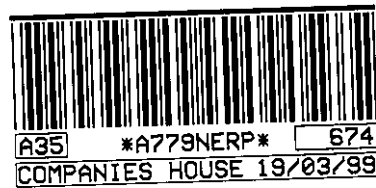


## **Target Direct Marketing Limited**

### **Directors' report and financial statements**

Year ended 31 August 1998

Registered number 2786070



## **Directors' report and financial statements**

### **Contents**

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 August 1998.

### Principal activities

The principal activity of the company continues to be that of advertising and marketing.

### Business review

The results for the year are given in the profit and loss account on page 5.

Our inability to retain and develop new business won during the period, the cost of restructuring the agency to bring on new products and services and upgrading people skills in an ever competitive labour market contributed to the poor performance. The directors are confident the company will capitalise on this investment in the coming year.

### Proposed dividends

An ordinary dividend of £40,000 (£0.25 per share) was paid prior to the year end. The directors do not recommend the payment of a final dividend.

### Year 2000

Work has been carried out as far as possible to ensure that the company's computer systems are compliant. Work is being carried out to determine the risk associated with suppliers and customers. Costs associated with this work have been planned for the coming year and significant expenditure is not anticipated. No major modifications to any company computer systems are expected. There can, however, be no guarantee that compliance will be achieved.

### Directors and directors' interests

The directors who held office during the year were as follows:

SM Pidgeon (Chairman)  
 NR Thomas  
 PM Lockier  
 R Young  
 PR Frings

The directors who held office at the end of the financial year had the following interests in the ordinary 50p shares and 'B' shares of the company as recorded in the register of directors' share interests:

	Interest at beginning of year		At end of year	
	Ordinary 50p shares	'B' 1p shares	Ordinary 50p shares	'B' 1 p shares
SM Pidgeon	40,000	-	40,000	-
NR Thomas	40,000	-	40,000	-
PM Lockier	40,000	-	40,000	-
R Young	-	-	-	1,600

## **Directors' report** *(continued)*

### **Political and charitable contributions**

The company made no political contributions during the period. Donations to UK charities amounted to £1,278.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

  
SM Pidgeon  
Chairman

Royal House  
Parabola Road  
Cheltenham  
Gloucestershire  
GL50 3AH

23 December 1998

## **Statement of 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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.



100 Temple Street  
Bristol  
BS1 6AG  
United Kingdom

## **Report of the auditors to the members of Target Direct Marketing Limited**

We have audited the financial statements on pages 5 to 17.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

We conducted our audit in accordance with 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 the company's affairs as at 31 August 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants  
Registered Auditors

15 March 1999

**Profit and loss account**  
*for the year ended 31 August 1998*

	<i>Note</i>	1998 £	1997 £
<b>Turnover</b>	2	8,292,722	7,217,373
Cost of sales		(5,203,348)	(4,413,875)
		<hr/>	<hr/>
<b>Gross profit</b>		3,089,374	2,803,498
Administrative expenses		(2,874,226)	(2,512,697)
		<hr/>	<hr/>
<b>Operating profit</b>		215,148	290,801
Interest receivable	6	1,621	240
Interest payable and similar charges	7	(61,686)	(49,928)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	3-5	155,083	241,113
Taxation	8	(63,595)	(64,510)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation</b>		91,488	176,603
Dividends	9	(40,000)	-
		<hr/>	<hr/>
<b>Retained profit for the year</b>	17	51,488	176,603
		<hr/> <hr/>	<hr/> <hr/>

The company has no recognised gains or losses other than the results reported above, which arose from continuing activities.

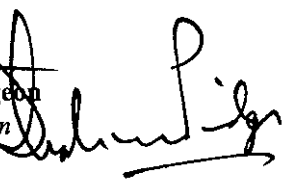
A statement of movements on reserves is given in note 17 to the financial statements.

**Company balance sheet**  
**at 31 August 1998**

	Note	1998 £	£	1997 £	£
<b>Fixed assets</b>					
Tangible assets	10		680,308		711,738
Investments	11		514		-
			<hr/>		<hr/>
			680,822		711,738
<b>Current assets</b>					
Stocks	12	459,190		307,092	
Debtors	13	1,661,038		1,374,826	
Cash at bank and in hand		500		500	
			<hr/>		<hr/>
			2,120,728		1,682,418
<b>Creditors: amounts falling due within one year</b>	14	(2,062,898)		(1,642,867)	
			<hr/>		<hr/>
<b>Net current assets</b>			57,830		39,551
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			738,652		751,289
<b>Creditors: amounts falling due after more than one year</b>	15		(373,190)		(437,331)
			<hr/>		<hr/>
<b>Net assets</b>			365,462		313,958
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	16		80,016		80,000
Profit and loss account	17		285,446		233,958
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>	18		365,462		313,958
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 23 December 1998 and were signed on its behalf by:

SM Pidgeon  
Chairman





**Cash flow statement**  
**for the year ended 31 August 1998**

	Note	1998 £	£	1997 £	£
<b>Net cash inflow from operating activities</b>	24		89,895		310,389
<b>Returns on investments and servicing of finance</b>					
Interest received		1,621		240	
Interest paid		(60,731)		(49,032)	
Interest element of finance lease rental payments		(955)		(896)	
		<hr/>		<hr/>	
<b>Net cash outflow from returns on investment and servicing of finance</b>			(60,065)		(49,688)
<b>Taxation</b>			(73,207)		(71,332)
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		(51,157)		(63,247)	
Sale of tangible fixed assets		-		15,600	
		<hr/>		<hr/>	
<b>Net cash outflow for capital expenditure</b>			(51,157)		(47,647)
<b>Acquisitions and disposals</b>					
Purchase of subsidiary undertakings			(512)		-
<b>Equity dividends paid</b>			(40,000)		(3,304)
			<hr/>		<hr/>
<b>Net cash (outflow)/inflow before financing</b>			(135,046)		138,418
<b>Financing</b>	25				
Debt due within one year:					
Repayment of amounts borrowed		(57,308)		(40,000)	
Debt due after more than one year:					
New loans		-		150,000	
Capital element of hire purchase and finance lease rental payments		(6,833)		(14,694)	
		<hr/>		<hr/>	
<b>Net cash (outflow)/inflow from financing</b>			(64,141)		95,306
			<hr/>		<hr/>
<b>(Decrease)/increase in cash</b>	25		(199,187)		233,724
			<hr/> <hr/>		<hr/> <hr/>

## 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 company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement to prepare group accounts in accordance with S248 of the Companies Act 1985. These accounts reflect the results of the individual company and not of its group.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% per annum
Fixtures, fittings and equipment (including computers)	-	25% per annum
Motor vehicles	-	25% per annum

No depreciation is provided on freehold land.

#### *Leases*

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 over its estimated useful life or the term of the lease, whichever is shorter. 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, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Pensions*

The company operates a defined contribution pension scheme and contributes to the personal pension schemes of or to the Institute of Practising Advertisers scheme on behalf of certain employees. The assets of the scheme are held separately from those of the company in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

#### *Stocks and work in progress*

Work in progress is stated at the lower of cost and net realisable value. For work in progress cost is taken as direct costs together with an appropriate proportion of attributable overheads.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### ***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

### **2 Turnover and profit on ordinary activities before taxation**

All turnover and profit on ordinary activities before taxation originated in the United Kingdom and is derived from the principal activity.

### **3 Profit on ordinary activities before taxation**

	1998 £	1997 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration:		
- Audit	7,800	6,500
- Other services	20,960	-
Depreciation	93,428	86,142
Profit on disposal of fixed assets	-	(1,964)
Operating lease rentals - land and buildings	20,056	-
- other assets	134,435	106,643

## Notes (continued)

### 4 Remuneration of directors

	1998 £	1997 £
Amounts paid to third parties in respect of directors' services	7,800	33,607
Directors' emoluments	333,448	279,465
Company contributions to money purchase pension schemes	12,083	9,659
	<u>353,331</u>	<u>322,731</u>
Number of directors to whom benefits are accruing under money purchase schemes	<u>5</u>	<u>5</u>
Emoluments of highest paid director	77,377	67,091
Pension contributions on behalf of highest paid director	<u>10,056</u>	<u>-</u>

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1998	Number of staff 1997
Office and management	18	14
Creative	15	15
Client services	19	22
Studio and production	10	7
Media	2	1
	<u>64</u>	<u>59</u>

The aggregate payroll costs of these persons was as follows:

	1998 £	1997 £
Wages and salaries	1,743,594	1,517,171
Social security costs	183,585	143,891
Other pension costs (note 19)	66,177	44,412
Other costs	24,845	19,442
	<u>2,018,201</u>	<u>1,724,916</u>

**Notes (continued)**

**6 Interest receivable**

	1998 £	1997 £
Other interest receivable	1,621	240
	<u>1,621</u>	<u>240</u>

**7 Interest payable and similar charges**

	1998 £	1997 £
On bank loans and overdrafts	60,143	48,426
On all other loans	588	606
On hire purchase and finance leases	955	896
	<u>61,686</u>	<u>49,928</u>

**8 Taxation**

	1998 £	1997 £
UK corporation tax at 24.3% (1997: 22.8%)	61,388	71,000
Adjustment relating to an earlier year	2,207	(6,490)
	<u>63,595</u>	<u>64,510</u>

**9 Dividends**

	1998 £	1997 £
Interim dividend paid:		
Ordinary 50p shares	40,000	-
	<u>40,000</u>	<u>-</u>

## Notes (continued)

### 10 Tangible fixed assets

	Freehold land and buildings £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At beginning of year	525,000	298,028	29,500	852,528
Additions	-	61,998	-	61,998
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	525,000	360,026	29,500	914,526
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of year	17,500	116,529	6,761	140,790
Charge for year	10,500	75,552	7,376	93,428
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	28,000	192,081	14,137	234,218
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 August 1998	497,000	167,945	15,363	680,308
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 1997	507,500	181,499	22,739	711,738
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the net book value of motor vehicles is £15,365 (1997: £22,740) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation on these assets was £14,135 (1997: £6,760).

### 11 Investments

	1998 £	1997 £
Investment in subsidiary undertakings	514	-
	<hr/>	<hr/>

	Country of registration or incorporation	Principal activity	Percentage of ordinary share capital held
<i>Subsidiary companies</i>			
Talking Numbers Data Based Solutions Limited	England and Wales	Data analysis and database consultancy	70%
Twenty K Limited	England and Wales	Advertising and marketing	100%
The Target Agency Limited	England and Wales	Dormant	100%

## Notes (continued)

### 12 Stocks

	1998 £	1997 £
Work in progress	459,190	307,092
	<u>459,190</u>	<u>307,092</u>

### 13 Debtors

	1998 £	1997 £
Trade debtors	1,508,502	1,212,571
Amounts owed by subsidiary undertakings	25,746	-
Other debtors	98,307	124,301
Prepayments	28,483	37,954
	<u>1,661,038</u>	<u>1,374,826</u>

### 14 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdraft (see note 15)	433,200	234,013
Obligations under finance leases and hire purchase contracts	6,833	6,833
Trade creditors	459,310	922,483
Corporation tax	61,388	71,000
Other taxes and social security costs	54,493	49,049
Other creditors	17,410	2,215
Accruals	1,030,264	357,274
	<u>2,062,898</u>	<u>1,642,867</u>

**Notes (continued)**

**15 Creditors: amounts falling due after more than one year**

	1998 £	1997 £
Bank loans	372,051	429,359
Obligations under finance leases and hire purchase contracts	1,139	7,972
	<hr/> 373,190	<hr/> 437,331
	<hr/> <hr/>	<hr/> <hr/>
Analysis:		
Bank loans can be analysed as falling due:		
In one year or less, or on demand	57,308	57,308
Between one and two years	57,308	57,308
Between two and five years	171,924	171,923
In five years or more	142,819	200,128
	<hr/> 429,359	<hr/> 486,667
	<hr/> <hr/>	<hr/> <hr/>

The bank loans bear interest at 2.5% above base rate. The company's bank borrowings are secured on the company's freehold property and by an unlimited debenture over all the company's assets.

**16 Called up share capital**

	1998 £	1997 £
<i>Authorised</i>		
200,000 ordinary shares of 50p each	100,000	100,000
1,600 non-voting, non participating 'B' shares of 1p each	16	-
	<hr/> 100,016	<hr/> 100,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Allotted, called up and fully paid</i>		
160,000 ordinary shares of 50p each	80,000	80,000
1,600 non-voting, non participating 'B' shares of 1p each	16	-
	<hr/> 80,016	<hr/> 80,000
	<hr/> <hr/>	<hr/> <hr/>

A resolution was passed during year to authorise and issue 1600 non-voting, non participating B shares of 1p each.

**17 Profit and loss account**

	£
At beginning of year	233,958
Retained profit for the year (page 4)	51,488
	<hr/>
At end of year	285,446
	<hr/> <hr/>



## Notes (continued)

### 18 Reconciliation of movements in equity shareholders' funds

	1998 £	1997 £
Profit for the financial year (page 5)	91,488	176,603
Dividends	(40,000)	-
New shares issued	16	-
	<hr/>	<hr/>
Net additions to equity shareholders' funds	51,504	176,603
Opening shareholders' funds	313,958	137,355
	<hr/>	<hr/>
Closing shareholders' funds	365,462	313,958
	<hr/> <hr/>	<hr/> <hr/>

### 19 Pension scheme

The company operates a non-contributory defined contribution pension scheme, covering certain of the directors. In addition, the company contributes to a number of other employees' pension schemes or to the Independent Practising Advertisers' scheme on their behalf also on a defined contribution basis. The funds of all these schemes are independent of the company's finances.

The pension cost charge for the year represents contributions payable by the company to the funds and amounted to £66,177 (1997: £44,412).

Contributions amounting to £27,163 (1997: £32,315) were payable to the fund at the end of the financial year and are included in creditors.

### 20 Commitments

The company had the following annual commitments in respect of non-cancellable operating leases:

	1998 £	1997 £
Land and buildings which expire within the second to fifth years inclusive	11,500	-
Operating leases for assets other than land and buildings which expire:		
within one year	34,535	3,085
within the second to fifth years inclusive	91,863	130,442
in over five years	273	273
	<hr/>	<hr/>
	138,171	133,800
	<hr/> <hr/>	<hr/> <hr/>

## **Notes (continued)**

### **21 Contingencies**

The company has guaranteed the borrowings of its two subsidiaries, Talking Numbers Data based solutions Limited and Twenty K Limited, whose borrowings at 31 August 1998 totalled £150,244 (1997: £57,723).

The company has also guaranteed a rental agreement entered into by Twenty K Limited which commits Twenty K Limited to £40,000 per annum for 5 years.

### **22 Subsidiary undertakings**

The company acquired the following interests in subsidiary undertakings during the year.

Talking Numbers Data based solutions Ltd	-	70% of ordinary share capital (see below)
Twenty K Limited	-	100% of ordinary share capital, at cost of £2
The Target Agency	-	100% of ordinary share capital, at cost of £2

	Talking Numbers £
Fixed assets	8,506
Net current assets	(36,763)
	<hr/>
	(28,257)
Goodwill	28,767
	<hr/>
	510
	<hr/>
Satisfied by cash	510
	<hr/>

### **23 Related party disclosures**

The company made sales of £4,567 and recharged £98,185 of costs to, and made purchases of £19,407 from Talking Numbers Data based solutions Limited, a 70% owned subsidiary. At the year end £15,297 was owed to the company by this subsidiary.

The company made sales of £70,303 and recharged £17,904 of costs to, and made purchases of £6,000 from Twenty K Limited, a wholly owned subsidiary. At the year end £10,449 was owed to the company by this subsidiary.

## Notes (continued)

### 24 Reconciliation of operating profit to net cash inflow from operating activities

	1998 £	1997 £
Operating profit	215,148	290,801
Add: Depreciation charge	93,428	86,142
Less: Profit on sale of tangible fixed assets	-	(1,964)
Increase in stocks	(152,098)	(145,356)
Increase in debtors	(286,212)	(78,502)
Increase in creditors	219,629	159,268
	<hr/>	<hr/>
Net cash inflow from operating activities	89,895	310,389
	<hr/> <hr/>	<hr/> <hr/>

### 25 Analysis of changes in net debt

	At 1 September 1997 £	Cash flows £	Other changes £	At 31 August 1998 £
Cash at bank and in hand	500	-	-	500
Overdraft	(176,707)	(199,187)	-	(375,894)
	<hr/>	<hr/>	<hr/>	<hr/>
	(176,207)	(199,187)	-	(375,394)
Debt due within one year	(57,308)	57,308	(57,308)	(57,308)
Debt due after more than one year	(429,359)	-	57,308	(372,051)
Finance leases and hire purchase contracts	(14,806)	6,834	-	(7,972)
	<hr/>	<hr/>	<hr/>	<hr/>
	(677,680)	(135,045)	-	(812,725)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>