



**LBM DIRECT MARKETING
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MAY 2000

Company Number : 2714607

LBM DIRECT MARKETING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2000

Company Registration Number : 2714607

Registered Office : LBM House
Atlantic Point
Atlantic Street
Broadheath
Altrincham
WA14 5DE

Directors : T M Borthwick
R A Beck
P W Beck
V S Townsend
N P Kennedy
J H Gunn
N D Pople
A Beaton

Secretary : M J Tonroe

Bankers : The Co-Operative Bank Plc
Olympic House
6 Olympic Court
Montford Street
Salford
M5 2QP

Barclays Bank Plc
Lea Valley Business Centre
Turnford Place
Great Cambridge Road
Turnford
Broxbourne
Herts
EN10 6NH

Auditors : Grant Thornton
Registered Auditors
Chartered Accountants
Heron House
Albert Square
Manchester
M60 8GT

LBM DIRECT MARKETING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2000

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LBM DIRECT MARKETING LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements for the year ended 31 May 2000.

Principal activity

The company's principal activity is that of the provision of a database creation and update service together with direct mailing.

Results and dividends

The profit for the year after taxation amounted to £467,081 (1999 : £140,379). The directors do not recommend the payment of a dividend (1999 : £46,000) leaving the amount of £467,081 (1999 : £94,379) to be transferred to reserves.

Directors

The present membership of the board is set out below. All served on the Board throughout the year, unless otherwise indicated:

T M Borthwick
R A Beck
P W Beck
V S Townsend (appointed 29 July 1999)
N P Kennedy (appointed 29 July 1999)
J H Gunn (appointed 1 June 2000)
N D Pople (appointed 1 June 2000)
A Beaton (appointed 8 August 2000)

None of the directors have an interest in shares of the company, details of those directors who have an interest in the shares in the ultimate parent undertaking, LBM Holdings Limited, are disclosed in that company's financial statements.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 :

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- 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 proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

LBM DIRECT MARKETING LIMITED

REPORT OF THE DIRECTORS

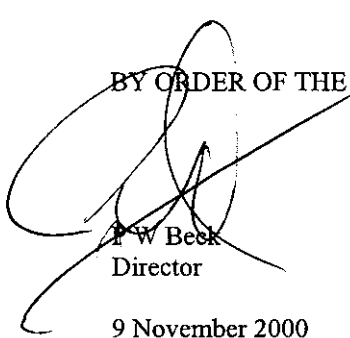
Research and development

During the year the company incurred development costs of £303,242 (1999 : £Nil) in relation to a future e-commerce project, these have been capitalised as an intangible fixed asset and will be amortised in line with expected sales arising from the project.

Auditors

BDO Stoy Hayward resigned as auditors and Grant Thornton were appointed to fill the casual vacancy. Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



P W Beck
Director

9 November 2000

**REPORT OF THE AUDITORS TO THE MEMBERS OF
LBM DIRECT MARKETING LIMITED**

We have audited the financial statements on pages 4 to 13 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

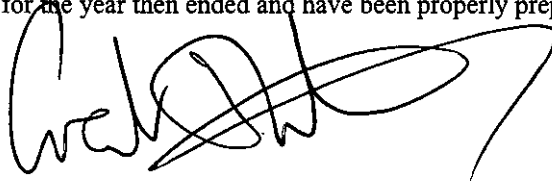
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
MANCHESTER**

9 November 2000

LBM DIRECT MARKETING LIMITED

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Cash flow statement

The directors have taken advantage of the exemption of Financial Reporting Standard Number 1 (Revised 1996) and have not prepared a cash flow statement in the financial statements.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are:

Plant and machinery	20%
Fixtures and fittings	33 1/3%
Computer equipment	33 1/3%
Motor vehicles	30%

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Current asset investments are stated at the lower of cost and net realisable value.

Deferred taxation

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise and is calculated at the rate at which it is estimated that the tax will be paid when the timing differences reverse. Unprovided deferred tax is disclosed as a contingent liability.

LBM DIRECT MARKETING LIMITED

PRINCIPAL ACCOUNTING POLICIES

Contributions to pension schemes

Defined contribution schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Research and development

Development costs incurred are capitalised as intangible fixed assets, when recoverability can be assessed with reasonable certainty and amortised in line with the expected sales arising from the projects. All other development costs are written off in the year of expenditure.

LBM DIRECT MARKETING LIMITED**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 31 MAY 2000

	Note	2000 £	1999 £
Turnover	1	3,526,632	2,293,220
Cost of sales		<u>(817,447)</u>	<u>(463,651)</u>
Gross profit		2,709,185	1,829,569
Administrative expenses		(2,048,423)	(1,640,741)
Other operating income		<u>7,892</u>	<u>12,784</u>
Operating profit		668,654	201,612
Investment income	3	-	6,345
Net interest	4	<u>(31,493)</u>	<u>(11,328)</u>
Profit on ordinary activities before taxation	1	637,161	196,629
Tax on profit on ordinary activities	5	<u>(170,080)</u>	<u>(56,250)</u>
Profit on ordinary activities after taxation		467,081	140,379
Dividends - equity	6	-	(46,000)
Profit transferred to reserves	15	<u>467,081</u>	<u>94,379</u>

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

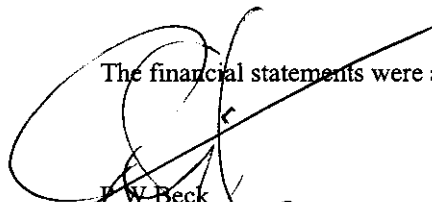
The accompanying accounting policies and notes form an integral part of these financial statements.

LBM DIRECT MARKETING LIMITED

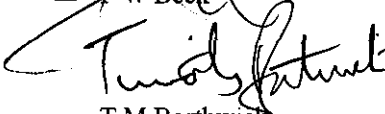
BALANCE SHEET AT 31 MAY 2000

	Note	2000 £	1999 £
Fixed assets			
Intangible assets	7	303,242	-
Tangible assets	8	738,758	316,083
		<u>1,042,000</u>	<u>316,083</u>
Current assets			
Debtors	9	1,022,858	695,667
Investments	10	375,000	175,000
Cash at bank and in hand		14,694	17,826
		<u>1,412,552</u>	<u>888,493</u>
Creditors: amounts falling due within one year	11	<u>(1,509,511)</u>	<u>(749,151)</u>
Net current (liabilities)/assets		<u>(96,959)</u>	<u>139,342</u>
Total assets less current liabilities		945,041	455,425
Creditors: amounts falling due after more than one year	12	<u>(80,645)</u>	<u>(58,110)</u>
		<u>864,396</u>	<u>397,315</u>
Capital and reserves			
Called up share capital	14	50,000	50,000
Profit and loss account	15	814,396	347,315
Equity shareholders' funds	16	<u>864,396</u>	<u>397,315</u>

The financial statements were approved by the Board of Directors on 9 November 2000.


P W Beck

Director


T M Borthwick

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

LBM DIRECT MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2000

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover attributable to geographical markets outside the United Kingdom amounted to 6.9% (1999 : Nil%).

The profit on ordinary activities before taxation is stated after :

	2000	1999
	£	£
Depreciation	135,792	100,793
Auditors' remuneration	7,000	3,800
Other operating lease rentals	39,354	65,592
Lease settlement	75,902	-

2 DIRECTORS AND EMPLOYEES

	2000	1999
	£	£
Staff costs during the year were as follows :		
Wages and salaries	948,339	622,476
Social security costs	82,140	58,397
Pension costs	66,299	55,963
	1,096,778	736,836

	2000	1999
	Number	Number
The average number of employees during the year was :		
Selling	3	1
Administration	6	3
Operations and IT	35	41
	44	45

The total amounts for directors' remuneration and other benefits was as follows :

	2000	1999
	£	£
Emoluments	339,692	183,603
Contributions to money purchase pension schemes	67,178	42,491
	406,870	226,094

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2000	1999
	£	£
Emoluments	139,509	100,014
Pension contribution to money purchase pension schemes	42,767	21,166

During the year 4 directors (1999 : 3 directors) participated in money purchase pension schemes.

LBM DIRECT MARKETING LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MAY 2000

3 INCOME FROM INVESTMENTS

	2000 £	1999 £
Profit on disposal of listed investments	-	6,345

4 NET INTEREST

	2000 £	1999 £
On bank loans and overdrafts	17,925	3,235
Finance charges in respect of finance leases	13,728	8,481
Other interest payable and similar charges	-	41
On overdue VAT	-	716
	31,653	12,473
Other interest receivable and similar income	(160)	(1,145)
	31,493	11,328

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
The taxation charge is based on the profit for the year and represents :		
UK corporation tax at 26.6% (1999 : 21%)	170,000	56,250
Adjustment in respect of prior years:		
Corporation tax	80	-
	170,080	56,250

6 DIVIDENDS – EQUITY

	2000 £	1999 £
Ordinary shares – interim dividend of £Nil (1999: 92p) per share	-	46,000

7 INTANGIBLE FIXED ASSETS

	Development costs £
Cost	
Additions and cost at 31 May 2000	303,242
Amortisation	
Provided in the year end and at 31 May 2000	-
Net book amount at 31 May 2000	303,242
Net book amount at 31 May 1999	-

LBM DIRECT MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2000

8 TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 June 1999	173,146	61,246	169,687	151,268	555,347
Additions	15,060	96,409	334,927	180,114	626,510
Disposals	-	-	-	(124,189)	(124,189)
At 31 May 2000	<u>188,206</u>	<u>157,655</u>	<u>504,614</u>	<u>207,193</u>	<u>1,057,668</u>
Depreciation					
At 1 June 1999	44,496	42,297	111,333	41,138	239,264
Charge for the year	27,065	11,570	46,280	50,877	135,792
Disposals	-	-	-	(56,146)	(56,146)
At 31 May 2000	<u>71,561</u>	<u>53,867</u>	<u>157,613</u>	<u>35,869</u>	<u>318,910</u>
Net book amount					
At 31 May 2000	<u>116,645</u>	<u>103,788</u>	<u>347,001</u>	<u>171,324</u>	<u>738,758</u>
Net book amount					
At 31 May 1999	<u>128,650</u>	<u>18,949</u>	<u>58,354</u>	<u>110,130</u>	<u>316,083</u>

Included above are assets held under finance leases or hire purchase contracts as follows :

	Plant and machinery £	Motor vehicles £	Total £
Depreciation charge for the year			
At 31 May 2000	<u>28,975</u>	<u>13,137</u>	<u>42,112</u>
At 31 May 1999	<u>9,181</u>	<u>39,049</u>	<u>48,230</u>
Net book amount			
At 31 May 2000	<u>91,399</u>	<u>170,570</u>	<u>261,969</u>
At 31 May 1999	<u>128,650</u>	<u>108,930</u>	<u>237,580</u>

9 DEBTORS

	2000 £	1999 £
Trade debtors	945,629	601,027
Other debtors	5,291	300
Prepayments and accrued income	71,938	94,340
	<u>1,022,858</u>	<u>695,667</u>

LBM DIRECT MARKETING LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MAY 2000

10 CURRENT ASSET INVESTMENTS

	2000 £	1999 £
Listed investments	375,000	175,000
Market valuation of listed investments	419,988	196,467

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loan and overdraft	475,741	195,297
Net obligations under finance leases and hire purchase contracts	75,785	86,554
Trade creditors	638,034	265,201
Corporation tax	171,570	72,750
Other taxes and social security costs	59,547	116,062
Other creditors	-	4,468
Accruals and deferred income	88,834	8,819
	1,509,511	749,151

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Net obligations under finance leases and hire purchase contracts	80,645	58,110

13 BORROWINGS

Borrowings are repayable as follows :

	2000 £	1999 £
<i>Within one year</i>		
Bank loan and overdraft	475,741	195,297
Finance lease and hire purchase contracts	75,785	86,554
<i>After one and within two years</i>		
Finance lease and hire purchase contracts	78,931	58,110
<i>After two and within five years</i>		
Finance lease and hire purchase contracts	1,714	-
	632,171	339,961

Obligations under finance leases and hire purchase contracts are secured on the assets concerned.

The bank loan is repayable by monthly instalments of £26,433, bearing interest at a rate of 2.5% over base rate. The bank loan and overdraft are secured by a fixed and floating charge over the assets of the company and life insurance policies of Mr T Borthwick and Mrs R Beck.

LBM DIRECT MARKETING LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MAY 2000

14 SHARE CAPITAL

	2000 £	1999 £
Authorised		
50,000 Ordinary shares of £1 each	50,000	50,000
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000

15 PROFIT AND LOSS ACCOUNT

	£
At 1 June 1999	347,315
Retained profit for the year	467,081
At 31 May 2000	814,396

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	467,081	140,379
Dividends	-	(46,000)
	467,081	94,379
Opening shareholders' funds	397,315	302,936
Closing shareholders' funds	864,396	397,315

17 FINANCIAL COMMITMENTS

At 31 May 2000 the company had annual commitments under non-cancellable operating leases as follows :

	Land and buildings £	2000 Other £	Land and buildings £	1999 Other £
Operating leases which expire :				
- in one year or less	-	202	-	-
- between one and five years	41,625	31,178	41,625	31,680
- in five years or more	-	69,233	-	-
	41,625	100,613	41,625	31,680

LBM DIRECT MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2000

18 PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £66,299 (1999 : £55,963). Contributions totalling £Nil (1999 : £8,819) were payable to the fund at the year end and are included in creditors.

19 RELATED PARTY TRANSACTIONS

Included within creditors falling due within one year is £Nil (1999 : £4,468) due to T M Borthwick. No interest is payable on this loan.

Transactions with directors

During the year rent of £Nil (1999 : £24,000) was paid to Mrs R A Beck in respect of premises used by the company and owned by Mr P W Beck.

20 ULTIMATE PARENT UNDERTAKING

The directors consider that at the year end the ultimate parent company is LBM Holdings Limited. On 3 August 2000 LBM Holdings (UK) Limited became the ultimate parent undertaking.