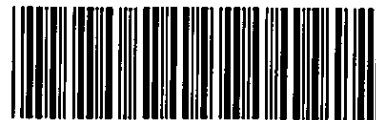


Registered Number 2688821

Landround Marketing Limited
Report and Accounts
for the year ended 31 January 2007

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Landround Marketing Limited

Report and Accounts for the year ended 31 January 2007

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Landround Marketing Limited

Directors and advisers

Directors

Jan Wilcock
Kevin Nugent
Colin Gibson
Anthony Pope

Secretary

Anthony Pope (appointed 2 January 2007)

Registered Office

The Quadrant
Sealand Road
Chester
CH1 4QR

Auditors

Baker Tilly UK Audit LLP
Number One Old Hall Street
Liverpool
L3 9SX

Bankers

HSBC Bank
4 Dale Street
Liverpool
L69 2BZ

Landround Marketing Limited

Directors' report for the year ended 31 January 2007

The directors present their report and the financial statements of the company for the year ended 31 January 2007

The company is a wholly owned subsidiary of Landround plc, an AIM listed publicly owned company

The company changed its financial year end in the prior year, and as a result prior year profit and loss comparatives are for a 16 month period

Principal activities

The principal activity of the company is the design, promotion and distribution of reward programme and promotional voucher incentives. 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.

The company was restructured in the year and its parent company was refinanced. Given these factors, together with a reinvigorated business plan, the level of business and financial position were considered to be satisfactory. It is expected that the level of activity within the group as a whole will increase in the forthcoming year.

Review of the business

The results for the year and financial position of the company are as shown in the annexed financial statements.

Principal risks and uncertainties

The major commercial risks the company faces can be seen in relation to its two areas of operation in the following terms:

(i) Reward programmes

The timing of contract finalisation, initial scale and future growth rates of new reward programmes are a key risk affecting the company's ability to forecast accurately future profitability and funding requirements. The levels of expected reward point redemptions is the other key risk, in terms of percentage of points issued which are ultimately redeemed and the cost of delivering travel and other rewards for each point redeemed.

(ii) Promotions

Limited visibility in relation to levels of future promotions business is a key risk affecting the company's ability to forecast accurately future profitability and funding requirements. Expected redemption levels for promotional vouchers issued is the other key risk, in terms of the percentage of vouchers ultimately redeemed and the cost of delivering travel and other rewards for each voucher redeemed.

Results and dividends

The loss for the year was £1,762,410 (2006: £1,581,165). The directors do not recommend the payment of a final dividend (2006: £Nil).

Future prospects

The directors remain confident about the future prospects of the company.

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements.

Landround Marketing Limited

Directors' report for the year ended 31 January 2007 (continued)

Directors

The directors of the company during the year under review were as follows

Jan Wilcock

Kevin Nugent

Colin Gibson

Anthony Pope (appointed 2 January 2007)

Tina Mills (resigned 30 June 2006)

David Lyne (resigned 6 June 2006)

Anthony Short (resigned 19 May 2006)

Third party indemnity insurance for the benefit of the directors was in force during the financial year

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and estimates that are reasonable and prudent,
- c state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- d 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 requirements of 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.

Landround Marketing Limited

Directors' report for the year ended 31 January 2007 (continued)

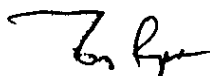
Auditors

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5). Baker Tilly UK Audit LLP has indicated its willingness to continue in office, and a resolution concerning their appointment will be proposed at the Annual General Meeting.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

By order of the Board



Anthony Pope
Secretary
5 June 2007

Landround Marketing Limited

Independent auditor's report to the members of Landround Marketing Limited

We have audited the financial statements on pages 6 to 18

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 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 January 2007 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

Number One Old Hall Street

Liverpool L3 9SX

5 June '07

Landround Marketing Limited

Profit and loss account for the year ended 31 January 2007

	Note	2007 £	16 months ended 31 January 2006 £
Turnover	1	4,635,788	6,841,897
Cost of sales		(2,327,872)	(3,455,312)
		2,307,916	3,386,585
Operating expenses			
Distribution costs		-	(29,935)
Administrative expenses		(3,723,633)	(5,450,003)
Operating loss	2	(1,415,717)	(2,093,353)
Reorganisation costs	3	(199,500)	-
Net interest payable	6	(69,581)	(46,286)
Loss on ordinary activities before taxation		(1,684,798)	(2,139,639)
Taxation	7	(77,612)	558,474
Loss on ordinary activities after taxation		(1,762,410)	(1,581,165)

All amounts relate to continuing operations

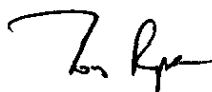
The company has no recognised gains and losses in the current year other than the losses above and therefore no separate statement of total recognised gains and losses has been presented

Landround Marketing Limited

Balance sheet as at 31 January 2007

	Note	2007 £	2006 (restated) £
Fixed assets			
Tangible assets	8	431,977	606,836
Current assets			
Stock	9	55,000	76,267
Debtors – due within one year	10	534,536	1,554,610
Debtors – due after more than one year	10	496,000	436,628
Cash at bank and in hand		362,937	439,173
		1,448,473	2,506,678
Creditors - amounts falling due within one year	12	(5,144,925)	(4,950,579)
Net current liabilities		(3,696,452)	(2,443,901)
Total assets less current liabilities		(3,264,475)	(1,837,065)
Provision for liabilities and charges	13	(1,503,000)	(1,168,000)
Net Assets		(4,767,475)	(3,005,065)
Capital and reserves			
Called up equity share capital	14	20,000	20,000
Profit and loss account	15	(4,787,475)	(3,025,065)
Equity shareholder's deficit	16	(4,767,475)	(3,005,065)

The financial statements on pages 6 to 18 were approved by the board of directors and authorised for issue on 5 June 2007 and are signed on its behalf by



Anthony Pope
Director
5 June 2007

Landround Marketing Limited

Accounting policies for the year ended 31 January 2007

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985, as amended, and with applicable accounting standards

Cash flow statement

The company is a subsidiary of Landround plc and is included in the consolidated financial statements of that company. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under FRS 1 'Cash Flow Statements'

Turnover

Reward programmes

Revenue is recognised based on the following criteria

1 For sales without an "umbrella" contract,

(i) a valid, unconditional order has been received, and

(ii) the client is in a position to issue those points to its customers either electronically or in paper form

2 For sales with an "umbrella" contract

(i) a valid contract exists which either commits the customer to taking delivery of a committed minimum number of points over a period of time or sets out the terms under which they may call off delivery of points, and

(ii) either,

- a delivery milestone under the contract (including the end date of the contractual period) has been reached which triggers the delivery of points, or
- the client has called off points for delivery/issue

Promotional vouchers

Revenue is recognised based on the following criteria

1 For sales where all physical paper vouchers are delivered to the client at the start of the contract for onward distribution, at the point where vouchers have been delivered against a valid, unconditional order

2 For sales which are based on a client promotion involving distribution of vouchers only in response to phone or mail contact from the target recipients, or based on the client calling off delivery of vouchers as required, where

(i) a valid unconditional order has been received, and

(ii) there is reasonable certainty that the promotion or activity, which will result in the client requiring the company to perform the contracted services, will proceed or the client is otherwise commercially committed to completion of the contract

Turnover represents the net total of goods and services sold (recognised on the above bases) during the financial year excluding VAT

Landround Marketing Limited

Accounting policies for the year ended 31 January 2007 (continued)

Cost of Sales

Cost of sales comprises the actual costs of producing reward programme brochures, promotional vouchers and other sales collateral, sales commission earned by employees, recharges from other group companies and a provision for the potential future cost of reward programme points and vouchers invoiced to clients and yet to be redeemed

The provision for the potential future liabilities for unredeemed reward programme points and vouchers has been made on the basis of the estimated cost of redemption per point or voucher, using historical actual data and making certain assumptions concerning redemption levels, destination and date of travel. The likely redemption levels are regularly reappraised in the light of historic and current trends.

Tangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation has been provided so as to write off the cost of tangible fixed assets, less estimated residual value, by equal instalments over their estimated useful lives, at the following annual rates:

Short leasehold land and buildings	5%
Plant and machinery (including computers and software)	10/20/33%
Fixtures, fittings and equipment	15%
Motor Vehicles	25%

Leasing

Rentals on operating leases are charged to the profit and loss account in the periods in which they fall due.

Stock

Stock is stated on a first in, first out basis at the lower of cost and net realisable value.

Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred. Timing differences are differences between taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets are recognised, on a discounted basis, to the extent that they are regarded as recoverable, when on the basis of all available evidence it is more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

Corporation tax payable is provided on taxable profits at the current rate.

Landround Marketing Limited

Accounting policies for the year ended 31 January 2007 (continued)

Hire purchase commitments

Assets acquired under hire purchase agreements are capitalised and liabilities are set up for the capital portions of the instalments. The interest portions of the instalments are charged to the profit & loss accounts in the periods in which they fall due.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Assets, liabilities and results of overseas subsidiaries are translated at the rate ruling at the balance sheet date. Exchange differences arising are dealt with through reserves.

Reclassification of Redemption Provision

The accrual for the potential future liabilities for unredeemed reward programme points and vouchers has historically been included within other creditors (part of Creditors – amounts falling due within one year). The directors now consider it more appropriate to classify this within Provisions for liabilities and charges, and therefore the prior year comparatives have been adjusted to reflect this. The impact has been to increase net current assets and total assets less current liabilities by the amount of the provision.

The details of the provision are set out in note 13.

Landround Marketing Limited

Notes to the financial statements for the year ended 31 January 2007

1 Turnover

No analysis (either by geographical region or by business segment) is presented as, in the opinion of the directors, disclosure of this information would be seriously prejudicial to the company

2 Operating loss

	2007	16 months ended 31 January 2006
	£	£
Operating loss is stated after charging:		
Depreciation – owned assets	194,191	240,283
Depreciation – assets held under finance leases and hire purchase contracts	2,124	5,667
Statutory Audit	34,760	26,250
Audit – regulatory reporting	3,900	3,150
Further assurance services	1,500	-
Tax compliance	12,300	-
Tax advisory	4,405	-
Operating leases – plant and machinery	17,604	45,739
Operating leases – land and buildings	128,448	182,886

In the prior year non audit related fees charged by the Auditors were borne by the parent company

3 Reorganisation costs

This item relates to restructuring costs incurred during the year, and comprises of redundancy payments

There was a fundamental shift in the sales strategy of the UK division in the year, which led directly to the redundancies of 20 employees in June 2006, representing the majority of the UK sales force and a quarter of the total company workforce

The tax effect of the reorganisation costs amounted to £59,850, increasing the trading losses carried forward

Landround Marketing Limited

Notes to the financial statements for the year ended 31 January 2007 (continued)

4 Staff costs

	2007	16 months ended 31 January 2006
	£	£
Wages and salaries	1,733,948	2,437,092
Social security costs	176,599	263,936
	1,910,547	2,701,028

The average number of persons, including directors, employed by the company during the period was

	2007	16 months ended 31 January 2006
	Number	Number
Management and administration	72	85

5 Directors' emoluments

	2007	16 months ended 31 January 2006
	£	£
Aggregate emoluments	491,260	615,835

The aggregate emoluments of the highest paid director are £117,083 (2006 £222,998)

6 Net interest payable

	2007	16 months ended 31 January 2006
	£	£
Interest payable on bank loans and overdrafts	79,579	43,794
Interest payable on other loans	-	9,348
Finance charges payable	-	2,087
Interest receivable	(9,998)	(8,943)
Net interest payable	69,581	46,286

Landround Marketing Limited

Notes to the financial statements for the year ended 31 January 2007 (continued)

7 Taxation

(a) Analysis of charge / (credit) for the period

	2007	16 months ended 31 January 2006
	£	£
Corporation tax at 30% on the profit for the year (2006 30%)	-	(15,500)
Prior year (over)/under provision	(4,309)	34,947
Total current tax	(4,309)	19,447
Deferred tax - current year	81,921	(577,921)
Tax on loss on ordinary activities	77,612	(558,474)

The tax charge for the year differs from that calculated at the standard rate of UK corporation tax for the reasons below

(b) Factors affecting tax charge / (credit) for the period

	2007	16 months ended 31 January 2006
	£	£
Loss on ordinary activities before tax	(1,684,798)	(2,139,639)
At standard rate of corporation tax of 30% (2006 30%)	(505,439)	(641,892)
Depreciation in excess of capital allowances	33,805	28,019
Overseas taxation	-	34,947
Short term timing differences	5,400	18,859
Trading losses carried forward	466,234	544,567
Prior year (over)/under provision	(4,309)	34,947
Total current tax	(4,309)	19,447

Landround Marketing Limited

Notes to the financial statements for the year ended 31 January 2007 (continued)

8 Tangible fixed assets

	Short leasehold land and buildings	Plant and machinery	Total
	£	£	£
Cost or valuation			
At 1 February 2006	86,721	1,365,952	1,452,673
Additions	-	28,895	28,895
Disposals	-	(17,000)	(17,000)
Re-translation difference	(7)	7	-
At 31 January 2007	86,714	1,377,854	1,464,568
Accumulated depreciation			
At 1 February 2006	21,005	824,832	845,837
Charge for the year	4,402	191,913	196,315
Disposals	-	(9,561)	(9,561)
At 31 January 2007	25,407	1,007,184	1,032,591
Net book amount			
At 31 January 2007	61,307	370,670	431,977
At 31 January 2006	65,716	541,120	606,836

The net book amount of fixed assets includes £Nil (2006 £9,562) in respect of plant and machinery held under hire purchase arrangements. The depreciation charge in the year relating to these assets was £2,124 (2006 £5,667). The asset in question was disposed of in the year.

9 Stock

	2007	2006
	£	£
Finished goods and goods for resale	55,000	76,267

Landround Marketing Limited

Notes to the financial statements for the year ended 31 January 2007 (continued)

10 Debtors

	2007	2006
	£	£
Amounts due within one year:		
Trade debtors	250,022	959,870
Prepayments and accrued income	188,009	119,130
Other taxation and social security	12,144	-
Other debtors	39,652	3,132
Corporation tax debtor	44,709	331,185
Deferred tax asset (note 11)	-	141,293
	534,536	1,554,610
Amounts due after more than one year:		
Deferred tax asset (note 11)	496,000	436,628

The corporation tax debtor, which was included within other debtors previously, is now analysed separately

11 Deferred tax asset

	2007	2006
	£	£
At 1 February 2006	577,921	-
Profit and loss account – deferred tax	(81,921)	577,921
At 31 January 2007	496,000	577,921
Provision for deferred tax has been made as follows:		
Asset		
Tax losses	613,000	675,000
Discount	(117,000)	(97,079)
	496,000	577,921

A discounted deferred tax asset of £496,000 (2006 £577,921) has been recognised which is the extent to which recoverability can be foreseen with reasonable probability

Landround Marketing Limited

Notes to the financial statements for the year ended 31 January 2007 (continued)

12 Creditors

Creditors – Amounts falling due within one year

	2007	2006 (restated)
	£	£
Trade creditors	582,712	145,759
Taxation and social security	-	292,597
Bank loans and overdrafts	1,621,408	418,230
Obligations under finance lease and hire purchase contracts	-	12,581
Amounts due to group undertakings	2,637,649	3,807,540
Accruals and deferred income	259,665	249,765
Other creditors	43,491	24,107
	5,144,925	4,950,579

13 Provision for liabilities and charges

	£
Redemption provision	
At 1 February 2006	1,168,000
Charged to profit and loss account	1,532,799
Released in year	(117,000)
Utilised in year	(1,080,799)
At 31 January 2007	1,503,000

The provision represents the estimated potential future liabilities for unredeemed reward programme points and vouchers, as detailed in the accounting policies

14 Called up share capital

	Class	Nominal value	2007 £	2006 £
Authorised	Ordinary	£1	20,000	20,000
Allotted, called up and fully paid	Ordinary	£1	20,000	20,000

Landround Marketing Limited

Notes to the financial statements for the year ended 31 January 2007 (continued)

15 Reserves

	Profit and loss account £
At 1 February 2006	(3,025,065)
Loss sustained for the year	(1,762,410)
At 31 January 2007	(4,787,475)

16 Reconciliation of movements in shareholder's deficit

	2007 £	2006 £
Loss for the year	(1,762,410)	(1,581,165)
Dividends	-	-
Net addition to shareholder's deficit	(1,762,410)	(1,581,165)
Opening shareholder's deficit	(3,005,065)	(1,423,900)
Closing shareholder's deficit	(4,767,475)	(3,005,065)

17 Guarantees and other financial commitments

At 31 January 2007, the company had annual commitments under non-cancellable operating leases which expire as set out below

	2007 Land and buildings £	2006 Land and buildings £	2007 Other £	2006 Other £
Expiring within one year	-	-	6,052	-
Expiring between one and two years	19,000	-	11,552	-
Expiring between two and five years	-	19,000	-	12,581
Expiring after five years	109,000	109,000	-	-

The company has given a guarantee in respect of its overdraft facility with HSBC, the company's principal banker

Landround Marketing Limited

Notes to the financial statements for the year ended 31 January 2007 (continued)

18 Related party transactions

The company has taken advantage of the exemption, under the terms of FRS 8, from disclosing related party transactions with members of the same group as it is a 100% subsidiary

19 Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Landround plc, a company registered in England

Copies of the consolidated accounts of Landround plc can be obtained by writing to the company's registered office

The Company Secretary
Landround plc
Sealand Road
Chester CH1 4QR