

Target Direct (Holdings) Limited
Financial statements
For the year ended 31 December 2003

Grant Thornton 



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Company No. 02786070

Company information

Company registration number	02786070
Registered office	St James's House St James Square Cheltenham Gloucestershire GL50 3PR
Directors	S Pidgeon N R Thomas S Samuel R Clark (resigned 3 June 2004) P S Farthing R Wheatly (resigned 1 June 2004) P Frings (appointed 1 June 2004)
Secretary	S Samuel
Bankers	Lloyds TSB High Street Cheltenham
Solicitors	Burges Salmon Narrow Quay House Narrow Quay Bristol BS1 4AH
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors 43 Queen Square BRISTOL BS1 4QR

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2003.

Principal activities and business review

The company's principal activity is that of a holding company.

There was a profit for the year of after taxation amounting to £135,477.

The directors recommend dividends absorbing £73,483 leaving £61,994 retained. £20,000 was paid during the year leaving a proposed dividend of £53,483 at the year end.

2003 was a quiet year for Target Direct (Holdings) Limited compared with 2002. The group made no further acquisitions and in general consolidated the good groundwork undertaken in 2002.

A further issue of Enterprise Management Incentive (EMI) share options was made to staff during the year to recognise the continued hard work and dedication of our staff. This will motivate an even wider pool of people to grow the business and share in the success of the group in the long term.

The release of the provision against intercompany debt that was started last year was completed in 2003. The company, whose debt had been provided against, is now trading profitably and has repaid the original debt.

During the year the performance of Target 7-26 in Scotland proved to be persistently disappointing. Several attempts were made to bolster the business including transferring some clients to the agency. Despite these efforts, the trading did not improve and reluctantly a decision was taken to close down the subsidiary. One member of staff was retained from the agency and now works for Target Direct Marketing Limited; all others were made redundant in August 2003.

The remaining companies in the group continued to perform well with all companies recording healthy profits after the allocation of central costs.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2003 £	2002 £
Dividends paid on ordinary shares	<u>73,483</u>	<u>100,000</u>

The directors and their interests in shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £0.01 each	
	At	At
	31 December 2003	1 January 2003 or later date of appointment
S Pidgeon	2,085,963	2,000,000
N R Thomas	2,085,963	2,000,000
S Samuel	—	—
R Clark (resigned 3 June 2004)	—	—
P S Farthing	—	—
R Wheatly (resigned 1 June 2004)	—	—

R Clark was appointed as a director on 31 March 2003.

P S Farthing was appointed as a director on 31 March 2003.

R Wheatly was appointed as a director on 10 September 2003.

P Frings was appointed as a director on 1 June 2004

In 2002, the company had granted share options in respect of ordinary 1p shares at 7p per share, exercisable between 27 September 2002 and the earlier of a takeover and 26 September 2012, the tenth anniversary of grant. At 31 December 2002 and 31 December 2003, S Samuel had options over 119,202 ordinary shares, P S Farthing had options over 119,180 ordinary shares and R Clark had options over 119,180 shares.

The company granted further share options in the year in respect of ordinary 1p shares at 7p per share, exercisable between 28 November 2003 and the earlier of a takeover and 27 November 2013, the tenth anniversary of grant. At 31 December 2003, P S Farthing had options over a further 114,618 ordinary shares in addition to those granted in 2002.

Directors' responsibilities

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

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

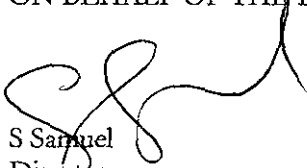
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

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

ON BEHALF OF THE BOARD



S Samuel
Director

14 October 2004

Report of the independent auditors to the members of Target Direct (Holdings) Limited

We have audited the financial statements of Target Direct (Holdings) Limited for the year ended 31 December 2003 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 23. 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 report of the directors and the financial statements in accordance with United Kingdom law and 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

BRISTOL

14 October 2004

Principal accounting policies

Basis of accounting

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

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Motor Vehicles - 4 years straight line

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Contributions to pension funds

Defined contribution scheme

The company operates a defined contribution pension scheme and contributes to the personal pension schemes of certain employees, or to a Standard Life Group Personal Pension Plan. The assets of the schemes are held separately from those of the company in independently administered funds.

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Investments

Investments are included at cost.

Profit and loss account

	Note	2003 £	2002 £
Turnover	1	839,013	2,099,323
Cost of sales		—	(745,499)
Gross profit		839,013	1,353,824
Other operating charges	2	(599,522)	(1,128,270)
Operating profit	3	239,491	225,554
Income from shares in group undertakings	6	100,000	213,756
Loss on disposal of investments	7	(181,072)	—
Interest payable and similar charges	8	—	(15,234)
Profit on ordinary activities before taxation		158,419	424,076
Tax on profit on ordinary activities	9	(22,942)	(6,869)
Profit on ordinary activities after taxation		135,477	417,207
Dividends	10	(73,483)	(100,000)
Retained profit for the financial year		61,994	317,207

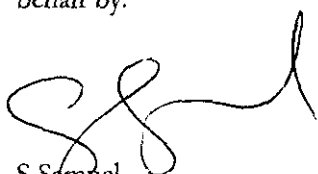
All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2003 £	2002 £
Fixed assets			
Tangible assets	11	—	—
Investments	12	29,984	210,117
		<u>29,984</u>	<u>210,117</u>
Current assets			
Debtors	13	547,976	197,118
Creditors: amounts falling due within one year	14	(200,163)	(91,432)
Net current assets		<u>347,813</u>	<u>105,686</u>
Total assets less current liabilities		<u>377,797</u>	<u>315,803</u>
Capital and reserves			
Called-up equity share capital	19	56,771	56,771
Share premium account		20,631	20,631
Other reserves	20	33,561	33,561
Profit and loss account		266,834	204,840
Shareholders' funds	21	<u>377,797</u>	<u>315,803</u>

These financial statements were approved by the directors on 14 October 2004 and are signed on their behalf by:


S Samuel
Director

Cash flow statement

	Note	2003 £	2002 £
Net cash (outflow)/inflow from operating activities	22	(8,565)	225,622
Returns on investments and servicing of finance			
Income from group undertakings		100,000	213,756
Interest paid		—	(14,230)
Interest element of finance leases and hire purchase		—	(1,004)
Net cash inflow from returns on investments and servicing of finance		100,000	198,522
Taxation		(2,146)	(53,809)
Capital expenditure			
Payments to acquire tangible fixed assets		(7,143)	(26,336)
Receipts from sale of fixed assets		8,793	121,555
Net cash inflow from capital expenditure		1,650	95,219
Acquisitions and disposals			
Acquisition of shares in group undertakings		(999)	(209,602)
Disposal of shares in group undertakings		60	—
Net cash outflow from acquisitions and disposals		(939)	(209,602)
Equity dividends paid		(90,000)	(30,000)
Cash inflow before financing		—	225,952
Financing			
Issue of shares		—	30,947
Purchase of own equity shares		—	(8,894)
Premium on purchase of own equity shares		—	(191,106)
Capital element of finance leases and hire purchase		—	(28,774)
Net cash outflow from financing		—	(197,827)
Increase in cash	22	—	28,125

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.
An analysis of turnover is given below:

	2003 £	2002 £
United Kingdom	<u>839,013</u>	<u>2,099,323</u>

2 Other operating income and charges

	2003 £	2002 £
Administrative expenses	<u>599,522</u>	<u>1,128,270</u>

3 Operating profit

Operating profit is stated after charging/(crediting):

	2003 £	2002 £
Depreciation of owned fixed assets	2,230	47,296
Depreciation of assets held under finance leases and hire purchase agreements	–	3,521
Profit on disposal of fixed assets	(3,880)	–
Auditors' remuneration:		
Audit fees	3,500	4,000
Operating lease costs:		
Plant and equipment	57,350	33,454
Reversal of provision	<u>(158,508)</u>	<u>(251,787)</u>

The reversal of the provision relates to the release of the remaining provision against amounts owed by group undertakings. This is an exceptional item and is included within other operating charges.

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2003 No	2002 No
Office and management	13	11
Creative	-	5
Client services	-	13
Studio, production and media	-	5
	<u>13</u>	<u>34</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	510,475	917,434
Social security costs	54,149	92,127
Other pension costs	13,771	27,024
	<u>578,395</u>	<u>1,036,585</u>

5 Directors

Remuneration in respect of directors was as follows:

	2003 £	2002 £
Emoluments	323,808	246,073
Value of company pension contributions to money purchase schemes	6,050	4,813
	<u>329,858</u>	<u>250,886</u>

Emoluments of highest paid director:

	2003 £	2002 £
Total emoluments (excluding pension contributions):	<u>96,372</u>	<u>52,914</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003 No	2002 No
Money purchase schemes	<u>2</u>	<u>4</u>

Three directors were granted share options during 2002 and one director was granted further share options in 2003, detail of which is set out in the Report of the Directors on pages 3 to 4 on these financial statements.

6 Income from shares in group undertakings

	2003	2002
	£	£
Income from group undertakings	<u>100,000</u>	<u>213,756</u>

7 Loss on disposal of investments

	2003	2002
	£	£
Amount written off investments	<u>181,072</u>	<u>-</u>

8 Interest payable and similar charges

	2003	2002
	£	£
Interest payable on bank borrowing	-	6,921
Finance charges	-	1,004
Other similar charges payable	-	7,309
	<u>-</u>	<u>15,234</u>

9 Taxation on ordinary activities

(a) *Analysis of charge in the year*

	2003	2002
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2002 - 30%)	22,228	1,432
Over/under provision in prior year	714	5,437
Total current tax	<u>22,942</u>	<u>6,869</u>

9 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 - 30%).

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>158,419</u>	<u>424,076</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK	47,526	127,223
Permanent disallowables	3,776	10,592
Depreciation in excess of capital allowances	(161)	5,157
Intra group dividends not taxable	(30,000)	(64,127)
Movement in provisions	(47,544)	(76,475)
Marginal relief	(5,691)	(938)
Adjustments to tax charge in respect of previous periods	714	5,437
Impairment of investment	54,322	—
Total current tax (note 9(a))	<u>22,942</u>	<u>6,869</u>

10 Dividends

	2003 £	2002 £
Equity dividends:		
Ordinary shares - interim dividend of nil (2002: 0.53p) per share	—	30,000
Ordinary shares - final dividend of 1.3p (2002: 1.23p) per share	73,483	70,000
	<u>73,483</u>	<u>100,000</u>

11 Tangible fixed assets

	Motor Vehicles £
Cost	
Additions	7,143
Disposals	(7,143)
At 31 December 2003	<u>—</u>
Depreciation	
Charge for the year	2,230
On disposals	(2,230)
At 31 December 2003	<u>—</u>
Net book value	
At 31 December 2003	<u>—</u>
At 31 December 2002	<u>—</u>

12 Investments

Shares in group undertakings

	£
Cost	
At 1 January 2003	210,117
Additions	999
Disposals	(60)
At 31 December 2003	<u>211,056</u>
Amounts written off	
Written off in year	181,072
At 31 December 2003	<u>181,072</u>
Net book value	
At 31 December 2003	<u>29,984</u>
At 31 December 2002	<u>210,117</u>

12 Investments (continued)

	Country of registration	Class of share capital held	Proportion held	Nature of business	Capital and reserves £	Profit for the financial year £
Talking Numbers Data based solutions Limited	England & Wales	Equity	78.2%	Data analysis & database consultancy	93,725	63,427
Target Direct Marketing Limited	England & Wales	Equity	100%	Advertising & marketing	(361,030)	(19,121)
Target Direct Print Limited	England & Wales	Equity	94%	Print management	113,976	2,886
The Target Agency Limited	England & Wales	Equity	100%	Dormant	2	—
Target 7-26 Limited	Scotland	Equity	100%	Advertising & marketing	6,423	(11,326)

13 Debtors

	2003 £	2002 £
Amounts owed by group undertakings	344,309	—
Other debtors	173,537	194,694
Taxation recoverable	2,424	2,424
Prepayments and accrued income	27,706	—
	<u>547,976</u>	<u>197,118</u>

Included in other debtors is £8,218 owed by Stephen Pidgeon and £7,165 owed by Nick Thomas, both of whom are directors and shareholders of the company.

14 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts owed to group undertakings	110,920	20,000
Corporation tax	22,228	1,432
VAT	7,032	—
Proposed dividends	53,483	70,000
Accruals and deferred income	6,500	—
	<u>200,163</u>	<u>91,432</u>

15 Pensions

Defined Contribution Scheme

The company contributes to a number of employees' pension schemes or to a Standard Life Group Personal Pension Plan scheme on a defined contribution basis. The assets of these schemes are administered by trustees in funds independent from those of the company.

16 Contingent liabilities

The company has guaranteed the borrowings of its four subsidiaries, Talking Numbers Data based solutions Limited, Target Direct Marketing Limited, Target Direct Print Limited and Target 7-26 Limited, whose borrowings at 31 December 2003 totalled £773,160.

17 Capital commitments

The company had no capital commitments at 31 December 2003 or at 31 December 2002.

18 Related party transactions

The company was under the control of S M Pidgeon and N R Thomas throughout the current and previous year by virtue of their shareholdings.

Included in other debtors are amounts owed by directors as follows:

	Amount out- standing 2003 £	Amount out- standing 2002 £	Maximum liability during year £	Interest due not paid £
S M Pidgeon	8,218	—	8,218	—
N R Thomas	7,165	—	7,165	—

The company made sales of £nil (2002: £1,645) and recharged £53,758 (2002: £248,296) of costs to, and made purchases of £nil (2002: £20,017) from Talking Numbers Data based solutions Limited, a 78.2% owned subsidiary. At the period end, 153,968 (2002: £138,711) was owed to the company by its subsidiary.

The company made no sales to and recharged £25,149 (2002: £nil) costs to Target Direct Marketing Limited, a wholly owned subsidiary. The company was also recharged £1,031,528 costs by Target Direct Marketing Limited. At the period end £nil (2002: £158,508) was owed to the company by this subsidiary but the company owed Target Direct Marketing Limited £110,920. During the year, £158,508 (2002: £251,787) of this amount which had previously been provided for was reversed and is shown as an exceptional item and is included within operating profit (note 3).

The company made sales of £nil (2002: £10,075), credited £nil (2002: £34,256) of VAT to and recharged £107,070 (2002: £nil) of costs to Target Direct Print Limited, a 94% owned subsidiary. The company also made purchases of £nil (2002: £28,278) from and was recharged £nil (2002: £6,252) by Target Direct Print Limited. At the period end, 174,713 (2002: £55,983) was owed to the company by this subsidiary.

At the period end the company owed £15,627 (2002: £20,000) to Target 7-26, a wholly owned subsidiary. At the period end, the company owed £2 (2002: £2) to The Target Agency Limited, a wholly owned dormant subsidiary.

19 Share capital

Authorised share capital:

	2003 £	2002 £
10,001,600 Ordinary shares of £0.01 each	100,016	100,000
Nil non-voting, non-participating 'B' shares of £0.01 each	—	16
	<u>100,016</u>	<u>100,016</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £0.01 each	<u>5,677,152</u>	<u>56,771</u>	<u>5,677,152</u>	<u>56,771</u>

Contingent rights to the allotment of shares

In 2002, the company had granted options to one director of Target 7-26 Limited, a wholly owned subsidiary, in respect of 114,617 1p ordinary shares at 1p per share, exercisable between 27 September 2002 and the earlier of a takeover and 26 September 2012, the tenth anniversary of grant. At the year end the number of options remaining unexercised was 114,617 (2002: 114,617).

The company had also granted in 2002 options to certain employees and directors of the group in respect of 1,251,629 1p ordinary shares at 7p per share, exercisable between 27 September 2002 and the earlier of a takeover and 26 September 2012, the tenth anniversary of grant. At the year end, the number of options remaining unexercised, after allowing for lapses due to employees leaving, was 1,134,564 (2002: 1,251,629).

During the year, the company granted further options to certain employees and directors of the group in respect of 202,090 1p ordinary shares at 7p per share, exercisable between 28 November 2003 and the earlier of a takeover and 27 November 2013, the tenth anniversary of grant. At the year end, the number of options remaining unexercised was 202,090 (2002: nil).

During the year, the authorised share capital of 1,600 non-voting, non-participating 'B' shares of 1p each were reclassified as 1,600 ordinary shares of 1p each.

20 Other reserves

	2003	2002
	£	£
Capital redemption reserve	<u>33,561</u>	<u>33,561</u>

21 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	135,477	417,207
Dividends	(73,483)	(100,000)
	<u>61,994</u>	<u>317,207</u>
New equity share capital subscribed	—	3,439
Premium on new share capital subscribed	—	20,631
	—	<u>24,070</u>
Purchase of own equity shares	—	(8,894)
Premium on purchase of own equity shares	—	(191,106)
	—	<u>(200,000)</u>
Other	—	6,877
Net addition to funds	<u>61,994</u>	<u>148,154</u>
Opening shareholders' equity funds	<u>315,803</u>	<u>167,649</u>
Closing shareholders' equity funds	<u>377,797</u>	<u>315,803</u>

22 Notes to the statement of cash flows

Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2003	2002
	£	£
Operating profit	239,491	225,554
Depreciation	2,230	50,817
Profit on disposal of fixed assets	(3,880)	—
Decrease in stocks	—	102,348
(Increase)/decrease in debtors	(350,858)	1,090,727
Increase/(decrease) in creditors	104,452	(1,243,824)
Net cash (outflow)/inflow from operating activities	<u>(8,565)</u>	<u>225,622</u>

22 Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net debt

	2003	2002
	£	£
Increase in cash in the period	—	28,125
Cash outflow in respect of finance leases and hire purchase	—	28,774
Change in net funds	—	56,899
Net funds at 1 January 2003	—	(56,899)
Net funds at 31 December 2003	—	—

23 Controlling related party

S M Pidgeon and N R Thomas are this company's controlling related party by virtue of their shareholdings.