

**LBM DIRECT MARKETING
LIMITED**

Report and Financial Statements

31 May 2007

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LBM DIRECT MARKETING LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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LBM DIRECT MARKETING LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K Pacey
B P Dixon (resigned 31 July 2007)
M R Bates
T M Borthwick
V S A Townsend
N J Beamish (appointed 20 July 2007)

SECRETARY

N J Beamish (appointed 6 June 2006)

REGISTERED OFFICE

LBM House
Atlantic Point
Atlantic Street
Broadheath
Altrincham
WA14 5FY

BANKERS

Lloyds TSB Bank Plc
Manchester

SOLICITORS

Addleshaw Goddard LLP
Manchester

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Manchester

LBM DIRECT MARKETING LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2007

BUSINESS REVIEW

LBM Direct Marketing Limited is a wholly owned subsidiary of LBM Holdings Limited

The company's principal business activities are the design and delivery of innovative direct marketing and contact strategies for the UK corporate market place. This includes the provision of a sophisticated blend of business and consumer data, database marketing and analytical services. The company provides a fully managed in-house service and utilises the LBM UK Business CONTACT File. The company's principal activities are in the UK. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 6, the company's sales have increased 31.0% over the prior year however profit after tax has reduced by 28.0%.

The balance sheet on page 7 of the financial statements shows that the net asset position has significantly improved from the prior year. Details of amounts owed to its parent company are shown on page 13.

The profit for the year after taxation amounted to £2,163,856 (2006 - £3,005,101). The directors did not pay a dividend during the year (2006 - £200,000) resulting in a profit of £2,163,856 (2006 - £2,805,101 profit) being retained.

During the year employee numbers increased 39.0% to 2,266.

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the UK is a continuing risk for the company. The company manages this risk by providing added value services to its customers and by maintaining strong relationships with its customers.

The Company is financed by a loan from its parent and has no third party debt. It therefore has no interest rate exposure.

EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 10.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that the training, career development and promotion of disabled persons, should, as far as possible be identical with that of other employees.

The company participates in the group's policies and practices to keep employees informed on matters relevant to them through regular meetings and newsletters.

Employee representatives are consulted regularly on a range of matters affecting their interests.

RESEARCH AND DEVELOPMENT

The company's research and development activities amounted to £138,180 (2006 - £136,714) and they have been charged to the profit and loss account as incurred.

LBM DIRECT MARKETING LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

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

K Pacey
B P Dixon (resigned 31 July 2007)
M R Bates
T M Borthwick
V S A Townsend
N J Beamish (appointed 20 July 2007)

POLITICAL AND CHARITABLE DONATIONS

During the year the company made charitable donations of £1,168 (2006 - £2,997)

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

In so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all responsible steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s2347A of the Companies Act 1985.

Approved by the Board of Directors
and signed on behalf of the Board



N J Beamish
Company Secretary
8 January 2008

LBM DIRECT MARKETING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 that 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT 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 2007 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 21. These financial statements have been prepared under 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 directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Manchester, United Kingdom

14 January 2008

LBM DIRECT MARKETING LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 May 2007

	Note	2007 £	2006 £
TURNOVER	2	53,078,540	40,513,957
Cost of sales		(32,960,367)	(23,700,229)
GROSS PROFIT		20,118,173	16,813,728
Administrative expenses (including exceptional restructuring expense)		(18,824,502)	(15,548,197)
Other operating income	3	1,534,680	2,249,825
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		3,163,712	3,515,356
Exceptional Restructuring Expense		(335,361)	-
OPERATING PROFIT	3	2,828,351	3,515,356
Net interest payable	4	(593,154)	(481,714)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,235,197	3,033,642
Tax on profit on ordinary activities	6	(71,341)	(28,541)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,163,856	3,005,101
Dividends	7	-	(200,000)
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	16	2,163,856	2,805,101

The company has no recognised gains and losses other than the results for each year as described above. Accordingly, a separate statement of total recognised gains and losses has not been presented.

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

LBM DIRECT MARKETING LIMITED

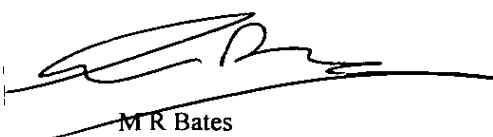
BALANCE SHEET

31 May 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Tangible fixed assets	8	6,632,457	6,457,282
CURRENT ASSETS			
Debtors	9	12,259,865	8,268,778
Cash at bank and in hand		2,596,166	1,637,784
		14,856,031	9,906,562
CREDITORS: amounts falling due within one year	10	(11,582,670)	(8,055,013)
NET CURRENT ASSETS		3,273,361	1,851,549
TOTAL ASSETS LESS CURRENT LIABILITIES		9,905,818	8,308,831
CREDITORS: amounts falling due after more than one year	11	(1,186,172)	(1,824,382)
PROVISIONS FOR LIABILITIES	13	(162,205)	(90,864)
NET ASSETS		8,557,441	6,393,585
CAPITAL AND RESERVES			
Called up share capital	14	1,228,987	1,228,987
Profit and loss account	15	7,328,454	5,164,598
EQUITY SHAREHOLDER'S FUNDS	16	8,557,441	6,393,585

These financial statements were approved by the Board of Directors on 8 January 2008

Signed on behalf of the Board of Directors


M R Bates
Director

NOTES TO THE ACCOUNTS

Year ended 31 May 2007

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accountancy standards

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.

The company supplies services to customers under a number of contractual relationships. Under these contracts, revenue is recognised on performance by the company of all its contractual obligations. Where contracts require performance of a number of different services, the contract is accounted for as two or more separate transactions only where the commercial substance is that the individual components operate independently of each other.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment.

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	33⅓%
Computer equipment	20% - 33⅓%
Motor vehicles	30%
Leasehold improvements	5 – 15 years

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over the shorter of the lease term and their expected useful economic lives. The interest element of leasing payments represents a constant proportion of the capital element outstanding and is charged to the profit and loss account over the period of the lease. The capital elements of the future lease obligations are recorded as liabilities.

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. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the first next reviewable date is shorter than the lease term, in which case the shorter is used.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

LBM DIRECT MARKETING LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2007

1. ACCOUNTING POLICIES (continued)

Research and development

Development costs are written off to the profit and loss account in the year in which they are incurred

Cash flow statement

The company is a wholly owned subsidiary of LBM Holdings Limited and the cash flows of the company are included in the consolidated group cash flow statement. Accordingly, the company has taken advantage of the exemption under the terms of FRS 1 not to publish a cash flow statement

Government Grants

Government grants are recorded as other operating income in the profit and loss account in the year in which they are awarded

2. TURNOVER

Turnover attributable to regions outside the United Kingdom amounted to 0.56% (2006 – 0.62%) of total turnover

Other than this the business operates as one segment and so no further segmental analysis is presented

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting)

	2007 £	2006 £
Research and development	138,180	136,714
Depreciation		
- tangible fixed assets, owned	814,327	777,338
- tangible fixed assets, held under finance leases and hire purchase contracts	1,373,338	1,321,777
Profit on disposal of fixed assets	(283)	(7,952)
Grant income	(1,534,680)	(2,249,825)
Operating lease rentals		
- Land and buildings	1,026,281	868,268
- Other	544,124	385,709

The exceptional item noted on the face of the profit and loss account relates to compensation paid to four employees for loss of office following a strategic restructuring of the business

The analysis of auditors' remuneration is as follows

	2007 £	2006 £
Fees payable to the company's auditors for the audit of the company's annual accounts	47,150	46,000
Total audit fees	47,150	46,000
- Tax services	17,000	31,625
- Other services	3,107	3,000
Total non-audit fees	20,107	34,625

LBM DIRECT MARKETING LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2007

4. NET INTEREST PAYABLE

	2007 £	2006 £
On bank loans and overdrafts	621	4,996
Finance charges in respect of finance leases	621,721	380,867
Other interest payable	57,318	190,900
	<u>679,660</u>	<u>576,763</u>
Other interest receivable and similar income	(86,506)	(95,049)
	<u>593,154</u>	<u>481,714</u>

5. DIRECTORS AND EMPLOYEES

	2007 £	2006 £
Staff costs during the year were as follows:		
Wages and salaries	35,763,066	24,480,906
Social security costs	3,036,085	2,163,668
	<u>38,799,151</u>	<u>26,644,574</u>

	2007 No.	2006 No.
Average number of persons employed		
Selling	30	30
Administration	118	136
Operations and IT	2,118	1,464
	<u>2,266</u>	<u>1,630</u>

	2007 £	2006 £
Remuneration in respect of directors was as follows:		
Emoluments	512,535	764,141
	<u>512,535</u>	<u>764,141</u>

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

	2007 £	2006 £
Emoluments	183,893	144,116

During the year no directors (2006 – none) participated in money purchase pension schemes

During 2006 the company incurred £12,000 of legal costs on behalf of P Beck (who was a director during 2006) relating to a settlement agreement between P Beck and the company. No such charges were incurred in 2007.

LBM DIRECT MARKETING LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2007

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £	2006 £
The taxation charge represents		
Corporation tax at 30% (2006 – 30%)	-	-
Adjustment in respect of prior period	-	8,838
Total current tax	-	8,838
Origination and reversal of timing differences	176,733	(27,681)
Adjustment in respect of prior period	(105,392)	47,384
Total deferred tax (note 13)	71,341	19,703
Tax on profit on ordinary activities	71,341	28,541

The tax assessed for the year is lower (2006 – lower) than the standard rate of corporation tax in the United Kingdom of 30% (2006 - 30%) The differences are as follows

	2007 £	2006 £
Profit on ordinary activities before taxation	2,235,197	3,033,642
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 30% (2006 – 30%)	670,559	910,093
Effects of		
Expenses not deductible for tax purposes	159,867	178,886
(Capital allowances in excess of depreciation)/Depreciation in excess of capital allowances	(175,083)	24,188
Other short term timing differences	(1,650)	1,650
Group relief	(653,663)	(1,114,817)
Adjustments to tax charge in respect of prior period	-	8,838
	-	8,838

7. DIVIDENDS

	2007 £	2006 £
Ordinary shares - interim dividend of £nil pence (2006 - 16 274 pence)	-	200,000
	-	200,000

LBM DIRECT MARKETING LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2007

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment	Motor vehicles £	Total £
Cost						
At 1 June 2006	3,355,354	41,590	1,166,439	8,204,248	130,202	12,897,833
Additions	409,752	-	94,430	1,859,022	-	2,363,204
Disposals	-	-	-	-	(583)	(583)
At 31 May 2007	3,765,106	41,590	1,260,869	10,063,270	129,619	15,260,454
Depreciation						
At 1 June 2006	770,142	41,590	821,931	4,759,642	47,246	6,440,551
Charge for the year	302,073	-	202,512	1,650,685	32,395	2,187,665
Disposals	-	-	-	-	(219)	(219)
At 31 May 2007	1,072,215	41,590	1,024,443	6,410,327	79,422	8,627,997
Net book value						
At 31 May 2007	2,692,891	-	236,426	3,652,943	50,197	6,632,457
At 1 June 2006	2,585,212	-	344,508	3,444,606	82,956	6,457,282

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 value						
At 31 May 2007	782,950	-	183,544	3,006,348	50,199	4,023,041
At 1 June 2006	746,308	-	248,295	2,856,345	82,250	3,933,198

9. DEBTORS

	2007 £	2006 £
Trade debtors	8,114,852	6,218,715
Amounts owed by group undertakings	3,600,997	960,863
Prepayments and accrued income	544,016	1,089,200
	<u>12,259,865</u>	<u>8,268,778</u>

LBM DIRECT MARKETING LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2007

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £	2006 £
Trade creditors	1,879,811	1,736,858
Corporation tax	75,121	542,834
Social security and other taxes	2,016,957	2,139,048
Amounts due to other group companies	121,865	-
Other creditors	10,638	3,721
Accruals and deferred income	5,045,396	1,483,855
Amounts due under finance leases and hire purchase contracts	2,432,882	2,148,697
	<u>11,582,670</u>	<u>8,055,013</u>

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £	2006 £
Net obligations under finance leases and hire purchase contracts	<u>1,186,172</u>	<u>1,824,382</u>

12. BORROWINGS

	2007 £	2006 £
Borrowings are repayable as follows		
Within one year		
Finance leases	2,432,882	2,148,697
After one and within two years		
Finance leases	945,419	1,607,344
After two and within five years		
Finance leases	240,753	217,038
	<u>3,619,054</u>	<u>3,973,079</u>

Obligations under finance leases are secured on the assets concerned.

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

LBM DIRECT MARKETING LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2007

13. PROVISION FOR LIABILITIES

	2007 £	2006 £
Deferred taxation liability		
At 1 June 2006	90,864	71,161
Charge to profit and loss	71,341	19,703
At 31 May 2007	<u>162,205</u>	<u>90,864</u>
Deferred taxation provided for in the financial statements is set out below		
	2007 £	2006 £
Capital allowances in excess of depreciation	165,205	75,624
Short term timing differences	(3,300)	15,240
	<u>162,205</u>	<u>90,864</u>

A deferred tax asset relating to capital losses has not been recognised as, in the opinion of the directors, there is no certainty they will be utilised in the future. The unprovided deferred tax asset relating to capital losses carried forward at 31 May 2007 is £70,934 (2006 - £70,934).

14. CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised		
1,228,987 (2006 - 1,228,987) ordinary shares of £1 each	<u>1,228,987</u>	<u>1,228,987</u>
Called up, allotted and fully paid		
1,228,987 (2006 - 1,228,987) ordinary shares of £1 each	<u>1,228,987</u>	<u>1,228,987</u>

15. PROFIT AND LOSS ACCOUNT

	2007 £
At 1 June 2006	5,164,598
Profit for the year	<u>2,163,856</u>
At 31 May 2007	<u>7,328,454</u>

LBM DIRECT MARKETING LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 May 2007

16. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDER'S FUNDS

	2007 £	2006 £
Profit for the financial year	2,163,856	3,005,101
Dividends paid	-	(200,000)
Net increase in equity shareholders' funds	2,163,856	2,805,101
Opening equity shareholders' funds	6,393,585	3,588,484
Closing equity shareholders' funds	8,557,441	6,393,585

17. CAPITAL COMMITMENTS

	2007 £	2006 £
Contracted for but not provided in these financial statements	13,889	295,835

18. LEASING COMMITMENTS

Operating leases amounting to £1,329,991 (2006 - £1,227,393) are due within one year. The leases to which these amounts relate expire as follows

	2007		2006	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
- in one year or less	-	169,833	11,351	126,780
- between one and five years	303,951	272,947	65,450	202,051
- in five years or more	583,260	-	821,761	-
	887,211	442,780	898,562	328,831

19. OTHER COMMITMENTS

Other financial commitments not provided for of £462,000 (2006 - £462,000) in respect of data supply contracts are due within one year. The contract expires between one and five years.

20. TRANSACTIONS WITH RELATED PARTIES

As a wholly owned subsidiary of LBM Holdings Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with its parent undertakings. There were no other related party transactions.

21. ULTIMATE CONTROLLING PARTY

The ultimate parent undertaking and controlling party is ISIS EP LLP, which is registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is that headed by LBM Holdings Limited. The consolidated accounts of that company are available from Companies House, Crown Way, Mandy, Cardiff, CF14 3UZ.