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

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

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2008

DM, the direct marketing group specialising in customer recruitment and database management, announces its final results for the year ended 31 December 2008.

A Transformational Year

- Established UK market leader in its sector, announces robust trading figures including like for like profit after tax up 4 per cent.;

- Like for like operating margin at a record 31 per cent. (2007: 27 per cent.) calculated on operating profit (excluding acquisition) before exceptional costs;

- Critical mass achieved in database activities via transformational acquisition in November 2008 of DLG, one of the UK's largest owners and providers of consumer lifestyle data to the direct marketing industry;

- Following reorganisation into Customer Recruitment and Database Management divisions, DM is now a fully integrated customer recruitment and database management business with extensive operations across the core media of post, phone, mobile, email and internet;

- Major expansion of Group databases to now include, approximately:

    - Postal details: 23.1 million (2007: 7.5 million)
    - Telephone numbers: 5.4 million (2007: 2.2 million)
    - Email addresses: 5.9 million (2007: 0.1 million)
    - Mobile phone numbers: 6.5 million (2007: 0.7 million)

- Gross profit of £8.57 million, up 8 per cent. (2007: £7.93 million) and gross margin improving to 47 per cent. (2007: 40 per cent.);

- Full year turnover down 9 per cent. to £18.27 million (2007: £20.01 million) following reduced first half gamecard volumes. Record second half turnover of £10.78 million following acquisition of DLG;

- Consolidated Group EBITDA of £4.50 million, down 19 per cent. (2007: £5.58 million);

- Exceptional and restructuring costs in relation to Strategic Review and acquisition of DLG of £613,000;

- Adjusted earnings per share, excluding DLG reorganisation costs and exceptional costs of Strategic Review, up 3 per cent. to 2.57 pence (2007: 2.49 pence). Basic earnings per share down 9 per cent. to 2.15 pence (2007: 2.37 pence); and

- £5.08 million returned to shareholders by way of a substantial interim dividend of 3.5 pence paid on 23 December 2008. Total dividend for the year ended 31 December 2008 of 3.5 pence (2007: 0.3 pence).

DM Chairman, Adrian Williams said:

"2008 was an exciting year for DM. Despite the market turbulence we delivered a robust trading performance, including like for like profit after tax up 4% and operating margin up to a record 31%. We were also presented with unmissable opportunities, which culminated in the acquisition of DLG, one of the UK's largest owners and providers of consumer lifestyle data to the direct marketing industry. DM is now a fully integrated customer recruitment and database management business with extensive operations across the core direct mail media of post, phone, mobile, email and internet. We look forward to the future with great expectations."

CHAIRMAN'S STATEMENT

I am pleased to report DM's final results for the year ended 31 December 2008, during which we have transformed the business into a fully integrated direct marketing group and laid the foundation for future growth. Even in the face of some of the toughest trading conditions on record we have delivered a robust trading performance and made a major step forward in further strengthening and enhancing the medium to long-term prospects of the Group for its shareholders.

The major event of the year was undoubtedly the transformational acquisition of the trade and assets of Data Locator Group Ltd and of certain associated companies ("DLG") from the administrators of DLG for a cash consideration of £3.25 million. This acquisition in November 2008 of a business which, as recently as October 2007, was the subject of a £72.5 million secondary buy-out, now gives the Group the critical mass it was seeking in database products and services and in one move makes DM a major player in the database management sector.

DLG is one of the UK's largest providers of consumer lifestyle data to the direct marketing industry and has one of the UK's largest consumer lifestyle databases. DLG, at the time of the acquisition, owned postal details of over 20 million individuals; approximately 4.5 million telephone numbers; 5.8 million email addresses; and 6.2 million mobile phone numbers. This combined with the Group's existing database of over 8 million customers (mostly postal and telephone details) now makes DM a major player across all the core direct marketing media of post, phone, mobile, email and internet.

Financial results

The trading and banking conditions during 2008 presented a challenge for the Group with the well documented economic downturn putting substantial pressure on consumer spending patterns. Based on past experience in recessionary periods, the Board believe that its direct mail products will perform robustly during the economic slowdown.

In the face of these difficult trading conditions the Board made the decision to concentrate on maintaining margin rather than driving absolute revenue growth. The lower revenue reported for the half year to 30 June 2008, continued through to the year end as the Group maintained its margin focus. Full year turnover was £18.27 million, down 9 per cent. (2007: £20.01 million), but the second half saw a record turnover for a six monthly period of £10.78 million, up 30 per cent. on the first half when taking into account the additional revenue of the DLG acquisition.

The resilience of the Group's performance comes from the control which the Group has over how and when it generates revenue, only placing media promotions or direct mail or committing any significant resource once there are statistically proven test results which maximise the operating profitability of each campaign. With a low fixed overhead, the Group therefore only incurs direct costs on campaigns when it has a high, statistically proven probability of success. For the year ended 31 December 2008, the Group's cost of sales, which is predominantly printing, media placement and postal costs was reduced 20 per cent. to £9.69 million (2007: £12.08 million).

Like for like profit after tax, based on prior year operations and excluding DLG was £3.53 million, up 4 per cent. (2007: £3.40 million). The exceptional costs of the Strategic Review amounted to £343,000 and the professional fees and reorganisation costs, post acquisition, in relation to DLG were £270,000 in 2008. For the period from the acquisition of DLG on 12 November 2008 to the year end, DLG overheads where £1.26 million, which in such a short period equate to approximately half of the Group's annual non-DLG overhead base. DLG overheads have now been substantially reduced and pleasingly, during January 2009, the DLG business performed well and is already approaching breakeven, considerably ahead of the timetable set out in our turnaround plan. This further demonstrates our expertise in turning around and benefiting from distressed acquisitions in the shortest possible timeframe.

EBITDA for the year fell to £4.50 million (2007: £5.58 million). Group consolidated profit before tax was down to £4.16 million (2007: £4.88 million). However, this included exceptional, one-off costs of £613,000 and was based on turnover down 9 per cent. resulting in a record gross margin of 47 per cent. due to the Group's strategically planned reduction in volumes and the Board focusing on margins. The underlying net margin of existing operations (calculated as operating profit before exceptional costs excluding the acquisition as a percentage of turnover) also increased to a record 31 per cent. 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. As the mix of the business changes towards higher margin customer communication and database revenue, along with a pricing environment which has allowed the Group to aggressively reduce the cost of sales via lower media insert, printing and postal costs, margins should continue to improve.

Adjusted earnings per share excluding DLG reorganisation costs and exceptional costs of the Strategic Review were up 3 per cent. to 2.57 pence (2007: 2.49 pence). Basic earnings per share were down 9 per cent. to 2.15 pence (2007: 2.37 pence).

On 16 October 2008, the Board announced the conclusion of the Strategic Review and a substantial interim dividend of 3.5 pence per ordinary share which was paid on 23 December 2008 to shareholders. This returned £5.08 million of value to shareholders and reflects the Group's strength in converting profitability to cashflow, which over the last three years has averaged at approximately 94 per cent. In light of this payment the Board is not recommending a final dividend, resulting in a total dividend paid for the year ended 31 December 2008 of 3.5 pence (2007: 0.3 pence).

At the time of the DLG acquisition the Board gave shareholders the opportunity to elect to receive the interim dividend in new DM shares by way of a scrip dividend alternative. In total, elections under the scrip resulted in the admission of 445,681 new ordinary shares.

At DM's Annual General Meeting in April 2008, a renewal of the Group's authority to purchase its own shares was granted. In the year ended 31 December 2008, the Group bought back 1,078,479 ordinary shares of 1 pence each, for a total cost of £0.17 million, at an average price of 15.6 pence per share.

As at 31 December 2008, after including the cost of the DLG acquisition, the substantial interim dividend, share buy-backs and trading cashflow, the Group ended the year with a net debt position of £8.09 million (2007: net surplus £0.22 million). The Group employs strict operational controls and working capital management which have allowed the Group to carefully manage its cash throughout the year, an area which will be kept under close control during 2009.

Strategic Review

On 10 June 2008, DM announced that the Board was to undertake a Strategic Review to consider the strategic options available to maximise shareholder value. The purpose of the Strategic Review was to assess all possible options available to the Company to maximise shareholder value including a continuation of the Company's share buyback programme, potential bolt-on and strategic acquisitions or whether it would be in shareholders' best interest to explore a potential sale of the Company.

Whilst the Strategic Review did not deliver what ultimately became the principal objective of a sale of the Group at a significant premium, there was considerable private equity interest in the Group and had it not been for the sudden lack of Bank financing in the Autumn of 2008, at the level previously indicated during the early stages of the process, the Board are confident that a transaction could have been concluded which would have delivered considerable shareholder value.

DLG Acquisition

The Group has an outstanding track record of making selective acquisitions at the right price and rapidly improving the acquisitions' financial performance, whilst integrating them into the wider Group. This has allowed the Group to grow quickly, establishing critical mass and becoming a market leader in its chosen sectors and therefore delivering financial performance through a combination of organic and acquisitive growth. By 2008, the Group had established a highly successful business specialising in customer recruitment via gamecards and direct mail and whilst we had a promising database management division it was ultimately sub-scale. The acquisition of DLG presented the Group with an opportunity to rapidly establish critical mass and an influential market position in consumer lifestyle database marketing to the direct marketing industry.

The importance of the DLG acquisition should be set in the context of a business which was the subject of a £72.5 million secondary buy-out in October 2007. Based on the unaudited draft accounts for the year ended 30 June 2008, the turnover of DLG was £15.29 million with loss before tax of £3.67 million. As at 30 June 2008, fixed assets were £2.26 million.

As part of the turnaround and integration process for DLG, in January 2009 the Board appointed Mr Hugh Villiers to become non-executive Vice Chairman of DLG. Hugh is a successful entrepreneur with a proven track record in building and growing consumer lifestyle businesses having been involved in the initial development of the lifestyle data collection sector in the early 1980's and he has successfully sold a series of businesses to the Acxiom UK group of companies. Hugh is to be remunerated on a success only basis by reference to the financial performance of DLG in the financial years ending 31 December 2011.

Mr Villiers' demonstrated his commitment to his role as DLG Vice Chairman, and confidence in the future financial performance, by acquiring from Adrian Williams, DM Chairman, 15,290,520 ordinary shares in DM, at 9.81 pence per share for a total cost of £1.5 million. Adrian Williams shareholding was therefore reduced by the corresponding amount to 102,255,045, representing in aggregate 70.27 per cent. of the Group's issued share capital.

Business Review

As the Group has grown and developed we have arranged our operations into complementary divisions which reflect the general activity undertaken by each operation. Until the acquisition of DLG, the Group's activities were dominated by customer recruitment via gamecards and customer communication via direct mail. These operations formed two separate divisions which were then complemented by the Group's database products operations as a third division which utilised the Group's database of over 8 million customer names, selling them to organisations who deploy direct marketing strategies and in particular via a number of data-sharing joint venture arrangements with financial institutions, including AXA Sun Life, Cornhill and In Retirement.

The transformational acquisition of DLG, is a giant step towards achieving the Group's strategy. During late 2007 and 2008, the Group's mix was increasingly moving towards the higher margin customer recruitment and database products. Furthermore, by concentrating on higher margin direct mail and database services, the Group should become more analogous to the large database type businesses of the likes of Experian and Acxiom. In order to achieve this, the Board has now restructured the Group into 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.

Customer Recruitment Division

The Group's customer recruitment expertise is in designing, and then distributing a proprietary range of response orientated games of skill and chance. 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) represents significant barriers to entry.

Of particular note and pride in gamecard activities was the award, in January 2008, of what the Board believes to be an industry world record breaking prize of over £1 million. The prize winning Golden Ticket was the jackpot prize in one of the Group's *'Win a Million'* promotions distributed in national and regional newspapers and magazines. This prize was covered by DM's insurance company at no further cost to DM.

Customer communication via direct mail achieves high margins due to the significantly increased response rates generated from mailing existing customers. By combining the gamecard and direct mail operations into a single division the Group expects to more closely align the lead generation and customer recruitment activities. Activities will be further enhanced by the expansion of the Group's database activities from the DLG acquisition. The intention is to develop internally generated new opportunities via additional media channels in these operations using the multi media expertise of DLG in internet, email and mobile communication.

Database Management Division

The original Database division was formed to actively manage, create and exploit opportunities to sell and profit from the Group's response driven database of over 8 million customers, which is still the largest response database in the UK in DM's market sector. The most successful examples of this are the joint ventures with financial services providers which have been showing strong growth over recent years. These kinds of joint ventures are only available to a limited number of providers with sufficiently large databases. This will be further enhanced by the retained customer base of direct mail users and the extensive, multi media databases acquired with DLG. The acquisition of DLG has significantly increased the size and depth of the Group's databases:

- Postal details: 23.1 million (2007: 7.5 million)
- Telephone numbers: 5.4 million (2007: 2.2 million)
- Email addresses: 5.9 million (2007: 0.1 million)
- Mobile phone numbers: 6.5 million (2007: 0.7 million)

The DLG database covers consumer lifestyle data, purchasing habits and consumer preferences and operates in the large and growing UK consumer data services market. The Group expects that combining the Group's existing database activities with DLG, will result in a step change in the Group's highly profitable database products activities. The Group anticipates realising significant cost and cross selling synergies between DM's existing database of over 8 million consumer names and DLG's consumer data.

The DLG acquisition is closely aligned with the Group's stated strategy to identify and acquire further response based databases, having made two smaller database acquisitions earlier in 2008. Such acquisitions have previously demonstrated rapid payback, often generating profitability of many times the purchase price. We are very excited about the future prospects for this newly enlarged division.

Outlook

At the start of 2008, the Board's strategy was to retain market leadership in the Group's core gamecard and direct mail operations and to grow organically or via acquisition the Group's promising, but ultimately sub-scale Database division. The opportunity to acquire DLG changed all of that, with the potential to catapult the Group into the top tier of consumer lifestyle database management businesses. This acquisition, made at a highly advantageous price, has now created the fully integrated direct marketing business we have been working towards and laid the foundation for the next phase of the Group's development.

The Group's business model has allowed it to re-size its operations to address the current market conditions and focus on profitable trading. We have delivered robust trading figures which we are justifiably proud of. However, it is the transformational acquisition of DLG which really excites us.

We are still in the early days of integrating the DLG acquisition, but much has already been achieved and we have an outstanding track record of acquiring businesses at the right price, at the right time and integrating them rapidly. We are not complacent and the appointment and commitment shown to the Group by Hugh Villiers, both in his stake in DM and incentive arrangements within DLG, have shown that we are prepared to be flexible to achieve our aim of maximising medium to long-term shareholder value.

With the acquisition of DLG, the Board believes that DM now has an opportunity to create a market leading, fully integrated off and on-line lead generation and direct marketing services Group. The Group's shared values and complementary skill sets mean that even in these difficult and testing times the Board is confident that the Group has the management and proven track record to create and maintain a dominant market position in the Group's chosen sectors and translate these into shareholder value. As always, I wish to thank all of the Group's loyal and effective employees who are responsible for our success so far and will be central in delivering our vision.

A J Williams
Chairman

9 March 2009

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Group 2008 £'000	Group 2008 £'000	Group 2007 £'000	Group 2007 £'000
Continuing Operations				
Revenue		**18,265**		20,012
Cost of sales		**(9,691)**		(12,082)
Gross Profit		**8,574**		7,930
Administrative expense before exceptional items				
Existing operations	(2,256)		(2,572)	
Acquisitions	(1,264)		-	
Total Administrative expense before exceptional items	(3,520)		(2,572)	
Operating profit before exceptional items	5,054		5,358	
Administrative expenses – exceptional items				
Strategic review	(343)		-	
Acquisition - reorganisation	(270)		-	
Total Administrative expenses - exceptional items	(613)		-	
Total Administrative expenses		**(4,133)**		(2,572)
Operating Profit		**4,441**		5,358
Investment Income		**192**		112
Finance Costs		**(469)**		(592)
Profit Before Tax		**4,164**		4,878
Income tax expense		**(1,027)**		(1,478)
Profit attributable to equity holders of the parent		**3,137**		3,400
Analysed as:				
Loss after tax in acquired business	(393)			-
Like for like profit excluding acquisition	3,530			3,400
Earnings Per Share				
From continuing operations				
Basic		**2.15p**		2.37p
Diluted		**2.15p**		2.37p

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

	Group 2008 £'000	Group 2007 £'000
Assets		
Non-current assets		
Property, plant and equipment	**111**	59
Goodwill	**13,561**	10,630
Other intangible assets	**982**	25
	14,654	10,714
Current assets		
Inventories	**234**	240
Trade and other receivables	**4,249**	2,171
Cash and cash equivalents	**3,861**	6,068
	8,344	8,479
Total assets	**22,998**	19,193
Liabilities		
Current liabilities		
Trade and other payables	**(4,011)**	(3,426)
Borrowings	**(6,619)**	(1,800)
Current tax payable	**(271)**	(784)
	(10,901)	(6,010)
Assets less current liabilities	**12,097**	13,183
Non-current liabilities		
Borrowings	**(5,328)**	(4,050)
Deferred tax	**(2)**	(3)
	(5,330)	(4,053)
Net assets	**6,767**	9,130
Equity attributable to equity holders of the parent		
Ordinary shares	**1,455**	1,462
Capital redemption reserve	**16**	5
Merger reserve	**(3,108)**	(3,108)
Share premium	**2,893**	2,854
Retained earnings	**5,511**	7,917
Total equity	**6,767**	9,130

CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Group 2008	Group 2007
	£'000	£'000
Cash flows from operating activities		
Profit before taxation	**4,164**	4,878
Adjustments for:		
Depreciation and amortisation	**59**	59
Investment income	**(192)**	(112)
Finance costs	**469**	592
Impairment loss	**-**	74
(Profit)/Loss on disposal of Property, plant and equipment	**(4)**	86
(Increase)/decrease in trade and other receivables	**(2,078)**	813
Decrease/(increase) in inventories	**6**	(102)
Increase in trade payables	**585**	1,259
Cash generated from operations	**3,009**	7,547
Interest paid	**(469)**	(592)
Income taxes paid	**(1,540)**	(1,868)
Net cash from operating activities	**1,000**	5,087
Cash flows from investing activities		
Sale of property, plant and equipment	**20**	-
Acquisition of subsidiaries, net of cash acquired	**-**	-
Purchase of property, plant and equipment	**(84)**	(15)
Purchase of intangible assets	**(3,931)**	(10)
Interest received	**192**	112
Net cash (used in) /from investing activities	**(3,803)**	87
Cash flows from financing activities		
Net proceeds from the issue of share capital	**43**	1,928
Shares bought back for cancellation	**(174)**	(87)
Proceeds from long term borrowings	**7,750**	-
Repayment of borrowings	**(6,335)**	(2,357)
Dividends paid	**(5,369)**	(292)
Net cash used in financing activities	**(4,085)**	(808)
Net (decrease)/increase in cash and cash equivalents	**(6,888)**	4,366
Cash and cash equivalents at beginning of year	**6,068**	1,702
Cash and cash equivalents at end of year	**(820)**	6,068

Attributable to equity holders of the parent

Group	Ordinary Shares £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2007	1,329	-	(3,108)	1,064	4,896	4,181
Changes in equity for 2007						
Profit for the year	-	-	-	-	3,400	3,400
Dividend	-	-	-	-	(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
Changes in equity for 2008						
Profit for the year	-	-	-	-	3,137	3,137
Dividends	-	-	-	-	(5,369)	(5,369)
Buy back of share capital	(11)	11	-	-	(174)	(174)
Issue of share capital	4	-	-	39	-	43
Balance at 31 December 2008	**1,455**	**16**	**(3,108)**	**2,893**	**5,511**	**6,767**

This preliminary announcement does not consist of a full set of statutory accounts for the year ended 31 December 2008, 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.

1. Basis of preparation
These financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in Note 3.

1.1 Adoption of standards effective in 2008
There are no new standards applied which affect the balance sheet, income statement or other disclosure.

The following standards were mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the operations of the Group.

- IFRIC 11 (IFRS 2) Group and treasure share transactions
- IFRIC 12 Service concession arrangements
- IFRIC 14 (IAS 19) The limit on a defined benefit asset, minimum funding requirements and their interaction
- IAS 39 and IFRS 7 (Amendment) Reclassification of financial instruments

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

- IFRS 1 and IAS 27 (Amendment) Cost of investment in subsidiary
- IFRS 2 (Amendment) Share-based payment
- IFRS 3 (Revised) Business combinations
- IFRS 8 Operating segments
- IAS 1 (Revised) Presentation of financial statements
- IAS 1 and IAS 32 (Amendment) Puttable financial instruments and obligations arising on liquidation
- IAS 23 (Amendment) Borrowing costs
- IAS 27 (Amendment) Consolidated and separate financial statements
- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation

The Directors consider that the adoption of these standards and interpretations in future periods will have no material financial impact on the consolidated financial statements other than the revised approach to accounting for business combinations under IFRS 3 “Business Combinations (revised 2008)” and only in the event that there are future material acquisitions.

2. Accounting Policies

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

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

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

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

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

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

Amortisation is charged to 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 - 5 years

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

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

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

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

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

Gains or losses on disposal are included in the income statement.

2.5 Impairment of assets
The Group assesses 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 through profit and loss 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.

2.15 Exceptional items

Exceptional items are identified as being items which arise from events or transactions that fall within the ordinary activities of the group where the Board believes, due to their nature and significance, it is useful to shareholders to disclose such items on the face of the consolidated profit and loss account to the extent that this does not conflict with any applicable IFRS. Disclosure of profit after tax in acquired business is stated after charging the exceptional cost for the reorganisation.

2.16 Cash and cash equivalents

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

3. Accounting estimates and judgements

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

3.1 Key sources of estimation uncertainty

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

Goodwill - Goodwill is tested for impairment at each balance sheet date. The recoverable amounts of cash generating units have been estimated based on value in use calculations. These calculations require the use of estimates. If the discount rate used to assess the recoverable amount was to be increased by 1% then there would be no impairment.

Economic life of databases – The economic life of a database affects the amortisation charge and therefore the reported profit. The view of the Board is that small databases with a limited number of data records per individual have a useful life of two years or, in some cases less than one year in which case the cost of the database is expensed. Larger databases where there is a greater range of data per individual have a useful life of up to five years. In both cases the judgement is based on extensive market experience. If the economic life of the large databases had been reduced by one year then the effect on the profit before tax this year would have been a reduction of £21k.

4. Segment Reporting

All DM's business activities relate to the maintenance, recruitment to and monetisation of databases. Therefore the business is considered to operate in only one business segment. All turnover arises in the UK and Eire.

5. Earnings per share

	2008	2007
	£'000	£'000
Reconciliation of net profit to basic earnings:		
Net profit attributable to equity holders of the parent	**3,137**	3,400
Basic earnings	**3,137**	3,400
Reconciliation of basic earnings to diluted earnings:		
Basic earnings	**3,137**	3,400
Interest on share options	**-**	1
Diluted earnings	**3,137**	3,401

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	**145,361,224**	143,232,335
Dilutive effect of share options	**-**	221,376
Diluted weighted average number of ordinary shares	**145,361,224**	143,453,711

Share options granted before DM plc was formed by the reversal of Strike Lucky Games Ltd into Hawthorn Holdings plc, in 2004, could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the period presented.

Adjusted earnings per share	**2008**	2007
	£'000	£'000
Net profit attributable to equity holders of the parent	**3,137**	3,400
Costs of strategic review and restructuring at acquired company (2007:Impairment and asset write down with respect to closure of Cyberdyne Entertainment Limited)	**613**	160
Adjusted profit attributable to equity shareholders of DM plc	**3,750**	3,560
Adjusted earnings per share	**2.57**	2.49p
Diluted adjusted earnings per share	**2.57**	2.49p

6. Dividends

	2008	2007
	£'000	£'000
Dividends paid during the year – 2007 final plus 2008 interims (2007: 2006 final plus 2007 interim)	**5,369**	292
Dividends per share (pence per share)	**3.7p**	0.2p
Final dividend declared after year end	**-**	292
Final dividend per share (pence per share)	**-**	0.2p

There will not be a final dividend declared based on 2008 in addition to the special dividend declared and paid in the year (2007: final dividend 0.2p).

7. Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises:

	2008	2007
	£'000	£'000
Cash in hand and balances with banks	**3,861**	6,068
Overdrafts	**(4,681)**	-
Cash and cash equivalents	**(820)**	6,068

The full statutory accounts, upon which the auditors have expressed an unqualified opinion, will be filed with the Registrar of Companies before 30 June 2009.

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 5DB.

* * ENDS * *

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