption to the postal service which, even though the Group is experienced at dealing with such situations, inevitably led to some reduction in response rates and increases in costs, however these were kept to a minimum. Whilst the effect of these postal disruptions has been exacerbated over the end of the period and into the New Year due to adverse weather conditions, with further disruption in 2010, the Board is hopeful that 2010 will result in a more positive year for customer recruitment activities.

Finally, in the context of recent regulatory changes, on 5 January 2010, the Group announced that after taking into account recently implemented EU legislation, the Office of Fair Trading ("OFT") had reassessed the promotional formulae, previously agreed in 2007, which the Group currently adhere to. This reassessment means that the OFT are now seeking new assurances from the Group which, in the Group's view, are drafted in wider and less specific terms than previously agreed and which DM is not prepared to accept in their current form. In the interests of achieving regulatory and operational certainty in the long-term the Group has therefore elected for definitive legal interpretation and explicit direction via the courts rather than agree to comply with what the Board believe are ambiguous proposals which could risk inadvertent breach in the future. This procedure commenced in January 2010 is ongoing and a ruling is expected during 2010.

Our database management activities are now dominated by the operations of DLG, which at the time of acquisition was one of the UK's largest providers of consumer lifestyle data to the direct marketing industry and brought with it one of the UK's largest consumer lifestyle databases. The Group's database management operations were further enhanced by the acquisition of PDV in April 2009. At the time of acquisition both DLG and PDV were significantly loss making, but with strong market positions and extensive databases they provided a core platform from which to build.

The acquisition of DLG in November 2008 and PDV in April 2009 presented the Group with an opportunity to rapidly establish critical mass and an influential market position in consumer lifestyle database marketing to the direct marketing industry and fitted with DM's track record of making selective acquisitions at the right price, rapidly improving their financial performance and integrating them into the wider Group. Both DLG and PDV will retain their brand independence.

In January 2009, DM appointed Hugh Villiers, who has a proven track record in building and growing profitable, market leading, consumer lifestyle businesses, as non-executive Vice Chairman of DLG. At the time of his appointment Hugh agreed to be principally remunerated on a success basis by reference to the financial performance of DLG in the financial years ending 31 December 2011. Since that time Hugh has been actively involved in the turnaround, which along with Group and incumbent management have delivered profitability in excess of expectations for the year ended 31 December 2009. DM has invoked its right to remunerate Hugh in cash rather than shares for the period under review which is accounted for in the results for the year ended 31 December 2009. DLG has now moved from the turnaround phase into the growth phase with the addition of new sales and personnel to the core group of high quality employees retained following the acquisition.

The restructuring of PDV is still ongoing. The results for PDV in 2009 were disappointing and the goodwill acquired has therefore been written down to zero. No vendor earn outs have been made to date and there is no provision for any payment of the vendor earn outs in 2010 in line with the anticipated results for PDV. Following substantial changes to management, losses are expected to reduce in 2010 based upon significantly lower turnover.

CHAIRMAN'S STATEMENT (continued)

Business Review (continued)

The Group now has a major position in online and offline lead generation across a wide range of media, underpinned by a strong and growing customer base. The Group's databases include significant consumer lifestyle data, purchasing habits and consumer preferences, allowing DM to become a market leading, fully integrated offline and online lead generation and direct marketing business. Whilst database rental activity is still significantly below pre-recession levels, particularly in the historically most active sector of financial services, the Board believe that the Group is now well placed to increase the market share, turnover and profitability in this area going forward.

Outlook

At the half year the Group reported robust performance given the continued challenging economic environment. In the second half of 2009 the Group saw further organic growth with the integration and cost saving benefits of the restructuring of our database activities delivering performance ahead of management expectations and customer recruitment activities improving.

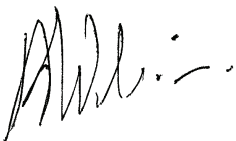
The Board is confident that the Group now has the strategic assets, market position and management to become a leading, fully integrated online and offline lead generation and direct marketing business and has commenced the process of shifting gradually and conservatively from turnaround and restructuring to investment and growth.

The Group has once again proven that it has the management and track record to create a dominant market position in a chosen sector through acquisition and turnaround of underperforming assets. Over this period, the Group has carefully targeted restructuring and cost control rather than expansive growth and has focused on building an integrated, multi-channel platform with complementary activities that utilise the core skills of customer recruitment, creative marketing, campaign design, and database management.

The operations of the Group are designed to be able to react quickly to changes in market conditions, demonstrated by the flexibility of the Group's customer recruitment activities during the year, with operational assets which will allow the Group to benefit from increases in direct marketing activity in the sector as it slowly returns to more normal market conditions. This portfolio of activities has been integrated in such a way that each separate activity supports each other, whilst being sufficiently distinct to not be overly reliant on any one market or set of customers. This has been demonstrated time and time again with one company performing strongly when another has been challenged.

Management and the DM Board are fully focused on the creation of shareholder value whilst not losing sight of the Group's core skills and firmly believe that the recent period of acquisition, restructuring, turnaround, consolidation and now growth will stand DM in good stead for the coming year and beyond.

As always, I would like to thank all of our staff that have worked so hard and effectively during this difficult and uncertain period. We are confident of the Group's continued progress and ability to generate enhanced shareholder returns in the future.



A J Williams
Chairman

5 March 2010

DM plc

THE BOARD OF DIRECTORS

Adrian John Williams (aged 52) 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 51) 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 45) 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 Gomme (aged 69) Non-Executive Director

From 1963 to 1975 John was a director of a number of companies in the banking sector. In 1977 John established Chartsearch plc as a publisher of newsletters and books. Chartsearch plc was floated on the Unlisted Securities Market in 1987 and acquired by means of a reverse takeover by Burford plc, which was admitted to the official List in 1989. In 1991 John established Carnell plc as a publisher of mainly health related titles. Carnell plc was admitted to the Unlisted Securities Market in 1994 and was subsequently acquired in 1996 by means of a reverse takeover by Columbus Press, which itself was taken over by Highbury House Communications plc in 2000. John continued to manage the Carnell subsidiary until 2001 since which time he has been an adviser to various direct marketing publishers.

ADVISERS

Nominated Adviser and Broker

Altium Capital Limited, 5 Ralli Courts, West Riverside, Manchester M3 5FT

Solicitors

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

Auditors

PKF (UK) LLP, 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, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, HD8 0LA

DM plc

Registered in England and Wales under Company Number 4020844

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

DIRECTORS' REPORT

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009.

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. (2008: An interim dividend was paid of 3.5p per share). The Directors propose that no final dividend should be paid in respect of the year ended 31 December 2009.

Transactions in shares

On 28 April 2009, the Company issued 20,788,637 new Ordinary shares in the form of an open offer for 5p per share at a premium of 4p per share equating to a total value of £1.00M net of expenses.

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.

As announced on 5 January 2010 there is pending legal interpretation, by the court, of recently implemented EU regulation. The Office of Fair Trading ("OFT") has, in the context of the recently implemented EU legislation, reassessed the promotional formulae which we currently adhere to and which were agreed in 2007. This reassessment means that the OFT is now seeking alternative assurances drafted in wider and less specific terms than previously agreed. DM plc is not prepared to accept the alternative assurances in their current form and has therefore elected for definitive legal interpretation and specific direction by the court rather than agree to comply with what the Board believes are ambiguous proposals which could risk inadvertent breach in the future.

A bad debt provision review being conducted by BT. This happens every four years and potentially affects the revenue split between BT and premium rate service operators. This review by BT is still in progress and DM plc, along with other companies within the industry, is making representations to BT. The Directors believe the worst outcome of the review would be an increase in provision rate that would be equivalent to a revenue and operating profit reduction for the DM group of approximately £0.8M in future on an annualised basis based on 2009 revenues.

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 in the current climate 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 in this market. The Group has not used any financial hedges.

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

DIRECTORS' REPORT (continued)**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 2009 Ordinary Shares of 1p each	Shareholding at 31 December 2009 Ordinary Shares of 1p each	% of Issued Share Capital at 31 December 2009
A J Williams	117,545,565	118,069,112	70.99%
W E Ruck	1,181,965	1,350,817	0.81%
JCYP Gommes	500,000	571,428	0.34%
M Winter	42,911	49,041	0.03%

JCYP Gommes also has a non-beneficial interest, as at 31 December 2009, in 731,000 Ordinary Shares (representing 0.44% of the Issued Share Capital) via Pinkberry Consultants Ltd (2008: 731,000 shares). Pinkberry Consultants Ltd is wholly owned by a discretionary family trust connected to Mr Gommes but in which Mr Gommes has no beneficial interest.

Policy and practice on payment of creditors

It is the Group's policy to fix the terms of payment with suppliers when agreeing the terms of each transaction and the Group abides by these terms of payment. The average number of days taken to settle creditors in 2009 was 48 days (2008 – 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;
- 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.

DIRECTORS' REPORT (continued)

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 auditors are unaware, and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

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

By order of the Board



T P Brennan
Company Secretary

5 March 2010

CORPORATE GOVERNANCE

The requirements of the Combined Code of principles of corporate governance set out in the listing rules of the Financial Services Authority are not mandatory for companies traded on AIM. The Directors are therefore providing the following information on a voluntary basis.

Board of Directors and Board Committees

The Board consists of three executive Directors and one non-executive Director, and is responsible for the Group's system of corporate governance. The role of the non-executive Director is to bring independent judgement to Board discussions and decisions.

The Board met regularly throughout the year. It has a schedule of matters referred to it for decision, which includes Group strategy and future developments, allocation of financial resources, investments, annual and interim results, and risk management. The Company has two Board committees, which operate within defined terms of reference.

Audit Committee

The Audit Committee reviews half year and full year results. In addition, the Audit Committee monitors the framework of internal control.

Remuneration Committee

The Remuneration Committee reviews the remuneration of the executive Directors of the parent Company and considers the grant of options and payment of performance related bonuses.

Internal Financial Control

The Directors are responsible for ensuring that the Group maintains a system of internal financial controls to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control. On the basis that such a system can only provide reasonable but not absolute assurance against material misstatement or loss and that it relates only to the needs of the business at the time, the system as a whole was found by the Directors at the time of approving the accounts to be generally appropriate to the size of the business.

Going Concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and they have therefore continued to adopt the going concern basis in preparing the accounts.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DM PLC

We have audited the Group financial statements of DM plc for the year ended 31 December 2009 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity 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 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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.

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 2009 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 Group 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 for DM plc for the year ended 31 December 2009.

PKF (UK) LLP.

DM plc

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Group 2009 £'000	Group 2009 £'000	Group 2008 £'000	Group 2008 £'000
Continuing Operations					
Revenue	5		25,590		18,265
Cost of sales			<u>(11,775)</u>		<u>(9,691)</u>
Gross Profit			13,815		8,574

Administrative expense before exceptional items					
Existing operations		(8,885)		(2,256)	
Acquisitions		-		(1,264)	
Total Administrative expense before exceptional items		<u>(8,885)</u>		<u>(3,520)</u>	
Operating profit before exceptional items		4,930		5,054	
Administrative expenses – exceptional items					
Strategic review		-		(343)	
Acquisition - reorganisation		-		(270)	
Total Administrative expenses - exceptional items		-		<u>(613)</u>	

Administrative expenses			<u>(8,885)</u>		<u>(4,133)</u>
Operating Profit	6		4,930		4,441
Investment Income	9		-		192
Finance Costs	10		<u>(356)</u>		<u>(469)</u>
Profit Before Tax			4,574		4,164
Income tax expense	11		<u>(1,095)</u>		<u>(1,027)</u>
Profit attributable to equity holders of the parent			3,479		3,137

Earnings Per Share

From continuing operations					
Basic	12		2.18p		2.15p
Diluted	12		2.18p		2.15p

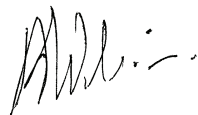
There are no other items of comprehensive income for the year other than the profit attributable to equity holders of the parent.

The notes on pages 17 to 29 form an integral part of these accounts.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Notes	Group 2009 £'000	Group 2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	135	111
Goodwill	15	12,824	13,561
Other intangible assets	16	782	982
		13,741	14,654
Current assets			
Inventories	17	279	234
Trade and other receivables	18	7,072	4,249
Cash and cash equivalents	19	902	3,861
		8,253	8,344
Total assets		21,994	22,998
Liabilities			
Current liabilities			
Trade and other payables	20	(5,033)	(4,011)
Borrowings	21	(1,937)	(6,619)
Current tax payable		(386)	(271)
		(7,356)	(10,901)
Assets less current liabilities		14,638	12,097
Non-current liabilities			
Borrowings	21	(3,391)	(5,328)
Deferred tax	22	(1)	(2)
		(3,392)	(5,330)
Net assets		11,246	6,767
Equity attributable to equity holders of the parent			
Ordinary shares	23	1,663	1,455
Capital redemption reserve		16	16
Merger reserve		(3,108)	(3,108)
Share premium		3,685	2,893
Retained earnings		8,990	5,511
Total equity		11,246	6,767

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 5 March 2010.



A J Williams
Chairman

The notes on pages 17 to 29 form an integral part of these accounts.

DM plc

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009**

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 2008	1,462	5	(3,108)	2,854	7,917	9,130
Changes in equity for 2008						
Profit for the year	-	-	-	-	3,137	3,137
Dividend	-	-	-	-	(5,369)	(5,369)
Buy back of share capital	(11)	11	-	-	(174)	(174)
Issue of share capital	4	-	-	39	-	43
Balance at 31 December 2008	1,455	16	(3,108)	2,893	5,511	6,767
Changes in equity for 2009						
Profit for the year	-	-	-	-	3,479	3,479
Dividends	-	-	-	-	-	-
Buy back of share capital	-	-	-	-	-	-
Issue of share capital	208	-	-	792	-	1,000
Balance at 31 December 2009	1,663	16	(3,108)	3,685	8,990	11,246

DM plc

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Notes	Group 2009 £'000	Group 2008 £'000
Cash flows from operating activities			
Profit before taxation		4,574	4,164
Adjustments for:			
Depreciation and amortisation		236	59
Investment income		-	(192)
Finance costs		356	469
Impairment loss		266	-
Loss/(Profit) on disposal of property, plant and equipment		21	(4)
(Increase) in trade and other receivables		(2,823)	(2,078)
(Increase)/decrease in inventories		(45)	6
Increase in trade and other payables		1,757	585
Cash generated from operations		<u>4,342</u>	<u>3,009</u>
Interest paid		(356)	(469)
Income taxes paid		(980)	(1,540)
<i>Net cash from operating activities</i>		<u>3,006</u>	<u>1,000</u>
Cash flows from investing activities			
Sale of property, plant and equipment		4	20
Acquisition of subsidiaries, net of cash acquired		(266)	-
Purchase of property, plant and equipment		(85)	(84)
(Purchase) of intangible assets		-	(3,931)
Interest received		-	192
<i>Net cash (used in) investing activities</i>		<u>(347)</u>	<u>(3,803)</u>
Cash flows from financing activities			
Net proceeds from the issue of share capital		1,000	43
Shares bought back for cancellation		-	(174)
Proceeds from long term borrowings		-	7,750
Repayment of borrowings		(1,937)	(6,335)
Dividends paid		-	(5,369)
<i>Net cash used in financing activities</i>		<u>(937)</u>	<u>(4,085)</u>
Net increase/(decrease) in cash and cash equivalents		1722	(6,888)
Cash and cash equivalents at beginning of year		(820)	6,068
Cash and cash equivalents at end of year	19	<u>902</u>	<u>(820)</u>

The notes on pages 17 to 29 form an integral part of these accounts.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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 2009

The following standards have been applied by the Group from 1 January 2009:

- IFRS 8 Operating segments
- IAS 1 (Revised) Presentation of financial statements
- IFRS 7 (Amendment) Financial Instruments: Disclosures

IFRS 8 – replaced IAS 14 and requires entities whose debt or equity instruments are traded on public markets to adopt the ‘management approach’ to reporting the financial performance and position of its operating segments. Information to be reported is what management (specifically the Chief operating decision maker (‘CODM’)) uses internally for evaluating performance and deciding how to allocate resources to operating segments. There is no longer a requirement to make disclosure based on primary and secondary reporting formats, nor is there a requirement to distinguish between business and geographical segments.

Despite these changes application of the new standard has not significantly impacted the way management reports segmental information. Management believe that under the new standard the group should continue to be reported as one segment as this is the basis on which the group is organised and managed. It is also management’s opinion that the allocation of goodwill to cash-generating units has not significantly changed and therefore no further impairment charges against goodwill are necessary.

IAS 1 – The revised standard has changed the way the primary financial statements have been presented. The revisions included changes in the titles of the primary statements to reflect their function more clearly. These new titles have been adopted by the Group and comparative information has been re-presented so that it is also in conformity with the revised standard.

IFRS 7 – The amendment changes fair value measurement disclosures and clarified and enhanced liquidity risk disclosure requirements to enable users to better evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity managed that risk. These additional disclosures are included in the notes to the financial statements.

1.2 IFRS effective in 2009 but not relevant

The following standards and interpretations were mandatory for the current accounting period, but are not relevant to the operations of the group:

- IFRS 1 (Amendment) First time adoption of IFRS
- IFRS 2 (Amendment) Share based payments
- IAS 1 and IAS 32 (Amendment) Presentation of financial statements and Financial Instruments: Presentation
- IAS 23 (Amendment) Borrowing Costs
- IAS 27 (Amendment) Consolidated and separate financial statements
- IAS 39 and IFRS 7 (Amendment) Reclassification of financial instruments
- IAS 39 and IFRIC 9 (Amendment) Financial instruments: Recognition and measurement, and Reassessment of embedded derivatives
- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 hedges of a net investment in a foreign operation

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

ACCOUNTING POLICIES (continued)

1.3 Standards and interpretations issued but not yet applied

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the Group in these financial statements. Application of the majority of these Standards and Interpretations is not expected to have a material effect on the financial statements in the future other than the amendment to accounting for business combinations under IFRS 3 (Revised) Business Combinations and only in the event that there are future material acquisitions.

2. ACCOUNTING POLICIES

2.1 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are fully consolidated from the date on which control is transferred until the date that the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Inter-company transactions, balances and unrealised transactions between Group companies are eliminated.

2.2 Goodwill

Goodwill on acquisitions comprises the excess of the fair value of the consideration plus any associated costs for investments in subsidiary undertakings over the fair value of the net identifiable assets acquired. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition income statement.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

2.3 Other intangible assets

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

- Lists/databases – 2 - 5 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

2.4 Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation.

Depreciation of property, plant and equipment is provided to write off the cost, less residual value, on a reducing balance basis over the estimated useful life, as follows:

- Fixtures and fittings – 10%-25% reducing balance
- Computer equipment – 25% reducing balance
- Motor cars – 25% reducing balance

Residual values, remaining useful lives and depreciation methods are reviewed annually and adjusted if appropriate.

Gains or losses on disposal are included in profit or loss.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

ACCOUNTING POLICIES (continued)

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

The Group has applied the exemption available under IFRS 1 and elects to apply IFRS 2 only to awards of equity instruments made after 7 November 2002 that had not vested by 1 January 2006.

Options are measured at fair value at grant date using the Black-Scholes model. The fair value is expensed on a straight-line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

Cash settled share based payment transactions results in the recognition of a liability at its current fair value.

2.8 Retirement benefit

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

2.9 Revenue

Revenue comprises sales and services to external customers (excluding VAT and other sales taxes). Consideration received from customers is only recorded as revenue to the extent that the Group has performed its contractual obligations in respect of that consideration.

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value on a first-in-first out basis. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

2.11 Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the income statement on a straight-line basis over the lease term.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

ACCOUNTING POLICIES (continued)

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. The disclosure of profit after tax in the acquired business is stated after charging the exceptional cost for the reorganisation.

2.15 Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash in hand and balances with banks and investments in money market instruments net of outstanding bank overdrafts. Bank overdrafts are presented within Borrowings in the statement of financial position.

3. Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

3.1 Key sources of estimation uncertainty

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

Goodwill - Goodwill is tested for impairment annually. The recoverable amounts of cash generating units have been estimated based on value in use calculations. These calculations require the use of estimates (see note 15). 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 £50k.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

	2009	2008
	£'000	£'000
The Group's revenue comprises:		
Customer recruitment and database management	25,590	18,265

6. OPERATING PROFIT

	2009	2008
	£'000	£'000
Group operating profit for the year is stated after the following:		
Exchange losses	11	22
Staff costs	5,777	2,518
Depreciation of tangible fixed assets	36	16
Amortisation of other intangible assets	200	43
Loss/(profit) on disposal of fixed assets	21	(4)
Impairment losses on other intangible assets	266	-
Operating lease expense – land and buildings	266	134

7. AUDITOR'S REMUNERATION

	2009	2008
	£	£
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	7,500

8. STAFF COSTS

	2009	2008
	£'000	£'000
Staff costs comprised:		
Wages and salaries	5,166	2,257
Social security costs	598	222
Pension scheme contributions (direct contribution)	13	39
	5,777	2,518

The number of employees can be categorised as follows:

	Number	Number
Directors	4	4
Administration	135	60
	139	64

No directors were members of a money purchase pension scheme (2008: nil)

9. INVESTMENT INCOME

	2009	2008
	£'000	£'000
Interest on short term deposits	-	192

DM plc

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

10. FINANCE COSTS

	2009	2008
	£'000	£'000
Interest on borrowings	<u>356</u>	<u>469</u>

11. INCOME TAX EXPENSE

	2009	2008
	£'000	£'000
Current tax:		
UK corporation tax	1,096	1,028
Deferred tax	<u>(1)</u>	<u>(1)</u>
	<u>1,095</u>	<u>1,027</u>

Corporation tax is calculated at 28% (2008:28.5%) 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:

	2009	2008
	£'000	£'000
Profit before tax	4,574	4,164
UK standard rate tax expense	1,280	1,187
Prior year tax adjustment	-	(25)
Non deductible expenses	-	-
Tax losses on acquisition	(84)	-
Tax repayment re losses carried forward	-	(123)
Interest on taxation	-	(11)
Permanent difference arising from goodwill amortisation	<u>(101)</u>	<u>(1)</u>
Tax charge	<u>1,095</u>	<u>1,027</u>

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.

12. EARNINGS PER SHARE

	2009	2008
	£'000	£'000
Reconciliation of net profit to basic earnings:		
Net profit attributable to equity holders of the parent	<u>3,479</u>	<u>3,137</u>
Basic earnings	<u>3,479</u>	<u>3,137</u>
Reconciliation of basic earnings to diluted earnings:		
Basic earnings	3,479	3,137
Interest on share options	-	-
Diluted earnings	<u>3,479</u>	<u>3,137</u>

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	159,645,339	145,361,224
Dilutive effect of share options	-	-
Diluted weighted average number of ordinary shares	<u>159,645,339</u>	<u>145,361,224</u>

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 27, 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.

DM plc

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009

13. DIVIDENDS

	2009 £'000	2008 £'000
Dividends paid during the year (2008: 2007 final plus 2008 interim)	-	5,369
Dividends per share (pence per share)	-	3.7p
Final dividend declared after year end	-	-
Final dividend per share (pence per share)	-	-

There will not be a final dividend declared based on 2009 (2008: dividends 3.7p).

14. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £'000	Furniture and fittings £'000	Total £'000
Cost			
Opening cost at 1 January 2008	40	110	150
Additions	-	84	84
Disposals	(26)	(17)	(43)
Opening cost at 1 January 2009	14	177	191
Additions	-	85	85
Disposals	(7)	(24)	(31)
Closing cost at 31 December 2009	7	238	245
Accumulated depreciation			
Opening balance at 1 January 2008	21	70	91
Depreciation	2	14	16
Disposals	(13)	(14)	(27)
Opening balance at 1 January 2009	10	70	80
Depreciation	1	35	36
Disposals	(6)	-	(6)
Closing balance at 31 December 2009	5	105	110
Carrying value at 1 January 2008	19	40	59
Opening carrying value at 1 January 2009	4	107	111
Closing carrying value at 31 December 2009	2	133	135

15. GOODWILL

	£'000
Cost	
Cost at 1 January 2008 and 1 January 2009	13,635
Additions	266
Fair Value Adjustment	(737)
Closing cost at 31 December 2009	13,164
Accumulated impairment	
Opening balance at 1 January 2008	74
Impairment loss	-
Opening balance at 1 January 2009	74
Impairment loss	266
Closing balance at 31 December 2009	340
Opening carrying value at 1 January 2008	10,630
Opening carrying value at 1 January 2009	13,561
Closing carrying value at 31 December 2009	12,824

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

15. GOODWILL (continued)

DM plc bought the share capital of PDV Ltd on 7 April 2009 for cash up to a total consideration of £1.13M including deferred and earn out payments. The acquisition of PDV Ltd was structured with an initial payment of £0.23M and three separate earn out elements. The initial consideration and earn out element, which was dependent on a successful change of business premises, have been settled with cash. The other earn out elements depend on PDV being able to use brought forward tax losses at the completion date against future profits and on PDV reaching agreed sales targets. It is the opinion of the Board that no such additional consideration will be payable and that the consideration paid to date therefore represents the fair value of the total consideration.

Whilst PDV's trade is separately identifiable as a cash generating unit its activities are sufficiently similar to those of the group to mean that it does not represent a reportable segment under IFRS 8.

The fair value of assets acquired and liabilities assumed were as follows:

Property plant and equipment	£9k
Stock	£25k
Trade and other receivables	£1,042k
Trade and other payables	(£1,076k)
Total Net Assets	NIL
Goodwill	£266k
Total fair value of consideration paid	£266k

The purchase price was settled by £228k cash and £38k in professional fees.

The carrying value of the Group's goodwill has been reassessed at 31 December 2009 for any evidence that the carrying value may be impaired. A discount rate of 8% based on the Group's weighted average cost of capital has been used in each review. The addition in the year relates to the acquisition of the business of PDV Ltd. See note 30 for more information relating to PDV Ltd.

The view of the Board is that the current trading and foreseeable future performance of PDV does not justify the recognition of any goodwill relating to PDV as at 31 December 2009. Therefore the goodwill associated with the acquisition, of £266k, has been fully impaired in the consolidated accounts.

16. OTHER INTANGIBLE ASSETS

	Data Lists
Cost	£'000
Opening cost at 1 January 2008	113
Additions	1,000
Opening cost at 1 January 2009	1,113
Additions	-
Closing cost at 31 December 2009	1,113
Accumulated Amortisation	
Opening balance at 1 January 2008	88
Amortisation	43
Opening balance at 1 January 2009	131
Amortisation	200
Closing balance at 31 December 2009	331
Opening carrying value at 1 January 2008	25
Opening carrying value at 1 January 2009	982
Closing carrying value at 31 December 2009	782

17. INVENTORIES

	2009	2008
	£'000	£'000
Finished goods	279	234

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009

18. TRADE AND OTHER RECEIVABLES

	2009	2008
	£'000	£'000
Prepayments and accrued income	2,166	2,514
Related party receivables (see note 26)	-	26
Trade receivables	4,906	1,709
	<u>7,072</u>	<u>4,249</u>

Trade receivables are stated net of provisions of £458,720 (2008: £49,000).

Provision for doubtful debts:

	2009	2008
	£'000	£'000
Opening balance	49	-
Reversal and reduction of doubtful debts previously provided for		-
Bad debts provided for now written off		-
New and increased doubtful debts provided for	410	49
Closing balance	<u>459</u>	<u>49</u>

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
2009	<u>3,218</u>	<u>441</u>	<u>197</u>	<u>41</u>	<u>1,009</u>	<u>4,906</u>
2008	<u>1,344</u>	<u>218</u>	<u>85</u>	<u>3</u>	<u>59</u>	<u>1,709</u>

19. CASH AND CASH EQUIVALENTS

	2009	2008
	£'000	£'000
Cash in hand and balances with banks	902	3,861
Overdraft	-	(4,681)
Cash and cash equivalents	<u>902</u>	<u>(820)</u>

20. TRADE AND OTHER PAYABLES

	2009	2008
	£'000	£'000
Accrued expenses	2,832	2,792
Trade payables	2,201	1,219
	<u>5,033</u>	<u>4,011</u>

21. BORROWINGS

	2009	2008
	£'000	£'000
Barclays Bank PLC		
Overdraft	-	4,681
Current portion of loan facility	1,937	1,938
Non-current portion of loan facility	3,391	5,328
Total borrowings	<u>5,328</u>	<u>11,947</u>

The loan facility with Barclays Bank PLC bears interest at 2.5% p.a. above LIBOR (2008: 3.0% 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.

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

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

22. DEFERRED TAX

	Accelerated Capital Allowances £'000
Deferred tax liabilities:	
Balance at 1 January 2008	3
Recognised in the income statement	(1)
Balance at 1 January 2009	2
Recognised in the income statement	(1)
Balance at 31 December 2009	1

23. ORDINARY SHARES

	2009 £'000	2008 £'000
Issued and fully paid for		
166,309,094 Ordinary shares of 1p each (2008: 145,520,457 Ordinary shares of 1p each)	1,663	1,455
Reconciliation of the number of shares outstanding:		
Opening balance	145,520,457	146,153,255
Shares issued	20,788,637	445,681
Shares repurchased	-	(1,078,479)
Closing balance	166,309,094	145,520,457

24. RETIREMENT BENEFIT OBLIGATIONS

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

Defined contribution schemes

	2009 £'000	2008 £'000
Amount recognised as an expense	13	39

25. OPERATING LEASE COMMITMENTS

	2009 £'000	2008 £'000
As a lessee:		
Total future minimum lease payments under non-cancellable operating leases:		
Within one year	265	-
From one to five years	1,060	401
	1,325	401

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

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

26. RELATED PARTIES

The Group's investments in subsidiaries have been disclosed in note 30. DM plc considers A J Williams to be the ultimate controlling party by virtue of his majority shareholding.

Transactions:

<u>Relationship</u>	<u>Sales of goods</u>		<u>Purchase of goods</u>		<u>Amounts owed to related party</u>		<u>Amount owed by related party</u>	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Related companies of which A J Williams is a director	11	-	13	-	5	-	-	26
Directors:							2009	2008
Aggregate emoluments							£	£
							255,450	245,367

The highest paid Director received £150,000 (2008: £150,000).

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

27. SHARE BASED PAYMENTS

DM plc has an unapproved share option scheme and an EMI share option scheme.

Under the unapproved scheme at the balance sheet date options had been granted to certain individuals over an aggregate of 135,812 Ordinary Shares at an exercise price of £2 between 24 July 2003 and 23 July 2010.

EMI share option scheme	2009		2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Outstanding at the beginning of the period	1,728,108	12.97p	1,537,182	12.63p
Granted during the period	-	-	190,926	15.75p
Outstanding at the end of the period	1,728,108	12.97p	1,728,108	12.97p

EMI share options outstanding at 31 December 2009 had a weighted average exercise price of 12.97p, and a weighted average remaining contractual life of 0.91 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 Income Statement with respect to share options because the amount involved is judged to be not material.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

28. 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 reduction in net debt 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 20 and 21 respectively. No collateral is held as security on these amounts.

Interest rate risk - The Group increased its borrowings in 2008 in order to acquire the business of Data Locator Group. Between April 2006 and March 2008 the Group had in place a financial instrument that provided an interest rate cap on the outstanding capital under a Barclays Bank facility agreement (note 21). The financial instrument effectively limited the LIBOR to 6% p.a. for the purposes of calculating loan interest. The Board has considered the current LIBOR and decided not to enter into any financial instruments, such as interest rate fixes or swaps, for the time being. This decision is reviewed monthly.

Financial instruments include trade receivables, trade payables and cash and cash equivalents that sum to an asset balance of £3,607k (2008: credit/liability balance of £330k) which are treated as loans and receivables for IFRS 7 classification purposes. They also include borrowings, as set out in note 21, which are treated as financial liabilities measured at amortised cost.

The Group had an outstanding loan balance of £5,329k at December 31 2009 (2008: £7,266k) and a projected average capital balance outstanding of £4,602k for 2010. Therefore a change in LIBOR of 1% would change the profit before tax by £31k (2008: £65k).

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

Liquidity and cashflow risk - The Group maintains sufficient cash and marketable securities. Management review cashflow forecasts on a regular basis to determine whether the Group has sufficient cash reserves to meet future working capital requirements and to take advantage of business opportunities. Management also monitor bank covenants on the loans on a monthly basis on both the actual historic performance and the forecasts to monitor compliance with its key banking terms.

The Group has a long term loan facility as described in note 21. Capital repayments are at £1,938k per annum on a quarterly basis and the balancing final capital repayment is due in December 2011. The Group also has undrawn banking facilities of £1,500k which can be used to ease liquidity risk if considered necessary.

The average creditor payment period is 48 days (2008: 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 bank overdrafts, trade payables and bank loans. The maturity profile for the bank loans are disclosed in note 21. The bank overdrafts and trade payables are all payable within 3 months.

**NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2009**

29. 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.

30. 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	Database	100%

All trading subsidiaries are included in the consolidation.

DM plc bought the entire share capital of PDV Ltd on 7 April 2009.

PDV Ltd made a loss before tax of £253k from the date of acquisition to 31 December 2009. This loss has been consolidated into the Group financial statements.

The investment in Purely Creative Ltd is held by Strike Lucky Games Ltd. The investment in McIntyre & Dodd Marketing Ltd is held by Dodd Marketing Ltd. The investment in Data Locator Group Ltd is held by Database Holdings Ltd. The investment in NDL Realtime Ltd is held by PDV Ltd.

DM plc - Company only

PARENT COMPANY FINANCIAL STATEMENTS

The separate financial statements of DM plc are presented on pages 32 to 35, 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 AUDITORS' REPORT TO THE MEMBERS OF DM PLC

We have audited the parent Company financial statements of DM plc for the year ended 31 December 2009 which comprise the 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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.

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 2009;
- 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's report for the financial year for which the parent Company 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 2009.

PKF (UK) LLP.

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

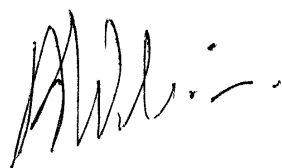
Manchester
5 March 2010

DM plc
Company only

COMPANY BALANCE SHEET
AT 31 DECEMBER 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Property, plant and equipment	4	1	1
Investments	5	15,979	15,979
		<u>15,980</u>	<u>15,980</u>
Current Assets			
Debtors	6	4,809	4,937
Cash at bank		-	3
		<u>4,809</u>	<u>4,940</u>
Creditors			
Amounts falling due within one year	7	5,953	7,249
Net current liabilities		<u>(1,144)</u>	<u>(2,309)</u>
Total assets less current liabilities		<u>14,836</u>	<u>13,671</u>
Creditors			
Amounts falling due after more than one year	8	3,390	5,328
Net assets		<u>11,446</u>	<u>8,343</u>
Capital and reserves			
Called up share capital	9	1,663	1,455
Capital redemption reserve	10	16	16
Share premium	10	3,685	2,893
Merger reserves	10	2,286	2,286
Profit and loss account	10	3,796	1,693
Shareholder's funds		<u>11,446</u>	<u>8,343</u>

The financial statements were approved and authorised for issue by the Board of Directors on 5 March 2010 and were signed on its behalf by:



Director

**DM plc
Company only**

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 28 of the group accounts.

2. PROFIT AND LOSS ACCOUNT

The Company profit for the year, before charging dividends, is £2,104,765 (2008: £2,638,000). As permitted by s 408 of the Companies Act 2006, a separate profit and loss account has not been prepared.

3. AUDITORS REMUNERATION

	2009	2008
	£'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 2009		1
Additions		-
Closing cost at 31 December 2009		<u>1</u>
Accumulated depreciation		
As at 1 January 2009		-
Depreciation		-
At 31 December 2008		<u>-</u>
Closing carrying value at 31 December 2009		<u>1</u>

5. FIXED ASSET INVESTMENTS

		Investments £'000
Cost		
At 1 January 2009		15,979
Addition during the year		266
Written off during the year		(266)
At 31 December 2009		<u>15,979</u>
Net Book Value		
At 31 December 2009		<u>15,979</u>
At 31 December 2008		<u>15,979</u>

**DM plc
Company only**

NOTES TO THE FINANCIAL STATEMENTS

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	Database	100%

All trading subsidiaries are included in the consolidation.

The investment in Purely Creative Ltd is held by Strike Lucky Games Ltd. The investment in McIntyre & Dodd Marketing Ltd is held by Dodd Marketing Limited. The investment in Data Locator Group Ltd is held by Database Holdings Ltd. The investment in NDL Realtime Ltd is held by PDV Ltd.

Details of the acquisition in the year are given in note 15 on page 24 within the group accounts.

6. DEBTORS

	2009	2008
	£'000	£'000
Prepayments	568	71
Due from Group undertakings	4,241	4,866
Other debtors	-	-
	<u>4,809</u>	<u>4,937</u>

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£'000	£'000
Bank loans and overdrafts	5,860	6,470
Trade creditors	29	219
Taxation and social security	41	9
Amount owed to Group undertakings	-	442
Accruals	23	109
	<u>5,953</u>	<u>7,249</u>

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

	2009	2008
	£'000	£'000
Bank loan	3,390	5,328
	<u>3,390</u>	<u>5,328</u>

The loan facility with Barclays Bank is repayable in equal instalments of £484,375 (2008: £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 (2008: 3.0% above LIBOR p.a.). This is a floating interest rate loan and therefore exposes the Group to cash flow risk although this is off set to an extent by the cash balances held by the Group.

DM plc
Company only

NOTES TO THE FINANCIAL STATEMENTS

9. CALLED UP SHARE CAPITAL

	2009	2008
	£'000	£'000
Allotted, issued and fully paid		
166,309,094 Ordinary Shares of 1p each	<u>1,663</u>	<u>1,455</u>

20,788,637 Ordinary Shares of 1p each were allotted as fully paid at 5.0p per share during the year.

10. RESERVES

	Profit and Loss Account	Capital Redemption Reserve	Share Premium	Merger Reserves	Totals
	£'000	£'000	£'000	£'000	£'000
At 1 January 2009	1,693	16	2,893	2,286	6,888
Premium on shares issued in the year	-	-	792	-	792
Profit for the year	2,103	-	-	-	2,103
Purchase of own shares	-	-	-	-	-
Dividends	-	-	-	-	-
At 31 December 2009	<u>3,796</u>	<u>16</u>	<u>3,685</u>	<u>2,286</u>	<u>9,783</u>

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009	2008
	£'000	£'000
Profit for the financial year	2,103	2,638
Dividends	-	(5,369)
	<u>2,103</u>	<u>(2,731)</u>
Issue of shares	1,000	41
Purchase of own shares	-	(174)
Net addition to shareholders' funds	<u>3,103</u>	<u>(2,864)</u>
Opening shareholders' funds	<u>8,343</u>	<u>11,207</u>
Closing shareholders' funds	<u><u>11,446</u></u>	<u><u>8,343</u></u>

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 2009 amounted to £NIL (2008: £164,579).

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.

	2009	2008
	£	£
Directors:		
Aggregate emoluments	255,450	245,367

No directors were members of a money purchase pension scheme.

Directors received dividends where they held shares.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 11.30 am on 7 May 2010 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 2009 together with the Reports of the Directors and Auditors thereon.
- Resolution 2: To reappoint PKF (UK) LLP as auditors of the Company and to authorize the Directors to determine their remuneration.
- Resolution 3: To re-elect Mark Winter as a Director of the Company who retires by rotation and who being eligible offers himself for re-election as a director of the Company.
- Resolution 4: To re-elect John Gomme as a Director of the Company who retires by rotation and who being eligible offers himself for re-election as a director of the Company.

Special Business

- Resolution 5: 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 6: 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 5, 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 6 as if section 561 of the Companies Act 2006 did not apply to any such allotment, provided that this power shall be limited to:
- 6.1 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;
 - 6.2 one or more allotments (otherwise than pursuant to paragraph 6.3 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;
 - 6.3 one or more allotments of equity securities up to an aggregate nominal amount of £146,000 to executive directors, employees and/or consultants of the Company or any of its subsidiary companies (representing approximately 10 per cent of the issued ordinary share capital of the Company on the date immediately following the passing of this Resolution);
- and shall expire on the date of the next annual general meeting of the Company or (if earlier) 15 months from the date of the passing of this Resolution save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.”

NOTICE OF ANNUAL GENERAL MEETING (continued)

- Resolution 7: 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:
- 7.1 the maximum aggregate number of such shares which may be purchased shall not exceed 50,000,000;
 - 7.2 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;
 - 7.3 the minimum price which may be paid by the Company for purchase of any such share shall be 1p; and
 - 7.4 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
5 March 2010

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 5 May 2010. 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 5 May 2010.

