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

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

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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

A Scalable, Integrated, Multi-channel Group

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

DM Chairman, Adrian Williams said:

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

CHAIRMAN'S STATEMENT

Introduction

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

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

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

Financial results

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

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

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

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

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

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

Business Review

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

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

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

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

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

Simultaneously it became apparent that the principal reason for this change in gamecard response rates was due to the Group's major competitors using response mechanisms which DM was not prepared to replicate as it did not believe that they were compliant with industry regulations. This view was subsequently proved correct by the action of the premium rate regulator, *PhonepayPlus*, who issued enforcement actions and imposed bans on the publication of gamecard products by these competitors. These operating bans have since resulted in increased public and media confidence in the sector and a marked improvement in both consumer responses and the availability and cost of distribution channels, all of which have benefited the Group in the second half of the year. The Group continues to apply the highest levels of care to the design of its creative products where the Board believe DM is the market leader.

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

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

Our database management activities are now dominated by the operations of DLG, which at the time of acquisition was one of the UK's largest providers of consumer lifestyle data to the direct marketing industry and brought with it one of the UK's largest consumer lifestyle databases. The Group's database management

operations were further enhanced by the acquisition of PDV in April 2009. At the time of acquisition both DLG and PDV were significantly loss making, but with strong market positions and extensive databases they provided a core platform from which to build.

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

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

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

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

Outlook

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

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

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

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

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

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

A J Williams
Chairman

8 March 2010

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

			Group 2009 £'000	Group 2008 £'000
Continuing Operations				
Revenue			**25,590**	18,265
Cost of sales			**(11,775)**	(9,691)
Gross Profit			**13,815**	8,574
Administrative expense before exceptional items				
Existing operations	**(8,885)**	(2,256)		
Acquisitions	**-**	(1,264)		
Total Administrative expense before exceptional items	**(8,885)**	(3,520)		
Operating profit before exceptional items	**4,930**	5,054		
Administrative expenses – exceptional items				
Strategic review	**-**	(343)		
Acquisition - reorganisation	**-**	(270)		
Total Administrative expenses - exceptional items	**-**	(613)		
Administrative expenses			**(8,885)**	(4,133)
Operating Profit			**4,930**	4,441
Investment Income			**-**	192
Finance Costs			**(356)**	(469)
Profit Before Tax			**4,574**	4,164
Income tax expense			**(1,095)**	(1,027)
Profit attributable to equity holders of the parent			**3,479**	3,137
Earnings Per Share				
From continuing operations				
Basic			**2.18p**	2.15p
Diluted			**2.18p**	2.15p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

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

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

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

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

Attributable to equity holders of the parent

Group	Ordinary Shares £'000	Capital Redemption Reserve £'000	Merger Reserve £'000	Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2008	1,462	5	(3,108)	2,854	7,917	9,130
Changes in equity for 2008						
Profit for the year	-	-	-	-	3,137	3,137
Dividend	-	-	-	-	(5,369)	(5,369)
Buy back of share capital	(11)	11	-	-	(174)	(174)
Issue of share capital	4	-	-	39	-	43
Balance at 31 December 2008	1,455	16	(3,108)	2,893	5,511	6,767
Changes in equity for 2009						
Profit for the year	-	-	-	-	3,479	3,479
Dividends	-	-	-	-	-	-
Buy back of share capital	-	-	-	-	-	-
Issue of share capital	208	-	-	792	-	1,000
Balance at 31 December 2009	**1,663**	**16**	**(3,108)**	**3,685**	**8,990**	**11,246**

This preliminary announcement does not consist of a full set of statutory accounts for the year ended 31 December 2009, within the meaning of Section 435 Companies Act 2006.

Accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

1. Basis of preparation
These financial statements have been prepared in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

Adoption of standards effective in 2009
The following standards have been applied by the Group from 1 January 2009:

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

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

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

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

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

1.2 IFRS effective in 2009 but not relevant

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

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

1.3 Standards and interpretations issued but not yet applied

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

2. Accounting policies

2.1 Consolidation

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

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

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

2.2 Goodwill

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

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

2.3 Other intangible assets

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

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

- Lists/databases – 2 - 5 years

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

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

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

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

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

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

2.5 Impairment of assets
The Group assesses annually whether there is any indication that any of its assets have been impaired. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value.

For goodwill, intangible assets that have an indefinite life and intangible assets not yet available for use, the recoverable amount is estimated at each balance sheet date and whenever there is an indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

2.6 Financial instruments
The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

2.6.1 Trade receivables
Trade receivables are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. They are recognised on the trade date of the related transactions.

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

2.6.3 Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

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

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

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

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

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

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

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

2.12 Deferred taxation
Deferred tax is provided in full using the balance sheet liability method. Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the balance sheet. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date.

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries, joint ventures and associates as it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the Group's policy to reinvest undistributed profits arising in Group companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

2.13 Provisions
Provisions are recognised in the 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.

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

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

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

3.1 Key sources of estimation uncertainty
Key assumptions have been made in the following area when preparing the Group accounts:

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

Economic life of databases – The economic life of a database affects the amortisation charge and therefore the reported profit. The view of the Board is that small databases with a limited number of data variables per individual have a useful life of two years or, in some cases, less than one year in which case the cost of the database is expensed. Larger databases where there is a greater range of data per individual have a useful life of up to five years. In both cases the judgement is based on extensive market experience. If the economic life of the large databases had been reduced by one year then the effect on the profit before tax this year would have been a reduction of £50k.

4. Segment reporting
All DM's business activities relate to the recruitment to, maintenance of and monetisation of databases. Therefore the business is managed by the chief operating decision maker ("CODM") as one business segment. The CODM receives reports at consolidated level and uses those to assess business performance. It is not possible to assess performance properly using the financial information collected at the subsidiary level because data generated by one subsidiary may be shared within the group database structure, (insofar as this

complies with all relevant legislation), without charging other subsidiaries. Subsidiary level information is only used by the CODM as drill down information and it is not used to determine allocation of resources.

All turnover arises in the UK and Eire. The amount arising in Eire is not material to group turnover. (All turnover relates to the monetisation of databases).

5. Earnings per share

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

Reconciliation of basic weighted average number of ordinary shares to diluted weighted average number of ordinary shares:	**Number**	Number
Basic weighted average number of ordinary shares	**159,645,339**	145,361,224
Dilutive effect of share options	**-**	-
Diluted weighted average number of ordinary shares	**159,645,339**	145,361,224

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

6. Dividends

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

7. Cash and cash equivalents

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

The full statutory accounts, upon which the auditors have expressed an unqualified opinion, will be filed with the Registrar of Companies before 30 June 2010.

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 * *

For further information visit www.dmplc.com or contact

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