DM plc: Ticker: DMP/ Index: AIM / Sector: Leisure facilities

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2009

DM, the direct marketing group specialising in customer recruitment and database management, announces its interim results for the six months ended 30 June 2009.

Robust performance during a period of integration

- Robust trading figures, including turnover up 55 per cent. to £11.60 million (£7.48 million);
- Acquisition of PDV, an online and offline lead generation business;
- Exclusive agreement to create a UK bingo and casino service in conjunction with PartyGaming Plc;
- Open Offer raising £1.04 million before expenses (£1 million after expenses);
- Successful operational integration of DLG and PDV, making the Group one of the UK's largest owners and providers of consumer lifestyle data to the direct marketing industry;
- Reorganisation into Customer Recruitment and Database Management divisions complete;
- Extensive multi media database assets across post, phone, mobile, email and internet;
- Gross profit of £6.52 million, up 66 per cent. after the effect of acquisitions (2007: £3.92 million) and gross margin improving to 56 per cent. (2008: 52 per cent.);
- Consolidated Group EBITDA of £2.63 million, down 7 per cent. (2008: £2.82 million); and
- Earnings per share, down 16 per cent. to 1.14 pence (2008: 1.36 pence).

DM Chairman, Adrian Williams said:

"The past 12 months have been a challenging period for the Group, but have also presented opportunities to acquire transformational assets that would not have otherwise been available at a price that gave us the margin of safety we seek.

With the acquisitions of DLG and PDV we have now diversified the Group into the influential online direct marketing and customer lifestyle sector which will provide the Group with new growth opportunities and will allow us to offer an integrated service to a wide range of customers.

Whilst maintaining a tight focus on profitability we have rapidly restructured our business operations and carefully identified and integrated the key business assets of skills, contacts and people from the recent acquisitions. We are now confident that the Group is well placed to benefit from any upturn in marketing activity when it occurs."

CHAIRMAN'S STATEMENT

I am pleased to report DM's interim results for the six months to 30 June 2009. The first half of 2009 was dominated by the successful restructuring and integration of the Group's transformational database management acquisition of DLG and the subsequent addition of PDV, set against a backdrop of difficult trading conditions and competitor pressures.

The Group completed a £1 million equity fundraising to provide the cash financing for the PDV acquisition, as well as providing additional capital to strengthen the balance sheet of the Group during this period of economic and banking uncertainty.

The Group also announced an exclusive agreement to create a UK based bingo and casino service in conjunction with PartyGaming Plc, one of the world's leading, listed online gaming companies.

Financial results

The trading and banking environment throughout 2008 and 2009 has presented the Group with a number of challenges and conversely certain opportunities. Management's previous experience indicated that the recessionary effects on consumer spending patterns were likely to be less pronounced in relation to the Group's activities relative to many other sectors. Although the Group's activities have been less affected by the downturn than a large number of other sectors, the severity of the recession has had a negative effect on trading, particularly in the newly established Customer Recruitment division and its gamecard activities. However, the Group's policy of concentrating on maintaining margin rather than driving absolute revenue growth has delivered robust performance.

The resilience of the Group's performance comes from the control which the Group has over how and when it generates revenue. The Board has also focused on cost savings and reducing overhead costs, which have gone hand in hand with cost cutting and redundancies following the acquisition, restructuring and integration of DLG and PDV. Both DLG and PDV overheads have been substantially reduced with both businesses now profitable and considerably ahead of the timetable set out in the initial turnaround plans. The Board believes that the Group now has the correct structure and resources from which to build for the future.

For the period, turnover was £11.60 million, up 55 per cent. (2008: £7.48 million), a further increase on the record turnover for the second half of 2008 of £10.78 million, with growth driven by revenue from recent acquisitions. Gross profit was £6.52 million, up 66 per cent. after the effect of acquisitions (2007: £3.92 million) with gross margin improving to 56 per cent. (2008: 52 per cent.). In spite of the continuing difficult trading conditions, gross margin was maintained at a consistently high level due to strategically planned reductions in volumes and a focus on margins. This result demonstrates the strength of the Group's business model which allows the Group to manage campaigns across its operations on a prudent basis.

The more difficult trading conditions experienced by gamecards, which were the result of both market conditions and competitor actions, also resulted in the mix of the business further changing towards the higher margin, customer communication and database revenue. EBITDA for the period was £2.63 million (2008: £2.82 million), with Group consolidated profit before tax at £2.28 million (2008: £2.67 million). Earnings per share were 1.14 pence (2008: 1.36 pence).

Following the return of £5.08 million of value to shareholders by way of a substantial interim dividend of 3.5 pence per share in December 2008, no final dividend was paid for the full year to 31 December 2008. In light of previous payments the Board is not recommending an interim dividend for the six months to 30 June 2009.

As at 30 June 2009, the Group had a net debt position of £6.41 million (2008: £0.10 million). This follows the payment of the substantial interim dividend in 2008, the acquisitions of DLG and PDV and the successful Open Offer in April 2009 which raised £1 million (after expenses). The proceeds of this fundraising were used to satisfy the initial costs of the PDV acquisition, as well as providing additional capital to strengthen the balance sheet of the Group and increase the Group's covenant headroom. The Group continues to employ strict operational controls and working capital management to carefully manage its cash.

Business Review

Following the completion of the acquisitions of DLG at the end of 2008 and PDV in the first half of 2009, DM was transformed into a fully integrated direct marketing group. Since then management have undertaken a significant review of operations in order to make efficiency savings and resize these businesses for the current market conditions.

The focus has been on cost cutting and strategic reorganisation and we are very pleased to confirm this has been completed ahead of time and budget, and we are already starting to see the results coming through with the newly enlarged Database Management division ahead of internal budgets and profitable at the pre-tax profit level. 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 and demonstrates the value of deploying the huge database resources which are at the Group's disposal.

In the preliminary results for the year ended 31 December 2008, we announced that the Group had rearranged its operations into complementary divisions which reflect the general activity undertaken by each operation. This established two divisional units: Customer Recruitment division, consisting of the previous Gamecard and Direct Mail divisions; and Database Management division, consisting of the previous Database division and DLG.

The acquisition of PDV in April 2009, further strengthened the Database Management division consolidating the Group's position as a major consumer lifestyle management business and further enhancing the Group's stated strategy to become a market leading, fully integrated online and offline lead generation and direct marketing business.

Customer Recruitment Division

The Group's customer recruitment expertise is in designing, and then distributing a proprietary range of response orientated games. This brings new customers which are added to the Group's database where they are profitably communicated with via direct mail. In these activities, 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.

During the first half of 2009, the Group's gamecard activities were particularly hard hit by the pressure on consumer spending and competitor activity. In combination these led to an unexpected reduction in historically stable response rates. The Board therefore took the decision to significantly reduce campaign volumes in order to concentrate on maintaining margin. Significantly, the Group's major competitors during this period used response mechanisms which the Group was not prepared to replicate as it did not believe that they were compliant with industry regulations. Our view has been proved correct by the subsequent action of the premium rate regulator, *PhonepayPlus*, who has issued enforcement actions and imposed bans on the publication of gamecard products by these competitors.

Whilst too early to forecast accurately, recent test results which dictate the size and speed of rolling out new campaigns, have been encouraging and along with recent progress in securing distribution channels in large circulation publications, the Board is hopeful that we will see a recovery in gamecard performance.

The high margin customer communications via direct mail, where individually addressed products are sent to existing customers, performed well during the period, supported by the inclusion of new customer names obtained from the databases which came via the major acquisitions of DLG and PDV. To date, direct mail activities have seen only limited impact from recent disruption to postal services due to strike action. Nevertheless, the Board continues to monitor the situation closely and will implement mitigation strategies should circumstance require it, but cannot rule out a degree of business disruption if strikes worsen or are prolonged.

Database Management Division

The Database Management division is now dominated by the operations of DLG, one of the UK's largest providers of consumer lifestyle data to the direct marketing industry, which brought with it one of the UK's largest consumer lifestyle databases. Operations were further enhanced by the addition of newly acquired PDV, a highly complementary online and offline lead generation business.

PDV owns lead generating portals such as www.fair-exchange.com (which is a highly ranked UK gambling and rewards site) and www.free-dvd-club.com. The acquisition of PDV further enhanced the Group's expanding Database Management division, which has now become a major building block in DM's future strategy.

PDV generates responsive sales leads from online audiences, email campaigns, online co-registration and affiliate networks alongside third party data acquisition via database purchases. The quality of this data is verified before being rented to PDV's clients to generate sales leads via online marketing campaigns, banner advertising, telephone campaigns, list rental and revenue sharing arrangements with blue chip clients in the UK.

The Database Management division enables DLG and PDV to retain their brand independence. This division now gives the Group a major position in online and offline lead generation across a wide range of media, underpinned by a strong customer base. The Group's databases now include significant consumer lifestyle data, purchasing habits and consumer preferences, allowing DM to operate in the large and growing UK consumer data services market.

The integration of DLG and PDV is essentially complete, well ahead of initial expectations, with the division profitable at a pre-tax level. With DM established as a major database consumer lifestyle management business, the Board is now looking for the individual business units to deliver on the Group's stated strategy to become a market leading, fully integrated off and online lead generation and direct marketing business.

Progress here is already being seen with a strong trend towards online lead generation and marketing campaigns, where clients are able to monitor in real time the impact of marketing activities and their return on investment. Activity in this sector is still significantly below pre-recession levels, impacted particularly hard by the continued lack of activity from the financial services sector, who have traditionally been one of the largest participants in direct marketing. The Group is now well placed to benefit from any upturn in marketing activity.

Hugh Villiers, who was appointed non-executive Vice Chairman of DLG in January 2009, has been actively involved in the turnaround, contributing considerably more time than was originally anticipated, a commitment which is expected to continue for the foreseeable future. Accordingly, until this additional commitment is no longer required the Group has agreed to pay an appropriate monthly consultancy fee.

Outlook

With the acquisition of DLG and PDV the Group has acquired a market leading position in the high margin, online and offline, lifestyle and direct marketing sector, which perfectly complements the Group's core customer recruitment, gamecard and direct mail operations. The opportunity to acquire these assets has, to a degree, been a function of the recent difficult economic times, which clearly have presented these excellent acquisition opportunities, as well as the obvious challenges.

The operations of the Group are well suited to being able to react quickly to changes in market conditions, which has been well demonstrated by our robust trading figures, derived from focused actions to concentrate on profit margin rather than absolute revenue growth, which is achieved by flexing the size of marketing campaigns where the vast majority of our cost of sales reside.

The Group now has the operational assets which the Board believes will allow DM to benefit as activity in the direct marketing sector returns to normal. The Group has a balanced portfolio of activities which have been integrated in such a way that they support 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 operation performing strongly when another has been challenged.

The Group has the management and proven track record to create and maintain a dominant market position in its chosen sectors and has taken the opportunity to acquire, integrate and build a stronger Group which is more than a sum of the parts. This has all been done whilst not losing sight of the day to day needs of the business to trade profitably in difficult economic times and the ultimate aim of translating our efforts into shareholder value.

We thank once again all our staff that have worked effectively and tirelessly towards this goal and the Board is confident of continued progress that will ultimately improve the Group's ability to generate enhanced shareholder returns in the future.

A J Williams
Chairman

14 September 2009

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Enquiries:

Adrian Williams Tel: 01989 769 292
Chairman

Adrian Reed Tel: 0161 831 9133
Altium, Financial advisor to DM

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six month period to 30 June 2009	Six month period to 30 June 2008	Year to 31 December 2008
	£000	£000	£000
Revenue	**11,602**	7,483	18,265
Cost of Sales	**(5,085)**	(3,564)	(9,691)
Gross Profit	**6,517**	3,919	8,574
Total Administrative expenses before Exceptional items	**(4,036)**	(1,123)	(3,520)
Administrative expenses – Exceptional items	**-**	-	(613)
Total Administrative expenses	**(4,036)**	(1,123)	(4,133)
Operating Profit	**2,481**	2,796	4,441
Investment income	**-**	102	192
Finance costs	**(202)**	(225)	(469)
Profit before tax	**2,279**	2,673	4,164
Income tax expense	**(534)**	(691)	(1,027)
Profit for the period	**1,745**	1,982	3,137
Total Comprehensive Income for the period	**1,745**	1,982	3,137
Earnings per share			
From continuing operations-			
- basic	**1.14p**	1.36p	2.15p
- diluted	**1.14p**	1.36p	2.15p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2009	30 June 2008	31 December 2008
	£000	£000	£000
Assets			
Non-Current Assets			
Goodwill	**13,033**	10,630	13,561
Other intangible assets	**877**	11	982
Property, plant and equipment	**111**	51	111
	14,021	10,692	14,654
Current Assets			
Inventories	**283**	342	234
Trade and other receivables	**6,755**	3,267	4,249
Cash and cash equivalents	**4,799**	4,845	3,861
	11,837	8,454	8,344
Total Assets	**25,858**	19,146	22,998
Current Liabilities			
Trade and other payables	**(4,715)**	(2,792)	(4,011)
Borrowings	**(6,844)**	(1,800)	(6,619)
Current tax payable	**(425)**	(739)	(271)
	(11,984)	(5,331)	(10,901)
Non Current Liabilities			
Borrowings	**(4,360)**	(3,150)	(5,328)
Deferred Tax	**(2)**	(3)	(2)
	(4,362)	(3,153)	(5,330)
Net Assets	**9,512**	10,662	6,767
Equity attributable to equity holders of the parent			
Ordinary shares	**1,663**	1,452	1,455
Capital redemption reserve	**16**	15	16
Merger reserve account	**(3,108)**	(3,108)	(3,108)
Share premium account	**3,685**	2,854	2,893
Profit and Loss account	**7,256**	9,449	5,511
Total Equity	**9,512**	10,662	6,767

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 30 June 2009	Six months to 30 June 2008	Year to 31 December 2008
	£000	£000	£000
Cash flows from operating activities			
Profit before taxation	**2,279**	2,673	4,164
Depreciation and Amortisation	**152**	9	59
Impairment and amortisation of intangible assets	**-**	14	-
Loss on disposal of property, plant and equipment	**-**	-	(4)
Investment income	**-**	(102)	(192)
Finance Costs	**202**	225	469
(Decrease)/increase in inventories	**(49)**	(102)	6
Increase in trade and other receivables	**(2,506)**	(1,096)	(2,078)
Increase/(decrease) in trade and other payables	**1,440**	(562)	585
Cash generated from operations	**1,518**	1,059	3,009
Interest paid	**(202)**	(225)	(469)
Income taxes paid	**(380)**	(808)	(1,540)
Net cash inflow from operating activities	**936**	26	1,000
Cash flows from investing activities			
Sale of property, plant and equipment	**-**	-	20
Interest received	**-**	102	192
Purchase of property, plant and equipment	**(53)**	(1)	(84)
Purchase of intangible assets	**(203)**	-	(3,931)
Net cash generated from/(used by) investing activities	**(256)**	101	(3,803)
Cash flows from financing activities			
Repayment of borrowings	**(968)**	(900)	(6,335)
Shares bought back for cancellation	**-**	(159)	(174)
Proceeds from long term borrowings	**-**	-	7,750
Dividends paid	**-**	(291)	(5,369)
Net proceeds from issue of share capital	**1,000**	-	43
Net cash generated from/(used by) financing activities	**32**	(1,350)	(4,085)
Net increase/(decrease) in cash and cash equivalents	**712**	(1,223)	(6,888)
Cash and cash equivalents at beginning of period	**(820)**	6,068	6,068
Cash and cash equivalents at end of the period	**(108)**	4,845	(820)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months to 30 June 2009	Six months to 30 June 2008	Year to 31 December 2008
	£000	£000	£000
Opening Equity	**6,767**	9,130	9,130
Profit for the period attributable to equity shareholders	**1,745**	1,982	3,137
Issue of share capital	**1,000**	-	43
Dividend paid	**-**	(291)	(5,369)
Buy back of share capital	**-**	(159)	(174)
Total changes in equity	**2,745**	1,532	2,363
Closing Equity	**9,512**	10,662	6,767

1. Basis of preparation and accounting policies

1.1 Reporting Entity

This interim financial report is the unaudited Consolidated Financial Statements of DM plc, a company registered in England and Wales, and its subsidiaries (hereafter the 'Group') for the six months ended 30 June 2009.

1.2 Statement of compliance

This interim financial report has been prepared on the basis of the recognition and measurement requirements of IFRS in issue that are either endorsed by the EU and effective (or available for early adoption) at 31 December 2009.

This interim financial report should be read in conjunction with the Report and Accounts for the year ended 31 December 2008, which were approved for issue by the Board of Directors on 6 March 2009, as it provides an update of previously reported information. The comparative figures for the year ended 31 December 2008 are not the company's statutory accounts for the financial year.

The comparative figures for the year ended 31 December 2008 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts received an unqualified audit report which did not contain statements under sections 498 (2) or (3) of the Companies Act 2006.

1.3 Significant accounting policies

The accounting policies used and the presentation for this interim financial report are consistent with those used in the Group's financial statements for the year ended 31 December 2008.

The preparation of Interim Financial Statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the date of the Interim Financial Statements. If in future such estimates and assumptions, which are based on management's best judgment at the date of the Interim Financial Statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The Group operates in a sector where no significant seasonal or cyclical variations in total sales and profits are experienced during the financial year.

2. Income tax expense

The income tax charge for the period ended 30 June 2009 has been calculated at a rate of 28% (28.5% for both the full year to 31 December 2008 and the interim period to 30 June 2008). There has also been no release of corporation tax provision in the period ended 30 June 2009 in respect of prior periods (£123,000 for the full year to 31 December 2008 and £67,000 for the interim period to 30 June 2008).

3. Segmental information

All DM's business activities relate to the main DM database and the activities are inextricably linked and reported as such to the Group's key decision makers. Therefore the business is considered to operate in only one business segment.

4. Earnings per share

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

	Basic	Diluted
- Period to 30 June 2009	152,871,135	152,871,135
- Period to 30 June 2008	145,630,259	145,978,969
- Year to 31 December 2008	145,361,224	145,361,224

5. Dividends

In the period ended 30 June 2009, the Group did not pay a dividend. (For period ended 30 June 2008: Dividend paid was £291,437 representing 0.2p per ordinary share. For the year ended 31 December 2008: Dividend paid was £5,369,000 representing 3.7p per ordinary share.)

6. Analysis of net cash and cash equivalents

	Six months to 30 June 2009	Six months to 30 June 2008	Year to 31 December 2008
	£000	£000	£000
Cash and cash equivalents	**4,799**	4,845	3,861
Current borrowings	**(4,907)**	-	(4,681)
Net cash and cash equivalents	**(108)**	4,845	(820)

7. Share issue

In the period ended 30 June 2009, the Group issued shares under an Open Offer. A total of 20,788,637 shares were issued at 5 pence per share raising £1.0 million after expenses.

8. Acquisition

On April 7 2009, the Group purchased the entire share capital of PDV Limited for cash up to a total consideration, including deferred and earn out, of a maximum aggregate of approximately £1.13 million. The acquisition of PDV Ltd was structured with an initial payment of £0.20 million and three separate earn out elements. The initial consideration and the first earn out element, which was dependent on a successful change of business premises, have been satisfied with cash. The other earn out elements depend on PDV being able to use brought forward corporation tax losses against future profits and on PDV reaching agreed sales targets. In view of the short time period between the date of acquisition of PDV and the period end the directors believe it is impractical to determine accurately whether or not any additional consideration will be payable although early indications are that no such payment is likely to be made. The Group has yet to complete an exercise undertaken under IFRS 3 Business Combinations in respect of the fair value of the assets acquired. This review will be completed in time for the financial statements for the year ending 31 December 2009. The provisional goodwill on this transaction of £0.20 million is calculated as the difference between the consideration paid in the period ended 30 June 2009 of £0.27 million including acquisition fees and earn out that has crystallised with certainty and the net asset value acquired of £63,000 that is the subject of the ongoing fair value review. The goodwill arising on the acquisition of PDV is attributable to the anticipated profitability of selling the company's products into new and existing markets.

9. Risks and Uncertainties

The main risk is judged to arise from potential legislative changes and regulatory challenges and this situation is constantly under review.

The possibility of a postal strike is judged to be a risk. The Board keeps this matter under review so that, in the event that there is a postal strike, the impact on profits is kept to a minimum by forward planning.

10. Related party transactions

The Group continues to trade on standard commercial terms with related parties as described in the Group Report and Accounts for the year ended 31 December 2008.

11. The interim report was approved by the Board on 11 September 2009. Copies of the interim report are being posted to all of the Company's shareholders as soon as practicable and will be available at the Company's Registered Office at Green Heys, Walford Road, Ross on Wye, Herefordshire, HR9 5DB

For further information visit www.dmplc.com or contact:

Adrian Williams
DM plc Chairman

Tel: 01989 769292
email: ajw@dmplc.com