DM plc

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

DM plc ("DM" or the "Group"), the direct marketing group specialising in customer recruitment and database management, announces its final results for the year ended 31 December 2007.

Continued strong organic growth generates record results for 4th consecutive year

- Record financial results for the 4th consecutive year
- Consolidated position as market leader and owner of the largest database (over 7.5 million customers) in our sector
- Recent, industry world record breaking prize of over £1 million awarded
- As at 31 December 2007 the Group had net cash of £0.22 million (2006: net debt £6.50 million)
- Revenue up 19 per cent. to £20.01 million (2006: £16.86 million)
- Profit before tax and interest up 35 per cent. to £5.36 million (2006: £3.96 million)
- Group consolidated profit before tax up 39 per cent. to £4.88 million (2006: £3.51 million)
- Normalised earnings per share up 29 per cent. to 2.49 pence (2006: 1.93 pence)
- EBITDA conversion rate to cash of 135 per cent.
- All earn-outs and loan notes related to acquisitions are now satisfied
- Proposed final dividend of 0.2 pence per share making a total dividend for the year of 0.3 pence (2006: 0.1 pence), a 200 per cent. increase.

£million	2007	2006	2005	2004
Revenue	20.01	16.86	10.48	4.20
Profit before tax	4.88	3.51	2.39	1.32
Normalised EPS	2.49p	1.93p	1.40p	0.70p

DM Chairman, Adrian Williams said:

"We have again achieved record results, allowing us to significantly increase our dividend to shareholders. Our strategy of developing the business both organically and through acquisitions continues to be highly successful, has driven our expansion and has consolidated DM's market leading position in our sector. The business is cash generative and with complementary revenue streams and a low-cost base, we have the foundation from which to deliver continued earnings growth for our shareholders. Our enhanced database, which is now being used more efficiently, has meant that 2008 has already begun well for the Group and we look forward to updating shareholders on our progress."

CHAIRMAN'S STATEMENT

I am delighted to report DM's final results for the year ended 31 December 2007, which again highlight the Group's operational strength and its outstanding financial performance in difficult and uncertain times. Our market position and management expertise has allowed us to yet again deliver period on period improvement for the 7th consecutive reporting period and the 4th year in a row since the formation of the Group.

2007 was a year of consolidation during which we completed the successful integration of previous acquisitions. We have concentrated on achieving cost and cross selling synergies and through organic growth consolidated our position as the leading UK direct marketing group specialising in customer recruitment and database management. In that context the record results achieved are particularly satisfying.

Of particular note was the award, in January 2008, of what we believe to be an industry world record breaking prize of over £1 million through our Gamecard division. The prize winning Golden Ticket was the jackpot in a recent *'Win a Million'* promotion distributed in national and regional newspapers and magazines. The £1 million prize was pre-insured and accordingly covered by DM's insurance company at no further cost to DM.

Financial results

DM's market leading position and specialist sector expertise has yet again been translated into record results. For the period ended 31 December 2007, the Group reported turnover up 19 per cent. to £20.01 million (2006: £16.86 million) and profit before tax and interest is up 35 per cent. to £5.36 million (2006: £3.96 million). Overall, Group consolidated profit before tax increased 39 per cent. to £4.88 million (2006: £3.51 million). Normalised earnings per share also increased for the 4th full year period in succession by 29 per cent. to 2.49 pence (2006: 1.93 pence).

The table below summarises the historic results for the Group for each of the last four full year periods since the reversal of Strike Lucky Games Ltd ("Strike Lucky") into the Group in October 2004.

£million	2007	2006	2005	2004
Turnover	20.01	16.86	10.48	4.20
Profit before tax	4.88	3.51	2.39	1.32
Normalised EPS	2.49p	1.93p	1.40p	0.70p

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

At the end of 2006 the Group re-organised its operations into three distinct divisions - Gamecards, Direct Mail and Database Products. During the first half of 2007 the decision was made to close Cyberdyne Entertainment Limited. Accordingly, a write down of £160,000 has been charged to the income statement against previously recognised goodwill and other tangible assets relating to this subsidiary.

As at 31 December 2007, after taking into account outstanding debt of £5.85 million and cash at bank of £6.07 million, the Group ended the year with a positive net cash position of £0.22 million. This has been possible due to the strict operational controls in the Group, our working capital management and a focus on high margin promotions and data management services. This has allowed the Group to convert 135 per cent. of EBITDA to operational cashflow. During the period, a final payment of £0.42 million was made, discharging the remaining loan notes due under the earn-out from the original reverse.

At the half year the Board announced the commencement of an interim dividend of 0.1 pence per share which was paid in October 2007. In line with the Board's commitment to implement a progressive dividend policy, a final dividend of 0.2 pence per share is being proposed, an increase of 100 per cent. (2006: 0.1 pence), resulting in a total dividend for the period of 0.3 pence (2006: 0.1 pence), a total increase of 200 per cent. over the previous year. Subject to shareholder approval the final dividend will be paid on 1st May 2008 to shareholders on the register as at the close of business on 28th March 2008.

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

Corporate Actions

In April 2007, DM raised £2.00 million (approximately £1.93 million net of expenses) through the issue of 13,793,103 new ordinary shares of 1 pence each at 14.5 pence per share to institutional investors. The proceeds were used to increase the size of mailings, further automate the fulfilment process and make database acquisitions.

At DM's Annual General Meeting in May 2007, approval was granted for the Group to purchase shares issued by it within certain parameters. In November 2007, we sent shareholders details of a share buy-back scheme funded by the Group, and provided by our registrars, that allowed small shareholders with holdings of less than 6,000 shares to tender their entire holding for sale with the trading cost paid for by the Group, and potentially to be bought back by the Group. Via this scheme and general market purchases designed to provide additional liquidity to selling shareholders, the Group bought back 567,910 ordinary shares of 1 pence each at an average price of 14.6 pence per share.

In October 2006, DM acquired the Home Gaming division of AIM listed Brightview plc, ("The Winners Club"), for a total consideration of up to £2.0 million, consisting of an initial payment of £1.0 million, payable by the issue of DM shares, the remaining £1.0 million was payable under an earn-out obligation based on the profit before tax of The Winners Club as reported for the three years ended 31 December 2009. In July 2007, the Group assisted Brightview plc in placing the consideration shares received on the sale of The Winners Club and in return Brightview plc agreed to waive the remaining £1.0 million earn-out obligation discharging all further commitments to Brightview plc.

Business Review

Within the current economic climate, 2007 was a challenging year for the Group. This makes the financial performance even more impressive. The fallout of the TV Premium Rate scandals and The Royal Mail strikes in the late Summer and Autumn did have some effect on performance, but due to the pre-emptive actions of management, rescheduling promotions and utilising alternative postal services this was minimised effectively.

As previously indicated we have carefully considered the final sections of the Gambling Act 2005 which were implemented in September 2007. There does not appear to be any material adverse changes from the perspective of the Group and the removal of the "no purchase necessary" option for certain promotions could offer interesting opportunities for us. As part of its stated aim to raise standards in the Premium Rate industry, the Office of Fair Trading has been in consultation with all participants in our industry. Through our discussions with the OFT we agreed to make certain changes to some of our promotions, which should deliver greater clarity to consumers and greater certainty to our business. These developments should give us more regulatory certainty than we have enjoyed for several years.

The Group coordinates the complementary activities of our three divisions, Gamecards, Direct Mail and Database Products in order to maximise our relationship with each of our customers. However, the creative content of the divisions is managed locally across the divisional headquarters in Ross-on-Wye, Lancaster and Banbury. This ensures that our promotions from the Gamecard and Direct Mail divisions stay fresh and innovative, maximising the level of responses and quality of data for our Database Products division. This combination makes us more efficient at reducing costs and extracting synergies whilst maintaining the life blood of the Group – its creativity.

Gamecards

Our Gamecard 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. DM is the UK market leader in this sector. This is a major strength since these activities generate more new customers for the benefit of our other divisions. Recently we have been focusing on increasing the quality and content of recruitment data, including additional information such as mobile phone numbers and e-mail addresses. This is becoming increasingly valuable as a higher percentage of our target demographic becomes more familiar with higher technology channels, already approximately 13.4 per cent. of 2007's total revenue comes from text responses.

In January 2008, our Gamecard division awarded what we believe to be an industry world record breaking prize of over £1 million. The prize was the jackpot in our *'Win a Million'* promotion distributed in national and regional newspapers and magazines. In cases like this the top prize is pre-insured and accordingly was covered by DM's insurance company at no further cost to the Group.

Direct Mail

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

Database Products

This division now has a total database of over 7.5 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 AXA Sun Life, Cornhill and In Retirement which are proving increasingly successful. These kinds of joint ventures are only available to a limited number of providers with sufficiently large databases. Profits from these activities are increasing rapidly and we expect this trend to continue.

During the year the Group acquired the rights to a former competitor's database allowing the unlimited use of in excess of 1 million records. This showed a rapid return during the year with profits from our mailings to this database being in excess of the price paid for it. We hope to repeat this with further database purchases in 2008.

Outlook

The financial performance achieved during 2007 confirms our position as UK market leader in our sector. This leadership has been further consolidated and now underpins our ability to continue to deliver improving financial results over the medium term. Furthermore, whilst the current economic outlook is uncertain, from past experience in recessionary periods, we believe that the Group should be robust and relatively unaffected by an economic slowdown.

We are now recruiting more customers with better quality data and analysing and utilising this data more efficiently and profitably via our list brokers and joint ventures. Whilst we intend to continue to focus on improving our systems, increasing margins and designing the most creative, effective and accordingly profitable promotions in the market, we have also demonstrated our ability to make strategic purchases and will continue to do so if the right opportunities present themselves at the right prices. In this regard we are often offered businesses and assets which we assess on a case by case basis.

We also continue to assess the opportunities and threats presented by new technologies. We are increasing our mobile and internet content year on year, but remain cautious against over stretching ourselves or damaging the core business model that has proved so successful. As we indicated our joint ventures with major financial institutions are working well and we expect to see further expansion in this area.

The Board would yet again like to thank the Group's employees for their hard work and commitment without whom this performance would not have been possible and we look forward with continued optimism to the future.

A J Williams

Chairman

3rd March 2008

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Group 2007 £'000	Group 2006 £'000
Continuing operations		
Revenue	**20,012**	16,860
Cost of sales	**(12,082)**	(10,890)
Gross profit	**7,930**	5,970
Administrative expenses		
Loss on disposal of fixed assets	**(86)**	-
Impairment	**(74)**	-
Other Administrative Expenses	**(2,412)**	(2,013)
Operating profit	**5,358**	3,957
Investment income	**112**	26
Finance costs	**(592)**	(466)
Profit before tax	**4,878**	3,517
Income tax expense	**(1,478)**	(1,056)
Profit for the year	**3,400**	2,461
Earnings per share		
From continuing operations		
Basic	**2.37p**	1.93p
Diluted	**2.37p**	1.93p

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2007

	Group 2007 £'000	Group 2006 £'000
Assets		
Non-current assets		
Property, plant and equipment	**59**	145
Goodwill	**10,630**	10,704
Other intangible assets	**25**	47
	10,714	10,896
Current assets		
Inventories	**240**	138
Trade receivables	**2,171**	2,996
Cash and cash equivalents	**6,068**	1,706
	8,479	4,840
	19,193	15,736
Liabilities		
Current Liabilities		
Trade and other payables	**(3,426)**	(2,167)
Current borrowings	**-**	(4)
Current portion of non-current borrowings	**(1,800)**	(1,935)
Current tax payable	**(784)**	(1,167)
	(6,010)	(5,273)
Assets less current liabilities	**13,183**	10,463
Non-current liabilities		
Non-current borrowings	**(4,050)**	(6,272)
Deferred tax	**(3)**	(10)
	(4,053)	(6,282)
Net assets	**9,130**	4,181
Equity attributable to equity holders of the parent		
Ordinary shares	**1,462**	1,329
Capital Redemption Reserve	**5**	-
Merger Reserve	**(3,108)**	(3,108)
Share Premium	**2,854**	1,064
Retained earnings	**7,917**	4,896
Total equity	**9,130**	4,181

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

	Group 2007 £'000	Group 2006 £'000
Cash flows from operating activities		
Profit before taxation	**4,878**	3,517
Adjustments for:		
Depreciation and amortisation	**59**	61
Investment income	**(112)**	(26)
Interest expense	**592**	466
Impairment loss	**74**	-
Loss on disposal of fixed asset	**86**	-
Decrease/(Increase)in trade and other receivables	**813**	(1,033)
Increase in inventories	**(102)**	(138)
Increase/(Decrease) in trade payables	**1,259**	(230)
Cash generated from operations	**7,547**	2,617
Interest paid	**(592)**	(466)
Income taxes paid	**(1,868)**	(1,119)
Net cash from operating activities	**5,087**	1,032
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	-	(9,555)
Purchase of property, plant and equipment	**(15)**	(17)
Purchase of intangible assets	**(10)**	(51)
Interest received	**112**	26
Cash acquired with subsidiary	-	417
Net cash from/(used in) investing activities	**87**	(9,180)
Cash flows from financing activities		
Net proceeds from the issue of share capital	**1,928**	34
Shares bought back for cancellation	**(87)**	-
Proceeds from long term borrowings	-	9,135
Repayment of borrowings	**(2,357)**	(1,350)
Dividends paid	**(292)**	-
Net cash (used in)/from financing activities	**(808)**	7,819
Net increase (decrease) in cash and cash equivalents	**4,366**	(329)
Cash and cash equivalents at beginning of year	**1,702**	2,031
Cash and cash equivalents at end of year	**6,068**	1,702

Group	Attributable to equity of the parent					
	Ordinary Shares	Capital Redemption Reserve	Merger Reserve	Share Premium	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2006	1,251	-	(3,108)	108	2,435	686
Changes in Equity for 2006						
Profit for the year	-	-	-	-	2,461	2,461
Issue of share capital	78	-	-	956	-	1,034
Balance at 31 December 2006	1,329	-	(3,108)	1,064	4,896	4,181
Changes in equity for 2007						
Profit for the year	-	-	-		3,400	3,400
Dividends	-	-	-		(292)	(292)
Buy back of share capital	(5)	5	-	-	(87)	(87)
Issue of share capital	138	-	-	1,790	-	1,928
Balance at 31 December 2007	**1,462**	**5**	**(3,108)**	**2,854**	**7,917**	**9,130**

This preliminary announcement does not consist of a full set of statutory accounts for the year ended 31 December 2007, within the meaning of Section 240 Companies Act 1985.

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, and in preparing an opening IFRS balance sheet at 1 January 2006 for the purpose of transition to IFRS.

1. Basis of preparation

These financial statements have been prepared for the first time in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given Note 8.

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 will be disclosed in Note 3.

A separate income statement for the parent company has not been presented as permitted by section 230(4) of the Companies Act 1985.

1.1 Adoption of standards effective in 2007

The following standards have been applied by the Group from 1 January 2007:

- IFRS 7 Financial Instruments: Disclosure.
- IAS 1 (Amendment) Capital Disclosures.

The application of IFRS 7 and IAS 1 (Amendment) in the year ended 31 December 2007 have not affected the balance sheet or income statement as the standards are concerned with disclosure only.

1.2 IFRS effective in 2007 but not relevant

The following amendment was mandatory for accounting periods beginning on or after 1 January 2007 but is not relevant to the operations of the Group.

- IFRIC 11 IFRS 2 - Group and treasury share transactions

1.3 EU adopted IFRS not yet applied

The following IFRS was available for early application but has not yet been applied by the Group in these financial statements:

- IFRS 8 - Operating segments for years commencing on or after 1 January 2009.

The application of IFRS 8 in the year ended 31 December 2007 would not have affected the balance sheet or income statement as the standard is concerned only with disclosure.

1.4 Exemptions taken on first time adoption of IFRS1

1.4.1 Business combinations: The Group has applied the exemption from retrospectively recalculating goodwill which arose on acquisitions prior to 1 January 2006. This goodwill is included at its deemed cost, being the amount recorded under UK GAAP as at 1 January 2006 following an impairment review.

1.4.2 Share based payment transactions: The Group has elected to apply IFRS 2 Share based payments only to awards of equity instruments made after 7 November 2002 that had not vested by 1 January 2006.

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.

In accordance with IFRS 1, the Group has applied the exemption from retrospectively recalculating goodwill which arose on acquisitions prior to 1 January 2006. This goodwill is included at its deemed cost, being the amount recorded under UK GAAP as at 1 January 2006.

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 the income statement 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 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 straight line basis over the estimated useful life.

- 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 the income statement.

2.5 Impairment of assets

The Group assess at each balance sheet date 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 income statement.

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.

2.7.1 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.

2.7.2 Trade payables

Trade payables are stated at their amortised cost. They are recognised on the trade date of the related transactions.

2.7.3 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 income statement over the period of the borrowings on an effective interest rate basis.

2.8 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.

2.9 Retirement benefit

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

2.10 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.

2.11 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.

2.12 Leases

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

2.13 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 balance sheet 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.

2.14 Provisions

Provisions are recognised in the balance sheet 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.

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

Under IFRS estimates or judgements are considered critical where they involve a significant risk of causing material adjustment to the carrying amounts of assets and liabilities from period to period. This may be because the estimate or judgement involved matters which are highly uncertain, or because different estimation methods or assumptions could reasonably have been used.

Critical judgements have been made in the following area when preparing the Group accounts:

Goodwill - Goodwill is tested for impairment at each balance sheet date.

4. Segment reporting

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

5. Earnings per share

	2007 £'000	2006 £'000
Reconciliation of net profit to basic earnings:		
Net profit attributable to equity holders of the parent	**3,400**	2,461
Basic earnings	**3,400**	2,261
Reconciliation of basic earnings to diluted earnings:		
Basic earnings	**3,400**	2,461
Interest on proceeds from option shares	**1**	-
Diluted earnings	**3,401**	2,461
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	**143,232,335**	127,267,684
Dilutive effect of share options	**221,376**	11,360
Diluted weighted average number of ordinary shares	**143,453,711**	127,279,044

Share options granted before DM 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.

Normalised earnings per share

	2007 £'000	2006 £'000
Net profit attributable to equity holders of the parent	**3,400**	2,461
Impairment and asset write down with respect to closure of Cyberdyne Entertainment Limited	**160**	-
Normalised profit attributable to equity shareholders of DM	**3,560**	2,461
Normalised earnings per share	**2.49p**	1.93p
Diluted normalised earnings per share	**2.49p**	1.93p

6. Dividends

	2007 £'000	2006 £'000
Dividends declared during the year – 2006 final plus 2007 interim (2006: nil)	**292**	-
Dividends per share (pence per share)	**0.2p**	-
Final dividend declared after year end	**292**	147
Final dividend per share (pence per share)	**0.2p**	0.1p

The final dividend has not been included as a liability in these financial statements. It was declared after year end but before the financial statements were authorised for issue.

7. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts.

	2007	2006
	£'000	£'000
Cash in hand and balances with banks	**6,068**	1,706
Current borrowings	**-**	(4)
Cash and cash equivalents	**6,068**	1,702

8. Transition to IFRS

This is the first year that the Group has presented its consolidated financial statements under IFRS.

The accounting policies set out above have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented in these financial statements for the year ended 31 December 2006 and in the preparation of the opening IFRS balance sheet at 1 January 2006 (transition date).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes.

There are no changes in net assets stated in the 31 December 2005 balance sheet between UK GAAP and IFRS.

Reconciliation of equity as at 31 December 2006

Equity attributable to shareholders under UK GAAP	3,920
Amortisation of goodwill	261
Equity attributable to shareholders under IFRS	4,181

Notes to the reconciliation of equity

IFRS 3, Goodwill - The Group has elected not to apply IFRS 3 to business combinations prior to 1 January 2006. However, goodwill of £10,443,000 in the opening balance sheet and £75,000 at 31 December 2005 has been reclassified into 'other intangible assets', as the assets met the broader definition of intangible assets under IFRS. Furthermore goodwill was assessed for impairment in terms of IAS36, Impairment of Assets, at the date of transition to IFRS and at 31 December 2006.

Reconciliation of profit for the year ended 31 December 2006

Profit for the period under UK GAAP	2,200
Amortisation of goodwill	261
Profit for the period under IFRS	2,461

Notes to the reconciliation of profit

IFRS 3, Goodwill - The Group has elected not to apply IFRS 3 to business combinations prior to 1 January 2006. Goodwill was assessed for impairment at 31 December 2006, which resulted in no impairment loss. Hence the amortisation previously charged under UK GAAP included within administrative expenses has been reversed.

Material adjustments to the cash flow statement for 2006

Income taxes of £1,119,000 paid during 2006 are classified as operating cash flows under IFRS, but were included in a separate category of tax cash flows under UK GAAP. There are no other material differences between the cash flow statement presented under IFRS and the cash flow statement presented under UK GAAP.

The full statutory accounts, upon which the auditors have expressed an unqualified opinion, will be filed with the Registrar of Companies before 30 June 2008.

The annual report and accounts will be posted to shareholders as soon as practicable and will be available upon application from the Company's registered office at Green Heys, Walford Road, Ross on Wye, Herefordshire, HR9 5PQ.

* * ENDS * *

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