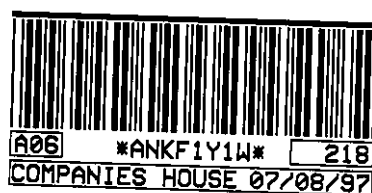


LBM SERVICES LIMITED
DIRECTORS' REPORT AND ACCOUNTS
YEAR ENDED 31ST MAY 1997

COMPANY NUMBER: 2714607



LBM SERVICES LIMITED

Director: T.M. Borthwick
Mrs R.A. Beck

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31st May 1997.

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the profit or loss for its financial year. In doing so the directors are required to select suitable accounting policies and apply them consistently; make judgements and estimates that are reasonable and prudent and prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are that of the provision of a database creation and update service together with direct mailing.

The directors were satisfied with the trading results for the year and consider the financial position at the end of the year to be satisfactory.

On 1st September 1996 the company acquired the trade and assets of The Business Market Solution Limited in consideration for settlement of its liabilities.

RESULTS AND DIVIDENDS

The profit after taxation amounts to £178,082.

During the year the company paid a first interim dividend of £10,070 and a second interim dividend of £45,009. The directors do not recommend the payment of a final dividend.

CHARITABLE DONATIONS

During the year the company has made Charitable donations of £736.

LBM SERVICES LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND INTEREST IN SHARES

The names of the present directors of the company are given at the head of this report. The directors consider that Mr P.W. Beck is a shadow director of the company.

The directors of this company at the balance sheet date and the number of shares in the company in which they had an interest, as defined by the Companies Act 1985 were as follows:

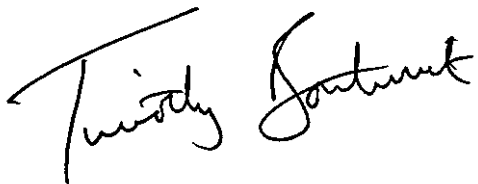
	Ordinary Shares of £1 each	
	31st May 1997	1st June 1996
T.M. Borthwick	Nil	30
R.A. Beck	Nil	70

T.M. Borthwick and R.A. Beck are directors of the parent company, LBM (Holdings) Limited, and their shareholding interests are disclosed in the parent company's accounts.

AUDITORS

A resolution will be proposed at the annual general meeting to re-appoint Moores Rowland as auditors to the company for the ensuing year.

By order of the board



AUDITORS' REPORT
TO THE MEMBERS OF
LBM SERVICES LIMITED

We have audited the accounts on pages 4 to 12.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

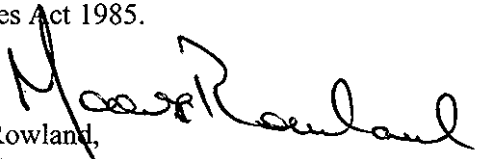
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st May 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Moors Rowland,
Chartered Accountants,
Registered Auditors,
HERTFORD.

22nd July 1997

LBM SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31st May 1997

	Note	12 months to 31st May 1997 £	4 months to 31st May 1996 £
TURNOVER		1,293,549	268,778
Cost of sales		196,495	57,681
GROSS PROFIT		<u>1,097,054</u>	<u>211,097</u>
Administrative expenses		835,884	228,265
OPERATING PROFIT/(LOSS)		<u>261,170</u>	<u>(17,168)</u>
Interest receivable	2	1,269	-
Interest payable	3	8,857	797
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	6	<u>253,582</u>	<u>(17,965)</u>
Tax on profit/(loss) of ordinary activities	7	75,500	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		<u>178,082</u>	<u>(17,965)</u>
Dividends	8	55,079	-
RETAINED PROFIT/(LOSS) FOR THE YEAR		<u>123,003</u>	<u>(17,965)</u>
Retained profit/(loss) brought forward		(17,965)	-
Bonus issue		(49,900)	-
RETAINED PROFIT/(LOSS) CARRIED FORWARD		<u><u>55,138</u></u>	<u><u>(17,965)</u></u>

All disclosures relate only to continuing operations.

There are no recognised gains or losses other than the profit or loss for the year.

BALANCE SHEET

As at 31st May 1997

Approved by the board of directors on 17 July 1997.

Trudy Portner Director

LBM SERVICES LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Accounting convention:

The accounts have been prepared on the historical cost basis.

Turnover

Turnover represents the amounts receivable from customers for services provided, excluding value added tax.

Depreciation of tangible fixed assets:

Fixed assets have been depreciated so as to write them off over their anticipated useful lives, at the following annual rates:

Office equipment	33 1/3%	on cost
Furniture and fittings	33 1/3%	on cost
Motor vehicles	30%	on cost

Leased assets:

Assets being acquired under hire purchase contracts are capitalised in the balance sheet and are depreciated over their anticipated useful lives. The obligation to make future rental payments, net of future finance charges, is recognised as a liability in the balance sheet. The interest element of the hire purchase payments is charged to the profit and loss account at a constant rate over the period of the agreement.

Rentals payable under operating leases are charged to the profit and loss account as they are incurred.

Pension costs:

The company contributes to certain employees' personal pensions on a defined contribution basis. Contributions are charged against profits in the period in which they are paid.

Deferred taxation:

Provision is made for the deferred taxation liability arising from timing differences to the extent that it is probable that the tax will become payable in the foreseeable future.

	1997 £	1996 £
2. INTEREST RECEIVABLE		
Bank interest	1,269	-
	<u>1,269</u>	<u>-</u>
3. INTEREST PAYABLE		
Bank interest	27	-
Hire purchase interest	8,830	797
	<u>8,857</u>	<u>797</u>

LBM SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

4. DIRECTORS AND EMPLOYEES

The average number of persons, including directors, employed by the company during the year was as follows:

	Number	Number
Selling	3	1
Administration	3	3
Operations and I.T.	41	34
	<u>47</u>	<u>38</u>

Staff costs include the following:

	1997 £	1996 £
Wages and salaries	348,856	92,314
Social Security costs	29,730	5,781
Other pension costs	4,319	4,500
	<u>382,905</u>	<u>102,595</u>

The emoluments of the directors were as follows:

For services as executives	56,254	17,171
Other pension costs	4,319	4,500
	<u>60,573</u>	<u>21,671</u>

5. DIRECTORS' INTEREST IN TRANSACTIONS

During the year rent of £12,294, was paid to Mrs R.A. Beck in respect of premises owned by Mr P.W. Beck and £8,050 was paid to Mr T.M. Borthwick in respect of premises rented by him.

During the year the directors' loan accounts of Mrs R.A. Beck and T.M. Borthwick were overdrawn. The maximum overdrawn balances during the year were £32,146 and £17,960 respectively. The loans were interest free and repayable on demand. Both loans were fully repaid by the year end.

LBM SERVICES LIMITED**NOTES TO THE ACCOUNTS (continued)**

	1997 £	1996 £
6. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit/(loss) on ordinary activities before taxation has been arrived at after charging:		
Depreciation - owned assets	26,461	1,650
Depreciation - assets under hire purchase	22,039	4,100
Loss on disposal	1,220	-
Auditors' remuneration	3,000	2,200
Operating lease payments		
- hire of equipment	10,738	-
- land and buildings	28,007	-
	<u>26,461</u>	<u>1,650</u>
7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES		
Based on the profit/(loss) for the year:		
Corporation tax	75,500	-
	<u>75,500</u>	<u>-</u>
8. DIVIDENDS		
First interim dividend paid: 40.28p per share	10,070	-
Second interim dividend paid: 90.02p per share	45,009	-
	<u>55,079</u>	<u>-</u>
T.M. Borthwick waived his right to the first interim dividend totalling 10,070.		

LBM SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

9. TANGIBLE FIXED ASSETS

	Office equipment £	Furniture and Fittings £	Motor Vehicles £	Total £
Cost or valuation:				
At 1st June 1996	27,522	7,132	41,000	75,654
Additions	57,768	24,447	122,592	204,807
Disposals	-	-	(48,500)	(48,500)
At 31st May 1997	<u>85,290</u>	<u>31,579</u>	<u>115,092</u>	<u>231,961</u>
Depreciation:				
At 1st June 1996	1,065	585	4,100	5,750
Charge for period	17,441	8,255	22,804	48,500
On disposals	-	-	(14,829)	(14,829)
At 31st May 1997	<u>18,506</u>	<u>8,840</u>	<u>12,075</u>	<u>39,421</u>
Net book value:				
At 31st May 1997	<u>66,784</u>	<u>22,739</u>	<u>103,017</u>	<u>192,540</u>
At 31st May 1996	<u>26,457</u>	<u>6,547</u>	<u>36,900</u>	<u>69,904</u>

The net book value of fixed assets includes the following amounts in respect of assets held under hire purchase contracts:

	Motor Vehicles £
Net book value at 31st May 1997	<u>100,382</u>
Net book value at 31st May 1996	<u>36,900</u>

LBM SERVICES LIMITED**NOTES TO THE ACCOUNTS (continued)****10. FIXED ASSET INVESTMENTS**

	Listed in GB £	Total £
Cost		
At 1st June 1996	-	-
Additions	25,000	25,000
At 31st May 1997	<u>25,000</u>	<u>25,000</u>

11. DEBTORS	1997 £	1996 £
Trade debtors	110,863	172,614
Other debtors	300	10,370
Prepayments and accrued income	19,155	5,742
	<u>130,318</u>	<u>188,726</u>

12. CURRENT ASSET INVESTMENTS

	Listed in GB £	Total £
Cost		
At 1st June 1996	-	-
Additions	89,005	89,005
At 31st May 1997	<u>89,005</u>	<u>89,005</u>

LBM SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

	1997 £	1996 £
13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank overdraft	-	26,594
Trade creditors	100,528	103,923
Hire purchase commitments	30,867	9,225
Taxation and social security	129,985	31,435
Other creditors	17,939	16,548
Accruals and deferred income	80,380	70,320
	<u>359,699</u>	<u>258,045</u>
14. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Hire purchase commitments	<u>37,622</u>	<u>18,450</u>
All hire purchase commitments fall due for repayment within five years.		
15. SHARE CAPITAL		
Authorised, allotted and fully paid 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>100</u>
On 10 February 1997 a bonus issue increased the share capital by 49,900 ordinary £1 shares on the basis of 499 shares for each share held.		
16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS		
Profit/(loss) for the financial year	178,082	(17,965)
Dividends	55,079	-
	<u>123,003</u>	<u>(17,965)</u>
Opening shareholders' funds	(17,865)	2
Issue of share capital	-	98
Closing shareholders' funds	<u>105,138</u>	<u>(17,865)</u>

LBM SERVICES LIMITED

NOTES TO THE ACCOUNTS (continued)

17. FINANCIAL COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	Land and Buildings		Other	
	1997	1996	1997	1996
	£	£	£	£
Expiry date:				
Between one and five years	<u>41,625</u>	<u>-</u>	<u>31,680</u>	<u>-</u>

18. ULTIMATE CONTROLLING ENTITY

The directors regard LBM Holdings Limited as the company's ultimate parent company and ultimate controlling entity.