Company Registration No. 2714607

LBM DIRECT MARKETING LIMITED

Report and Financial Statements

31 May 2008

FRIDAY

AP4GN4FP

A71 31/10/2008 415

COMPANIES HOUSE

'LBM DIRECT MARKETING LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

CONTENTS

	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	6
Balance sheet	7
Notes to the accounts	8

LBM DIRECT MARKETING LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K Pacey	
B P Dixon	(resigned 31 July 2007)
M R Bates	
T M Borthwick	(resigned 30 April 2008)
V S A Townsend	(resigned 21 July 2008)
N J Beamish	(appointed 20 July 2007)
D Walters	(appointed 30 July 2008)
J Lord	(appointed 30 July 2008)

SECRETARY

N J Beamish

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 and Registered Auditors
Manchester

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2008

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 36% over the prior year and profit after tax has increased by 32%

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 £2,864,730 (2007 - £2,163,856) The directors did not pay a dividend during the year (2007 - £nil) resulting in a profit of £2,864,730 (2007 - £2,163,856 profit) being retained

During the year employee numbers increased 21% to 2,737

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

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	(resigned 30 April 2008)
V S A Townsend	(resigned 21 July 2008)
N J Beamish	(appointed 20 July 2007)
D Walters	(appointed 30 July 2008)
J Lord	(appointed 30 July 2008)

POLITICAL AND CHARITABLE DONATIONS

During the year the company made charitable donations of £1,138 (2007 - £1,168)

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 s234ZA of the Companies Act 1985

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

N J Beamish

Company Secretary
27 October 2008

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, and
- 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

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 2008 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 20 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 other information contained in the Annual Report, as described in the contents section, 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 further information outside the Annual Report

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 2008 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
31/10/2008

PROFIT AND LOSS ACCOUNT
Year ended 31 May 2008

	Note	2008 £	2007 £
TURNOVER	2	54,969,714	53,078,540
Cost of sales		(33,990,872)	(32,960,367)
GROSS PROFIT		20,978,842	20,118,173
Administrative expenses (including exceptional expense)		(18,542,170)	(18,824,502)
Other operating income	3	66,555	1,534,680
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		3,071,921	3,163,712
Exceptional expense		(568,694)	(335,361)
OPERATING PROFIT	3	2,503,227	2,828,351
Net interest payable	4	(525,551)	(593,154)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,977,676	2,235,197
Tax on profit on ordinary activities	6	887,054	(71,341)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	14	2,864,730	2,163,856

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 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible fixed assets	7	5,499,875	6,632,457
CURRENT ASSETS			
Debtors	8	13,769,746	12,259,865
Cash at bank and in hand		2,909,376	2,596,166
		16,679,122	14,856,031
CREDITORS: amounts falling due within one year	9	(10,190,599)	(11,582,670)
NET CURRENT ASSETS		6,488,523	3,273,361
TOTAL ASSETS LESS CURRENT LIABILITIES		11,988,398	9,905,818
CREDITORS amounts falling due after more than one year	10	(566,227)	(1,186,172)
PROVISIONS FOR LIABILITIES	12	-	(162,205)
NET ASSETS		11,422,171	8,557,441
CAPITAL AND RESERVES			
Called up share capital	13	1,228,987	1,228,987
Profit and loss account	14	10,193,184	7,328,454
EQUITY SHAREHOLDERS' FUNDS	15	11,422,171	8,557,441

These financial statements were approved by the Board of Directors on 27 October 2008

Signed on behalf of the Board of Directors

M R Bates
Director

NOTES TO THE ACCOUNTS
Year ended 31 May 2008

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting 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 next review 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

NOTES TO THE ACCOUNTS
Year ended 31 May 2008

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 07% (2007 – 0 56%) 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)

	2008 £	2007 £
Depreciation		
- tangible fixed assets, owned	710,915	814,327
- tangible fixed assets, held under finance leases and hire purchase contracts	1,309,699	1,373,338
Loss/(profit) on disposal of fixed assets	976	(283)
Grant income	(66,555)	(1,534,680)
Operating lease rentals		
- Land and buildings	887,211	1,026,281
- Other	409,444	544,124

The exceptional expense noted on the face of the profit and loss account in the current year relates to a provision for future salary costs of £450,000 and redundancy costs of £118,694 The exceptional item noted on the face of the profit and loss account in the prior year 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

	2008 £	2007 £
Fees payable to the company's auditors for the audit of the company's annual accounts	47,150	47,150
Total audit fees	47,150	47,150
- Tax services	24,305	17,000
- Other services	3,800	3,107
Total non-audit fees	28,105	20,107

NOTES TO THE ACCOUNTS
Year ended 31 May 2008

4. NET INTEREST PAYABLE

	2008 £	2007 £
On bank loans and overdrafts	-	621
Finance charges in respect of finance leases	614,629	621,721
Other interest payable	-	57,318
	614,629	679,660
Other interest receivable and similar income	(85,585)	(86,506)
On bank loans and overdrafts	(3,493)	-
	525,551	593,154

5. DIRECTORS AND EMPLOYEES

	2008 £	2007 £
Staff costs during the year were as follows:		
Wages and salaries	37,408,080	35,763,066
Social security costs	2,979,033	3,036,085
	40,387,113	38,799,151

	2008 No.	2007 No
Average number of persons employed		
Selling	36	30
Administration	155	118
Operations and IT	2,546	2,118
	2,737	2,266

	2008 £	2007 £
Remuneration in respect of directors was as follows:		
Emoluments	404,491	512,535
	404,491	512,535

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

	2008 £	2007 £
Emoluments	150,320	183,893

During the year no directors (2007 – none) participated in money purchase pension schemes

NOTES TO THE ACCOUNTS
Year ended 31 May 2008

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2008 £	2007 £
The taxation charge represents		
Corporation tax at 28% (2007 – 30%)	-	-
Adjustment in respect of prior period	46,701	-
Total current tax	46,701	-
Origination and reversal of timing differences	(280,220)	176,733
Adjustment in respect of prior period	(653,535)	(105,392)
Total deferred tax (note 12)	(933,755)	71,341
Tax on profit on ordinary activities	(887,054)	71,341

The tax assessed for the year is lower (2007 – lower) than the standard rate of corporation tax in the United Kingdom of 30% (2007 - 30%) The differences are as follows

	2008 £	2007 £
Profit on ordinary activities before taxation	1,977,676	2,235,197
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 28% (2007 – 30%)	553,749	670,559
Effects of		
Expenses not deductible for tax purposes	57,989	159,867
Depreciation in excess of capital allowances/(capital allowances in excess of depreciation)	186,975	(175,083)
Other short term timing differences	126,000	(1,650)
Group relief	(924,713)	(653,693)
Adjustment in respect of prior periods	46,701	-
	46,701	-

NOTES TO THE ACCOUNTS
Year ended 31 May 2008

7. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment	Motor vehicles £	Total £
Cost						
At 1 June 2007	3,765,106	41,590	1,260,869	10,063,270	129,619	15,260,454
Additions	23,429	-	131,069	767,185	-	921,683
Disposals	-	-	-	-	(129,619)	(129,619)
At 31 May 2008	3,788,535	41,590	1,391,938	10,830,455	-	16,052,518
Depreciation						
At 1 June 2007	1,072,215	41,590	1,024,443	6,410,327	79,422	8,627,997
Charge for the year	317,788	-	175,394	1,510,886	16,546	2,020,614
Disposals	-	-	-	-	(95,968)	(95,968)
At 31 May 2008	1,390,003	41,590	1,199,837	7,921,213	-	10,552,643
Net book value						
At 31 May 2008	2,398,532	-	192,101	2,909,242	-	5,499,875
At 31 May 2007	2,692,891	-	236,426	3,652,943	50,197	6,632,457

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

	Leasehold improvements £	Fixtures and fittings £	Computer equipment	Motor vehicles £	Total £
Net book value					
At 31 May 2008	1,019,397	104,216	2,706,356	-	3,829,969
At 1 June 2007	782,950	183,544	3,006,348	50,197	4,023,039

8. DEBTORS

	2008 £	2007 £
Trade debtors	5,710,945	8,114,852
Amounts owed by group undertakings	5,898,952	3,600,997
Prepayments and accrued income	1,388,299	544,016
Deferred tax asset (note 12)	771,550	-
	13,769,746	12,259,865

NOTES TO THE ACCOUNTS
Year ended 31 May 2008

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Trade creditors	1,907,718	1,879,811
Corporation tax	121,824	75,121
Social security and other taxes	2,450,407	2,016,957
Amounts due to other group companies	-	121,865
Other creditors	-	10,638
Accruals and deferred income	4,326,601	5,045,396
Amounts due under finance leases and hire purchase contracts	1,384,049	2,432,882
	10,190,599	11,582,670

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

	2008 £	2007 £
Net obligations under finance leases and hire purchase contracts	566,227	1,186,172

11 BORROWINGS

	2008 £	2007 £
Borrowings are repayable as follows		
Within one year		
Finance leases	1,384,049	2,432,882
After one and within two years		
Finance leases	455,418	945,419
After two and within five years		
Finance leases	110,809	240,753
	1,950,276	3,619,054

Obligations under finance leases are secured on the assets concerned

NOTES TO THE ACCOUNTS
Year ended 31 May 2008

12 PROVISION FOR LIABILITIES

	2008 £	2007 £
Deferred taxation liability		
At 1 June 2007	162,205	90,864
(Credit)/charge to profit and loss	(933,755)	71,341
At 31 May 2008	(771,550)	162,205

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

	2008 £	2007 £
Capital allowances in excess of depreciation	(642,470)	165,205
Short term timing differences	(129,080)	(3,300)
	(771,550)	162,205

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 2008 is £66,205 (2007 - £70,934)

13. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised		
1,228,987 ordinary shares of £1 each	1,228,987	1,228,987
Called up, allotted and fully paid		
1,228,987 ordinary shares of £1 each	1,228,987	1,228,987

14 PROFIT AND LOSS ACCOUNT

	2008 £
At 1 June 2007	7,328,454
Profit for the year	2,864,730
At 31 May 2008	10,193,184

NOTES TO THE ACCOUNTS
Year ended 31 May 2008

15. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	2,864,730	2,163,856
Net increase in equity shareholders' funds	2,864,730	2,163,856
Opening equity shareholders' funds	8,557,441	6,393,585
Closing equity shareholders' funds	11,422,171	8,557,441

16. CAPITAL COMMITMENTS

	2008 £	2007 £
Contracted for but not provided in these financial statements	101,756	13,889

17. LEASING COMMITMENTS

Operating leases amounting to £1,296,655 (2007 - £1,329,991) are due within one year The leases to which these amounts relate expire as follows

	2008		2007	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
- in one year or less	-	37,368	-	169,833
- between one and five years	418,951	348,925	303,951	272,947
- in five years or more	468,260	-	583,260	-
	887,211	386,293	887,211	442,780

18. OTHER COMMITMENTS

Other financial commitments not provided for of £462,000 (2007 - £462,000) in respect of data supply contracts are due within one year The contract expires between one and five years

19. 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

20. ULTIMATE CONTROLLING PARTY AND PARENT COMPANY

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

The ultimate parent undertaking is LBM Holdings Limited 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, Maindy, Cardiff, CF14 3UZ