

LBM Direct Marketing Limited
Financial statements
For the year ended 31 May 2003



Company information

Company registration number :	2714607
Registered office :	LBM House Atlantic Point Atlantic Street Broadheath Altrincham WA14 5FY
Directors :	T M Borthwick R A Beck P W Beck V S Townsend N P Kennedy J H Gunn N D Pople B P Dixon (appointed 21 November 2002)
Secretary :	M J Tonroe
Bankers :	Barclays Bank Plc Manchester The Co-Operative Bank Plc Salford
Solicitors :	EMW Law Milton Keynes
Auditors :	Grant Thornton Registered Auditors Chartered Accountants Manchester

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Report of the directors

The directors present their report together with financial statements for the year ended 31 May 2003.

Principal activity

LBM is a results driven direct marketing agency that designs and delivers innovative marketing and contact strategies for the UK corporate market place.

Business review

The profit for the year after taxation amounted to £1,300,349 (2002 : loss of £1,963,877). The directors recommend dividends absorbing £268,000 (2002 : £180,000) leaving £1,032,349 (2002 : £(2,143,877)) retained. A very pleasing turnaround from the last financial year and a performance that places the company in a strong position to go on to achieve further profit growth in 2004.

New Call Centre systems installed in January 2002 have continued to be reliable and efficient. Improved Contact Centre profitability has been the result of all contracts being negotiated on a cost per seat basis, with full risk success basis campaigns no longer given consideration.

Concentration of sales and marketing efforts on Customer Intelligence and Intelligent Data, the most profitable sides of the business, has led to sales and margin growth, particularly from December 2002 onwards.

Research and development

The company's research and development activities amounted to £363,476 (2002 : £367,550) and they have been written off to the profit and loss account.

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
B P Dixon (appointed 21 November 2002)

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.

Directors' responsibilities

United Kingdom 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 a 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.

Employee involvement

The company maintains a policy of recruiting and promoting its employees on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always fully considered bearing in mind the qualifications and abilities of the applicants.

The management of the company consult with employees and keep them regularly informed of matters of interest and concern to the business.

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

30 October 2003

Report of the independent auditors to the members of LBM Direct Marketing Limited

We have audited the financial statements of LBM Direct Marketing Limited for the year ended 31 May 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 23. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

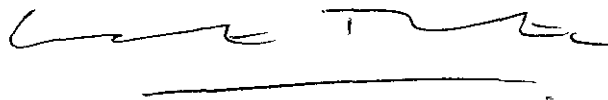
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Grant Thornton 

Report of the independent auditors to the members of LBM Direct Marketing Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2003 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

3 November 2003

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 services provided, excluding VAT and trade discounts.

In the case of access to information databases revenue is recognised over the period of the contract.

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 recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

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 to the profit and loss account in the year in which they are incurred.

Profit and loss account

	Note	2003 £	2002 £
Turnover	1	16,946,174	9,096,647
Cost of sales		<u>7,936,821</u>	<u>4,275,752</u>
Gross profit		9,009,353	4,820,895
Other operating income and charges	2	<u>6,705,350</u>	<u>7,330,639</u>
Operating profit/(loss)		2,304,003	(2,509,744)
Amounts written off investments		<u>-</u>	<u>99,081</u>
		2,304,003	(2,608,825)
Net interest	3	<u>360,111</u>	<u>276,901</u>
Profit/(loss) on ordinary activities before taxation	1	1,943,892	(2,885,726)
Tax on profit/(loss) on ordinary activities	5	<u>643,543</u>	<u>(921,849)</u>
Profit/(loss) on ordinary activities after taxation		1,300,349	(1,963,877)
Dividends	6	268,000	180,000
Profit retained/transfer from reserves	16	<u>1,032,349</u>	<u>(2,143,877)</u>

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

Balance sheet

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	7	-	-
Tangible assets	8	<u>3,373,084</u>	<u>2,891,321</u>
		3,373,084	2,891,321
Current assets			
Debtors	9	5,019,754	3,721,819
Cash at bank and in hand		<u>221</u>	<u>187</u>
		5,019,975	3,722,006
Creditors: amounts falling due within one year	10	<u>(6,354,980)</u>	<u>(6,250,502)</u>
Net current liabilities		<u>(1,335,005)</u>	<u>(2,528,496)</u>
Total assets less current liabilities		2,038,079	362,825
Creditors: amounts falling due after more than one year	11	<u>(676,591)</u>	<u>(1,212,673)</u>
		1,361,488	(849,848)
Provisions for liabilities and charges	13	-	-
		<u>1,361,488</u>	<u>(849,848)</u>
Capital and reserves			
Called up share capital	15	1,228,987	50,000
Profit and loss account	16	<u>132,501</u>	<u>(899,848)</u>
Shareholders' funds	17	<u>1,361,488</u>	<u>(849,848)</u>

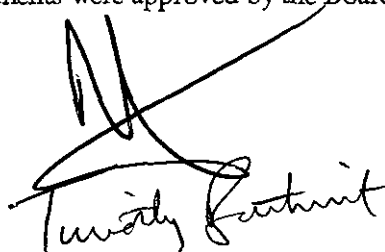
The financial statements were approved by the Board of Directors on 30 October 2003.

P W Beck

Director

T M Borthwick

Director



Notes to the financial statements

1 Turnover and profit/(loss) on ordinary activities before taxation

Turnover attributable to geographical markets outside the United Kingdom amounted to 1.2% (2002 : 0.2%).

The profit/(loss) on ordinary activities before taxation is stated after :

	2003 £	2002 £
Research and development		
- current year expenditure	363,476	367,550
- amounts amortised from deferred expenditure	-	837,981
Auditors' remuneration		
- audit services	19,000	24,750
Depreciation		
- tangible fixed assets, owned	429,651	381,641
- tangible fixed assets, held under finance leases and hire purchase contracts	527,342	817,230
Other operating lease rentals	222,201	175,506
Dispute with supplier of computer equipment		
- damages receivable	-	(100,000)
- legal costs	-	328,980

2 Other operating income and charges

	2003 £	2002 £
Administrative expenses	6,705,350	7,456,836
Other operating income	-	(126,197)
	<u>6,705,350</u>	<u>7,330,639</u>

3 Net interest

	2003 £	2002 £
On bank loans and overdrafts	84,214	139,070
Finance charges in respect of finance leases	275,906	137,838
	<u>360,120</u>	<u>276,908</u>
Other interest receivable and similar income	(9)	(7)
	<u>360,111</u>	<u>276,901</u>

4 Directors and employees

	2003 £	2002 £
Staff costs during the year were as follows :		
Wages and salaries	8,430,136	5,184,378
Social security costs	535,259	454,195
Pension costs	59,200	34,989
	<u>9,024,595</u>	<u>5,673,562</u>

	2003 Number	2002 Number
The average number of employees during the year was :		
Selling	26	12
Administration	12	11
Operations and IT	294	252
	<u>332</u>	<u>275</u>

	2003 £	2002 £
Remuneration in respect of directors was as follows :		
Emoluments	346,933	217,612
Contributions to money purchase pension schemes	59,200	14,000
Fees paid to third parties for directors services	28,200	24,000
	<u>434,333</u>	<u>255,612</u>

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

	2003 £	2002 £
Emoluments	136,520	80,998
Pension contribution to money purchase pension schemes	<u>16,500</u>	<u>-</u>

During the year 4 directors (2002 : 2 directors) participated in money purchase pension schemes.

5 Tax on profit/(loss) on ordinary activities

	2003 £	2002 £
The taxation (credit)/charge represents :		
Corporation tax at 30% (2002 : 30%)	246,000	(385,320)
Adjustment in respect of prior period	8,543	(4,529)
Total current tax	<u>254,543</u>	<u>(389,849)</u>
Origination and reversal of timing differences	394,000	(535,000)
Adjustment in respect of prior period	(5,000)	3,000
Total deferred tax (note 14)	<u>389,000</u>	<u>(532,000)</u>
Tax on profit/(loss) on ordinary activities	<u>643,543</u>	<u>(921,849)</u>

The tax assessed for the year is lower/higher than the standard rate of corporation tax in the United Kingdom of 30% (2002 : 30%). The differences are explained as follows :

	2003 £	2002 £
Profit/(loss) on ordinary activities before taxation	<u>1,943,892</u>	<u>(2,885,726)</u>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2002 : 30%)	<u>583,168</u>	<u>(865,718)</u>
Effect of:		
Expenses not deductible for tax purposes	55,920	(54,335)
Capital allowances for the period in excess of depreciation	(8,613)	111,119
Other short term timing differences	20,540	17,853
Utilisation of tax losses	(405,015)	405,761
Adjustments to tax charge in respect of prior period	8,543	(4,529)
	<u>254,543</u>	<u>(389,849)</u>

6 Dividends – equity

	2003 £	2002 £
Ordinary shares – interim dividends totalling 21.8 pence (2002: 360 pence) per share	<u>268,000</u>	<u>180,000</u>

7 Intangible fixed assets

	Development costs £
Cost	
At 1 June 2002 and at 31 May 2003	<u>1,081,172</u>
Amortisation	
At 1 June 2002	1,081,712
Provided in the year	-
At 31 May 2003	<u>1,081,712</u>
Net book amount at 31 May 2003	<u>-</u>
Net book amount at 31 May 2002	<u>-</u>

8 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost						
At 1 June 2002	636,709	134,703	430,744	3,050,136	328,976	4,581,268
Additions	420,310	-	137,430	534,831	371,062	1,463,633
Disposals	-	-	-	-	(51,000)	(51,000)
Reclassification	22,613	-	(22,613)	-	-	-
At 31 May 2003	<u>1,079,632</u>	<u>134,703</u>	<u>545,561</u>	<u>3,584,967</u>	<u>649,038</u>	<u>5,993,901</u>
Depreciation						
At 1 June 2002	80,697	90,219	220,848	1,275,512	22,671	1,689,947
Charge for the year	117,528	22,455	117,559	627,338	72,113	956,993
Disposals	-	-	-	-	(26,123)	(26,123)
Reclassification	15,685	-	(15,685)	-	-	-
At 31 May 2003	<u>213,910</u>	<u>112,674</u>	<u>322,722</u>	<u>1,902,850</u>	<u>68,661</u>	<u>2,620,817</u>
Net book amount						
At 31 May 2003	<u>865,722</u>	<u>22,029</u>	<u>222,839</u>	<u>1,682,117</u>	<u>580,377</u>	<u>3,373,084</u>
Net book amount						
At 31 May 2002	<u>556,012</u>	<u>44,484</u>	<u>209,896</u>	<u>1,774,624</u>	<u>306,305</u>	<u>2,891,321</u>

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

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Net book amount						
At 31 May 2003	<u>122,045</u>	<u>13,407</u>	<u>22,242</u>	<u>1,473,499</u>	<u>449,385</u>	<u>2,080,578</u>
At 31 May 2002	<u>147,933</u>	<u>32,645</u>	<u>35,811</u>	<u>1,666,066</u>	<u>266,851</u>	<u>2,149,306</u>

9 Debtors

	2003 £	2002 £
Trade debtors	4,164,773	2,005,798
Amounts owed by group undertakings	87,852	-
Other debtors	819	498,564
Pension contributions	10,945	-
Prepayments and accrued income	747,365	820,457
Deferred tax asset (note 15)	8,000	397,000
	<u>5,019,754</u>	<u>3,721,819</u>

The recoverability of the deferred tax asset is dependent on future taxable profits in excess of those arising from the reversal of deferred tax liabilities.

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank overdraft	1,177,879	1,329,550
Amounts owed to group undertakings	-	1,091,135
Trade creditors	2,791,702	849,936
Corporation tax	6,000	385,320
Social security costs and other taxes	1,220,845	1,153,636
Other creditors	12,847	210,139
Pension contributions	1,250	2,676
Accruals and deferred income	202,369	400,694
Amounts due under finance leases and hire purchase contracts	942,088	827,416
	<u>6,354,980</u>	<u>6,250,502</u>

11 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Net obligations under finance leases and hire purchase contracts	<u>676,591</u>	<u>1,212,673</u>

12 Borrowings

Borrowings are repayable as follows :

	2003 £	2002 £
<i>Within one year</i>		
Bank	1,177,879	1,329,550
Finance leases	942,088	827,416
<i>After one and within two years</i>		
Finance leases	608,768	820,940
<i>After two and within five years</i>		
Finance leases	<u>67,823</u>	<u>391,733</u>
	<u>2,796,558</u>	<u>3,369,639</u>

Obligations under finance leases are secured on the assets concerned.

The overdraft is secured by a fixed and floating charge over the assets of the company.

13 Provisions for liabilities and charges

Deferred tax (note 14)

	2003 £	2002 £
At 1 June 2002	-	135,000
(Reversal)/provided during year	<u>-</u>	<u>(135,000)</u>
At 31 May 2003	<u>-</u>	<u>-</u>

14 Deferred taxation

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

	2003 £	2002 £
Accelerated capital allowances	(8,000)	9,000
Other timing differences	<u>-</u>	<u>-</u>
	<u>(8,000)</u>	<u>9,000</u>
Less: Tax losses carried forward	<u>-</u>	<u>(406,000)</u>
	<u>(8,000)</u>	<u>(397,000)</u>

15 Share capital

	2003 £	2002 £
Authorised		
1,228,987 (2002 : 50,000) Ordinary shares of £1 each	<u>1,228,987</u>	<u>50,000</u>
Allotted, called up and fully paid		
1,228,987 (2002 : 50,000) Ordinary shares of £1 each	<u>1,228,987</u>	<u>50,000</u>

The company made an allotment of £1,178,987 ordinary shares at par value to existing members on 28 February 2003.

16 Profit and loss account

	£
At 1 June 2002	(899,848)
Profit for the year	<u>1,032,349</u>
At 31 May 2003	<u>132,501</u>

17 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit/(loss) for the financial year	1,300,349	(1,963,877)
Dividends	<u>268,000</u>	<u>180,000</u>
	1,032,349	(2,143,877)
Opening shareholders' funds	(849,848)	1,294,029
Allotted share capital	<u>1,178,987</u>	<u>-</u>
Closing shareholders' funds	<u>1,361,488</u>	<u>(849,848)</u>

18 Capital commitments

	2003 £	2002 £
Contracted for but not provided in these financial statements	<u>114,865</u>	<u>-</u>

19 Pension costs

The pension cost charge represents contributions payable by the company to defined contribution pension schemes and amounted to £59,200 (2002 : £34,989).

20 Leasing commitments

Included in other creditors is £Nil (2002 : £178,600) this is in respect of amounts outstanding on the purchase of a fixed asset for which the company entered into commitments in respect of finance leases commencing after the balance sheet date.

Operating leases amounting to £532,333 (2002 : £424,115) are due within one year. The leases to which these amounts relate expire as follows :

	Land and buildings £	2003 Other £	Land and buildings £	2002 Other £
Operating leases which expire :				
- in one year or less	-	33,198	-	45,503
- between one and five years	52,382	306,102	52,382	185,579
- in five years or more	140,651	-	140,651	-
	<u>193,033</u>	<u>339,300</u>	<u>193,033</u>	<u>231,082</u>

21 Other commitments

Other financial commitments of £445,833 (2002 : £382,083) in respect of data supply are due within one year. The contract expires between one and five years.

22 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.

23 Controlling related party

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