Company Number 4020844

DM plc

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2006

DM plc
(“DM” or the “Group”)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2006

DM, the direct marketing group specialising in database management and home gaming, reports its results for the year ended 31 December 2006.

Overview - another excellent year with progress on all fronts:

- Record financial results for the third full year running;
- Turnover up 61 per cent to £16.86 million (2005: £10.48 million);
- Profit before tax, interest and goodwill amortisation from operating activities up 89 per cent to £3.96 million (2005: £2.10 million - excluding one-off profit from acquisition);
- Group consolidated profit before tax up 36 per cent to £3.26 million (2005: £2.39 million);
- EPS up 24 per cent to 1.73 pence (2005: 1.40 pence);
- Successful acquisition and integration of two additional businesses;
- All subsidiaries profitable at the year end; and
- Inaugural dividend of 0.1 pence per share.

£’000	**2006**	**2005**	**2004**
Turnover	16,860	10,481	4,201
PBT	3,256	2,388	1,317
EPS	1.73p	1.40p	0.70p

DM Chairman, Adrian Williams said:

“DM’s expertise lies in understanding the industry and recognising opportunities within the sector. This is demonstrated by the successful and rapid turnaround to profitability of our latest acquisition, “The Winners Club”.

“I am confident that the Group is capable of even greater achievements. It is highly cash generative, which we expect to maintain as we continue to build the breadth of the business, and our database levels and renting activities continue to improve. Our aim is to maintain our position as a leader in response orientated gaming, which should translate into increased returns for our shareholders.”

DM plc

CONTENTS

DM plc

CHAIRMAN'S STATEMENT

I am very pleased to report DM's results for the year ended 31 December 2006, which has been another strong year for the Group. During the year we further strengthened our position as the leading UK direct marketing group specialising in database management and home gaming, both by growing organically and by making selective acquisitions that complement our existing operations.

Financial results

The hard work and progress we have made has yet again been translated into record results. For the year ended 31 December 2006, the Group reported turnover of £16.86 million (2005: £10.48 million), an increase of 61 per cent over the same period in 2005. Profit before tax, interest and goodwill amortisation from operating activities increased 89 per cent to £3.96 million (2005: £2.10 million - excluding the one-off profit generated from the early satisfaction of the Purely Creative earn-out). Overall, the Group consolidated profit before tax increased 36 per cent to £3.26 million (2005: £2.39 million). Earnings per share increased by 24 per cent to 1.73 pence (2005: 1.40 pence).

The Group acquired specialist competition promoter and list broker, Dodd Marketing Limited ("Dodd Marketing"), for a maximum consideration of £9 million in April 2006. It also acquired the core trading subsidiaries of AIM listed Invox's Home Gaming division - The Winners Club Limited and TPC Telecoms Limited (together "The Winners Club") - for a consideration of up to £2 million in October 2006. The two acquisitions complement our other subsidiaries, enhancing DM's position in the direct marketing industry and bringing into the Group comprehensive coverage of the addressed mail sector.

These results only include circa eight months contribution from Dodd Marketing and three months results of The Winners Club. As indicated previously, the integration of both businesses is progressing well and we have already turned The Winners Club, from loss making at acquisition, into a pre-tax profit, meaning that all of our subsidiaries are profitable.

Over the year the Group has been highly cash generative. As previously indicated the Board has always intended to implement a progressive dividend policy when it was appropriate to do so. This year the Board is proposing to commence the payment of a dividend of 0.1 pence per share which will be paid on 15 May 2007 to shareholders on the register as at the close of business on 20 April 2007.

Business Review

2006 has been another year of progress with the Group gaining real critical mass in the direct marketing and home gaming sector. The Group has three core divisions:

Gamecards and Scratchcards
Direct Mail
Database Products

Gamecards and Scratchcards

This division designs, promotes and distributes a response orientated proprietary range of games of skill and chance. Revenue is generated by respondents telephoning premium rate lines or responding by text or by post. We are the UK market leader in this profitable and cash generative sector. This is a major strength since these activities constantly generate more new customers for the benefit of our other divisions.

Direct Mail

This division promotes our own proprietary games via Royal Mail addressed mail to UK consumers. Building on our core capabilities of response orientated competitions and database ownership and management, we have developed a specialist range of products and services to generate clients and profit from their subsequent responses. Careful analysis of response patterns and experienced campaign management allow us to continue to generate high margins. The acquisition of The Winners Club will allow us to enjoy cross selling opportunities. We expect to see the benefits of this co-operation during 2007 following successful testing in the final quarter of 2006.

Database Products

This division has a total database of over six million customers and is the largest response database in the UK in our market sector. It owns a number of response driven databases from which it generates rental income via list brokers, including its in-house broker and via websites including www.lists.co.uk.

We have a number of joint ventures in place to share data with financial institutions including Cornhill and AXA Sun Life, which are proving successful. Essentially, databases are rented out to companies who in turn utilise the data to conduct targeted direct marketing programmes for products such as home, contents and motor insurance. AXA in particular has started to show some of the promise that we had hoped for with favourable results from early tests.

We believe there is considerable opportunity to generate significant benefits through synergies with our existing operations and the database operations of our new acquisition, The Winners Club.

Outlook

We enjoyed strong growth throughout 2006 as we focused on strengthening our UK market leadership in response based home gaming via direct marketing. The Board is happy with the progress made, which has yet again been translated into impressive financial results as we have begun to benefit from the cross selling and synergistic benefits coming through our various subsidiaries. We will continue to explore further complementary acquisition opportunities of both businesses and relevant databases. Our key focus in 2007 is to drive the growth of our three divisions organically.

The first half of 2007 has started strongly and we expect continued like for like progress across all of our operating divisions. Over the festive period we moved to a new and larger office to allow the growing business to expand and accommodate the future growth of the business. Yet again I would like to thank all the employees of the Group for their hard work and commitment in delivering another set of record results. We have made a huge leap forward since we listed the Group in 2004 and I strongly believe that we can continue to grow the Group well into the future.

A J Williams
Chairman
19 March 2007

DM plc

THE BOARD OF DIRECTORS

Adrian John Williams (aged 49) 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. In 1992 Adrian founded Scenic Maps Limited which provided 3-D maps of town and city centres. Adrian founded Strike Lucky Games Limited in 1993.

Wendy Elaine Ruck (aged 48) 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 Strike Lucky Games Limited, whilst also directing the prize fulfilment operations.

Mark Winter (aged 43) 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 an associate at the financial consultancy, FDUK where he has had experience of a range of roles including fast growing businesses. Mark was appointed a director of DM plc on 17th June 2005.

John Gommes (aged 65) 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.

DM plc

ADVISERS

Registered Office
Green Heys, Walford Road, Ross on Wye, Herefordshire, HR9 5PQ.

Registered in England and Wales under Company Number 4020844.

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

Broker
Blue Oar Securities Plc, Colston Tower, Colston Street, Bristol BS1 4RD.

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

Auditors
Horwath Clark Whitehill LLP, Carrick House, Lypiatt Road, Cheltenham, Gloucestershire, GL50 2QJ.

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

DIRECTORS' REPORT

The Directors present their report and audited accounts covering the 12 months ended 31 December 2006.

Principal Activity
The principal activity of the Group during the year was that of prize games and database rental.

Results
The Consolidated Profit and Loss account is set out on page 13.

Business review and future developments
A review of the business and future developments can be found in the Chairman's Statement on Page 3.

Directors
The Directors who served on the Board during the year and their beneficial interests in the issued share capital of the Company at the beginning and end of the financial year were as follows:-

	Shareholding at 1 January 2006 Ordinary Shares of 1p each	**Shareholding at 31 December 2006 Ordinary Shares of 1p each**	**% of Issued Share Capital at 31 December 2006**
A J Williams	117,014,565	117,014,565	88.0%
W E Ruck	1,181,965	1,181,965	0.89%
J C Y P Gommes		500,000	0.38%
M Winter		35,911	0.03%

Significant shareholding
Other than the holding of the director A J Williams, the board is aware of one beneficial holding in excess of 3% of the company's issued equity share capital and that is Brightview PLC who hold 5.67%.

Share Options
No director held options over shares in the Company at 31 December 2006.

Share capital
Changes in share capital during the year are shown in Note 19 to the accounts.

Creditor payment policy
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. At 31 December 2006, the average number of Group creditor days outstanding was 48 days.

Risks and Uncertainties

The main potential risk is judged to be in the area of legislative changes. We have this situation under review and believe that existing revenue streams are not under threat.

KPI's

The size and activity of customer databases and the response rates to individual competitions are the key drivers of revenue and gross profit. It is still possible to devise and promote profitable campaigns and we have maintained similar levels for our response performance indicators by evolving our campaigns as consumer tastes evolve. The size of our customer databases continues to grow steadily and by acquisition.

International Financial Reporting Standards (IFRS)

For the year ended 31 December 2007, it will be mandatory for the Group to prepare the accounts in accordance with IFRS. This change will require a number of changes both to the disclosures and the accounting treatment of certain aspects of the accounts including, but not restricted to, the treatment of goodwill and its amortisation and/or impairment. The directors will be examining the implications of these changes in preparation for the interim results to 30 June 2007.

In the current year the directors have amortised goodwill on the basis of an estimated useful economic life of 20 years. The charge included within these accounts amounts to £261k. This charge may have been different had the accounts been prepared in accordance with IFRS for the current year.

Directors Duties

So far as each of the Directors is aware at the time 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.

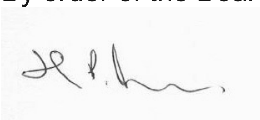
Auditors

Horwath Clark Whitehill LLP are willing to continue in office and a resolution to reappoint them as auditors will be proposed at the Annual General Meeting.

Annual General Meeting

The notice convening the Annual General Meeting to be held on Thursday 10th May 2007 is included in this document.

By order of the Board



T P Brennan
Company Secretary
19 March 2007

DM plc

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 and one non-executive Directors, 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 and senior executives of the Group and considers the grant of options and payment of performance related bonuses.

Internal Financial Control
The Directors are responsible for ensuring that the Company maintains a system of internal financial control 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.

DM plc

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit and loss of the Group for that period. In preparing those accounts 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 UK accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- apply the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In determining how amounts are presented within items in the profit and loss account and balance sheet the Directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

DM plc

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DM plc

We have audited the group and parent company accounts of DM plc for the year ended 31 December 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow statement and the related notes numbered 1 to 27. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Company's Shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's Shareholders 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 Group and the Company's Shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors Responsibilities the Company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the accounts. In addition, we report to you if, in our opinion, the Group has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and accounts and consider whether it is consistent with the audited accounts. The other information comprises the Chairman's Statement, Directors' Report, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DM plc – Continued

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's and parent company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 December 2006 and of the profit of the Group for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985 and;
- the information given in the Directors Report is consistent with the accounts.

Horwath Clark Whitehill LLP

Horwath Clark Whitehill LLP
Chartered Accountants
& Registered Auditors

Carrick House
Lypiatt Road
Cheltenham
Glos
GL50 2QJ

19 March 2007

DM plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	Continuing Operations 2006 £000	Acquisitions 2006 £000	Total 2006 £000	Total 2005 £000
Group Turnover	**2**	11,319	5,541	16,860	10,481
Cost of sales		(7,740)	(3,150)	(10,890)	(7,212)
Gross Profit		3,579	2,391	5,970	3,269
Administrative Expenses					
Goodwill Amortisation		(2)	(259)	(261)	-
Other Admin Expenses		(1,272)	(741)	(2,013)	(1,137)
Other operating income	**3**	-	-	-	295
Operating Profit	**4**	2,305	1,391	3,696	2,427
Interest Payable	**7**			(466)	(58)
Interest Receivable				26	19
Profit on ordinary activities before tax for the financial year				3,256	2,388
Taxation	**8**			(1,056)	(647)
Profit on ordinary activities after tax for the financial year				2,200	1,741
Earnings per share - basic	**10**			1.73p	1.40p
Earnings per share - diluted	**10**			1.73p	1.40p

There were no recognised gains or losses for the year other than those stated above.

The notes on pages 17 to 30 form an integral part of these accounts.

DM plc

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Intangible assets	**11**	10,490	80
Tangible assets	**12**	145	175
		10,635	255
Current assets			-
Stocks	**14**	138	
Debtors	**15**	2,996	1,963
Cash at bank		1,706	3,105
		4,840	5,068
Creditors: amounts falling due within one year	**16**	(5,273)	(4,200)
Net current assets		(433)	868
Total assets less current liabilities		10,202	1,123
Creditors: amounts falling due after more than one year	**17**	(6,272)	(422)
Provisions for liabilities	**18**	(10)	(15)
Net assets		3,920	686
Capital and reserves			
Called up share capital	**19**	1,329	1,251
Share premium account	**20**	1,064	108
Merger reserve account	**20**	(3,108)	(3,108)
Profit and loss account	**20**	4,635	2,435
Shareholders' funds (all equity)	**21**	3,920	686

The accounts were approved and authorised for issue by the Board and signed on 19 March 2007.

A J Williams
Chairman

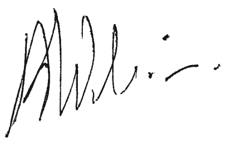
The notes on pages 17 to 30 form an integral part of these accounts

DM plc

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	2006 £000	2005 £000
Fixed assets			
Investments	**13**	16,091	5,548
Current assets			
Debtors	**15**	1,568	2
Cash at bank		36	291
		1,604	293
Creditors: amounts falling due within one year	**16**	(3,937)	(1,188)
Net current assets		(2,333)	(895)
Total assets less current liabilities		13,758	4,653
Creditors: amounts falling due after more than one year	**17**	(6,272)	(422)
Net assets		7,486	4,231
Capital and reserves			
Called up share capital	**19**	1,329	1,251
Merger reserve account	**20**	2,286	2,286
Share premium account	**20**	1,063	108
Profit and loss account	**20**	2,808	586
Shareholders' funds (all equity)	**21**	7,486	4,231

The accounts were approved and authorised for issue by the Board and were signed on 19 March 2007.



A J Williams
Chairman

The notes on pages 17 to 30 form an integral part of these accounts.

DM plc

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £000	2005 £000
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		3,696	2,427
Depreciation of tangible fixed assets		47	35
Amortisation of intangible fixed assets		275	-
(Increase) in stocks		(138)	-
(Increase)/decrease in debtors		(1,033)	592
(Decrease) in creditors		(230)	(46)
Net cash inflow from operating activities		2,617	3,008
Returns on investment and servicing of finance			
Interest received		26	19
Interest paid		(466)	(58)
Taxation		(1,119)	(325)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(17)	(127)
Purchase of intangible fixed assets		(51)	-
Acquisition and disposals			
Acquisition of subsidiary undertaking		(9,555)	(440)
Cash acquired with subsidiaries		417	238
Cash (outflow)/inflow before financing		(8,148)	2,315
Financing			
Issue of equity shares		34	-
New bank loan		9,135	-
Repayment of debt		(1,350)	(1,078)
(Decrease)/Increase in cash for the period	**22**	(329)	1,237

The notes on pages 17 to 30 form an integral part of these accounts

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1. ACCOUNTING POLICIES – Company and Group

Basis of Preparation
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of Consolidation
The acquisition of Strike Lucky Games Limited on 6 October 2004 has been accounted for as a reverse acquisition as explained in previous accounts. The acquisitions of Purely Creative Limited, Cyberdyne Entertainment Limited, Dodd Marketing Limited, The Winners Club and TPC Telecoms Ltd have been accounted for using acquisition accounting. The results of companies acquired in the year are consolidated from the date of acquisition. A separate profit and loss account for the parent company has not been presented by virtue of section 230 Companies Act 1985.

Investments
Fixed asset investments are stated at cost except where, in the opinion of the Directors, there has been an impairment in the value of an investment, in which case an appropriate adjustment is made.

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:-

Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	10%-25% reducing balance

Stock
This is valued at the lower of cost and net realisable value, on a first in first out basis.

Intangible assets and amortisation
Goodwill, representing the excess of the fair value of the consideration given and the associated costs over the fair value of the separable net assets acquired, is capitalised. It is amortised in equal instalments over its estimated useful life. The estimated useful life is the period over which the Directors estimate that the value of the underlying business acquired is expected to exceed the value of the underlying assets. The Directors review the carrying value of goodwill if there are indications of impairment and adjustment is made to the carrying value as required.

Other intangible assets represent data lists. These are also amortised over their estimated useful economic life.

1. ACCOUNTING POLICIES - Company and Group (continued)

Operating leases
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

Deferred taxation
Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse based on tax rates enacted at the balance sheet date.

Foreign currencies
Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences arising on translation are taken to the profit and loss account.

2. TURNOVER

Turnover generated as a result of telephone calls is recognised at the point the call is made. Other turnover is recognised at the point at which the goods or services are supplied. All turnover arose within the United Kingdom and Ireland and is stated net of value added tax.

3. OTHER OPERATING INCOME

	2006 £000	2005 £000
Early settlement of earn out liability relating to acquisition of Purely Creative Limited	-	248
Loan liabilities waived on acquisition of Cyberdyne Entertainment Limited	-	47
	-	295

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006

4. OPERATING PROFIT

	2006 £000	2005 £000
This is stated after charging/(crediting):		
Directors' remuneration (note 6)	216	167
Auditors' remuneration – audit	32	16
– non audit	14	17
Depreciation of tangible fixed assets	47	35
Amortisation of intangible assets	275	-
Difference on foreign exchange	4	(1)
Operating leases – land and buildings	20	20

5. STAFF COSTS

	2006 £000	2005 £000
Wages and salaries	1,229	491
Social security costs	134	47
	1,363	538

The average number of persons employed during the year was made up as follows:

	2006 Number	2005 Number
Directors	4	4
Administration	62	28
	66	32

6. DIRECTORS' REMUNERATION

There were three directors receiving remuneration during the year. The total directors remuneration paid during the year was £215,617 (2005: £167,000).

The highest paid director received £150,000.

7. INTEREST PAYABLE

	2006 £000	2005 £000
Bank interest	442	-
Interest on loan notes	24	58
	466	58

DM plc

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006

8. TAXATION

	2006 £000	2005 £000
Analysis of tax charge in year		
UK corporation tax charge on profit for the year	1,061	638
Adjustments in respect of prior periods	-	-
Deferred taxation	(5)	9
Total current tax		
Tax on profit on ordinary activities	1,056	647

Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK applicable to the Company (30%). The differences are explained below:-

	2006 £000	2005 £000
Profit on ordinary activities before tax	3,256	2,388
Profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2005 – 30%)	977	716
Effects of:		
Group income not subject to tax	-	(88)
Disallowed expenditure	6	17
Consolidation adjustments	78	(36)
Capital allowances for period in excess of depreciation	-	17
Unrelieved losses of parent company	-	12
Current tax charge for year (see note above)	1,061	638

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 its subsidiary entities.

9. DIVIDENDS

There were no dividends paid during the year.

10. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the financial year of £2,200,000 (2005 - £1,749,000) and a weighted average number of shares in issue during the period of 127,267,684 (2005: 124,449,337) ordinary shares. The share options in issue are non-dilutive.

11. INTANGIBLE FIXED ASSETS

	Other Intangibles £000	Goodwill £000	Total £000
Group			
Cost			
At 1 January 2006	5	75	80
Additions in year	51	-	51
Acquisition of subsidiaries	47	10,629	10,676
At 31 December 2006	103	10,704	10,807
Amortisation			
At 1 January 2006	-	-	-
Charge for the year	14	261	275
Acquisition of subsidiary	42	-	42
At 31 December 2006	56	261	317
Net book value			
At 31 December 2006	47	10,443	10,490
At 31 December 2005	5	75	80

Other intangibles relate to data lists.

12. TANGIBLE FIXED ASSETS

	Motor Vehicles £000	Fixtures & Fittings £000	Total £000
Group			
Cost			
At 1 January 2006	33	221	254
Additions in the year	7	10	17
At 31 December 2006	40	231	271
Depreciation			
At 1 January 2006	6	73	79
Charge for the year	8	39	47
At 31 December 2006	14	112	126
Net book value			
At 31 December 2006	26	119	145
At 31 December 2005	27	148	175

13. INVESTMENTS - Company

	£000
Unlisted investments	
Cost	
At 1 January 2006	16,264
Additions during the year	10,543
	26,807
Provisions	
At 1 January 2206	10,716
Charge for year	-
As at 31 December 2006	10,716
Net book value	
As at 31 December 2006	16,091
As at 31 December 2005	5,548

13. INVESTMENTS – Company - continued

On 6 October 2004 the Company acquired the entire issued share capital of Strike Lucky Games Limited for a total consideration, including costs, of £14,615,000. The majority of the consideration was satisfied by the issue of 118,196,530 ordinary shares of 1p each, valued at 12p per share. Under the terms of the acquisition agreement, earn out loan notes up to a maximum of £1.5m can also be issued. At 31 December 2004 the results of Strike Lucky Games Limited created a liability for £1,078,500 of loan notes which were reflected in the cost of the investment at that date. In the year ended 31 December 2005 a further liability of £421,500 of loan notes arose and it was reflected in the cost of the investment.

The directors reduced the carrying value of the investment in Strike Lucky Games Limited at 31 December 2004 to their estimate of its recoverable amount.

The additions are in respect of the acquisition of Dodd Marketing Limited acquired on 25 April 2006, and The Winners Club Limited and TPC Telecoms Limited acquired on 9 October 2006.

Acquisitions

The consideration for the purchase of The Winners Club Limited and TPC Telecoms Limited that occurred in October 2006 comprised of shares issued. In the Dodd Marketing Limited acquisition the consideration was paid wholly in cash.

Further details of the acquisitions are given below:-

	Dodd Marketing Ltd £000	**The Winners Club Ltd and TPC Telecoms Ltd £000**
Tangible fixed assets	5	-
Cash at Bank	92	325
Other net current assets/liabilities	(96)	(400)
Net assets acquired	1	(75)
Costs	471	84
Consideration - (Cash)	9000	-
Consideration - (Shares allotted)	-	1,000
Goodwill	9,470	1,159

The financial period of Dodd Marketing Limited prior to acquisition commenced on 1st January 2006. The results for the period 1 January 2006 to 25th April 2006 (date of acquisition) were turnover £6,613, operating profit of £6,400, profit before taxation of £6,400 and taxation charge of £1,920. The results for the period 1st May 2005 to 31st December 2005 were a profit after taxation of £1,220,134.

13. INVESTMENTS - Company – continued

The financial period of TPC Telecoms Limited and The Winners Club Limited commenced on 1st July 2006. The results for the period 1st July 2006 to 9 October 2006 (date of acquisition) were turnover £333,848, operating loss of £457,754, loss before taxation of £463,294 and taxation charge of NIL. The results for the year ended 30th June 2006 were a profit after taxation of £1,321,998.

The profit after taxation for each subsidiary acquired analysed between pre and post acquisition is given below:

	Pre Acquisition £000	Post Acquisition £000
Dodd Marketing Limited Year ended 31 December 2006	4	10
McIntyre & Dodd Marketing Limited Year ended 31 December 2006	(26)	950
The Winners Club Limited Year ended 31 December 2006	(453)	1
TPC Telecoms Limited Year ended 31 December 2006	(10)	-

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	Games	100%
Strike Lucky.com Ltd	Ordinary	Dormant	100%
Name That Tune Ltd	Ordinary	Dormant	100%
Bingoline Ltd	Ordinary	Dormant	100%
Strike It Lucky Ltd	Ordinary	Dormant	100%
Purely Creative Ltd	Ordinary	Competitions	100%
Cyberdyne Entertainment Ltd	Ordinary	Gambling	100%
Dodd Marketing Limited	Ordinary	Games	100%
McIntyre & Dodd Marketing Ltd	Ordinary	Games	100%
The Winners Club Ltd	Ordinary	Games	100%
TPC Telecoms Limited	Ordinary	Games	100%

The investment in Purely Creative Ltd is held by Strike Lucky Games Ltd. Likewise the investment in McIntyre & Dodd Marketing Ltd is held by Dodd Marketing Limited.

DM plc

NOTES TO THE ACCOUNTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2006

14. STOCKS

	Group 2006 £000	Company 2006 £000	Group 2005 £000	Company 2005 £000
Stocks	138	-	-	-

15. DEBTORS

	Group 2006 £000	Company 2006 £000	Group 2005 £000	Company 2005 £000
Amounts falling due within one year				
Trade debtors	729	-	671	-
Other debtors	5	181	52	-
Due from Group undertakings	-	1,383	-	-
Prepayments	840	4	303	2
Accrued Income	1,422	-	937	-
	2,996	1,568	1,963	2

16. CREDITORS: amounts falling due within one year

	Group 2006 £000	Company 2006 £000	Group 2005 £000	Company 2005 £000
Banks overdrafts and loans	1,939	1,935	1,074	-
Trade creditors	1,554	11	1,810	-
Amounts owed to group undertakings	-	1,830	-	1,071
Corporation tax	777	-	835	-
Social security and other taxes	390	20	137	14
Accruals	613	141	344	103
	5,273	3,937	4,200	1,188

17. CREDITORS: amounts falling due after more than one year.

	Group 2006 £000	Company 2006 £000	Group 2005 £000	Company 2005 £000
Earn out loan notes	422	422	422	422
Bank Loan	5,850	5,850	-	-
	6,272	6,272	422	422

17. CREDITORS: amounts falling due after more than one year - continued

The Bank Loan is unsecured, at 2.3% above LIBOR, and is repayable in full by 31 March 2011. Bank Loan, included above, is repayable as follows:

1-2 Years	1,800,000
2-5 Years	4,050,000

Under the terms of the acquisition agreement entered into on 6 October 2004, DM plc had a potential liability of £1,500,000 to be satisfied by the issue of Earn Out Loan Notes. At 31 December 2004 a liability of £1,078,500 had arisen based on trading results of Strike Lucky Games Limited. The loan notes were paid in December 2005. Based on profits for the year ended 31 December 2005 the balance of £421,500 loan notes became payable.

18. PROVISIONS FOR LIABILITIES

Group	**2006 £000**	**2005 £000**
Deferred taxation		
At 1 January 2006	15	-
On acquisition of subsidiary	-	6
Charge for the year	(5)	9
At 31 December 2006	10	15

The deferred tax provision is made up as follows:

	2006 £000	**2005 £000**
Accelerated capital allowances	10	15
	10	15

19. SHARE CAPITAL

	2006 £000	**2005 £000**
Authorised		
650,000,000, Ordinary Shares of 1p each (2005 – 500,000,000)	6,500	5,000
50,000 Redeemable Preference Shares of £1 each	50	50
	6,550	5,050
Allotted, called up and fully paid		
132,928,062 Ordinary Shares of 1p each (2005 – 125,103,114 Ordinary Shares of 1p each)	1,329	1,251

19. SHARE CAPITAL - continued

There were 7,824,948 new shares issued during the year.

The Company has an unapproved share option 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. An EMI share option scheme was operated in the year to certain staff members. There were 1,142,856 options given at 12.25p per share, and 326,530 at 13.5p per share.

The authorised share capital was increased by 155,000,000 Ordinary shares of 1p each by a resolution dated 27th June 2006.

During the year there were 277,778 shares of 1p each issued at a price of 11.75p per share and 7,547,170 shares of 1p each issued at a price of 13.25p per share.

The Black-Scholes pricing model was used to value the share options. The inputs to the Black-Scholes model was that of share price volatility in 2006 of 4.4% and risk free interest of 4.5%p.a. It was assumed that there was 3.5 years to maturity (weighted average). The expected volatility was determined by review of past movements. On this basis the total value of the share options as at 31 December 2006 was £16k.

20. RESERVES

	Merger Reserve Account £000	Share Premium Account £000	Profit and Loss Account £000
Group			
At 1 January 2006	(3,108)	108	2,435
Profit for the year	-	-	2,200
Premium on shares issued in the year	-	956	-
At 31 December 2006	(3,108)	1,064	4,635
Company			
At 1 January 2006	2,286	108	586
Premium on shares issued in the year	-	956	-
Profit for period	-	-	2,222
At 31 December 2006	2,286	1,064	2,808

In accordance with s131 Companies Act 1985, the premium on the issue of shares to acquire Strike Lucky Games Limited has been credited to a merger reserve in the Company's balance sheet. The impairment of the investment value in the year ended 31 December 2004 has resulted in a transfer from the merger reserve to the profit and loss account, as that amount of the merger reserve has become realised.

In the Group balance sheet, the merger reserve represents the difference between the nominal value of the shares issued to acquire Strike Lucky Games Limited and the nominal value of that company's share capital, together with the additional costs of the acquisition.

21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £000	2005 £000
Group		
Profit for the year	2,200	1,741
Dividends	-	-
Issue of shares	1,034	60
Issue of loan notes	-	(423)
Net movement in shareholders' funds	3,234	1,378
Opening shareholders' funds	686	(692)
Closing shareholders' funds	3,920	686

Company	2006 £000	2005 £000
Profit for the year	2,222	608
Issue of shares	1,033	60
Net movement in shareholders' funds	3,255	668
Opening shareholders' funds	4,231	3,563
Closing shareholders' funds	7,486	4,231

22. NOTES TO THE CASH FLOW STATEMENT

Analysis of changes in net funds/(debt)	At 1 January 2006 £000	Cash flow £000	Non cash flow £000	At 31 December 2006 £000
Cash at bank	3,105	(1,399)	-	1,706
Overdrafts	(1,074)	1,070	-	(4)
	2,031	(329)	-	1,702
Loan Notes	(422)	-	-	(422)
Bank Loans	-	(7,785)	-	(7,785)
Net funds/(debt)	1,609	(8,114)	-	(6,505)

22. NOTES TO THE CASH FLOW STATEMENT (continued)

	2006 £000	2005 £000
Reconciliation of net cash flow to movement in net funds for the period ended 31 December 2006		
(Decrease)/Increase in cash in the period	(329)	2,314
Cash inflow from increase in debt financing	(7,785)	-
Change in net debt resulting from cash flows	(8,114)	2,314
Loan notes issued	-	(422)
Movement in net debt / (funds) in the period	(8,114)	1,892
Net funds at 31 December 2005	1,609	(283)
Net debt at 31 December 2006	(6,505)	1,609

23. OPERATING LEASE COMMENTS

At 31 December 2006, Strike Lucky Games Limited had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings	
	2006 £000	2005 £000
Expiry Date		
Between 2 and 5 years	34	20

24. RELATED PARTY TRANSACTIONS

During the year Strike Lucky Games Limited recharged Activ8 Ltd salary costs totalling £NIL (2005 £286) based upon the apportionment of staff time and office costs, no amounts remained outstanding to Strike Lucky Games Limited.

During the year ended 31 December 2006 Accolade Publishing Limited made sales to McIntyre & Dodd Marketing Limited of £59,735 and received goods and services of £171,967. As at 31 December 2006 there was a net amount due to McIntyre & Dodd Marketing Limited from Accolade Publishing Limited of £70,266.

DM plc acquired the whole of the share capital in Dodd Marketing Limited from Adrian Williams and Wendy Ruck for £9 million on 25 April 2006.

All transactions were conducted on commercial terms and on an arms length basis, and are regarded as related party transactions due to the common ownership of Adrian Williams.

25. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and liquid resources and other net current assets that arise directly from operations. The main purpose of these financial instruments is to fund the Group's activities. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions.

26. COMMITMENTS

At the balance sheet date, the Group had no significant commitments other than as disclosed.

27. POST BALANCE SHEET EVENTS

Cyberdyne Entertainment Ltd (Cyberdyne) will be closed in early April 2007. Cyberdyne is not a core group activity and it generated only a small percentage (0.39%) of group PBT in 2006 and its future potential is limited.

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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 10 May 2007 at Green Heys, Walford Road, Ross on Wye HR9 5PQ for the following purposes:

Ordinary Business

Resolution 1: To receive and adopt the Financial Statements of the Group for the period ended 31 December 2006 together with the Reports of the Directors and Auditors thereon.

Resolution 2: To declare a final dividend of 0.1p per Ordinary Share of 1p in issue at 20th April 2007.

Resolution 3: To reappoint Horwath Clark Whitehill LLP as auditors of the Company and to authorise the Directors to determine their remuneration.

Resolution 4: To re-elect John Gommes 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 authorised share capital of the Company be and it is hereby increased from the registered authorised share capital of £6,550,000 to £20,000,000 by the creation of 1,345,000,000 Ordinary Shares of 1p each bearing the same rights as the Ordinary Shares of 1p each currently in issue and ranking pari passu therewith in all respects."

Resolution 6: 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 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined by section 80(2) of the Act) of the Company up to a maximum nominal amount equal in aggregate to the nominal amount of the authorised but unissued share capital immediately following the passing of this Resolution 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 relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities after the expiry of such authority pursuant to such offer or agreement as if such authority had not expired."

Resolution 7: 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 6, the Directors be and they are hereby empowered pursuant to section 95 of the Act from time to time to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred by Resolution 5 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

7.1 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;

7.2 one or more allotments (otherwise than pursuant to paragraph 7.3 of this Resolution) pursuant to placing, sale, subscription, offer or otherwise of equity securities in aggregate up to the maximum of the Company's authorised but unissued share capital;

7.3 one or more allotments of equity securities up to an aggregate maximum nominal amount of £132,928 to executive directors, employees and/or consultants of the Company or any of its subsidiary companies (representing approximately 10 per cent of the issued ordinary share capital of the Company on the date immediately following the passing of this Resolution);

and shall expire on the date of the next annual general meeting of the Company or (if earlier) 15 months from the date of the passing of this Resolution save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry, and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."

Resolution 8: To consider and, if thought fit, pass the following Resolution as an Ordinary Resolution:

"**THAT** pursuant to section 166 of the Companies Act 1985 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:

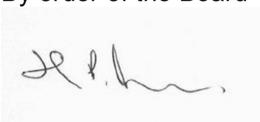
8.1 the maximum aggregate number of such shares which may be purchased shall not exceed 20,000,000;

8.2 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 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;

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

8.4 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
19th March 2007

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

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, Proxy Processing Centre, Telford Road, Bicester, OX26 4LD not later than 48 hours before the time for holding the meeting.
4. 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.
5. It will be proposed at the Annual General Meeting that a final dividend of 0.1p per Ordinary Share of 1p in issue at 20 April 2007 be declared in favour of those holders of Ordinary Shares of 1p whose names appear on the Company's Register of Members at close of business on that date. The shares will become ex-dividend on 18 April 2007 and the dividend will be paid on 15 May 2007.