

MARKETING MATTERS LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 1995

BELL NEVILL
CHARTERED ACCOUNTANTS
BOURNEMOUTH



MARKETING MATTERS LIMITED

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MARKETING MATTERS LIMITED

CHAIRMAN'S STATEMENT

The financial year ended 31 August 1995 has seen a very successful refocussing of the business and a concentration on its core strengths. The catalyst of this change was the demerger of the company's education division, which by its very nature was a strategic move that required extensive planning and careful resource management. This change also coincided with the successful completion of a number of specialist projects that have helped to differentiate Marketing Matters Limited from its competition.

Sales for the year were on target and showed steady growth in the company's major accounts. Particularly encouraging was the success of the newly developed strategy for business acquisition which was responsible for the winning of £750,000 of new business. This included the appointment as agency of record for Pirelli General UK, Premier Marinas and Kahrs. The real fruits of these successes will be seen once the new strategies are fully in place and the consequential projects have come on stream.

Development work had also taken place throughout the summer of 1995 on the structure and implementation of the company's new management information system that was installed in September 1995. This system has greatly increased the information available to the management team, who are charged with identifying areas where efficiency and profitability can be improved.

This strong performance has been particularly encouraging in the light of two major deflections to management time and resources. As previously stated the education division, which represented nearly 50% of the company's turnover and revenue, was demerged with the consequent need for reassessment and restructuring of the company.

Additionally the failure of our subsidiary, The Bournemouth Acorn Press Limited, was a very significant drain on both management time and financial resources. Costs attributed to Acorn were £116,995 which included the payment of guarantees and the repayment of a director's loan under the original Acorn share sale agreement.

The loss for the year was disappointing, but in view of the two major distractions it could not be regarded as unsatisfactory. The underlying trading of the business remains strong and has been further underlined since the end of the financial year by major new business wins, from a number of blue chip accounts, including The Portman Building Society, Polar Cup and Siemens. The strength of the company's current client file and the continued successes of the new business team confirm the confidence that the directors have in the future health and growth of the business.


L. T. EDMONDS

CHAIRMAN

27/8/1996

MARKETING MATTERS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 31st August 1995.

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 of the company for that period. In preparing those 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;
- 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 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.

PRINCIPAL ACTIVITY

The principal activity of the company continued to be that of marketing consultancy, including design, implementation and management of marketing projects.

DIRECTORS

The directors of the company throughout the year and their interests in the share capital of the company were:-

	£1 ordinary shares	
	<u>1995</u>	<u>1994</u>
J P Gee	7,123	6,667
L T Edmonds	6,123	5,667
G P Consultants & Marketing Services Limited	-	-

J Fairlie served as a director until 9th September 1994 when he resigned.

G P Consultants & Marketing Services Limited resigned as a director on 7th December 1995.

MARKETING MATTERS LIMITED

REPORT OF THE DIRECTORS

PURCHASE OF OWN SHARES

1,754 ordinary shares of £1 each, representing 9% of the company's called up share capital, were acquired by the company during the year for a total consideration of £21,925.

CHARITABLE DONATIONS

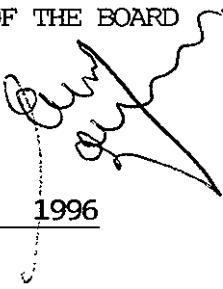
Donations to charitable organisations during the year totalled £1,005.

ON BEHALF OF THE BOARD

R BROWN

SECRETARY

27/8/ 1996

A handwritten signature in dark ink, appearing to be 'R. Brown', is written over the typed name and extends upwards into the 'ON BEHALF OF THE BOARD' line.

AUDITORS REPORT TO THE SHAREHOLDERS OF
MARKETING MATTERS LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2 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

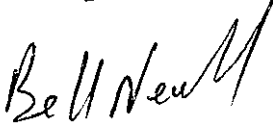
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 at 31st August 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In our opinion the company is entitled for the year ended 31st August 1995 to the exemption conferred by Section 248 of the Companies Act 1985 from the requirement to prepare group financial statements.



BELL NEVILL

Chartered Accountants and
Registered Auditor

Bournemouth

27/8/ 1996

MARKETING MATTERS LIMITED

PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST AUGUST 1995

	Notes	1995	1994
	-----	-----	-----
TURNOVER		2,798,649	4,327,368
Cost of sales		1,682,795	2,736,463
Gross profit		1,115,854	1,590,905
Administrative expenses		1,131,002	1,639,805
		(15,148)	(48,900)
Other operating income		84,495	86,470
OPERATING PROFIT	1	69,347	37,570
Closure costs of a subsidiary company - The Bournemouth Acorn Press Limited		116,995	-
Interest receivable and similar income		7,124	7,540
Interest payable and similar charges	3	34,149	45,851
		(27,025)	(38,311)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(74,673)	(741)
Tax on loss on ordinary activities	4	(2,421)	12,256
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	16	£(77,094)	£11,515

Apart from the loss for the year, there are no other recognised gains or losses.

MARKETING MATTERS LIMITED

BALANCE SHEET
AT 31ST AUGUST 1995

	Notes -----	1995 -----	1994 -----
FIXED ASSETS			
Tangible assets	7	202,160	199,849
Investments	8	-	179
		<u>202,160</u>	<u>200,028</u>
CURRENT ASSETS			
Stocks	9	79,623	76,748
Debtors	10	1,040,486	838,601
Cash at bank and in hand		10,268	8,136
		<u>1,130,377</u>	<u>923,485</u>
CREDITORS: amounts falling due within one year	11	1,225,770	914,880
NET CURRENT (LIABILITIES)/ASSETS		<u>(95,393)</u>	<u>8,605</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>106,767</u>	<u>208,633</u>
CREDITORS: amounts falling due after one year	12	(15,565)	(20,833)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(6,700)	(4,279)
		<u>£84,502</u>	<u>£183,521</u>
CAPITAL AND RESERVES			
Called up share capital	15	18,246	20,000
Capital redemption reserve	16	1,754	-
Profit and loss account	16	64,502	163,521
SHAREHOLDERS' FUNDS	17	<u>£84,502</u>	<u>£183,521</u>

The financial statements were approved by the directors on 27/8/ 1996


L. T. EDMONDS


J. P. GEE

Director

MARKETING MATTERS LIMITED

CASH FLOW STATEMENT
YEAR ENDED 31ST AUGUST 1995

	Notes -----	1995 -----	1994 -----
Net cash inflow from operating activities	19	42,216	303,308
Returns on investments and servicing of finance			
Interest received	7,124	7,540	
Interest paid	(29,522)	(30,830)	
Interest element of finance lease rental payments	(6,180)	(12,939)	
Net cash outflow from returns on investments and servicing of finance		(28,578)	(36,229)
Taxation			
UK corporation tax and ACT paid		(4,943)	(3,750)
Investing activities			
Purchase of tangible fixed assets	(24,042)	(83,759)	
Purchase of subsidiary company	-	(100)	
Loans to subsidiary undertakings	-	(189,870)	
Sale of tangible fixed assets	17,634	44,637	
Sale of subsidiary company	12,500	-	
Subsidiary undertakings loans repaid	274,667	-	
Net cash inflow/(outflow) from investing activities		280,759	(229,092)
Net cash inflow before financing		289,454	34,237
Financing			
Purchase of own shares	(21,925)	-	
Closure costs of a subsidiary company	(116,995)	-	
Capital element of finance lease rental repayments	(25,815)	(89,075)	
Net cash outflow from financing activities		(164,735)	(89,075)
Increase in cash and cash equivalents	20	£124,719 =====	£(54,838) =====

MARKETING MATTERS LIMITED

ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention, and comply with appropriate accounting standards.

2. BASIS OF NON-CONSOLIDATION

The company has not prepared consolidated financial statements because, being the holding company of a medium sized group, it is exempt from doing so under section 248 of the Companies Act 1985.

Therefore, these financial statements present information concerning the company as an individual undertaking only, and not as a group.

3. TURNOVER

Turnover represents the amount invoiced for the provision of goods and services which fall within the company's ordinary activities, and is stated net of value added tax.

In the case of long-term contracts, turnover reflects the contract activity during the year and represents the proportion of total contract value which costs incurred to date bear to total expected contract costs.

4. TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives as follows:-

Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	20% reducing balance

5. LONG TERM CONTRACTS

The attributable profit on long term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed on the project.

Costs associated with long term contracts are matched with long term contract turnover. Costs are included in stock to the extent that they cannot be matched with contract work accounted for as turnover.

Provision is made for foreseeable losses on all contracts based on the loss currently estimated to arise over the course of the contract, irrespective of the amount of work carried out at the balance sheet date.

6. STOCK

Stock and work in progress are valued at the lower of cost and net realisable value.

7. DEFERRED TAXATION

Deferred taxation is provided by the liability method on material short term timing differences. Provision is also made for long term timing differences except for those which are not expected to reverse in the foreseeable future.

MARKETING MATTERS LIMITED

ACCOUNTING POLICIES

8. LEASING AND HIRE PURCHASE

Assets obtained under finance leases and similar hire purchase contracts are capitalised in the balance sheet.

The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Amounts payable under operating leases are charged to profit and loss account on a straight line basis over the period of the lease.

9. PENSIONS

The company operates an insured defined contributions pension scheme for its directors and staff. Contributions are charged to profit and loss account when payable.

MARKETING MATTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 1995

1. OPERATING PROFIT

The turnover and loss on ordinary activities before taxation are attributable to one activity, that of marketing consultancy services within the United Kingdom.

(a) The loss on ordinary activities is stated after charging:

	1995	1994
	----	----
	£	£
Directors' remuneration (Note 1(b))	248,177	275,066
Auditors' remuneration	6,750	6,500
Depreciation	49,097	69,121
Operating lease rentals - plant and machinery	11,071	28,546
- land and buildings	60,000	90,000

(b) Directors' remuneration

Fees	28,800	34,100
Other emoluments	142,647	173,303
Pension contributions	13,005	7,663
Pension to former director	63,725	60,000
	<u>£248,177</u>	<u>£275,066</u>

Chairman's remuneration	£28,800	£34,100
	=====	=====
Highest paid director	£73,368	£58,881
	=====	=====

The other directors received remuneration in the following ranges:

£55,001 - £60,000	-	2
£60,001 - £70,000	1	-

2. STAFF COSTS

Wages and salaries	574,527	846,032
Social security costs	60,368	84,244
Pension costs	21,492	28,987
Pension to former director	63,725	60,000
	<u>£720,112</u>	<u>£1,019,263</u>

The average number of employees of the company during the year was 25 (1994 - 49).

MARKETING MATTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 1995

	1995 ----	1994 ----
3. INTEREST PAYABLE		
Bank loans, overdrafts and other loans, wholly repayable within five years	27,969	32,912
Finance lease charges	<u>6,180</u>	<u>12,939</u>
	<u>£34,149</u>	<u>£45,851</u>

4. TAXATION

Based on the loss for the year:

Under provision for taxation in previous years	-	(10,015)
Deferred taxation	<u>2,421</u>	<u>(2,241)</u>
	<u>£(2,421)</u>	<u>£12,256</u>

5. OPERATING LEASE COMMITMENTS

At the balance sheet date the company had annual commitments under operating leases as follows:-

	Land and buildings -----	Other -----
Operating leases which expire:-		
Within one year	-	-
In two to five years inclusive	-	15,209
In over five years	-	-
	<u>£ -</u>	<u>£15,209</u>
	=====	=====

6. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £21,492 (1994 £28,987).

MARKETING MATTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED 31ST AUGUST 1995

7. TANGIBLE ASSETS

	Motor vehicles	Fixtures & fittings	Total
	-----	-----	-----
Cost:			
At 1st September 1994	164,190	210,766	374,956
Additions	53,932	6,562	60,494
Disposals	(32,185)	-	(32,185)
At 31st August 1995	<u>£185,937</u>	<u>£217,328</u>	<u>£403,265</u>
Depreciation:			
At 1st September 1994	66,384	108,723	175,107
Charge for year	28,139	20,958	49,097
Released on disposals	(23,099)	-	(23,099)
At 31st August 1995	<u>£71,424</u>	<u>£129,681</u>	<u>£201,105</u>
Net book value:			
At 1st September 1994	<u>£97,806</u>	<u>£102,043</u>	<u>£199,849</u>
At 31st August 1995	<u>£114,513</u>	<u>£87,647</u>	<u>£202,160</u>

Assets held under finance leases are included above as follows:-

	Depreciation charge	Net book value
	-----	-----
Motor vehicles	£18,356 =====	£92,750 =====
		Total -----
Cost:		
At 1st September 1994		179
Disposals		(100)
Investment written off		(79)
At 31st August 1995		<u>-</u>

MARKETING MATTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 1995

	1995 ----	1994 ----
9. STOCKS		
Work in progress	79,623	76,748
	<u>£79,623</u>	<u>£76,748</u>

10. DEBTORS: amounts receivable within one year:-

Trade debtors	806,868	411,227
Amounts owed by group undertakings	172,000	394,585
Corporation tax	5,708	765
Other debtors	-	9,192
Directors' current accounts	2,516	2,308
Prepayments and accrued income	53,394	20,524
	<u>£1,040,486</u>	<u>£838,601</u>

The directors' current accounts were overdrawn during the year as follows:

	Overdrawn at 01/09/94	Maximum overdrawn balance	Overdrawn at 31/08/95
L T. Edmonds	£308 ===	£516 ===	£516 ===
J.P. Gee	£2,000 =====	£2,000 =====	£2,000 =====

11. CREDITORS: amounts falling due within one year:-

Bank overdraft	235,803	358,390
Payments received on account	17,948	17,184
Trade creditors	547,251	345,570
Amounts owed to group undertakings	76,151	-
Taxation and social security	99,268	63,436
Loans from pension scheme	34,500	34,500
Hire purchase and finance leases (Note 13)	35,496	19,591
Accruals and deferred income	179,353	76,209
	<u>£1,225,770</u>	<u>£914,880</u>

Trade creditors include amounts totalling approximately £135,000 where suppliers have reserved title to goods until payment in full, in accordance with their standard conditions of trade.

The bank overdraft is secured by a debenture over the assets of the company.

MARKETING MATTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 1995

	1995	1994
	----	----
12. CREDITORS: amounts falling due after one year:-		
Hire purchase and finance leases (Note 13)	15,565	20,833
	<u>£15,565</u>	<u>£20,833</u>

13. OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

Amounts payable:		
within one year (Note 11)	35,496	19,591
in the second to fifth year inclusive (Note 12)	15,565	20,833
	<u>£51,061</u>	<u>£40,424</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

	Opening balance	Charge for year	Closing balance
	-----	-----	-----
Deferred taxation	4,279	2,421	6,700
	<u>£4,279</u>	<u>£2,421</u>	<u>£6,700</u>

Deferred taxation is comprised as follows:

	1995	1994
	----	----
Accelerated capital allowances	£6,700	£4,279
	=====	=====

15. SHARE CAPITAL

	1995	Authorised 1994	Allotted, called up and fully paid 1995	1994
	No	No	£	£
Ordinary shares of £1	50,000	50,000	18,246	20,000
	<u>50,000</u>	<u>50,000</u>	<u>£18,246</u>	<u>£20,000</u>

On September 9th 1994 1,754 of the company's ordinary shares were purchased by the company for a total consideration of £21,925.

MARKETING MATTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 1995

16. RESERVES

	Capital redemption reserve -----	Profit & loss account -----
At 1st September 1994	-	163,521
Loss for the financial year	-	(77,094)
Purchase of own shares	-	(20,171)
Transfer from profit & loss account to capital redemption	1,754 -----	(1,754) -----
At 31st August 1995	£1,754 =====	£64,502 =====
	1995 -----	1994 -----

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

(Loss)/Profit for the financial year	(77,094)	11,515
Purchase of own shares	(21,925)	-
	(99,019)	11,515
Opening shareholders funds	183,521	172,006
Closing shareholders funds, attributable to equity interests	£84,502 =====	£183,521 =====

18. CAPITAL COMMITMENTS

Contracted but not provided	£27,272 =====	- =====
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19. RECONCILIATION OF OPERATING PROFIT TO
NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating profit	69,347	37,570
Depreciation	49,097	69,121
Net profit on sale of tangible assets and investments	(20,964)	(477)
Increase in stocks	(2,875)	177,150
Increase in debtors	(471,514)	55,017
Increase in creditors	419,125	(535,073)
	£42,216 =====	£303,308 =====

MARKETING MATTERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST AUGUST 1995

20. CASH AND CASH EQUIVALENTS

	Cash at bank and in hand -----	Bank overdraft -----	Total -----
At 1st September 1993	6,192	(301,608)	(295,416)
Net cash inflow/(outflow)	1,944	(56,782)	(54,838)
	-----	-----	-----
At 31st August 1994	8,136	(358,390)	(350,254)
Net cash inflow	2,132	122,587	124,719
	-----	-----	-----
At 31st August 1995	£10,268	£(235,803)	£(225,535)
	=====	=====	=====