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

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

DM, the direct marketing group specialising in customer recruitment and database management, announces its interim results for the six months ended 30 June 2010.

A Well Balanced Group
Making Good Progress in Difficult Times

- Continued growth in turnover, gross profit and profit after tax for the period ended 30 June 2010;
- Consolidation of market position with turnover up 15.9 per cent. to £13.45 million (2009: £11.60 million);
- Gross profit of £7.06 million, up 8.3 per cent. (2009: £6.52 million);
- Consolidated Group EBITDA of £3.18 million, up 20.9 per cent. (2009: £2.63 million);
- Profit after tax up by 25.7 per cent. to £2.20 million (2009: £1.75 million);
- Earnings per share up 15.8 per cent. to 1.32 pence (2009: 1.14 pence);
- Continued reduction in net debt from operating cash generated and careful cash flow management, resulting in net debt down 60 per cent. to £2.54 million from £6.41 million as at 30 June 2009;
- Consolidation of the Group's position as one of the UK's largest owners and providers of consumer lifestyle data to the direct marketing industry;
- Restructuring and integration of DLG and PDV complete and commencing prudent investment in growth;
- Extensive multi-channel database assets across post, phone, mobile, email and internet;
- OFT case ongoing with ruling now expected during 2011;
- Robust performance of all business activities in challenging market conditions demonstrating an integrated, complementary and well balanced Group.

DM Chairman, Adrian Williams said:

This has been a challenging period for the Group which we have dealt with in a robust manner. In subdued market conditions and through a period of integration the strength of the Group's multi-channel activities and careful cash management has been demonstrated yet again. The Group now has the structure and resources from which to benefit when market conditions improve and with careful investment we look forward to the future with cautious optimism.

CHAIRMAN'S STATEMENT

Introduction

I am pleased to report DM's interim results for the six months ended 30 June 2010. The first half of 2010 has been relatively uneventful, which given the recent market conditions is satisfactory. The Group continued to manage its internal activities carefully, making a shift from restructuring and cost cutting to prudent investment in new personnel to assist growth. During this period the market conditions saw little sign of improvement in our sector. Overall we ended the period satisfied with the results which we believe mean that DM will have ultimately improved its market position due to the broader market turmoil and pressures on our competitors in the direct marketing sector.

The Group now sits as an integrated, multi-channel business with the resources and market presence to compete across the complementary activities of consumer lifestyle database management and direct marketing alongside the historic core customer recruitment activities of gamecard and direct marketing mailings.

Financial results

At the start of the year management set a cautious budget which we believed took account of the current conditions, but with the hope that these conditions may improve and the Group would then stand to benefit from the hard work that we have put in building a strong and integrated platform in the direct marketing sector. Unfortunately this hoped for improvement did not materialise but nevertheless all business activities performed well and we ended the period ahead of management's prudent expectations set at the start of the year.

Overall the Group has performed satisfactorily in a relatively flat market. The strength of DM's multi-channel activities once again showing that having a diversity of business areas can provide a buffer against extremes of trading conditions in any one sector. During the period under review, our main disappointment was that our hard work to date in positioning our consumer lifestyle and direct marketing activities was not fully capitalised upon with the market remaining subdued with customers still cautious and highly price sensitive.

For the six months ended 30 June 2010, revenue was £13.45 million, up 15.9 per cent. (2009: £11.60 million). Gross profit was £7.06 million, up 8.3 per cent. (2009: £6.52 million). As previously indicated the Group now has a strong mix of high margin online and database activities.

EBITDA for the period was up 20.9 per cent. to £3.18 million (2009: £2.63 million), with Group consolidated profit after tax increasing 25.7 per cent. to £2.20 million (2009: £1.75 million). Basic earnings per share were 1.32 pence (2009: 1.14 pence). In light of the current uncertain economic climate the Board is not recommending any interim dividend for the period.

As at 30 June 2010, the Group had a net debt position of £2.54 million (2009: net debt £6.41 million). This improved position takes account of the continued strong conversion of operating profit to free cashflow and ever watchful cash management which is a central tenet of the Group.

Business Review

Over recent years the Group has grown principally via acquisition, during which time much of management's focus has been on carefully re-sizing and integrating the newly acquired businesses without losing sight of DM's core disciplines of operational flexibility and careful margin and cashflow management.

This period of acquisition and the resultant restructuring/turnaround of acquired businesses corresponded with the economic crisis and subsequent recession. We believe that means that the Group was focusing on the right things at the right time, making us cost conscious and determined to improve the efficiency of our business systems whilst all the time making sure our products and services were customer focused.

By taking this prudent approach we have minimised operational risks during a time of market volatility and uncertainty whilst being focused on creating a platform which we will be able to benefit from when market conditions begin to improve. By the end of last year we had completed most of the major restructuring work required, significantly cutting overheads and ensuring we had a focused and committed team within each of the business areas.

The Group's philosophy has never been to chase top line growth at the expense of operational flexibility or bottom line profit margin. However with the market conditions creating challenges for the majority of our customers and competitors alike, these operational controls meant that we had the flexibility to make careful investment in people and resources. Here we have been able to recruit excellent people at sensible rates which we believe means that the Group now has the correct structure and resources to look to the future with cautious optimism.

In the first half of the year the Group's customer recruitment activities performed consistently but unspectacularly. During the period we have had one of our most successful gamecard promotions and whilst there was a slight lull during the summer we managed to avoid the eternal consumer facing pitfall of blaming the "successful" and/or in this case "unsuccessful World Cup" campaign or weather. Historically, large events such as a World Cup which catch the nation's attention can depress responses so from our Group perspective, the summer of football was not a total disaster.

Sales of databases during the period have been slightly lower than expected and so the previous trend of business towards the higher margin database revenue has stabilised. During the period we took advantage of the market conditions by purchasing several databases from distressed sellers which will further add to our core database, enhancing our consumer data and market position in this area.

As indicated the historic focus of database activities was on the restructuring and integration of the previous acquisitions of DLG and PDV into the Group. This has now been largely completed with both businesses now profitable at the pre-tax level. No major contracts have been won or lost in the period.

In recent months we have hired a number of high quality sales personnel who will complement our core of committed staff in lifestyle database and direct marketing activities. This investment along with new telephone and online customer recruitment systems should allow us to minimise overheads and further drive efficiency savings without compromising customer services, data quality or the drive to generate new business opportunities in a flat and difficult market. As stated before, the Board believes that careful and focused investment to continually develop 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 agreement to create a UK targeted bingo and casino service in conjunction with PartyGaming Plc. The Group have now reviewed this Joint Venture and based upon much lower than expected revenue per bingo player, due to changes in this market over in the last 12 months, we have now terminated this agreement. There are no costs related to the closure.

Shareholders will know that 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.

In 2009 these activities were impacted by the obvious pressure on consumer spending and increased competitor activity, the combination of which reduced historically stable response rates. Management's expertise and experience in designing and selectively placing and rolling out campaigns ensures that we are focused on ensuring overall margin for each new campaign. At the end of last year, the competitor pressure was partially alleviated when *PhonepayPlus*, the premium rate regulator, issued a series of enforcement actions and imposed bans on the publication of gamecard products that used response mechanisms which DM had not been prepared to replicate. This led to increased public and media confidence in the sector and continues to benefit the Group in the cost and availability of publication channels for our products.

DM has always applied the highest levels of care to the design of its creative products. However, in 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 with the OFT in 2007, which the Group currently adhere to. In order to obtain regulatory clarity, the Group elected to gain a definitive court ruling on the changes sought by the OFT. This procedure commenced in January 2010 and is ongoing however we now believe that a ruling will not be obtained until 2011. From the Group's perspective this exercise, whilst necessary to gain a certain operating environment, is both costly and time consuming and means that we are not fully in control of the future of the activities to which the OFT challenge relates.

Outlook

Throughout the recent period of business acquisition and integration the target has been to create a group with a major position in online and offline lead generation across a wide range of channels, underpinned by a strong and growing customer base. The Board believe that this has now been achieved and DM is now in a strong position from which to capitalise on its market leading, multi-channel offering as and when the hoped for improvement in market conditions occurs.

The Board's confidence in the strategic assets, market position and management of the Group has been demonstrated through the support of careful investment in people and systems and the Group should now be able to increase its market share, turnover and profitability as it moves forward. Whilst there is a certain degree of uncertainty due to the timing of when market conditions will improve and the OFT case, which we do not expect clarity from this year, the Group has built an organisational structure which will be able to react quickly to opportunities or threats to maximise shareholder value going forward.

DM is now the integrated, multi-channel platform which our vision hoped it would be. We now have a focused and complementary suite of activities, utilising the core skills of customer recruitment, creative marketing, campaign design, and database management. Management have and will never lose sight of these core skills which include prudent financial controls and now firmly believe DM is well placed in its chosen markets.

It has been a difficult period in the Group's evolution and we could not have achieved what we have built today without the commitment and hard work of all of the Group's staff, who I would like to take this opportunity to thank. We are confident of the Group's current position and future prospects and look forward to continuing the hard work to maximise shareholder returns going forward.

A J Williams
Chairman

13 September 2010

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six month period to 30 June 2010	Six month period to 30 June 2009	Year to 31 December 2009
	£000	£000	£000
Revenue	**13,454**	11,602	25,590
Cost of Sales	**(6,399)**	(5,085)	(11,775)
Gross Profit	**7,055**	6,517	13,815
Administrative expenses	**(3,994)**	(4,036)	(8,885)
Operating Profit	**3,061**	2,481	4,930
Finance costs	**(79)**	(202)	(356)
Profit before tax	**2,982**	2,279	4,574
Income tax expense	**(783)**	(534)	(1,095)
Profit for the period	**2,199**	1,745	3,479
Total Comprehensive Income for the period	**2,199**	1,745	3,479
Earnings per share			
From continuing operations-			
- basic	**1.32p**	1.14p	2.18p
- diluted	**1.32p**	1.14p	2.18p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2010	30 June 2009	31 December 2009
	£000	£000	£000
Assets			
Non Current Assets			
Goodwill	**12,824**	13,033	12,824
Other intangible assets	**682**	877	782
Property, plant and equipment	**128**	111	135
	13,634	14,021	13,741
Current Assets			
Inventories	**337**	283	279
Trade and other receivables	**6,551**	6,755	7,072
Cash and cash equivalents	**1,821**	4,799	902
	8,709	11,837	8,253
Total Assets	**22,343**	25,858	21,994
Current Liabilities			
Trade and other payables	**(3,805)**	(4,715)	(5,033)
Borrowings	**(1,937)**	(6,844)	(1,937)
Current tax payable	**(733)**	(425)	(386)
	(6,475)	(11,984)	(7,356)
Non Current Liabilities			
Borrowings	**(2,422)**	(4,360)	(3,391)
Deferred Tax	**(1)**	(2)	(1)
	(2,423)	(4,362)	(3,392)
Net Assets	**13,445**	9,512	11,246
Equity attributable to equity holders of the parent			
Ordinary shares	**1,663**	1,663	1,663
Capital redemption reserve	**16**	16	16
Merger reserve account	**(3,108)**	(3,108)	(3,108)
Share premium account	**3,685**	3,685	3,685
Profit and Loss account	**11,189**	7,256	8,990
Total Equity	**13,445**	9,512	11,246

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months to 30 June 2010	Six months to 30 June 2009	Year to 31 December 2009
	£000	£000	£000
Cash flows from operating activities			
Profit before taxation	**2,982**	2,279	4,574
Depreciation and Amortisation	**118**	152	236
Impairment of intangible assets	**-**	-	266
Loss on disposal of property, plant and equipment	**-**	-	21
Finance Costs	**79**	202	356
Increase in inventories	**(58)**	(49)	(45)
Decrease/(Increase) in trade and other receivables	**521**	(2,506)	(2,823)
Increase/(Decrease) in trade and other payables	**(1,228)**	1,440	1,757
Cash generated from operations	**2,414**	1,518	4,342
Interest paid	**(79)**	(202)	(356)
Income taxes paid	**(438)**	(380)	(980)
Net cash inflow from operating activities	**1,897**	936	3,006
Cash flows from investing activities			
Sale of property, plant and equipment	**-**	-	4
Acquisition of subsidiaries, net of cash acquired	**-**	-	(266)
Purchase of property, plant and equipment	**(10)**	(53)	(85)
Purchase of intangible assets	**-**	(203)	-
Net cash generated from/(used by) investing activities	**(10)**	(256)	(347)
Cash flows from financing activities			
Repayment of borrowings	**(968)**	(968)	(1,937)
Net proceeds from issue of share capital	**-**	1,000	1,000
Net cash generated from/(used by) financing activities	**(968)**	32	(937)
Net increase in cash and cash equivalents	**919**	712	1,722
Cash and cash equivalents at beginning of period	**902**	(820)	(820)
Cash and cash equivalents at end of the period	**1,821**	(108)	902

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months to 30 June 2010	Six months to 30 June 2009	Year to 31 December 2009
	£000	£000	£000
Opening Equity	**11,246**	6,767	6,767
Profit for the period attributable to equity shareholders	**2,199**	1,745	3,479
Issue of share capital	**-**	1,000	1,000
Total changes in equity	**2,199**	2,745	4,479
Closing Equity	**13,445**	9,512	11,246

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 2010.

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 2009, which were approved for issue by the Board of Directors on 5 March 2010, as it provides an update of previously reported information. The comparative figures for the year ended 31 December 2009 are not the company's statutory accounts for the financial year.

The comparative figures for the year ended 31 December 2009 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 2009.

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 2010 has been calculated at a rate of 28% (28% for both the full year to 31 December 2009 and the interim period to 30 June 2009).

3. Segmental information

All DM's business activities relate to the recruitment, 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.

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 2010	166,309,094	166,309,094
- Period to 30 June 2009	152,871,135	152,871,135
- Year to 31 December 2009	159,645,339	159,645,339

5. Dividends

In the period ended 30 June 2010, the Group did not pay a dividend. (For the period ended 30 June 2009 and for the year ended 31 December 2009: Dividend paid was £nil.)

6. Analysis of net cash and cash equivalents

	Six months to 30 June 2010 £000	Six months to 30 June 2009 £000	Year to 31 December 2009 £000
Cash and cash equivalents	**1,821**	4,799	902
Current borrowings	**-**	(4,907)	-
Net cash and cash equivalents	**1,821**	(108)	902

Current borrowings exclude scheduled repayments of long term debt.

7. Risks and Uncertainties

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

As announced on 5 January 2010 and again in the 2009 Group consolidated financial statements, there is pending legal interpretation, by the court, of recently implemented EU regulation. The Office of Fair Trading ("OFT") has, in the context of the recently implemented EU legislation, reassessed the promotional formulae which we currently adhere to and which were agreed in 2007. This reassessment means that the OFT is now seeking alternative assurances drafted in wider and less specific terms than previously agreed. DM plc is not prepared to accept the alternative assurances in their current form and has therefore elected for definitive legal interpretation and specific direction by the court rather than agree to comply with what the Board believes are ambiguous proposals which could risk inadvertent breach in the future. The judicial review is scheduled to take place in the first quarter of 2011.

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.

8. 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 2009.

9. The interim report was approved by the Board on 10 September 2010. 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:

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