DMA Annual report

2012

we are the dma
direct marketing
association

Contents

Directors and officers

DIRECTORS

Amanda Merron
Anthony John Kane
Christopher Porte Combemale
Fedelma Good
Malcolm Green
William Gilbert
Julia Porter
Shaun Bailey
Scott Morrison Logie

SECRETARY

James Milligan

REGISTERED OFFICE

DMA House
70 Margaret Street
London W1W 8SS

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Chairman's report

The multi-billion pound direct marketing industry's need for a respected and trusted professional body to represent its interests has never been greater. The industry is under threat from new EU legislation that would severely limit the way in which companies can use consumers' data for sales and marketing purposes. The draft EU Data Protection Regulation has been conceived to protect the data privacy rights of individuals in a world in which consumers are now sharing unprecedented volumes of information with companies through digital interactions. It's our role to ensure that legislation to protect consumers' rights does not come at an unacceptable cost to business.

At the DMA, we see protection as being at the very heart of what we do. That's why we've been actively lobbying the lawmakers to defend the interests of the industry, as well as developing the tools and providing the guidance businesses need to ensure that they use consumers' data responsibly. Doing so is essential to building consumer trust and demonstrating to the lawmakers that our industry is working to protect consumers' right to data privacy.

We also have an important role in helping the direct marketing industry to develop and grow. There's been a redoubled focus on producing unique research, guidance, white papers and best practice to provide all of the relevant tools that our members need to help them not only survive but also thrive during continuing difficult economic conditions.

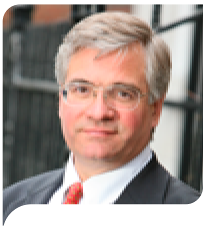
In last year's annual report I cited some of the challenges we face in continuing to represent the interests of our members in a fast-changing marketing world. Over the course of this year, the success of the changes we've made to reposition our vision and values has become evident. The number of new members joining the DMA is increasing is directly linked to the work we've done to attract digital marketers on both the client and agency side.

Overall, I'm very pleased with the progress we've made again this year but I still feel that we're just at the start of a long journey. We have some exciting plans for the next financial year, which we'll reveal in due course. As members you can be assured that everything we do will be focused on our two goals: protecting and growing the industry.

Scott Logie,
DMA Chairman

19 September 2012

DMA Activities



Executive Director's Report

The development of the DMA to improve the way in which it represents the interests of its members and the wider direct marketing industry continued at a frenetic pace over the past year, which has resulted in a series of notable successes.

We've put many tools in place to fight the critical government policy and legislative threats to the commercial interests of the industry that we face over the next 24 months, as well as the ongoing challenge of transforming perceptions of direct marketing and the DMA.

Consumer data privacy has been high on the agenda over the past year. In preparation for the enforcement date of the new 'Cookie law', we established a working party to produce vital how-to guidance for online, email and mobile marketers to understand how to comply with this complex piece of legislation. Demonstrating to the Information Commissioner that we've taken the necessary steps to comply with the law as it's widely interpreted will ensure that regulation of the use of cookies will remain 'light touch'.

The DMA has been at the forefront of leading the industry's response to the new draft EU Data Protection Regulation announced in January, which poses an unprecedented threat to the future of data-driven marketing. As well as maintaining a concerted lobbying effort, we produced toolkits for our members and other key stakeholders to help them understand how the draft Regulation could impact on their businesses.

In further support of our campaigning, we published two illuminating reports into consumers' attitudes towards sharing data and into how much the direct marketing industry contributes to the UK economy. *Data privacy: What the consumer really thinks* demonstrated that the majority of consumers are happy to share their data with trusted companies and are suitably rewarded for doing so. *Putting a price on direct marketing* revealed that companies spent £14.2bn on direct marketing last year and attributed 23% of their total sales to it.

Together, these reports provide compelling evidence to the lawmakers that the draft EU Data Protection Regulation would eliminate the value that consumers benefit from data sharing. They also provide a stark warning that onerous legislation would cost UK businesses and the economy heavily – an unacceptable consequence, especially at this time of depressed trading.

We also mounted a resilient defence of the direct marketing industry from the threat of reputational damage resulting from negative media coverage. Predictably, legitimate direct mail marketing stood to be once again tarnished by misinformed and biased media coverage, with BBC programmes such as Panorama's *Why hate junk mail?* and consumer show That's Britain failing to distinguish between the sector and so-called 'junk' and 'scam' mail.

Our proactive response included arming our memberships in advance of broadcast with a Q&A toolkit managing the social media debate arising from the programmes and an extensive media relations campaign which gave us a platform to promote the value of the direct mail channel. Our efforts were effective in countering negative perceptions of the sector, and our success was recognised in with Gold Awards in the crisis management categories in both the PRCA Awards and Golden Hedgehog Awards.

Other initiatives, such as the signing of a producer responsibility agreement with Defra have also sent strong messages to the consumer, government and business alike that we're a responsible industry committed to taking positive action to minimise our environmental impact. Over the next five years, we're leading the industry's efforts to reduce resource wastage, improve suppression through better data hygiene and increase recycling rates for used printed marketing materials. This is a major project, and one that has only been possible through the contributions of members of the DMA's Door Drops Council, which include The Leaflet Company, Royal Mail and TNT.

Indeed, the DMA's sector-specific and regional councils – together comprising more than 250 volunteer members - have continued to be one of our organisation's greatest strengths, producing stimulating content, robust guidance and compelling events. This year we welcomed the creation of the Social Media Council and Brand Activation Committee which reflects the growing diversity within the ever-evolving industry that we represent.

The creation of new sector-specific groups has been just one element in our wider programme of ensuring that we're equipped to represent the interests of the 21st Century direct marketing industry. We've made significant progress in transforming the organisation into the rightful representative of companies using the latest mobile, social media and email technologies in their marketing. Our first major rebranding in more than 15 years has been crucial in setting the industry perception that all data-driven marketing is direct marketing and countering the idea that digital somehow sits as a distinct field of its own. The success of the campaign was recognised with a 'Highly Commended' prize at the annual Transform Awards.

As well as overturning perceptions of the industry we represent, we've also overturned perceptions of our organisation. Our members have certainly welcomed the transformation we've gone through, and our new-look organisation has caught the attention of the wider direct marketing industry. Even the media has reported on this, with Marketing Week's Russell Parsons commenting in an article that *"the Direct Marketing Association is proving to be a doughty, and … sparky example to the other defenders of the marketing faith…"*

Chris Combemale
DMA Executive Director

19 September 2012

Putting a price on direct marketing

How much does the direct marketing industry contribute to the UK economy?

Direct marketing is a major sales generator

Companies polled in the study attributed

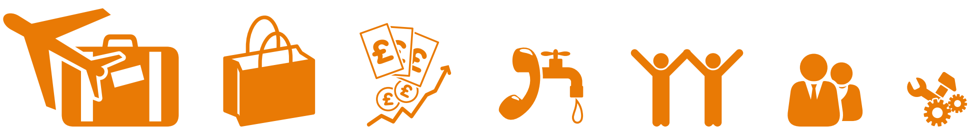
23%

of their

turnover to direct marketing

Direct marketing-generated sales, sector-by-sector

The proportion of sales generated by direct marketing is more pronounced in some sectors than others.

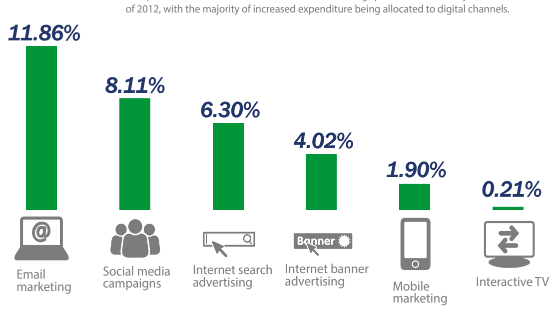


Travel and leisure	Retail and wholesale	Financial services	Telecoms and utilities	Charities / other services	Business / professional services	Primary manufacturing and construction
32%	30%	28%	22%	21%	20%	15%

Companies invest a lot in direct marketing

Looking forward to further growth

Companies estimate that their overall direct marketing spend will increase by the end of 2012, with the majority of increased expenditure being allocated to digital channels.

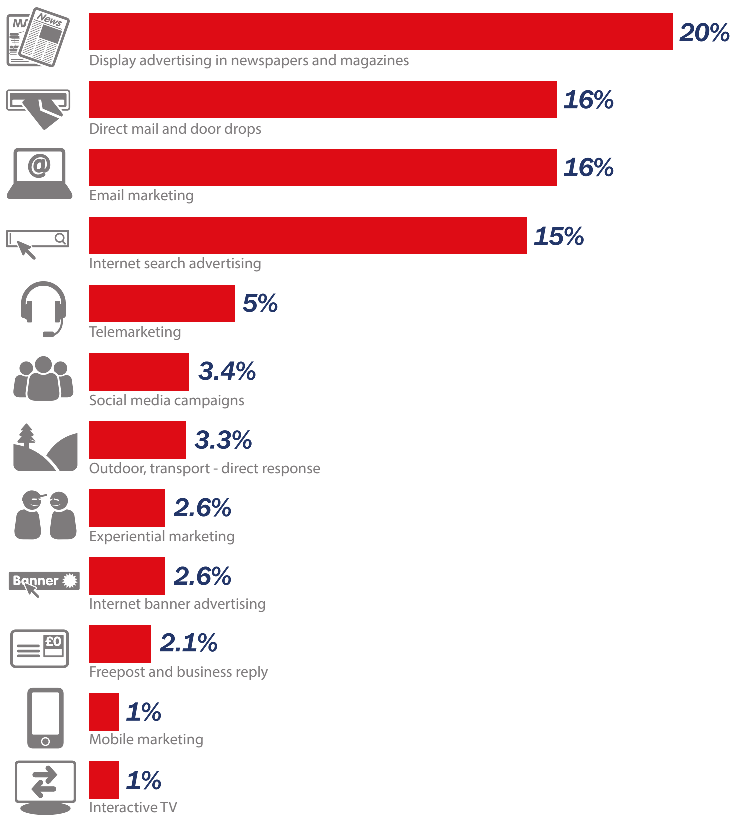


Putting a price on direct marketing

How much does the direct marketing industry contribute to the UK economy?

The spread of spend, channel-by-channel

The proliferation of direct marketing channels in the last few years means that companies are carefully spreading their marketing budgets to yield maximum ROI.



A major employer

In total the direct marketing industry supports

150,000 marketing professionals employed by Brands

225,000 marketing professionals employed by agencies and suppliers

155,000 indirect jobs that depend on direct marketing

Data privacy:

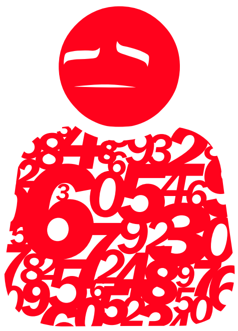
What the consumer really thinks

Data privacy: The three types of consumer

The public's range of attitudes towards data privacy is finely nuanced, but they can be broadly grouped into three types:

53%

are 'data pragmatists' – people who are willing to exchange reasonable amounts of data with Br an ds3 for free services or better benefits



31%

are 'data fundamentalists' who are generally opposed to sharing their information with companies unless they have a compelling reason to do so

16%

are 'unconcerned' about who they share their information with and what it's used for

Online life is shaping views of data privacy

It's hardly surprising that as we spend more time online and conduct more of our personal business online, we're changing our views about privacy.

12 out of 15

people accept that disclosure of personal information is 'a fact of modern life'

10 out of 15

cite familiarity with sharing information online and via social networking as reshaping their definition of privacy

Data privacy:
What the consumer really thinks

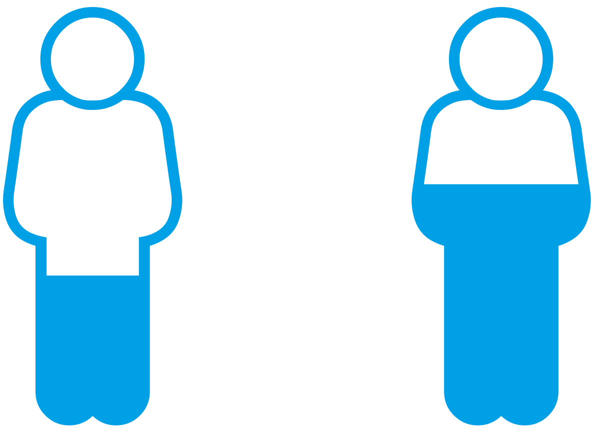
People are data savvy

Consumer recognition of the ways in which companies can use personal data is high:

85%
of people are 'aware or somewhat aware' of the techniques used by companies to track online behaviour and preferences

People are prepared to trade data – for the right price, under the right circumstances

Sharing personal information isn't just confined to filling in passport or bank loan applications...



35%
of people regard their personal information as a commodity to be traded with companies in exchange for free services or better benefits, rising to 40% of 25-34-year olds

58%
cite trust as being the most important factor when deciding whether or not to share their information

Report of the board

The board presents its report and the financial statements of The Direct Marketing Association (UK) Limited for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The company is the principal trade association for companies and organisations involved in the direct marketing industry in the United Kingdom.

DIRECTORS

The following directors have held office since 1 April 2011:

Amanda Merron
Anthony John Kane
Christopher Porte Combemale
Fedelma Good
William Gilbert
Julia Porter (appointed 19 May 2011)
Shaun Bailey (appointed 19 May 2011)
Malcolm Green
Scott Morrison Logie

CHARITABLE DONATIONS

During the year the company made a donation of £400,000 to the Direct Marketing Foundation.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

A resolution to re-appoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the Annual General Meeting.

SMALL COMPANIES PROVISIONS

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

By order of the board

Scott Logie
DMA Chairman

19 September 2012

Board's responsibilities in the preparation of financial statements

The directors are responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgments and estimates that are reasonable and prudent; and,

c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on The Direct Marketing Association (UK) Limited website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of The Direct Marketing Association (UK) Ltd

We have audited the financial statements on pages 13 to 19. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Boards' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; applicable to smaller entities and,
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Report of the directors' report.

DAVID BLACHER (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

Income and expenditure account

for the year ended 31 March 2012

	Notes	2012 £	2011 £
INCOME		3,228,991	2,503,302
Cost of sales		(454,923)	(443,008)
GROSS SURPLUS		2,774,068	2,060,294
Operating expenses		(2,955,628)	(2,061,981)
OPERATING DEFICIT		(181,560)	(1,687)
Income from fixed asset investments	1	1,500,000	440,000
Interest receivable		8,620	9,928
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,327,060	448,241
Taxation credit (2011: charge)	3	19,443	(18,629)
SURPLUS FOR THE FINANCIAL YEAR	10	1,346,503	429,612

Balance sheet
31 March 2012

Company registration no. 2667995

	Notes	2012	2011
		£	£
FIXED ASSETS			
Tangible assets	4	170,682	154,116
Investments in subsidiary undertaking	5	1,002	1,002
		171,684	155,118
CURRENT ASSETS			
Debtors	6	1,973,624	1,236,500
Cash at bank and in hand		2,059,069	1,538,733
		4,032,693	2,775,333
CREDITORS: Amounts falling due within one year	7	(1,434,612)	(1,528,927)
NET CURRENT ASSETS		2,598,081	1,246,306
TOTAL ASSETS LESS CURRENT LIABILITIES		2,769,765	1,401,424
CREDITORS: Amounts falling due after one year	8	(61,575)	(29,900)
PROVISION FOR LIABILITES	9	–	(9,837)
NET ASSETS		2,708,190	1,361,687
RESERVES			
Income and expenditure account	10	2,708,190	1,361,687

The accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements on pages 13 to 19 were approved by the board of directors and authorised for issue on 19 October
2012 and are signed on its behalf by:

S Logie
Chairman

A Merron
Hon Treasurer

Accounting policies

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), "FRSSE 2008".

GOING CONCERN

The directors have considered the 12 month period following approval of the accounts and consider that it is appropriate to prepare the accounts on the going concern basis.

FORMAT

Advantage has been taken under section 369 of the Companies Act 2006 which allows the format of accounts to be adapted to reflect the special nature of the company's business

INCOME

Income comprises the total amount receivable by the company in the ordinary course of business for subscriptions and services provided, exclusive of Value Added Tax. Subscriptions are credited to the income and expenditure account according to the proportion of each member's subscription year falling within the company's accounting period.

TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Plant and machinery	15%-33%

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The investments in subsidiary undertakings are stated at cost.

IMPAIRMENTS

Fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable or as otherwise required by relevant accounting standards.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments and charged to the income and expenditure account.

CONSOLIDATION

The company and its subsidiary undertakings form a small group. The company has therefore taken advantage of the exemption provided by section 399 of the Companies Act 2006 not to prepare group accounts and hence the financial statements present information about the company as an individual undertaking only.

DEFERRED TAXATION

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are only recognised when the directors consider it more likely than not that they will be realised.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

OPERATING LEASES

The annual rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

PENSION COSTS

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Notes to the financial statements

for the year ended 31 March 2012

1 INCOME FROM FIXED ASSET INVESTMENTS

During the year the company received dividends of £1,500,000 (2011: £440,000) from its subsidiary undertaking The Telephone Preference Service Limited.

2 SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

		2012 £	2011 £
Surplus on ordinary activities before taxation is stated after charging:			
Depreciation		74,089	46,746
Auditor's remuneration for statutory audit services		13,500	12,500
Operating lease rentals	- plant and machinery	4,285	6,316
	- land and buildings	375,000	375,000
Charitable donation to the Direct Marketing Foundation		400,000	–

Directors' remuneration comprised sums paid to directors of £112,644 (2011: £nil) and sums paid to third parties for directors' services of £nil (2011: £84,500). No director accrued retirement benefits under the defined contribution pension scheme in either year.

3 TAXATION CREDIT (2011: CHARGE)

	2012 £	2011 £
Current tax:		
UK corporation tax on surplus of the period	–	38
Adjustments in respect of previous periods	(9,606)	–
Total current tax	(9,606)	38
Deferred taxation:		
Origination and reversal of timing differences	(9,837)	18,591
Tax credit (2011: charge) on surplus on ordinary activities	(19,443)	18,629

Notes to the financial statements

for the year ended 31 March 2012

4 TANGIBLE FIXED ASSETS

	£
Plant and machinery cost:	
1 April 2011	310,459
Additions	90,657
31 March 2012	401,116
Depreciation:	
1 April 2011	156,345
Charged in the year	74,089
31 March 2012	230,434
Net book amount:	
31 March 2012	170,682
31 March 2011	154,114

5 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£
Cost	
At 1 April 2011 and 31 March 2012	1,002

Company	% shareholding	Activity
The Telephone Preference Service Limited	100	Telephone and fax opt out service
NSF Limited	100	Data suppression service

During its latest financial period ended 31 January 2012 The Telephone Preference Service Limited made a profit before tax of £ 7,947 (year ended 30 April 2011: loss of £189,674). At 31 January 2012 the aggregate surplus of capital and reserves was £29,752 (30 April 2011: £1,520,109). The Telephone Preference Service Limited has adopted a different accounting reference date due to the term of the contract with OFCOM which constitutes the trade of that company.

During the year ended 31 March 2012, NSF Limited made a profit before tax of £nil (2011: £nil). At 31 March 2012 the aggregate surplus of capital and reserves was £32,417 (2011: £32,417).

Notes to the financial statements

for the year ended 31 March 2012

6 DEBTORS

	2012	2011
	£	£
Due within one year:		
Trade debtors	507,448	440,294
Amounts owed by group undertakings	824,234	163,378
Other debtors	191,942	182,828
	1,523,624	786,500
Due after one year:		
Other debtors	450,000	450,500
	1,973,624	1,236,500

7 CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	218,773	158,390
Subscriptions in advance	599,160	559,050
Corporation tax	–	38
Other taxation and social security	90,563	161,509
Other creditors	526,116	649,940
	1,434,612	1,528,927

Other creditors includes outstanding pension contributions of £nil (2011:£1,240) at the year end.

8 CREDITORS: Amounts falling due within one year

	2012	2011
	£	£
Rent deposit	61,575	29,900

9 PROVISION FOR LIABILITIES

	2012	2011
	£	£
Deferred taxation:		
At 1 April 2011 - liability (2011: asset)	9,837	(8,754)
(2011: charge) to the income and expenditure account	(9,837)	18,591
At 31 March 2012 - liability	–	9,837

	2012	2011
The provision for deferred tax has been made as follows:	£	£
Accelerated capital allowances	–	10,159
Other timing differences	–	(322)
	–	9,837

Notes to the financial statements

for the year ended 31 March 2012

10 INCOME AND EXPENDITURE ACCOUNT

	£
At 1 April 2011	1,361,687
Surplus for the financial year	1,346,503
At 31 March 2012	2,708,190

11 COMMITMENTS UNDER OPERATING LEASES

At 31 March 2012 the company had annual commitments under non-cancellable operating leases as follows:

	2012 £	2011 £
Expiring between two and five years	4,285	3,876
Expiring after five years	375,000	375,000
	379,285	378,876

12 RELATED PARTY TRANSACTIONS

During the year, the company received subscriptions of £34,303 (2011: £35,462) from companies with common directors. At the year end the balance owing was £nil (2011: £nil).

During the year, the company charged its subsidiary undertaking The Telephone Preference Service Limited fees for management services, rent, promotional services, administrative expenses and staff costs of £1,177,371 (2011: £579,000). The company also received a dividend of £1,500,000 during the year (2011: £440,000). At the year end the balance owed by The Telephone Preference Service Limited was £795,500 (2011: £148,144).

During the year the company charged its subsidiary undertaking NSF Limited fees for management services of £13,313 (2011: £12,772). At the year end the balance owed by NSF Limited was £28,734 (2011: £15,234).

13 CONTINGENT LIABILITIES

The company has provided guarantees in respect of the performance obligations of NSF Limited up to an aggregate amount of £100,000 (2011: £100,000).

14 LIABILITY OF MEMBERS

The company is limited by guarantee not having a share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of it being wound up.