

**LBM DIRECT MARKETING
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MAY 2001

Company Number : 2714607

LBM DIRECT MARKETING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2001

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

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 2001

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LBM DIRECT MARKETING LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 May 2001.

Principal activity

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

Business review

This year's operating performance represents a satisfactory improvement over the previous financial year following the successful launch of the electronic media proposition and the continued growth of the core business across major industry sectors.

Continued growth of the business is expected through expansion of contact centre outsourcing activity and core competencies to new industry sectors and business to consumer marketing channels.

The profit for the year after taxation amounted to £579,633 (2000 : £467,081). The directors recommend dividends absorbing £150,000 (2000 : £Nil) leaving the amount of £429,633 retained.

Research and development

During the year the company incurred development costs of £778,470 (2000 : £303,242) in relation to an e-commerce project. These have been capitalised as an intangible fixed asset.

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

N P Kennedy

J H Gunn

N D Pople

A Beaton (resigned 14 May 2001)

M Freeman (appointed 8 August 2000, resigned 3 July 2001)

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 (UK) Limited, are disclosed in that company's financial statements.

LBM DIRECT MARKETING LIMITED

REPORT OF THE DIRECTORS

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 :

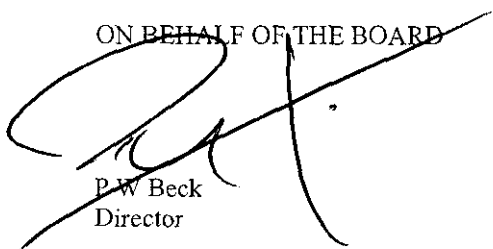
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



P.W Beck
Director

10 December 2001

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

We have audited the financial statements on pages 4 to 14 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 2 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 2001 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**

22 March 2002

LBM DIRECT MARKETING LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention.

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

TURNOVER

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

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost net of depreciation.

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

Plant and machinery	20%
Fixtures and fittings	33 1/3%
Computer equipment	33 1/3%
Motor vehicles	30%
Leasehold improvements	5/10 years

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful economic 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 for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. 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 revenues from the project. 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 2001

	Note	2001 £	2000 £
Turnover	1	7,044,991	3,526,632
Cost of sales		<u>1,264,082</u>	<u>817,447</u>
Gross profit		5,780,909	2,709,185
Other operating income and charges	2	<u>4,541,408</u>	<u>2,040,531</u>
Operating profit		1,239,501	668,654
Amounts written off investments		<u>137,364</u>	<u>-</u>
		1,102,137	668,654
Net interest	3	<u>96,458</u>	<u>31,493</u>
Profit on ordinary activities before taxation	1	1,005,679	637,161
Tax on profit on ordinary activities	5	<u>426,046</u>	<u>170,080</u>
Profit on ordinary activities after taxation		579,633	467,081
Dividends	6	150,000	-
Profit transferred to reserves	16	<u><u>429,633</u></u>	<u><u>467,081</u></u>

All of the company's operations are classed as continuing.

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 2001

	Note	2001 £	2000 £
Fixed assets			
Intangible assets	7	837,981	303,242
Tangible assets	8	1,916,733	738,758
		<u>2,754,714</u>	<u>1,042,000</u>
Current assets			
Debtors	9	2,131,514	1,022,858
Investments	10	337,636	375,000
Cash at bank and in hand		9,942	14,694
		<u>2,479,092</u>	<u>1,412,552</u>
Creditors: amounts falling due within one year	11	<u>(3,217,999)</u>	<u>(1,509,511)</u>
Net current liabilities		<u>(738,907)</u>	<u>(96,959)</u>
Total assets less current liabilities		2,015,807	945,041
Creditors: amounts falling due after more than one year	12	<u>(586,778)</u>	<u>(80,645)</u>
		1,429,029	864,396
Provisions for liabilities and charges	14	(135,000)	-
		<u>1,294,029</u>	<u>864,396</u>
Capital and reserves			
Called up share capital	15	50,000	50,000
Profit and loss account	16	1,244,029	814,396
Shareholders' funds	17	<u>1,294,029</u>	<u>864,396</u>

The financial statements were approved by the Board of Directors on 10 December 2001.

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 2001

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover attributable to geographical markets outside the United Kingdom amounted to 5.9% (2000 : 6.9%).

The profit on ordinary activities before taxation is stated after :

	2001 £	2000 £
Research and development		
- amounts amortised from deferred expenditure	243,731	-
Auditors' remuneration		
- audit services	8,255	7,000
Depreciation		
- tangible fixed assets, owned	270,580	93,680
- tangible fixed assets, held under finance leases and hire purchase contracts	68,209	42,112
Other operating lease rentals	161,762	39,354
Lease settlement	-	75,902

2 OTHER OPERATING INCOME AND CHARGES

	2001 £	2000 £
Administrative expenses	4,541,408	2,048,423
Other operating income	-	(7,892)
	<u>4,541,408</u>	<u>2,040,531</u>

3 NET INTEREST

	2001 £	2000 £
On bank loans and overdrafts	77,117	17,925
Finance charges in respect of finance leases	19,461	13,728
	<u>96,578</u>	<u>31,653</u>
Other interest receivable and similar income	(120)	(160)
	<u>96,458</u>	<u>31,493</u>

4 DIRECTORS AND EMPLOYEES

	2001 £	2000 £
Staff costs during the year were as follows :		
Wages and salaries	2,502,583	948,339
Social security costs	242,181	82,140
Pension costs	76,372	66,299
	<u>2,821,136</u>	<u>1,096,778</u>

LBM DIRECT MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2001

DIRECTORS AND EMPLOYEES (continued)

	2001 Number	2000 Number
The average number of employees during the year was :		
Selling	7	3
Administration	12	6
Operations and IT	104	35
	<u>123</u>	<u>44</u>

Remuneration in respect of directors was as follows :

	2001 £	2000 £
Emoluments	363,958	339,692
Contributions to money purchase pension schemes	72,111	67,178
Fees paid to third parties for directors services	22,000	-
	<u>458,069</u>	<u>406,870</u>

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

	2001 £	2000 £
Emoluments	131,255	139,509
Pension contribution to money purchase pension schemes	-	42,767

During the year 4 directors (2000 : 4 directors) participated in money purchase pension schemes.

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
The taxation charge represents :		
Corporation tax at 30% (2000 : 26.6%)	390,000	170,000
Deferred tax (note 14)	17,000	-
	<u>407,000</u>	<u>170,000</u>
Adjustment in respect of prior year:		
Corporation tax	(98,954)	80
Deferred tax (note 14)	118,000	-
	<u>19,046</u>	<u>80</u>
	<u>426,046</u>	<u>170,080</u>

6 DIVIDENDS - EQUITY

	2001 £	2000 £
Ordinary shares - interim dividends totalling £3 (2000: £Nil) per share	<u>150,000</u>	<u>-</u>

LBM DIRECT MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2001

7 INTANGIBLE FIXED ASSETS

	Development costs £
Cost	
At 1 June 2000	303,242
Additions	778,470
At 31 May 2001	<u>1,081,712</u>
Amortisation	
At 1 June 2000	-
Provided in the year	243,731
At 31 May 2001	<u>243,731</u>
Net book amount at 31 May 2001	<u>837,981</u>
Net book amount at 31 May 2000	<u>303,242</u>

8 TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost						
At 1 June 2000	-	188,206	157,655	504,614	207,193	1,057,668
Additions	261,803	-	266,354	925,223	147,547	1,600,927
Disposals	-	-	-	-	(105,601)	(105,601)
At 31 May 2001	<u>261,803</u>	<u>188,206</u>	<u>424,009</u>	<u>1,429,837</u>	<u>249,139</u>	<u>2,552,994</u>
Depreciation						
At 1 June 2000	-	71,561	53,867	157,613	35,869	318,910
Charge for the year	5,994	38,166	67,157	168,461	59,011	338,789
Disposals	-	-	-	-	(21,438)	(21,438)
At 31 May 2001	<u>5,994</u>	<u>109,727</u>	<u>121,024</u>	<u>326,074</u>	<u>73,442</u>	<u>636,261</u>
Net book amount						
At 31 May 2001	<u>255,809</u>	<u>78,479</u>	<u>302,985</u>	<u>1,103,763</u>	<u>175,697</u>	<u>1,916,733</u>
Net book amount						
At 31 May 2000	<u>-</u>	<u>116,645</u>	<u>103,788</u>	<u>347,001</u>	<u>171,324</u>	<u>738,758</u>

The figures stated above include assets held under finance leases and similar hire purchase contracts as follows :

	Leasehold improvements £	Computer equipment £	Motor vehicles £	Total £
Net book amount at 31 May 2001	<u>172,307</u>	<u>527,636</u>	<u>157,507</u>	<u>857,450</u>
Net book amount at 31 May 2000	<u>-</u>	<u>91,399</u>	<u>170,570</u>	<u>261,969</u>

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

FOR THE YEAR ENDED 31 MAY 2001

9 DEBTORS

	2001 £	2000 £
Trade debtors	1,568,244	945,629
Amounts owed by group undertakings	87,852	-
Other debtors	35,941	5,291
Prepayments and accrued income	439,477	71,938
	<u>2,131,514</u>	<u>1,022,858</u>

10 CURRENT ASSET INVESTMENTS

	2001 £	2000 £
Listed investments	<u>337,636</u>	<u>375,000</u>
Market valuation of listed investments	<u>337,636</u>	<u>419,988</u>

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loan and overdraft	907,364	475,741
Net obligations under finance leases and hire purchase contracts	384,834	75,785
Trade creditors	1,057,968	638,034
Corporation tax	390,001	171,570
Other taxes and social security costs	334,201	59,547
Accruals and deferred income	143,631	88,834
	<u>3,217,999</u>	<u>1,509,511</u>

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Net obligations under finance leases and hire purchase contracts	<u>586,778</u>	<u>80,645</u>

LBM DIRECT MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2001

13 BORROWINGS

Borrowings are repayable as follows :

	2001 £	2000 £
<i>Within one year</i>		
Bank	907,364	475,741
Finance leases	384,834	75,785
<i>After one and within two years</i>		
Finance leases	328,783	78,931
<i>After two and within five years</i>		
Finance leases	257,995	1,714
	<u>1,878,976</u>	<u>632,171</u>

Obligations under finance leases are secured on the assets concerned.

The bank loan is repayable by quarterly instalments of £45,368, 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.

14 PROVISIONS FOR LIABILITIES AND CHARGES

	2001 £	2000 £
At 1 June 2000	-	-
Provided during year	135,000	-
At 31 May 2001	<u>135,000</u>	<u>-</u>

Deferred taxation

Deferred taxation provided for in the financial statements is set out below :

	2001 £	2000 £
Accelerated capital allowances	117,000	-
Other timing differences	18,000	-
	<u>135,000</u>	<u>-</u>

15 SHARE CAPITAL

	2001 £	2000 £
Authorised		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

LBM DIRECT MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2001

16 PROFIT AND LOSS ACCOUNT

	£
At 1 June 2000	814,396
Retained profit for the year	429,633
At 31 May 2001	<u>1,244,029</u>

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	579,633	467,081
Dividends	150,000	-
	<u>429,633</u>	<u>467,081</u>
Opening shareholders' funds	864,396	397,315
Closing shareholders' funds	<u>1,294,029</u>	<u>864,396</u>

18 CAPITAL COMMITMENTS

	2001 £	2000 £
Contracted for but not provided in these financial statements	<u>33,000</u>	<u>-</u>

19 LEASING COMMITMENTS

Operating leases amounting to £368,147 (2000 : £142,238) are due within one year. The leases to which these amounts relate expire as follows :

	Land and buildings £	2001 Other £	Land and buildings £	2000 Other £
Operating leases which expire :				
- in one year or less	-	27,241	-	202
- between one and five years	-	111,278	41,625	31,178
- in five years or more	152,382	77,246	-	69,233
	<u>152,382</u>	<u>215,765</u>	<u>41,625</u>	<u>100,613</u>

20 PENSION COSTS

The pension cost charge represents contributions payable by the company to defined contribution pension schemes and amounted to £76,372 (2000 : £66,299).

LBM DIRECT MARKETING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2001

21 TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of LBM Holdings (UK) Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with its parent undertaking.

22 CONTROLLING RELATED PARTY

The ultimate parent undertaking of this company is LBM Holdings (UK) Limited.