

2414417

**RDM Factors Limited**

Report and Financial Statements

Year Ended

31 December 2005



**BDO Stoy Hayward**  
Chartered Accountants

# **RDM FACTORS LIMITED**

## **Annual report and financial statements for the year ended 31 December 2005**

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### **Directors**

DA Marsden (Chairman)  
JM Bush (Managing Director)  
MC Alexander  
JA Ackroyd  
JD Newton-Tyers

### **Secretary and registered office**

JA Ackroyd

Fairfax House, 461- 465 North End Road, London SW6 1NZ

### **Company number**

2414417

### **Auditors**

BDO Stoy Hayward LLP, Northside House, 69 Tweedy Road, Bromley, Kent BR1 3WA

### **Group bankers**

Lloyds TSB Bank plc, PO Box 2566, Reading, Berkshire RG1 2RS  
Fortis Bank, 23 Camomile Street, London EC3A 7PP

### **Solicitors**

Paul Davidson Taylor, Chancery Court, Queen Street, Horsham, West Sussex RH13 5AD

## RDM FACTORS LIMITED

### Report of the directors for the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

#### Results and dividends

The operating profit for the year was a healthy £214,425. This was a significant improvement from 2004 when there was an operating loss of £21,139. Following implementation of FRS 25 the cost of preference dividends has been reclassified as interest in 2005 accounts but the comparative 2004 accounts have not, in accordance with FRS 25, been restated. The effect of this change is shown below:

##### *Pre implementation of FRS 25*

	2005 £	2004 £
Profit/(loss) before taxation	176,538	(54,494)

##### *Post implementation of FRS 25*

	2005 £	2004 £
Loss before taxation	(92,060)	(54,494)

#### Principal activities, review of business and future developments

The principal activity of the group is the provision of debt factoring and asset finance.

The directors are satisfied with the company's performance in the year and view the future with optimism.

At 31 December 2005 the Group had borrowings of £16,315,000 with further available facilities, which the Board considers are sufficient for the anticipated growth of the business.

#### Directors and directors' interests

The directors at the balance sheet date and their interests in the share capital of the company were as follows:

	1p Ordinary shares		1p Preference shares	
	31 December 2005	1 January 2005	31 December 2005	1 January 2005
DA Marsden	-	-	-	-
JM Bush	24,000	24,000	-	-
MC Alexander	-	-	-	-
JA Ackroyd	-	-	3,060	3,060
AM Walker	-	-	-	-
JD Newton-Tyers	-	-	-	-

A M Walker resigned as a director on 27 September 2006.

## **RDM FACTORS LIMITED**

### **Report of the directors for the year ended 31 December 2005 (Continued)**

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#### **Directors and directors' interests (continued)**

At the balance sheet date, 71,000 of the ordinary shares were held by Rennie Davies and Marsden Holdings Limited. DA Marsden is a director of that company and his interest in its shares is disclosed in that company's directors' report.

	<b>'B' ordinary 1p shares</b>
The following share options were held by directors at 31 December 2005:	
MC Alexander	1,211
JD Newton-Tyers	392

#### **Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 the group and of the profit or loss of the group 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; and
- 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 the group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Political and charitable donations**

During the year, the company made charitable donations in the UK of £3,879 (2004 - £4,116). There were no political donations made in either year.

#### **Liability insurance**

Insurance has been taken out under Section 310(3) of the Companies Act 1985, for officers of the company against liabilities in relation to the company.

**RDM FACTORS LIMITED**

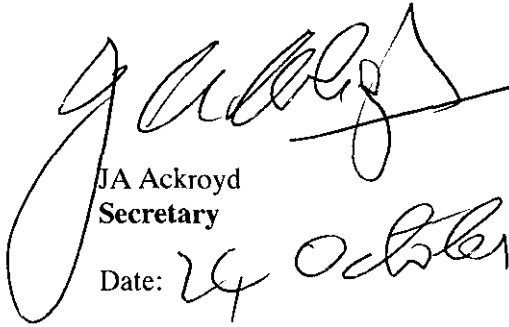
**Report of the directors for the year ended 31 December 2005 (Continued)**

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**Auditors**

A resolution to reappoint BDO Stoy Hayward LLP as auditors for the ensuing year will be proposed at the annual general meeting.

**By order of the Board**



JA Ackroyd  
Secretary

Date: 24 October 2006

## **RDM FACTORS LIMITED**

### **Report of the independent auditors**

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#### **To the shareholders of RDM Factors Limited**

We have audited the Group and Parent Company financial statements (the "financial statements") of RDM Factors Limited for the year ended 31 December 2005 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group and Parent Company balance sheets, the Group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

The directors' responsibilities for preparing 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *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 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.

## **RDM FACTORS LIMITED**

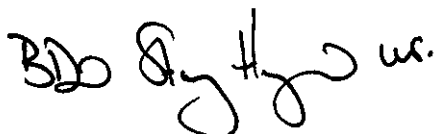
### **Report of the independent auditors (*Continued*)**

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#### *Opinion*

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 December 2005 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2005; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward LLP', is written over the printed name of the firm.

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Bromley

Date: 31 October 2006

**RDM FACTORS LIMITED****Consolidated profit and loss account for the year ended 31 December 2005**

	Note	2005 £	2004 £
<b>Turnover</b>	2	7,438,113	7,731,788
Cost of sales		(1,969,303)	(2,066,002)
<b>Gross profit</b>		5,468,810	5,665,786
Administrative expenses		(5,254,385)	(5,686,925)
<b>Operating profit / (loss)</b>	3	214,425	(21,139)
Share of operating profit in associate		875	962
Amortisation of goodwill on acquisition of associated undertaking		(20,962)	(20,962)
<b>Total operating profit / (loss)</b>		194,338	(41,139)
Interest payable and similar charges	6	(286,398)	(13,355)
<b>Loss on ordinary activities before taxation</b>		(92,060)	(54,494)
Taxation on loss on ordinary activities	7	(16,469)	1,178
<b>Loss on ordinary activities after taxation</b>	8,17	(108,529)	(53,316)

All amounts related to continuing activities.

The notes on pages 13 to 32 form part of these financial statements.

# **RDM FACTORS LIMITED**

## **Consolidated statement of total recognised gains and losses for the year ended 31 December 2005**

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	<b>Note</b>	<b>2005</b> <b>£</b>	<b>2004</b> <b>£</b>
<b>Statement of total recognised gains and losses</b>			
Loss for the financial year		<b>(108,529)</b>	(53,316)
Effect of the adoption of FRS 25 at 1 January 2005 (see note 1)		<b>(1,256,073)</b>	-
		<hr/>	<hr/>
Total recognised losses for the year		<b>(1,364,602)</b>	(53,316)
		<hr/>	<hr/>

The notes on pages 13 to 32 form part of these financial statements.

**RDM FACTORS LIMITED****Consolidated balance sheet at 31 December 2005**

	<b>Note</b>	<b>2005 £</b>	<b>2004 £</b>
<b>Fixed assets</b>			
Tangible assets	9	543,942	475,411
Investments	10	178,024	178,024
Investment in associated undertaking			
- share of net liabilities	10	(32,485)	(33,360)
- goodwill	11	125,767	146,729
		<hr/>	<hr/>
		815,248	766,804
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors:			
- due within one year	12	19,510,949	18,099,013
- due after one year	12	2,819,879	2,832,996
Cash at bank		208,583	293,564
		<hr/>	<hr/>
		22,539,411	21,225,573
		<hr/>	<hr/>
<b>Creditors: amounts falling due within one year</b>	13	(17,009,288)	(14,880,945)
		<hr/>	<hr/>
<b>Net current assets</b>		5,530,123	6,344,628
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		6,345,371	7,111,432
		<hr/>	<hr/>

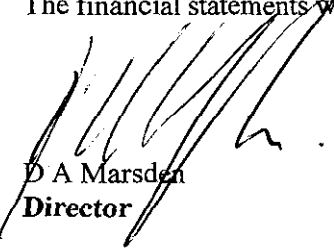
The notes on pages 13 to 32 form part of these financial statements.

# RDM FACTORS LIMITED

## Consolidated balance sheet at 31 December 2005

	Note	2005 £	2004 £
<b>Creditors: amounts falling due after more than one year</b>	14	2,713,432	1,320,467
<b>Capital and reserves</b>			
Called-up ordinary share capital	15	950	2,051,447
Capital redemption reserve	16	999,503	999,503
Profit and loss account	17	2,631,486	2,740,015
<b>Shareholders' funds</b>	19	3,631,939	5,790,965
		<u>6,345,371</u>	<u>7,111,432</u>
<b>Shareholders' funds</b>			
Equity		3,631,939	3,703,963
Non-equity		-	2,087,002
		<u>3,631,939</u>	<u>5,790,965</u>

The financial statements were approved by the Board and authorised for issue on 24 October 2006.

  
D A Marsden  
Director

The notes on pages 13 to 32 form part of these financial statements.

# RDM FACTORS LIMITED

## Company balance sheet at 31 December 2005

	Note	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	9	497,982	386,200
Investments	10	1,321,393	1,321,393
		<hr/>	<hr/>
		1,819,375	1,707,593
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors:			
- due within one year	12	17,576,108	15,846,559
- due after one year	12	118,000	118,000
Cash at bank		204,673	288,626
		<hr/>	<hr/>
		17,898,781	16,253,185
<b>Creditors: amounts falling due within one year</b>	13	(14,677,890)	(12,374,406)
		<hr/>	<hr/>
<b>Net current assets</b>		3,220,891	3,878,779
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		5,040,266	5,586,372
		<hr/>	<hr/>

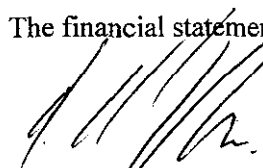
The notes on pages 13 to 32 form part of these financial statements.

# RDM FACTORS LIMITED

## Company balance sheet at 31 December 2005 (Continued)

	Note	2005 £	2004 £
<b>Creditors: amounts falling due after more than one year</b>	14	1,723,774	34,742
<b>Capital and reserves</b>			
Called-up share capital	15	950	2,051,447
Capital redemption reserve	16	999,503	999,503
Profit and loss account	17	2,316,039	2,500,680
<b>Shareholders' funds</b>	19	3,316,492	5,551,630
		<u>5,040,266</u>	<u>5,586,372</u>
<b>Shareholders' funds</b>			
Equity		3,316,492	3,464,628
Non-equity		-	2,087,002
		<u>3,316,492</u>	<u>5,551,630</u>

The financial statements were approved by the Board and authorised for issue on 24 OCTOBER 2006.



D A Marsden  
Director

The notes on pages 13 to 32 form part of these financial statements.

**RDM FACTORS LIMITED****Consolidated cash flow statement for the year ended 31 December 2005**

	<b>Note</b>	<b>2005 £</b>	<b>2004 £</b>
Net cash (outflow)/inflow from operating activities	21	<b>(791,686)</b>	478,859
Returns on investments and servicing of finance	22	<b>(269,406)</b>	(281,933)
Taxation	22	<b>(67,357)</b>	(117,039)
Capital expenditure	22	<b>(50,282)</b>	(67,564)
Net cash (outflow)/inflow before financing		<b>(1,178,731)</b>	12,323
Financing	22	<b>1,093,750</b>	(766,564)
<b>Decrease in cash in the year</b>	<b>23,24</b>	<b>(84,981)</b>	(754,241)

The notes on pages 13 to 32 form part of these financial statements.

## RDM FACTORS LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2005

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#### 1 Accounting policies

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

The following principal accounting policies have been applied:

##### *Basis of consolidation*

The consolidated financial statements incorporate the results of RDM Factors Limited and all of its subsidiary undertakings as at 31 December 2005 using the acquisition method. The results of subsidiary undertakings are included from the date of acquisition.

Associated undertakings are accounted for using the equity method and the results are included from the date the investment became an associated undertaking.

##### *Adoption of FRS 25 'Financial Instruments: Disclosure and Presentation'*

In accordance with the requirements of FRS 25, cumulative redeemable preference shares previously included within non-equity share capital were reclassified as liabilities as at 1 January 2005. As a result of this reclassification, the coupons payable on those preference shares which were previously included within dividend payments, have been disclosed as interest expense.

Both the Group and the Company have taken advantage of the exemption in FRS 25 from the requirement to restate comparative information and have instead restated the amounts included in these financial statements as at 1 January 2005.

The impact on the Group and the Company of the adoption of FRS 25 on the current year profit and loss account is to increase interest expense by £268,598. The impact on the balance sheet as at 1 January 2005 is to reduce share capital and reserves by £2,050,497, increase creditors due within one year by £400,000, increase creditors due after more than one year by £1,650,497 and reduce the net assets by £2,050,497. The impact on the Group Statement of Total Recognised Gains and Losses is to include an additional recognised loss of £1,256,073 representing the cumulative amount of dividends relating to prior years that would have been classified as interest expense had FRS 25 been applied.

The main effect on the results disclosed in the profit and loss account in the comparative period, had the requirements of FRS 25 been applied retrospectively, would have been similar to the adjustments made in the current year.

##### *Intangible fixed assets – goodwill*

Goodwill arising on the consolidation of subsidiary and associated undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is ten years. Provision is made for any impairment.

##### *Turnover*

Turnover arising from factoring services comprises fees, discount charges and other income and is recognised as the service is provided. Income arising from the net investment in finance leases is recognised over the life of the lease to provide a constant rate of return on the net cash investment in each lease.

## RDM FACTORS LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

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#### 1 Accounting policies (continued)

##### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Short leasehold	-	Over the life of the lease
Furniture and fittings	-	10% - 20% per annum straight-line
Computer equipment	-	20% per annum straight-line
Motor vehicles	-	25% - 33.3% per annum straight-line
Office equipment	-	33.3% per annum straight-line

##### *Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost and net realisable value.

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

##### *Foreign currencies*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Any differences are taken to the profit and loss account.

##### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

## RDM FACTORS LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

#### 1 Accounting policies (continued)

##### *Pensions*

Contributions are paid by the company to individual personal pension plans for employees and are charged to the profit and loss account in the year to which they relate.

##### *Dividends*

Equity dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when the dividend is paid, or approved in a general meeting. In the case of final dividends, this is when the dividend is approved by the shareholders in the annual general meeting. This represents a change in accounting policy compared to the prior year. Further details are provided above in 'Adoption of FRS 25'.

#### 2 Turnover

Turnover is wholly attributable to the principal activity of the Group and arises solely within the United Kingdom.

#### 3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting):

	2005 £	2004 £
Auditors' remuneration for audit services	24,400	21,000
Auditors' remuneration for tax services	4,250	3,750
Depreciation of tangible fixed assets		
- owned	89,218	94,939
- held under hire purchase contracts	154,302	123,310
Operating lease rentals		
- land and buildings	267,431	288,887
- other	14,079	11,402
Aggregate finance agreement rentals receivable	(1,228,972)	(1,040,859)
Discount charges (included in cost of sales)	658,888	628,796
Profit on disposal of fixed assets	(31,230)	(51,206)

# RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

## 4 Directors' remuneration

	Group and Company	
	2005	2004
	£	£
Directors' emoluments	671,770	655,667
Contributions to money purchase pension schemes	40,289	40,565
	<u>712,059</u>	<u>696,232</u>
	Group and Company	
	2005	2004
	£	£
Highest paid director:		
Emoluments	277,678	234,312
Contributions to money purchase pension schemes	25,500	12,000
	<u>303,178</u>	<u>246,312</u>

The number of directors who were members of a money purchase pension scheme was 3 (2004 - 4).

Fees of £58,006 (2004 - £61,793) were paid to CMI Consulting, a Company in which John Ackroyd is principal. These fees are not included in the directors' emoluments above.

5 Staff costs (including directors)	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Wages and salaries	2,224,884	2,047,138	2,405,509	2,232,877
Social security costs	274,712	256,132	284,028	265,746
Other pension costs	96,410	89,956	102,378	96,626
	<u>2,596,006</u>	<u>2,393,226</u>	<u>2,791,915</u>	<u>2,595,249</u>

Average monthly number of employees during the year:

	Group 2005 Number	Company 2005 Number	Group 2004 Number	Company 2004 Number
Administration, sales and operations	64	58	69	60

**RDM FACTORS LIMITED****Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)****6 Interest payable and similar charges**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Interest payable on hire purchase contracts	<b>17,800</b>	13,355
Dividends payable on redeemable preference shares	<b>268,598</b>	-
	<hr/>	<hr/>
	<b>286,398</b>	13,355
	<hr/>	<hr/>

Following implementation of FRS25, dividends payable on redeemable preference shares in 2005 are included as interest payable. The comparative figures for such dividends in 2004 are not restated and are disclosed in notes 17 and 18 as a charge after the loss on ordinary activities.

Entitlement to dividends on the 'B' cumulative redeemable preference shares from date of issue to 31 December 2005 has been waived.

**7 Taxation on loss on ordinary activities**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<i>Current tax</i>		
UK Corporation tax on profits for the year	<b>71,495</b>	99,525
Adjustments in respect of previous years	<b>(55,026)</b>	(703)
	<hr/>	<hr/>
	<b>16,469</b>	98,822
<i>Deferred tax</i>		
Origination and reversal of timing differences		
- adjustments in respect of prior years	-	(30,000)
- movement in year	-	(70,000)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	<b>16,469</b>	(1,178)
	<hr/>	<hr/>

## RDM FACTORS LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

#### 7 Taxation on loss on ordinary activities (continued)

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before taxation	(92,060)	(54,494)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(27,618)	(16,348)
Effects of:		
Expenses not deductible for tax purposes	18,857	27,163
Preference share dividends	85,919	-
Amortisation of goodwill	6,289	6,289
Share of operating profit of associated undertaking	(263)	(289)
Capital allowances in excess of depreciation	(11,689)	82,710
Adjustments in respect of previous years	(55,026)	(703)
Current tax charge for the year	16,469	98,822

#### 8 Loss for the financial year

No profit and loss account for RDM Factors Limited has been presented as permitted by Section 230 of the Companies Act 1985.

The loss for the year ended 31 December 2005 dealt with in the financial statements of the Company, RDM Factors Limited, was £184,641 (2004 – loss of £35,803).

# RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

## 9 Tangible fixed assets

Group	Short leasehold £	Vehicles, furniture, fittings and equipment £	Total £
<i>Cost</i>			
At 1 January 2005	178,275	1,576,754	1,755,029
Additions	-	422,912	422,912
Disposals	-	(343,312)	(343,312)
<b>At 31 December 2005</b>	<b>178,275</b>	<b>1,656,354</b>	<b>1,834,629</b>
<i>Depreciation</i>			
At 1 January 2005	109,702	1,169,916	1,279,618
Provided for the year	10,848	232,672	243,520
Disposals	-	(232,451)	(232,451)
<b>At 31 December 2005</b>	<b>120,550</b>	<b>1,170,137</b>	<b>1,290,687</b>
<i>Net book value</i>			
<b>At 31 December 2005</b>	<b>57,725</b>	<b>486,217</b>	<b>543,942</b>
At 31 December 2004	68,573	406,838	475,411
<i>Net book value under hire purchase contracts</i>			
<b>At 31 December 2005</b>	<b>-</b>	<b>286,727</b>	<b>286,727</b>
At 31 December 2004	-	231,620	231,620

# RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

## 9 Tangible fixed assets (Continued)

Company	Short leasehold £	Vehicles, furniture, fittings and equipment £	Total £
<i>Cost</i>			
At 1 January 2005	178,275	1,447,851	1,626,126
Additions	-	384,912	384,912
Disposals	-	(251,344)	(251,344)
<b>At 31 December 2005</b>	<b>178,275</b>	<b>1,581,419</b>	<b>1,759,694</b>
<i>Depreciation</i>			
At 1 January 2005	109,702	1,130,224	1,239,926
Provided for the year	10,848	200,859	211,707
Disposals	-	(189,921)	(189,921)
<b>At 31 December 2005</b>	<b>120,550</b>	<b>1,141,162</b>	<b>1,261,712</b>
<i>Net book value</i>			
<b>At 31 December 2005</b>	<b>57,725</b>	<b>440,257</b>	<b>497,982</b>
At 31 December 2004	68,573	317,627	386,200
<i>Net book value under hire purchase contracts</i>			
<b>At 31 December 2005</b>	<b>-</b>	<b>249,783</b>	<b>249,783</b>
At 31 December 2004	-	146,469	146,469

Depreciation of £125,208 was charged on assets held under hire purchase contracts for the year ended 31 December 2005.

## RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

### 10 Investments

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Subsidiary undertakings	-	1,010,000	-	1,010,000
Associated undertakings	(32,485)	133,369	(33,360)	133,369
Other investments	178,024	178,024	178,024	178,024
	<u>145,539</u>	<u>1,321,393</u>	<u>144,664</u>	<u>1,321,393</u>

#### *Subsidiary undertakings*

At 31 December 2005, the company held 100% of the issued share capital of RDM Asset Finance Limited and RDM Payroll Services Limited, both of which are incorporated in England and Wales. RDM Asset Finance Limited trades in providing asset finance. RDM Payroll Services Limited is dormant.

#### *Associated undertaking*

At 31 December 2005, the company held an investment in First Capital Cashflow Plc of £350,000, representing a holding of 20% of the issued ordinary share capital of First Capital Cashflow Plc as an associated undertaking. This investment has been impaired in the financial statements of the company such that the investment at 31 December 2005 has a carrying value of £133,369 (2004 - £133,369).

Within the consolidated financial statements of the Group, the Group's share of the net liabilities in First Capital Cashflow Plc has been recognised in line with the Group's accounting policy for associated undertakings.

#### *Other investments*

The company holds an investment of £178,024 (2004 - £178,024) 'B' redeemable preference shares in Fairfax Gerrard Holdings Limited.

# RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

## 11 Intangible assets – goodwill

	£
<b>Group</b>	
<i>Cost</i>	
At 1 January 2005 and 31 December 2005	209,615
<i>Amortisation</i>	
At 1 January 2005	62,886
Provided for the year	20,962
<b>At 31 December 2005</b>	<b>83,848</b>
<i>Net book value</i>	
At 31 December 2005	125,767
At 31 December 2004	146,729

## 12 Debtors

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
<b>Amounts falling due within one year:</b>				
Factor debtors	15,711,842	15,711,842	14,620,882	14,620,882
Amounts owed by group undertakings	-	1,042,133	-	356,868
Investment in finance agreements	2,554,609	-	2,117,614	-
Other debtors	735,421	394,652	836,033	434,023
Prepayments and accrued income	509,077	427,481	524,484	434,786
	<b>19,510,949</b>	<b>17,576,108</b>	<b>18,099,013</b>	<b>15,846,559</b>
Gross factored debts	29,447,395	29,447,395	30,008,454	30,008,454
Due to clients on collection	(13,735,553)	(13,735,553)	(15,387,572)	(15,387,572)
Factor debtors	<b>15,711,842</b>	<b>15,711,842</b>	<b>14,620,882</b>	<b>14,620,882</b>

# RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

## 12 Debtors (continued)

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
<b>Amounts falling due after more than one year:</b>				
Investment in finance agreements	2,591,879	-	2,604,996	-
Amounts due from associated undertakings	118,000	118,000	118,000	118,000
Deferred tax asset	110,000	-	110,000	-
	<u>2,819,879</u>	<u>118,000</u>	<u>2,832,996</u>	<u>118,000</u>

The cost of assets acquired for the purpose of letting under finance agreements at 31 December 2005 was £5,290,998 (2004: £5,168,040).

The deferred tax asset of £110,000 is in respect of depreciation in excess of capital allowances. There was no unprovided deferred taxation in either year.

## 13 Creditors: amounts falling due within one year

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Bank and other loans	15,342,971	13,103,273	13,776,660	11,464,192
Preference shares (notes 14 & 15)	400,000	400,000	-	-
Corporation tax	22,603	21,163	73,491	1,108
Trade creditors	156,310	149,893	97,059	97,059
Other taxes and social security costs	252,873	186,130	260,102	222,201
Obligations under hire purchase contracts	117,161	100,061	101,651	63,479
Accruals and deferred income	663,873	663,873	535,477	489,862
Dividend accrual	53,497	53,497	36,505	36,505
	<u>17,009,288</u>	<u>14,677,890</u>	<u>14,880,945</u>	<u>12,374,406</u>

Finance income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the agreement. The total net investment in finance agreements included in the balance sheet represents total payments receivable net of finance income relating to future payments.

# RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

## 14 Creditors: amounts falling due after more than one year

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
Bank and other loans	973,120	-	1,270,189	-
Preference shares (note 15)	1,650,497	1,650,497	-	-
Obligations under hire purchase contracts	89,815	73,277	50,278	34,742
	<u>2,713,432</u>	<u>1,723,774</u>	<u>1,320,467</u>	<u>34,742</u>

The bank loan is secured by a debenture over all the Company's and Group's assets. Other loans are secured on the assets financed. The obligations under the hire purchase agreements are secured against the assets financed.

Borrowings are repayable as follows:

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
<i>Bank and other loans</i>				
Within one year	15,342,971	13,103,273	13,776,660	11,464,192
Between one and two years	802,256	-	853,632	-
Between two and five years	170,864	-	416,557	-
	<u>16,316,091</u>	<u>13,103,273</u>	<u>15,046,849</u>	<u>11,464,192</u>
<i>Preference shares</i>				
Within one year	400,000	400,000	-	-
Between one and two years	400,000	400,000	-	-
Between two and five years	1,250,497	1,250,497	-	-
	<u>2,050,497</u>	<u>2,050,497</u>	<u>-</u>	<u>-</u>
<i>Hire purchase contracts</i>				
Within one year	117,161	100,061	101,651	63,479
Between one and two years	89,815	73,277	44,334	28,798
Between two and five years	-	-	5,944	5,944
	<u>206,976</u>	<u>173,338</u>	<u>151,929</u>	<u>98,221</u>

# RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

## 14 Creditors: amounts falling due after more than one year (*Continued*)

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
<i>Total borrowing including hire purchase contracts</i>				
Within one year	15,860,132	13,603,334	13,878,311	11,527,671
Between one and two years	1,292,071	473,277	897,966	28,798
Between two and five years	1,421,361	1,250,497	422,501	5,944
	<hr/>	<hr/>	<hr/>	<hr/>
	18,573,564	15,327,108	15,198,778	11,562,413
	<hr/>	<hr/>	<hr/>	<hr/>

# RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

## 15 Share capital

	Authorised	
	2005	2004
	£	£
<i>Equity shares</i>		
12,900,000 Ordinary shares of 1p each	129,000	129,000
16,000 'B' Ordinary shares of £1 each	16,000	16,000
<i>Non-equity shares</i>		
5,000,000 Convertible 'A' Preference shares of 1p each	50,000	50,000
500,000 Convertible 'B' Preference shares of 1p each	5,000	5,000
2,000,000 Cumulative Redeemable 'A' Preference shares of £1 each	2,000,000	2,000,000
50,000 Cumulative Redeemable 'B' Preference shares of £1 each	50,000	50,000
	<u>2,250,000</u>	<u>2,250,000</u>
	Issued, allotted, called-up and fully paid	
	2005	2004
	£	£
<i>Equity shares</i>		
95,000 Ordinary shares of 1p each	950	950
<i>Non-equity shares (notes 13 &amp; 14)</i>		
46,614 Convertible 'A' Preference shares of 1p each	466	466
3,100 Convertible 'B' Preference shares of 1p each	31	31
2,000,000 Cumulative Redeemable 'A' Preference shares of £1 each	2,000,000	2,000,000
50,000 Cumulative Redeemable 'B' Preference shares of £1 each	50,000	50,000
	<u>2,050,497</u>	<u>2,050,497</u>

In accordance with FRS 25, the 46,614 Convertible 'A' Preference shares of 1p each, the 3,100 Convertible 'B' Preference shares, the 2,000,000 Cumulative Redeemable 'A' Preference Shares of £1 each and the 50,000 Cumulative Redeemable 'B' Preference Shares of £1 each are presented as a liability in the 2005 Group and Company balance sheet (see note 1). This amount is included as a liability within creditors (see notes 13 and 14).

## RDM FACTORS LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

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#### 15 Share capital (*continued*)

##### *Redemption of Preference shares*

The Cumulative Redeemable 'A' Preference shares are redeemable in 5 equal annual instalments of £400,000 commencing on 30 June 2006 and finishing on 30 June 2010.

##### *Dividend rights*

The Cumulative Redeemable 'A' Preference shares are entitled to receive a dividend equal to the accrued interest calculated at 3% above bank base rate, payable half-yearly in arrears on 31 March and 30 September.

The Cumulative Redeemable 'B' Preference shares are entitled to receive a 10% annual dividend.

The Convertible 'A' and 'B' Preference shares are entitled to receive a dividend equal to 4% on £49.02 for each 1p of nominal value.

##### *Share options*

The company granted share options on 10 December 1999 under an unapproved share option scheme. The options are over the 'B' Ordinary shares of the company and have an exercise price of 1p per share, exercisable between 31 January 2004 and 10 October 2009. At 31 December 2005, 7,210 of these share options were outstanding. No options were exercised during either year.

#### 16 Capital redemption reserve

**Group and  
company  
£**

At 1 January 2005 and 31 December 2005

**999,503**

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# RDM FACTORS LIMITED

## Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

### 17 Profit and loss account

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
At 1 January 2005	2,740,015	2,500,680	3,050,831	2,793,983
Loss for the year	(108,529)	(184,641)	(53,316)	(35,803)
Purchase of convertible 'B' preference shares	-	-	(27,500)	(27,500)
Dividends (note 18)	-	-	(230,000)	(230,000)
At 31 December 2005	<u>2,631,486</u>	<u>2,316,039</u>	<u>2,740,015</u>	<u>2,500,680</u>

### 18 Dividends

	2005 £	2004 £
Non-equity dividends on preference shares paid	-	241,078
Decrease in preference dividend accrual	-	(11,078)
	<u>-</u>	<u>230,000</u>

Entitlement to dividends on the 'B' cumulative redeemable preference shares from date of issue to 31 December 2005 has been waived.

### 19 Reconciliation of movements in shareholders' funds

	Group 2005 £	Company 2005 £	Group 2004 £	Company 2004 £
At 1 January 2005	5,790,965	5,551,630	6,101,781	5,844,933
Adjustment in respect of FRS 25 (note 1)	(2,050,497)	(2,050,497)	-	-
At 1 January 2005 as restated	<u>3,740,468</u>	<u>3,501,133</u>	<u>6,101,781</u>	<u>5,844,933</u>
Loss for the financial year	(108,529)	(184,641)	(53,316)	(35,803)
Surplus on Redemption of convertible 'B' preference shares	-	-	(27,500)	(27,500)
Dividends	-	-	(230,000)	(230,000)
At 31 December 2005	<u>3,631,939</u>	<u>3,316,492</u>	<u>5,790,965</u>	<u>5,551,630</u>

# **RDM FACTORS LIMITED**

**Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)**

## **20 Other financial commitments**

At the year end, the company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings 2005 £</b>	<b>Other 2005 £</b>	<b>Land and buildings 2004 £</b>	<b>Other 2004 £</b>
Operating leases which expire:				
Within one year	10,000	8,603	52,080	11,472
Within two to five years	22,000	14,560	32,000	22,888
Over five years	204,807	-	204,807	-
	<u>236,807</u>	<u>23,163</u>	<u>288,887</u>	<u>34,360</u>

## **21 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2005 £</b>	<b>2004 £</b>
Operating profit/(loss)	194,338	(41,139)
Depreciation charges	243,520	218,249
(Increase)/decrease in debtors	(1,398,819)	323,266
Increase in creditors	180,418	9,689
Profit on sale of tangible fixed assets	(31,230)	(51,206)
Share of operating profit in associates	(875)	(962)
Amortisation of goodwill	20,962	20,962
<b>Net cash (outflow)/inflow from operating activities</b>	<u><b>(791,686)</b></u>	<u><b>478,859</b></u>

# RDM FACTORS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

## 22 Analysis of cash flows for headings netted in the cash flow statement

	2005 £	2004 £
<i>Returns on investments and servicing of finance</i>		
Interest element of hire purchase contracts	(17,800)	(13,355)
Preference dividends paid	(251,606)	(241,078)
Redeemed preference shares	-	(27,500)
	<u>(269,406)</u>	<u>(281,933)</u>
<i>Taxation</i>		
UK Corporation tax paid	<u>(67,357)</u>	<u>(117,039)</u>
<i>Capital expenditure</i>		
Payments to acquire tangible fixed assets	(192,373)	(139,450)
Receipts from sales of tangible fixed assets	142,091	71,886
	<u>(50,282)</u>	<u>(67,564)</u>
<i>Financing</i>		
Capital element of hire purchase contracts	(175,492)	(133,419)
New loans/ (loans repaid)	1,269,242	(633,145)
	<u>1,093,750</u>	<u>(766,564)</u>

## 23 Analysis of net debt

	As at 1 January 2005 £	Adjustment in respect of FRS 25 (note 1) £	As at 1 January 2005 (as restated) £	Cash flow £	Non cash changes £	As at 31 December 2005 £
Cash at bank and in hand	293,564	-	293,564	(84,981)	-	208,583
Debt due within one year	(13,776,660)	(400,000)	(14,176,660)	(1,566,311)	-	(15,742,971)
Debt due after one year	(1,270,189)	(1,650,497)	(2,920,686)	297,069	-	(2,623,617)
Hire purchase contracts	(151,929)	-	(151,929)	175,492	(230,539)	(206,976)
Total	<u>(14,905,214)</u>	<u>(2,050,497)</u>	<u>(16,955,711)</u>	<u>(1,178,731)</u>	<u>(230,539)</u>	<u>(18,364,981)</u>

## RDM FACTORS LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2005 (Continued)

#### 24 Reconciliation of net cash flow to movement in debt

	£	£
Decrease in cash in the period		(84,981)
Cash inflow from increase in debt and hire purchase contracts		(1,136,425)
		<hr/>
Change in net debt resulting from cash flows		(1,221,406)
New finance leases		(187,864)
Net debt at 1 January 2005	(14,905,214)	
Reclassification of Redeemable Preference Shares (note 1)	(2,050,497)	
	<hr/>	
Net debt at 1 January 2005 (restated)		(16,955,711)
		<hr/>
<b>Net debt at 31 December 2005</b>		<b>(18,364,981)</b>

#### 25 Related party disclosures

The group has taken advantage of the exemption in Financial Reporting Standard No. 8 (FRS 8) "Related party disclosures", whereby disclosure is not required in consolidated financial statements, of any transactions or balances between group entities that have been eliminated on consolidation.

The Company has taken advantage of the exemption, also in FRS 8, whereby disclosure is not required in a Parent's own financial statements when these statements are presented together with its consolidated financial statements.

G E Capital Limited hold 46,614 Convertible 'A' Preference shares of 1p each and 2,000,000 Cumulative Redeemable 'A' Preference shares of £1 each in the company. G E Capital Limited has provided a back to back receivables financing facility to the company. At 31 December 2005, the liability of the company under this financing facility was £13,103,273 (2004 - £11,464,192).

At 31 December 2005, First Capital Cashflow Plc, an associated undertaking, owed £118,000 (2004 - £118,000) to RDM Factors Limited. This loan bears no interest, is unsecured and is not due for repayment before 30 June 2007.

During 2004, JM Bush, a director, lent £90,000 to RDM Factors Limited on which interest was accruing at 1% above base. This loan was cleared in the year (balance at 31 December 2004 - £66,779).

During the year, the company lent D A Marsden, a director, some funds. The highest balance owed during the year was £184,282. All monies had been repaid by 31 December 2005.

#### 26 Contingent liability

At the year end, the company had guaranteed the borrowings of RDM Asset Finance Limited up to a maximum of £427,000 (2004 - £626,856).

## RDM FACTORS LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2005 (*Continued*)

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#### 27 Derivatives and other financial instruments

The group's principal financial instruments both past and present comprise bank loans and cash, and these are used to finance the group's operations. The group has various other financial instruments such as trade creditors and trade debtors that arise directly from its operations.

##### *Credit risk*

The group is exposed to credit risk from the funds advanced against clients debtors books and from financing provided to clients to purchase assets. It is group policy to assess the credit risk of new clients and to take account of the information from these credit ratings in future dealings with the clients. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The disclosures set out below, except for the currency analysis, excludes short term debtors and creditors. There is no foreign currency exposure.

It is the group's policy that no trading in financial instruments is undertaken. The main risk arising from the group's financial instruments is interest rate risk.

The group does not hedge interest rate risk.

The group holds no derivative financial instruments to manage the interest rate profile.

##### *Interest rate profile of financial assets*

The group has £5.2m of fixed rate financial assets.

The group has £15.7m of floating rate financial assets at varying interest rates linked to Bank of England base rate.

##### *Interest rate profile of financial liabilities*

The group has £2.2m of fixed rate financial liabilities, which are due to mature within the next 36 months.

The group has £14.1m of floating rate financial liabilities linked to Bank of England base rate.