



ARTHUR ANDERSEN

**L.L.S. Holdings Limited
and subsidiary undertakings**

Accounts for the year ended 31 December 1999
together with directors' and auditors' reports

Registered number: 2781951



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Directors' report

For the year ended 31 December 1999

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 December 1999.

Principal activity

The principal activities of the group are those of design and marketing consultants.

Business review

Whilst some clients were preoccupied with predictions of "millennium malfunction" the Sandom Group devoted considerable time and energy to investment for the future. Outsourcing talent to handle additional work is reflected in gross margins. Further investment in management at senior level and in management systems will be necessary to ensure continued growth and a smooth transition from a small to a medium sized group.

To everyone involved my thanks for their efforts during 1999, as we look to further growth in the new millennium.

Results and dividends

The audited accounts for the year ended 31 December 1999 are set out on pages 4 to 18. The group's retained profit for the year was £401,823 (1998: £398,171).

A dividend of £100,000 was proposed for the year (1998: Nil).

Statement of directors responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and group 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 group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

Directors and their interests

The directors who served during the year and their interests in the shares of the company at the beginning and end of the year were as follows:

	£1 ordinary shares	
	31 December 1999	31 December 1998
J.R. Sandom	5,300	5,300
H.V. Leeson	2,600	2,600
T.A. Lovett	2,100	2,100
D.M.R.C. Allen	-	-

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Old Brewery
Russell Street
Windsor
Berkshire
SL4 1HQ

By order of the Board



J.R. Sandom
Director

19 December 2000

To the Shareholders of L.L.S. Holdings Limited:

We have audited the accounts on pages 4 to 17 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 the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

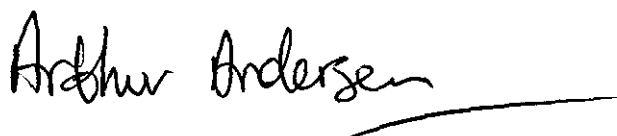
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1999 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

19 December 2000

Consolidated profit and loss account

For the year ended 31 December 1999

	Note	1999 £	1998 £
Turnover	2	3,480,149	2,959,168
Cost of sales		(1,442,353)	(1,086,233)
Gross profit		2,037,796	1,872,935
Administration expenses		(1,473,611)	(1,323,383)
Operating profit		564,185	549,552
Investment income	3	33,307	38,060
Interest payable and similar charges	4	(165)	(376)
Profit on ordinary activities before taxation	5	597,327	587,236
Tax on profit on ordinary activities	7	(164,148)	(189,894)
Profit on ordinary activities after taxation		433,179	397,342
Minority interests	15	(31,356)	829
Profit for the year	14	401,823	398,171
Proposed equity dividend payable		(100,000)	-
Retained profit for the year		301,823	398,171

A statement of movements on reserves is given in note 13.

There were no recognised gains or losses in either year other than the profit for the year.

The accompanying notes are an integral part of this consolidated profit and loss account.

The operations of the group continued throughout both years. New subsidiaries were formed in both 1998 and 1999 but no material operations were acquired or discontinued.

Consolidated balance sheet

31 December 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	8	<u>312,784</u>	<u>250,058</u>
Current assets			
Debtors	10	915,237	1,147,898
Cash at bank and in hand		<u>944,317</u>	<u>473,785</u>
		1,859,554	1,621,683
Creditors: Amounts falling due within one year	11	<u>(647,451)</u>	<u>(680,033)</u>
Net current assets		<u>1,212,103</u>	<u>941,650</u>
Net assets		<u>1,524,887</u>	<u>1,191,708</u>
Capital and reserves			
Called-up share capital	12	10,000	10,000
Profit and loss account	13	<u>1,484,339</u>	<u>1,182,516</u>
Equity shareholders' funds	14	1,494,339	1,192,516
Minority interest (equity)	15	<u>30,548</u>	<u>(808)</u>
Total capital employed		<u>1,524,887</u>	<u>1,191,708</u>

Signed on behalf of the Board on 19 December 2000



J.R. Sandom
Director

The accompanying notes are an integral part of this consolidated balance sheet.

Consolidated cash flow statement

For the year ended 31 December 1999

	Note	1999 £	1998 £
Net cash inflow from operating activities	17	784,170	31,317
Returns on investments and servicing of finance	18	33,142	37,684
Taxation	18	(191,881)	(114,450)
Capital expenditure and financial investment	18	(154,899)	(109,786)
Cash inflow (outflow) before management of liquid resources and financing		<u>470,532</u>	<u>(155,235)</u>
Increase (decrease) in cash in the year	19	<u>470,532</u>	<u>(155,235)</u>

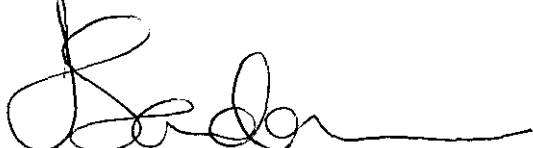
The accompanying notes are an integral part of this consolidated cash flow statement.

Company balance sheet

31 December 1999

	Note	1999 £	1998 £
Fixed assets			
Tangible assets	8	163,187	132,943
Investment in subsidiary undertakings	9	181	179
		<u>163,368</u>	<u>133,122</u>
Current assets			
Debtors	10	482,066	620,501
Cash at bank and in hand		325,293	-
		<u>807,359</u>	<u>620,501</u>
Creditors: Amounts falling due within one year	11	<u>(389,537)</u>	<u>(198,477)</u>
Net current assets		<u>417,822</u>	<u>422,024</u>
Net assets		<u>581,190</u>	<u>555,146</u>
Capital and reserves			
Called-up share capital	12	10,000	10,000
Profit and loss account	13	571,190	545,146
		<u>581,190</u>	<u>555,146</u>
Equity shareholders' funds	14	<u>581,190</u>	<u>555,146</u>

Signed on behalf of the Board on 19 December 2000



J.R. Sandom
Director

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1999

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

b) Basis of consolidation

The group accounts consolidate the accounts of L.L.S. Holdings Limited and its subsidiary undertakings drawn up to 31 December each year. The results of the subsidiary for which shares were subscribed in during the year are consolidated from the date of subscription. The acquisition method of accounting has been adopted.

In the company's accounts, investments in subsidiary undertakings are stated at cost less provision for any impairments. Dividends received and receivable are credited to the company's profit and loss account.

c) Tangible fixed assets

Fixed assets are shown at original historical cost, less depreciation provided to date.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Plant and Machinery, Motor Cruiser and Motor vehicles	25%	Reducing Balance
Leasehold improvements	20%	Straight line

d) Taxation

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

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

e) Pension costs

The company contributes to personal pension schemes for its directors and certain employees. The contributions made are charged to the profit and loss account in the period that payment is due.

Notes to accounts (continued)

1 Accounting policies (continued)

f) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

g) Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

h) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

2 Segment information

Turnover and profit for the year are wholly attributable to the group's principal activity in the United Kingdom and Europe.

3 Investment income

	1999 £	1998 £
Bank interest	<u>33,307</u>	<u>38,060</u>

4 Interest payable and similar charges

	1999 £	1998 £
Finance lease charges and bank interest	<u>165</u>	<u>376</u>

Notes to accounts (continued)

5 Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging:

	1999 £	1998 £
Depreciation of tangible fixed assets	86,244	69,332
Operating lease rentals – land and buildings	96,000	96,000
Auditors' remuneration		
- audit fees	18,500	10,050
- non-audit services	-	4,000
	<u> </u>	<u> </u>

6 Staff costs

Particulars of employees (including executive directors) are shown below:

	1999 £	1998 £
Wages and salaries	1,326,006	1,083,433
Social security costs	143,197	104,661
Other pension costs	153,092	156,735
	<u>1,622,295</u>	<u>1,344,829</u>

The average monthly number of persons employed by the group during the year was 29 (1998: 25).

Directors' remuneration

Directors of the group received the following remuneration

	1999 £	1998 £
Emoluments:		
- salary and other taxable benefits	393,764	346,454
- bonus	-	45,000
Company contributions to self-administered pension scheme	152,300	152,300
	<u>546,064</u>	<u>543,754</u>

Notes to accounts (continued)

6 Staff costs (continued)

Pensions

The number of directors who were members of pension schemes was as follows:

	1999 Number	1998 Number
Self-administered pension schemes	<u>3</u>	<u>3</u>

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	1999 £	1998 £
Emoluments	131,397	129,141
Contributions to self-administered pension scheme	<u>68,400</u>	<u>42,700</u>
	<u>199,797</u>	<u>171,841</u>

7 Tax on profit on ordinary activities

The tax charge is based on the profit for the year end comprises:

	1999 £	1998 £
Corporation tax at 30% (1998: 31%)	164,148	186,684
Adjustments in respect of prior period taxation	<u>-</u>	<u>3,210</u>
	<u>164,148</u>	<u>189,894</u>

Notes to accounts (continued)

8 Tangible fixed assets

	Leasehold Improvements £	Plant and Equipment £	Motor cruiser £	Motor Vehicles £	Total £
Group					
Cost					
At 1 January 1999	-	177,344	22,000	253,965	453,309
Additions	51,659	61,223	-	52,865	165,747
Disposals	-	(5,596)	-	(36,268)	(41,864)
At 31 December 1999	<u>51,659</u>	<u>232,971</u>	<u>22,000</u>	<u>270,562</u>	<u>577,192</u>
Depreciation					
At 1 January 1999	-	97,848	15,039	90,364	203,251
Charge for the year	3,444	36,521	1,740	45,557	87,262
Disposals	-	(1,711)	-	(24,394)	(26,105)
At 31 December 1999	<u>3,444</u>	<u>132,658</u>	<u>16,779</u>	<u>111,527</u>	<u>264,408</u>
Net book value					
At 31 December 1999	<u>48,215</u>	<u>100,313</u>	<u>5,221</u>	<u>159,035</u>	<u>312,784</u>
At 31 December 1998	<u>-</u>	<u>79,496</u>	<u>6,961</u>	<u>163,601</u>	<u>250,058</u>

Notes to accounts (continued)

8 Tangible fixed assets (continued)

	Leasehold Improvements £	Plant and Equipment £	Motor Cruiser £	Motor Vehicles £	Total £
Company					
Cost					
At 1 January 1999	-	10,909	22,000	177,567	210,476
Additions	51,659	8,673	-	14,000	74,332
31 December 1999	51,659	19,582	22,000	191,567	284,808
Depreciation					
At 1 January 1999	-	5,043	15,039	57,451	77,533
Charge for the year	3,444	9,774	1,740	29,130	44,088
31 December 1999	3,444	14,817	16,779	86,581	121,621
Net book value					
31 December 1999	48,215	4,765	5,221	104,986	163,187
31 December 1998	-	5,866	6,961	120,116	132,943

9 Fixed asset investments

The company

The following are included in the net book value of fixed asset investments:

	1999 £	1998 £
Subsidiary undertakings	181	179

At both 31 December 1999 and 31 December 1998, the company owned 100% of the ordinary share capital of The Sandom Partnership Limited which is incorporated in England and Wales and whose principal activity is that of a design and marketing consultancy.

The company also owns 79% of the ordinary share capital of Impactt Limited, which is incorporated in England and Wales and whose principal activity is that of structural design and consultancy.

The company has granted options in relation to certain of its share holding in Impactt Limited. The options can be exercised depending on stringent financial performance criteria relating to the results of Impactt Limited up to 31 December 2001. Subsequent to the year end share options were exercised in respect of 14 shares, reducing the group's interest to 65%.

The company has the right to buy back the minority shareholdings of Impactt Limited at their market value should the parties having control of the group change or the group is sold or listed on AIM or the London Stock Exchange.

Notes to accounts (continued)

9 Fixed asset investments (continued)

During the year the company subscribed for 2 £1 ordinary shares, being 100% of the ordinary share capital of Distillery Limited, which is incorporated in England and Wales and whose principal activity is that of brand and business consultancy.

In the opinion of the directors the aggregate value of the company's investments in subsidiary undertakings is not less than the amount included in the balance sheet.

10 Debtors

The following are included in the net book value of debtors:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	773,455	1,058,084	-	-
Amounts owed by other group undertakings	-	-	383,390	531,684
Other debtors	116,008	88,817	98,676	88,817
Prepayments	25,784	997	-	-
	<u>915,237</u>	<u>1,147,898</u>	<u>482,066</u>	<u>620,501</u>

Included in Other Debtors is a loan of £14,021.95 owed by a Director of the company. The loan is interest free and repayable on demand. This was the maximum amount of the loan outstanding during the year. The loan was repaid after the year end.

11 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Trade creditors	52,493	204,902	21,050	38,024
Other creditors	3,285	2,490	3,285	2,490
Corporation tax	158,951	186,684	53,530	64,859
Other taxes and social security costs	130,177	107,358	10,001	12,302
Accruals and deferred income	202,545	178,599	201,671	80,802
Dividend payable	100,000	-	100,000	-
	<u>647,451</u>	<u>680,033</u>	<u>389,537</u>	<u>198,477</u>

Notes to accounts (continued)

12 Called-up share capital

	1999 £	1998 £
<i>Authorised</i>		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
<i>Allotted and called-up and fully paid</i>		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

13 Reserves

	Group profit and loss account £	Company profit and loss account £
At beginning of year	1,182,516	545,146
Retained profit for the year	<u>301,823</u>	<u>26,044</u>
At 31 December 1999	<u>1,484,339</u>	<u>571,190</u>

14 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Group		
Retained profit for the financial year	301,823	398,171
Opening shareholders' funds	<u>1,192,516</u>	<u>794,345</u>
Closing shareholders' funds	<u>1,494,339</u>	<u>1,192,516</u>
Company		
Retained profit for the financial year	26,044	133,054
Opening shareholders' funds	<u>555,146</u>	<u>422,092</u>
Closing shareholders' funds	<u>581,190</u>	<u>555,146</u>

Notes to accounts (continued)

15 Minority interests

	£
At 31 December 1998	(808)
Minority share of the result for the year	31,356
At 31 December 1999	30,548

16 Financial commitments

At 31 December 1999, the company and the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1999	1998
	£	£
Lease expiring after 5 years	108,000	108,000

17 Reconciliation of operating profit to operating cash flows

	1999	1998
	£	£
Operating profit	564,185	549,552
Depreciation charges	87,262	69,332
Profit on sale of tangible fixed assets	4,911	5,462
Decrease in debtors	232,661	(508,406)
Increase in creditors	(104,849)	(84,623)
Net cash inflow from operating activities	784,170	31,317

Notes to accounts (continued)

18 Analysis of cash flows

	1999 £	1998 £
<i>Returns on investments and servicing of finance</i>		
Interest received	33,307	38,060
Interest paid	(165)	(376)
Net cash inflow	<u>33,142</u>	<u>37,684</u>
 <i>Taxation</i>		
UK corporation tax paid	(191,881)	(114,450)
Net cash outflow	<u>(191,881)</u>	<u>(114,450)</u>
 <i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(165,747)	(109,786)
Sale of tangible fixed assets	10,848	-
Net cash outflow	<u>(154,899)</u>	<u>(109,786)</u>

19 Analysis and reconciliation of net debt

	1999 £	1998 £
Cash in hand, at beginning of year	473,785	629,020
Movement in cash in the year	470,532	(155,235)
Cash in hand, at end of year	<u>944,317</u>	<u>473,785</u>