
FREECLAIM IDC PLC

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012

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COMPANIES HOUSE



LAKIN ROSE
CHARTERED ACCOUNTANTS

FREECLAIM IDC PLC

COMPANY INFORMATION

DIRECTORS	W Towler M D Armstrong I Drysdale (Non Executive) M Dyer Bartlett (Non Executive)
COMPANY SECRETARY	M Dyer Bartlett
REGISTERED NUMBER	02828478
REGISTERED OFFICE	5th Floor Eldon House West Regent Centre Gosforth Newcastle Upon Tyne NE3 3PW
INDEPENDENT AUDITORS	Lakin Rose Limited Chartered Accountants & Registered Auditors Pioneer House Vision Park Histon Cambridge CB24 9NL
BANKERS	Clydesdale Bank plc Business Banking Centre Suite 2 Ochil House Stirling FK7 7XE
SOLICITORS	Mincoffs Kensington House 5 Osbourne Road Newcastle upon Tyne NE2 2AA

FREECLAIM IDC PLC

CONTENTS

	Page
Directors' report	1 - 3
Independent auditors' report	4 - 5
Consolidated profit and loss account	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Notes to the financial statements	10 - 24

FREECLAIM IDC PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012

The directors present their report and the financial statements for the year ended 31 October 2012

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITIES

The principal activity of the group is the provision of legal expenses insurance and insurance management services to claimants for personal injury and civil action.

Income is derived via insurance premium income from the group's insurance vehicle.

BUSINESS REVIEW

While disappointing, the loss on ordinary activities of £397,702 in the main reflects the cost of settling a series of very old cases that the directors have concluded are now unlikely to be successful. In addition, within the insurance subsidiary the group has made a further provision in respect of claims incurred but not yet reported. Nevertheless the group has successfully reduced its bank debt by a further £480,448 in the year to 31 October 2012 and has made further repayments since the year end. Despite pressure on cash flow the group has also continued to maintain its book of deferred premiums, at the year end this stood at £5.4 million, a decrease of only 5% on the previous year and an increase of 159% over the last three years.

While the changes to the legal environment in which we operate – often referred to as the Jackson “reforms” – came into effect on 1 April 2013 it is too early to say what their precise impact will be. Trading conditions were mixed in the year to 31 October 2012 though recent months have seen a surge in activity as solicitors pressed to instigate claims under the old, fairer, regime. The board is finalising a series of new products to reflect the new environment and we anticipate these being offered to the market in the near future. While significant challenges lie ahead, with some competitors abandoning the sector the directors believe that Jackson may also be an opportunity for the group.

FREECLAIM IDC PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2012

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £389,500 (2011 - profit £50,595)

There were no dividends paid during the year (2011 - £nil) and no dividends proposed

DIRECTORS

The directors who served during the year were

W Towler
M D Armstrong
I Drysdale (Non Executive)
M Dyer Bartlett (Non Executive)
J L Robertson (Non Executive) (resigned 27 April 2012)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The group does not use any derivative financial instruments in order to reduce its exposure to these risks.

However the group is not exposed to any exceptional price and credit and cash flow risk other than in the normal course of business.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses a mixture of equity and long-term and short-term debt finance.

COMPANY'S POLICY FOR PAYMENT OF CREDITORS

It is the company's policy to settle terms of payment with suppliers when agreeing the transaction and to ensure suppliers are aware of these terms and to abide by them. Trade creditors at the year end amount to 125 days (2011 - 145 days) of average supplies invoiced during the year.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

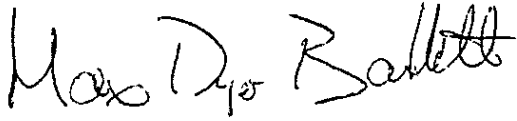
AUDITORS

Under section 487(2) of the Companies Act 2006, Lakin Rose Limited will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

FREECLAIM IDC PLC

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 OCTOBER 2012**

This report was approved by the board on 30 April 2013 and signed on its behalf

A handwritten signature in black ink, appearing to read 'Max Dyer Bartlett', written in a cursive style.

M Dyer Bartlett (Non Executive)
Director

FREECLAIM IDC PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FREECLAIM IDC PLC

We have audited the financial statements of Freeclaim IDC plc for the year ended 31 October 2012, set out on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 October 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER

In forming our opinion, which is not qualified, we have considered the adequacy of disclosures made in note 1.2 to the financial statements concerning the group's ability to continue as a going concern.

The matters explained in note 1.2 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern.

The financial statements do not include the adjustment that would result if the group was unable to continue as a going concern.

FREECLAIM IDC PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FREECLAIM IDC PLC

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jonathan Fretwell (senior statutory auditor)

for and on behalf of
Lakin Rose Limited

Chartered Accountants
Registered Auditors

Pioneer House
Vision Park
Histon
Cambridge
CB24 9NL

Date 30 April 2013

FREECLAIM IDC PLC

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 OCTOBER 2012**

	Note	2012 £	2011 £
TURNOVER	1,2	2,341,699	3,536,404
Cost of sales		<u>(2,026,606)</u>	<u>(2,230,481)</u>
GROSS PROFIT		315,093	1,305,923
Administrative expenses		<u>(697,536)</u>	<u>(1,079,592)</u>
OPERATING (LOSS)/PROFIT	3	(382,443)	226,331
Interest receivable and similar income	7	112,778	45,166
Interest payable and similar charges	8	<u>(128,037)</u>	<u>(169,643)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(397,702)	101,854
Tax on (loss)/profit on ordinary activities	9	<u>8,202</u>	<u>(51,259)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	19	£ (389,500)	£ 50,595

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the profit and loss account

The notes on pages 10 to 24 form part of these financial statements

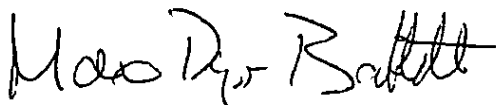
FREECLAIM IDC PLC
REGISTERED NUMBER. 02828478

CONSOLIDATED BALANCE SHEET
AS AT 31 OCTOBER 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible assets	10	4,875	17,445
Investments	11	451,881	1,301,962
		<u>456,756</u>	<u>1,319,407</u>
CURRENT ASSETS			
Debtors	12	6,696,680	6,977,799
Investments	13	2,042,629	2,093,232
Cash at bank and in hand		28,700	14,271
		<u>8,768,009</u>	<u>9,085,302</u>
CREDITORS: amounts falling due within one year	14	<u>(4,224,499)</u>	<u>(4,985,918)</u>
NET CURRENT ASSETS		<u>4,543,510</u>	<u>4,099,384</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,000,266</u>	<u>5,418,791</u>
CREDITORS: amounts falling due after more than one year	15	(510,000)	(595,000)
PROVISIONS FOR LIABILITIES			
Other provisions	17	(3,418,455)	(3,362,480)
NET ASSETS		<u>£ 1,071,811</u>	<u>£ 1,461,311</u>
CAPITAL AND RESERVES			
Called up share capital	18	331,602	331,602
Share premium account	19	1,110,678	1,110,678
ESOP reserve	19	(216,923)	(216,923)
Profit and loss account	19	(153,546)	235,954
SHAREHOLDERS' FUNDS	20	<u>£ 1,071,811</u>	<u>£ 1,461,311</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

30 April 2013



M Dyer Bartlett (Non Executive)
Director

The notes on pages 10 to 24 form part of these financial statements

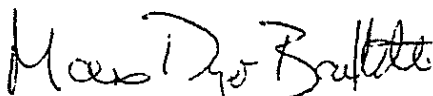
FREECLAIM IDC PLC
REGISTERED NUMBER 02828478

COMPANY BALANCE SHEET
AS AT 31 OCTOBER 2012

	Note	2012 £	2011 £
FIXED ASSETS			
Tangible assets	10	1,901	5,456
Investments	11	2,550,001	2,550,001
		<u>2,551,902</u>	<u>2,555,457</u>
CURRENT ASSETS			
Debtors	12	2,614,375	3,510,377
Investments	13	2,042,629	2,093,232
Cash at bank and in hand		535	534
		<u>4,657,539</u>	<u>5,604,143</u>
CREDITORS: amounts falling due within one year	14	<u>(3,838,442)</u>	<u>(4,522,313)</u>
NET CURRENT ASSETS		<u>819,097</u>	<u>1,081,830</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,370,999</u>	<u>3,637,287</u>
CREDITORS: amounts falling due after more than one year	15	(510,000)	(595,000)
PROVISIONS FOR LIABILITIES			
Other provisions	17	<u>(1,777,000)</u>	<u>(1,817,421)</u>
NET ASSETS		<u><u>£ 1,083,999</u></u>	<u><u>£ 1,224,866</u></u>
CAPITAL AND RESERVES			
Called up share capital	18	331,602	331,602
Share premium account	19	1,110,678	1,110,678
ESOP reserve	19	(216,923)	(216,923)
Profit and loss account	19	<u>(141,358)</u>	<u>(491)</u>
SHAREHOLDERS' FUNDS	20	<u><u>£ 1,083,999</u></u>	<u><u>£ 1,224,866</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

30 April 2013



M Dyer Bartlett (Non Executive)
Director

The notes on pages 10 to 24 form part of these financial statements

FREECLAIM IDC PLC

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 OCTOBER 2012**

	Note	2012 £	2011 £
Net cash flow from operating activities	21	(390,548)	(229,209)
Returns on investments and servicing of finance	22	(15,259)	(124,477)
Taxation	22	-	(15,837)
Capital expenditure and financial investment	22	900,684	1,051,406
CASH INFLOW BEFORE FINANCING		494,877	681,883
Financing	22	(85,000)	(85,000)
INCREASE IN CASH IN THE YEAR		£ 409,877	£ 596,883

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
FOR THE YEAR ENDED 31 OCTOBER 2012**

	2012 £	2011 £
Increase/(decrease) in cash in the year	409,877	596,883
Cash outflow from decrease in debt and lease financing	85,000	85,000
MOVEMENT IN NET DEBT IN THE YEAR	494,877	681,883
Net debt at 1 November 2011	(2,910,082)	(3,591,965)
NET DEBT AT 31 OCTOBER 2012	£ (2,415,205)	£ (2,910,082)

The notes on pages 10 to 24 form part of these financial statements

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2012

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Going concern

The financial statements have been prepared on the going concern basis which assumes that the group will continue as a going concern for the foreseeable future

The validity of this assumption depends on the group receiving continuing support from its bank

There are also significant changes to the trading environment due to new legislation, as explained in the business review, and the directors are in communication with the regulatory authority in respect of the going concern status of the subsidiary company

As a result of the factors explained above, the directors have concluded that there is material uncertainty that casts significant doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business

Nevertheless, after considering the uncertainties described above, the directors have a reasonable expectation of continuing support from the bank and feel that forecasts indicate that the regulatory authority's concerns can be assuaged. They therefore consider it to be reasonable to expect the group to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

1.3 Basis of consolidation

The financial statements consolidate the accounts of Freeclaim IDC plc and all of its subsidiary undertakings ('subsidiaries')

These financial statements do not disclose transactions with its subsidiary company because of its entitlement to the disclosure exemption under FRS 8 applicable to wholly owned subsidiary companies where the transactions are eliminated on consolidation

The results of subsidiaries acquired during the year are included from the effective date of acquisition

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Office equipment	-	20% straight line
Computer equipment	-	33% straight line

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012**

1. ACCOUNTING POLICIES (continued)

1.6 Investments

- (i) **Subsidiary undertakings**
Investments in subsidiaries are valued at cost less provision for impairment
- (ii) **Other investments**
Investments held as fixed assets are shown at cost less provision for impairment

1.7 Debtors

Recoverable disbursements comprise third party costs relating to ongoing cases and are stated at the lower of cost and net realisable value. Provision is made for costs on cases which are not expected to be successfully resolved.

1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.9 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.11 Employee Benefit Trust

Assets held in the employee benefit trust are recognised as assets of the company until they vest unconditionally in identified beneficiaries. The shares held by the trust are valued at the historical cost of the shares acquired. They are deducted in arriving at shareholders' funds and are presented as the ESOP reserve under UITF Abstract 38.

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012

2 TURNOVER

The whole of the turnover is attributable to the group's principal activity

All turnover arose within the United Kingdom

3. OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the group	12,570	15,252
Operating lease rentals		
- plant and machinery	11,440	13,801
- other operating leases	33,957	32,748
	<u> </u>	<u> </u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	241,984	487,248
Social security costs	33,392	42,061
Other pension costs	9,065	9,717
	<u> </u>	<u> </u>
	£ 284,441	£ 539,026
	<u> </u>	<u> </u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No	2011 No
Management	4	4
Administration	3	6
	<u> </u>	<u> </u>
	7	10
	<u> </u>	<u> </u>

FREECLAIM IDC PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012**

5. DIRECTORS' REMUNERATION

	2012 £	2011 £
Emoluments	£ <u>72,057</u>	£ <u>203,777</u>
Company pension contributions to defined contribution pension schemes	£ <u>4,529</u>	£ <u>4,431</u>
Amounts paid to third parties for directors' remuneration services	£ <u>21,000</u>	£ <u>31,000</u>

During the year retirement benefits were accruing to 2 directors (2011 - 2) in respect of defined contribution pension schemes

The highest paid director received remuneration of £90,000 (2011 - £86,727)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,700 (2011 - £2,602)

6. AUDITORS' REMUNERATION

	2012 £	2011 £
Fees payable to the group's auditors for the audit of the company's annual accounts	12,500	12,500
Fees payable to the group's auditors in respect of		
The auditing of accounts of associates of the company	16,000	16,800
Taxation compliance services	<u>3,500</u>	<u>3,500</u>

The fees of £16,000 (2011 - £16,800) payable to the group's auditors in respect of the auditing of accounts of associates of the company are payable to the auditors of the company's subsidiary undertaking, who are separate from the company's own auditors

7. INTEREST RECEIVABLE

	2012 £	2011 £
Other interest receivable	£ <u>112,778</u>	£ <u>45,166</u>

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012

8. INTEREST PAYABLE

	2012 £	2011 £
On bank loans and overdrafts	125,646	167,291
On other loans	2,391	2,352
	<u>£ 128,037</u>	<u>£ 169,643</u>

9. TAXATION

	2012 £	2011 £
Analysis of tax charge in the year		
Deferred tax (see note 16)		
Origination and reversal of timing differences	(8,202)	51,259
Tax on (loss)/profit on ordinary activities	<u>£ (8,202)</u>	<u>£ 51,259</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - lower than) the standard rate of corporation tax in the UK of 20% (2011 - 20 42%) The differences are explained below

	2012 £	2011 £
(Loss)/profit on ordinary activities before tax	<u>£ (397,702)</u>	<u>£ 101,854</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2011 - 20 42%)	(79,540)	20,798
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	572	19,490
Capital allowances for year in excess of depreciation	1,636	1,646
(Utilisation of)/unutilised tax losses	77,332	(41,934)
Current tax charge for the year (see note above)	<u>£ -</u>	<u>£ -</u>

Factors that may affect future tax charges

The group has tax losses of approximately £1,358,000 (2011 - £971,000) which are available to carry forward against future taxable profits

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012

10. TANGIBLE FIXED ASSETS

	Office equipment, fixtures and fittings £
Group	
Cost	
At 1 November 2011	110,139
Disposals	(5,923)
At 31 October 2012	104,216
Depreciation	
At 1 November 2011	92,694
Charge for the year	12,570
On disposals	(5,923)
At 31 October 2012	99,341
Net book value	
At 31 October 2012	£ 4,875
At 31 October 2011	£ 17,445
	Office equipment, fixtures and fittings £
Company	
Cost	
At 1 November 2011 and 31 October 2012	56,179
Depreciation	
At 1 November 2011	50,723
Charge for the year	3,555
At 31 October 2012	54,278
Net book value	
At 31 October 2012	£ 1,901
At 31 October 2011	£ 5,456

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012

11. FIXED ASSET INVESTMENTS

		Other investments £
Group		
Cost or valuation		
At 1 November 2011		1,301,962
Additions		6,343
Disposals		(856,424)
At 31 October 2012		<u>451,881</u>
Net book value		
At 31 October 2012		<u>£ 451,881</u>
At 31 October 2011		<u>£ 1,301,962</u>
		Investments in subsidiary companies £
Company		
Cost or valuation		
At 1 November 2011 and 31 October 2012		<u>2,550,001</u>
Net book value		
At 31 October 2012		<u>£ 2,550,001</u>
At 31 October 2011		<u>£ 2,550,001</u>

12. DEBTORS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade debtors	5,437,981	5,796,845	43,070	64,264
Amounts owed by group undertakings	216,923	216,923	1,550,979	2,566,915
Other debtors	32,451	60,982	32,451	22,182
Prepayments and accrued income	805,473	707,399	784,023	687,749
Deferred tax asset (see note 16)	203,852	195,650	203,852	169,267
	<u>£ 6,696,680</u>	<u>£ 6,977,799</u>	<u>£ 2,614,375</u>	<u>£ 3,510,377</u>

FREECLAIM IDC PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012**

13 CURRENT ASSET INVESTMENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Loans provided to clients to fund claims	£ 2,042,629	£ 2,093,232	£ 2,042,629	£ 2,093,232

14. CREDITORS.

Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loans and overdrafts	1,933,905	2,329,353	1,933,905	2,329,353
Trade creditors	317,960	354,996	317,960	354,996
Amounts owed to group undertakings	216,923	216,923	216,923	216,923
Social security and other taxes	336,050	347,071	10,088	19,582
Other creditors	162,562	223,121	132,684	145,106
Accruals and deferred income	1,257,099	1,514,454	1,226,882	1,456,353
	£ 4,224,499	£ 4,985,918	£ 3,838,442	£ 4,522,313

Bank loans and overdrafts of £1,848,905 (2011 - £2,244,353) are secured by a debenture over all the company's assets and guarantees of £450,000 from 3 shareholders

15. CREDITORS.

Amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank loans	£ 510,000	£ 595,000	£ 510,000	£ 595,000

Creditors include amounts not wholly repayable within 5 years as follows

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Repayable by instalments	£ 170,000	£ 255,000	£ 170,000	£ 255,000

The above loan is repayable in monthly instalments over ten years to October 2019 with interest applicable at 3% above base rate

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012

16. DEFERRED TAX ASSET

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£	£	£	£
At beginning of year	195,650	246,909	169,267	236,491
Released during/(charge for) the year	8,202	(51,259)	34,585	(67,224)
At end of year	<u>£ 203,852</u>	<u>£ 195,650</u>	<u>£ 203,852</u>	<u>£ 169,267</u>

The deferred tax asset is made up as follows

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£	£	£	£
Depreciation in advance of capital allowances	2,359	1,171	2,359	2,283
Tax losses available	201,338	194,342	201,338	166,847
Other short term timing differences	155	137	155	137
	<u>£ 203,852</u>	<u>£ 195,650</u>	<u>£ 203,852</u>	<u>£ 169,267</u>

The potential deferred tax asset not provided is made up as follows

	<u>Group</u>		<u>Company</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	£	£	£	£
Depreciation in advance of capital allowances	448	-	-	-
Tax losses available	70,250	-	-	-
	<u>£ 70,698</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012

17 PROVISIONS

	Other provisions £
Group	
At 1 November 2011	3,362,480
Additions	96,396
Amounts released	(40,421)
At 31 October 2012	<u>£ 3,418,455</u>

Other provisions

The provision of £3,418,455 (2011- £3,362,480) relates to estimated costs against ongoing cases at 31 October 2012. The provision is based upon the number of cases expected to be lost and the average cost per case.

Included within this provision is an amount of £1,708,960 (2011 - £1,745,421) which relates to estimated costs against ongoing pleural plaque cases following the House of Lords decision in 2010 to uphold the ruling in the High Court that such cases do not qualify for compensation.

	Other provisions £
Company	
At 1 November 2011	1,817,421
Amounts reversed	(40,421)
At 31 October 2012	<u>£ 1,777,000</u>

Other provisions

The provision of £1,777,000 (2011 - £1,817,421) relates to estimated costs against ongoing cases at 31 October 2012. The provision is based upon the number of cases expected to be lost and the average cost per case.

Included within this provision is an amount of £1,708,960 (2011 - £1,745,421) which relates to estimated costs against ongoing pleural plaque cases following the House of Lords decision in 2010 to uphold the ruling in the High Court that such cases do not qualify for compensation.

FREECLAIM IDC PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012**

18 SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
3,316,015 Ordinary shares of 10p each	£ 331,602	£ 331,602

Share option scheme

The company has two approved employee share option schemes and options have been granted to subscribe for ordinary shares of the company as follows

	Number of shares	Option price £
May 2003	21,307	2.10
April 2004	13,124	3.24
October 2006	2,702	1.00

19. RESERVES

	Share premium account £	ESOP reserve £	Profit and loss account £
Group			
At 1 November 2011	1,110,678	(216,923)	235,954
Loss for the year			(389,500)
At 31 October 2012	£ 1,110,678	£ (216,923)	£ (153,546)
Company			
At 1 November 2011	1,110,678	(216,923)	(491)
Loss for the year			(140,867)
At 31 October 2012	£ 1,110,678	£ (216,923)	£ (141,358)

FREECLAIM IDC PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012**

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Group		
Opening shareholders' funds	1,461,311	1,410,716
(Loss)/profit for the year	(389,500)	50,595
Closing shareholders' funds	<u>£ 1,071,811</u>	<u>£ 1,461,311</u>
Company		
Opening shareholders' funds	1,224,866	1,107,623
(Loss)/profit for the year	(140,867)	117,243
Closing shareholders' funds	<u>£ 1,083,999</u>	<u>£ 1,224,866</u>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account

The loss for the year dealt with in the accounts of the company was £140,867 (2011 - profit £117,243)

21. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £	2011 £
Operating (loss)/profit	(382,443)	226,331
Depreciation of tangible fixed assets	12,570	15,252
Loss on sale of tangible fixed assets	-	2,000
Decrease/(increase) in debtors	289,321	(1,356,804)
(Decrease)/increase in creditors	(365,971)	734,763
Increase in provisions	55,975	149,249
Net cash outflow from operating activities	<u>£ (390,548)</u>	<u>£ (229,209)</u>

22. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	112,778	45,166
Interest paid	(128,037)	(169,643)
Net cash outflow from returns on investments and servicing of finance	<u>£ (15,259)</u>	<u>£ (124,477)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012

22 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2012 £	2011 £
Taxation		
Corporation tax repaid/(paid)	£ -	£ (15,837)
	<u>2012 £</u>	<u>2011 £</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	-	(3,364)
Purchase of unlisted and other investments	(6,343)	(15,916)
Sale of unlisted and other investments	856,424	1,015,623
Redemption of/(increase in) funding loans to clients	-	55,063
Sale of short term unlisted investments	50,603	-
Net cash inflow from capital expenditure	<u>£ 900,684</u>	<u>£ 1,051,406</u>
	<u>2012 £</u>	<u>2011 £</u>
Financing		
Repayment of loans	£ (85,000)	£ (85,000)

23. ANALYSIS OF CHANGES IN NET DEBT

	1 November 2011 £	Cash flow £	Other non-cash changes £	31 October 2012 £
Cash at bank and in hand	14,271	14,429	-	28,700
Bank overdraft	(2,244,353)	395,448	-	(1,848,905)
	<u>(2,230,082)</u>	<u>409,877</u>	<u>-</u>	<u>(1,820,205)</u>
Debt:				
Finance leases	-	-	-	-
Debts due within one year	(85,000)	85,000	(85,000)	(85,000)
Debts falling due after more than one year	(595,000)	-	85,000	(510,000)
Net debt	<u>£ (2,910,082)</u>	<u>£ 494,877</u>	<u>£ -</u>	<u>£ (2,415,205)</u>

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2012

24. PENSION COMMITMENTS

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £9,065 (2011 - £9,717). Contributions totalling £1,358 (2011 - £1,557) were payable to the fund at the balance sheet date and are included in creditors.

25. OPERATING LEASE COMMITMENTS

At 31 October 2012 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2012	2011	2012	2011
Group and Company	£	£	£	£
Expiry date:				
Within 1 year	-	5,867	1,198	-
Between 2 and 5 years	21,490	21,490	5,834	8,230

26. RELATED PARTY TRANSACTIONS

AON Insurance Managers (Gibraltar) Limited were contracted by the group to carry out many of the administrative, regulatory and financial functions connected with the operations of Mount Grace Insurance Company Limited (a group company) in Gibraltar until March 2011.

AON is considered a related party for the year ended 31 October 2011 as it had directors in common with Mount Grace Insurance Company Limited until 18 March 2011.

During the year AON supplied services amounting to £nil (2011 - £28,125) and at the end of the year were owed £nil (2011 - £nil) by the group.

Quest Insurance Management (Gibraltar) Limited are contracted to carry out the above functions with effect from March 2011.

Quest is considered a related party with effect from 5 April 2011 as it has directors in common with Mount Grace Insurance Company Limited who were appointed on this date.

During the year Quest provided services amounting to £83,250 (2011 - £43,750) and at the end of the year were owed £7,000 (2011 - £6,250) by the group.

Included within other creditors due within one year are loans from directors amounting to £91,500 (2011 - £99,000). The directors concerned are I Drysdale and J L Robertson. During the year interest was payable on these loans at 10% per annum amounting to £9,555 (2011 - £9,874).

Included within other creditors due within one year is an amount due to M Dyer Bartlett, a director, amounting to £24,318 (2011 - £35,521).

FREECLAIM IDC PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2012**

27. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Description
Mount Grace Insurance Company Limited	Gibraltar	100	Provision of insurance services
Freeclaim IDC EBT Limited	United Kingdom	100	Dormant