

LBM Direct Marketing Limited

**Directors' report and financial
statements**

Registered number 2714607

31 May 2011

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Officers and professional advisors

Directors

K Pacey
M R Bates
N J Beamish
D Walters
C Metcalfe
T Bailey

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

KPMG LLP
Chartered Accountants and Registered Auditors
Manchester

Directors' report

The directors present their directors' report and financial statements for the year ended 31 May 2011

Principal activities

LBM Direct Marketing Limited is a wholly owned subsidiary of LBM Holdings (UK) 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 and Consumer CONTACT Files. 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 7, the company's sales have increased by 7% over the prior year and profit before tax has increased by 77%.

The balance sheet on page 8 of the financial statements shows that the net asset position has increased by £4,221,243. Details of amounts owed by its parent company are shown on page 14.

The profit for the year after taxation amounted to £4,221,243 (2010 profit of £1,629,773).

During the year employee numbers increased by 11% to an average of 2,467 (2010 2,227).

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.

Dividends

No dividends have been paid during the year and none are proposed (2010 £nil).

Directors

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

K Pacey
M R Bates
N J Beamish
D Walters
C Metcalfe
T Bailey

Employees

Details of the number of employees and related costs can be found in note 6 to the financial statements on page 12.

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)*

Charitable contributions

During the year the company made charitable donations of £nil (2010 £nil)

Going concern

The Company's business activities, financial performance and position, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on page 2

After making enquiries, the directors have a reasonable expectation that the company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Directors' report and financial statements

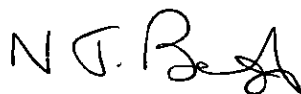
Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



N J Beamish
Company Secretary

9/9/2011

LBM House
Atlantic Point
Atlantic Street
Broadheath
Altrincham
WA14 5FY

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

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 2011 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of LBM Direct Marketing Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Sq
Manchester

09/09/2011

Profit and Loss Account
for the year ended 31 May 2011

	<i>Note</i>	2011 £	2010 £
Turnover	2	48,729,630	45,620,558
Cost of sales		(30,764,373)	(27,592,913)
Gross profit		17,965,257	18,027,645
Administrative expenses (including exceptional expense)		(14,498,397)	(15,242,732)
Other operating income	3	978,750	-
Operating profit before exceptional items		4,445,610	2,832,384
Exceptional expenses	3	-	(47,471)
Operating profit	2-3	4,445,610	2,784,913
Other interest receivable and similar income	4	2,077	267
Interest payable and similar charges	5	(238,943)	(408,783)
Profit on ordinary activities before taxation		4,208,744	2,376,397
Tax on profit on ordinary activities	7	12,499	(746,624)
Profit on ordinary activities after taxation retained profit for the financial year transferred to reserves	15	4,221,243	1,629,773

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.

The notes on pages 9 to 17 form part of these financial statements.

Balance Sheet
at 31 May 2011

	<i>Note</i>	2011 £	2010 £
Fixed assets			
Tangible assets	8	3,496,767	3,804,880
Current assets			
Debtors	9	17,987,495	15,825,397
Cash at bank and in hand		4,332,216	3,029,473
		22,319,711	18,854,870
Creditors amounts falling due within one year	10	(8,578,264)	(9,645,657)
Net current assets		13,741,447	9,209,213
Total assets less current liabilities		17,238,214	13,014,093
Creditors , amounts falling due after more than one year	11	(309,908)	(307,030)
Net assets		16,928,306	12,707,063
Capital and reserves			
Called up share capital	14	1,228,987	1,228,987
Profit and loss account	15	15,699,319	11,478,076
Shareholders' funds	16	16,928,306	12,707,063

The notes on pages 9 to 17 form part of these financial statements

These financial statements were approved by the board of directors on 9/9/2011 and were signed on its behalf by



M R Bates
 Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

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

Going concern

The directors have considered the future profitability of the company and its ability to continue as a going concern and have prepared profit and cash flow forecasts into the future. Based on these projections the directors are satisfied that, for the foreseeable future, the company can meet its projected working capital requirements. Consequently the financial statements have been prepared on a going concern basis

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

Fixtures and fittings	33⅓%
Computer equipment	20% - 33⅓%
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

Notes (continued)

1 Accounting policies (continued)

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

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 to which they relate

Classification of financial instruments issued by the Company

Following the adoption of FRS 25 financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds

2 Turnover

Turnover attributable to regions outside the United Kingdom amounted to 5.6% (2010: 1.6%) of total turnover

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

Notes (continued)

3 Operating profit

Operating profit is stated after charging

	2011 £	2010 £
Research and development expenditure	86,085	83,429
Depreciation		
- tangible fixed assets, owned	377,543	325,794
- tangible fixed assets, held under finance leases and hire purchase contracts	717,776	965,194
Grant income	(978,750)	-
Operating lease rentals		
- Land and buildings	831,166	887,211
- Other	382,240	449,157
Exceptional items	-	47,471

The exceptional expense noted on the face of the profit and loss account in the year relates to share issue costs associated with LBM Holdings (UK) Limited

The analysis of auditors' remuneration is as follows

	2011 £	2010 £
Fees payable to the company's auditors for the audit of the company's annual accounts	40,645	40,645
Total audit fees	40,645	40,645
Tax services	11,000	10,290
Other services	75,020	88,360
Total non-audit fees	86,020	98,650

Notes (continued)

4 Other interest receivable and similar income

	2011 £	2010 £
Other interest	2,077	267

5 Interest payable and similar charges

	2011 £	2010 £
Other interest	50,049	32,075
On bank overdrafts	3,201	3,674
Finance charges in respect of finance leases	185,693	373,034
	<u>238,943</u>	<u>408,783</u>

6 Directors and employees

	2011 £	2010 £
Staff costs during the year were as follows:		
Wages and salaries	34,542,767	31,865,157
Social security costs	2,613,931	2,394,664
	<u>37,156,698</u>	<u>34,259,821</u>

	2011 No.	2010 No.
Average number of persons employed		
Selling	28	26
Administration	147	151
Operations and IT	2,292	2,050
	<u>2,467</u>	<u>2,227</u>

	2011 £	2010 £
Remuneration in respect of directors was as follows:		
Emoluments	975,466	542,101

Notes (continued)

6 Directors and employees (continued)

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

	2011 £	2010 £
Emoluments	254,491	210,518

7 Taxation

Analysis of (credit)/charge in period

	2011 £	2010 £
<i>The taxation charge represents</i>		
Corporation tax at 27.67% (2010 28%)	617,043	586,534
Adjustments in respect of prior periods	(604,367)	(25,919)
Total current tax	12,676	560,615
<i>Deferred tax (see note 13)</i>		
Origination and reversal of timing differences	61,288	41,783
Effect of change in rate of corporation tax	(3,690)	-
Adjustment in respect of previous years	(107,872)	144,226
Effect of change in rate of corporation tax on opening deferred tax	25,099	-
Total deferred tax (note 13)	(25,175)	186,009
Tax on profit on ordinary activities	(12,499)	746,624

Factors affecting the tax charge for the current period

The tax assessed for the year is lower (2010 higher) than the standard rate of corporation tax in the United Kingdom of 27.67% (2010 28%). The differences are explained below

	2011 £	2010 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,208,744	2,376,397
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the United Kingdom of 27.67% (2010 28%)	1,164,380	665,391
<i>Effects of</i>		
Expenses not deductible for tax purposes	100,129	109,385
Capital allowances in excess of depreciation	(61,288)	(41,783)
Group relief	(586,178)	(146,459)
Adjustment in respect of prior periods	(604,367)	(25,919)
Total current tax charge (see above)	12,676	560,615

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost				
At beginning of year	3,893,902	825,743	10,246,537	14,966,182
Additions	128,855	228,850	429,501	787,206
Disposals	8,013	(10,964)	(788,592)	(791,543)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	4,030,770	1,043,629	9,887,446	14,961,845
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At beginning of year	1,940,590	727,513	8,493,199	11,161,302
Charge for year	313,617	74,180	707,522	1,095,319
Disposals	8,013	(10,964)	(788,592)	(791,543)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	2,262,220	790,729	8,412,129	11,465,078
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 May 2011	1,768,550	252,900	1,475,317	3,496,767
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 May 2010	1,953,312	98,230	1,753,338	3,804,880
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
Net book value				
At 31 May 2011	750,940	165,674	1,181,563	2,098,177
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 May 2010	854,135	40,730	1,605,943	2,500,808
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

9 Debtors

	2011 £	2010 £
Trade debtors	5,717,161	5,154,091
Amounts owed by group undertakings	10,362,636	9,578,482
Prepayments and accrued income	1,531,143	741,444
Deferred tax assets (note 13)	376,555	351,380
	<u> </u>	<u> </u>
	17,987,495	15,825,397
	<u> </u>	<u> </u>

Notes (continued)

10 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	1,330,971	836,346
Corporation tax	5,071	1,123,534
Social security and other taxes	1,916,181	1,924,026
Accruals and deferred income	4,987,804	5,355,699
Amounts due under finance leases and hire purchase contracts (note 12)	338,237	406,052
	<u>8,578,264</u>	<u>9,645,657</u>

11 Creditors: amounts falling due after more than one year

	2011 £	2010 £
Amounts due under finance leases and hire purchase contracts (note 12)	<u>309,908</u>	<u>307,030</u>

12 Borrowings

	2011 £	2010 £
Borrowings are repayable as follows		
Within one year		
Finance leases	338,237	406,052
After one and within two years		
Finance leases	200,761	219,278
After two and within five years		
Finance leases	109,147	87,752
	<u>648,145</u>	<u>713,082</u>

Obligations under finance leases are secured on the assets concerned

Notes (continued)

13 Deferred taxation

	2011 £	2010 £
Deferred taxation asset		
At beginning of year	(351,380)	(537,389)
Charge to the profit and loss for the year	(25,175)	186,009
	<u> </u>	<u> </u>
At end of year	(376,555)	(351,380)
	<u> </u>	<u> </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 2011 is £61,476 (2010 £66,205)

14 Called up share capital

	2011 £	2010 £
Allotted, called up and fully paid		
1,228,987 Ordinary shares of £1 each	1,228,987	1,228,987
	<u> </u>	<u> </u>

15 Profit and loss account

	2011 £	2010 £
At 1 June 2010	11,478,076	9,848,303
Profit for the year	4,221,243	1,629,773
	<u> </u>	<u> </u>
At 31 May 2011	15,699,319	11,478,076
	<u> </u>	<u> </u>

16 Reconciliation of movement in equity shareholders' funds

	2011 £	2010 £
Profit for the financial year	4,221,243	1,629,773
	<u> </u>	<u> </u>
Net increase in equity shareholders' funds	4,221,243	1,629,773
Opening equity shareholders' funds	12,707,063	11,077,290
	<u> </u>	<u> </u>
Closing equity shareholders' funds	16,928,306	12,707,063
	<u> </u>	<u> </u>

Notes (continued)

17 Capital commitments

	2011 £	2010 £
Contracted for but not provided in these financial statements	<u>6,627</u>	<u>4,286</u>

18 Leasing commitments

	2011 Land and buildings £	2011 Other £	2010 Land and buildings £	2010 Other £
Operating leases which expire				
- in one year or less	23,713	11,742	165,450	39,896
- between one and five years	115,000	217,637	253,501	23,848
- in five years or more	622,850	-	468,260	6,479
	<u>761,563</u>	<u>229,379</u>	<u>887,211</u>	<u>70,223</u>

19 Other commitments

Other financial commitments not provided for of £390,000 (2010 £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 (UK) 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 parent company and parent undertaking of larger group of which the company is a member

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.