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**FREECLAIM IDC PLC**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2010**

SATURDAY



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COMPANIES HOUSE



**LAKIN ROSE**  
CHARTERED ACCOUNTANTS

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## FREECLAIM IDC PLC

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### COMPANY INFORMATION

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

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**FREECLAIM IDC PLC**

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**CONTENTS**

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	Page
<b>Directors' report</b>	1 - 2
<b>Independent auditor's report</b>	3 - 4
<b>Consolidated profit and loss account</b>	5
<b>Consolidated balance sheet</b>	6
<b>Company balance sheet</b>	7
<b>Consolidated cash flow statement</b>	8
<b>Notes to the financial statements</b>	9 - 24

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## FREECLAIM IDC PLC

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2010

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The directors present their report and the financial statements for the year ended 31 October 2010

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 a financially assisted claims service to claimants for injury compensation.

Income is derived either on a contingency basis or via an insurance premium income from Freeclaim IDC, the group's insurance based product.

#### BUSINESS REVIEW

While the underlying business has remained profitable the group has recorded a significant loss of £417,236 (2009 - profit £213,406) for the year ended 31 October 2010. This has resulted from a material increase in the provision for the cost of failed pleural plaque cases pre-dating the Rothwell Judgement in The Court of Appeal in 2007.

The move towards premiums being settled at the end rather than at the start of the case has continued to place pressure on group cash flow. However the current year has started soundly and the directors believe the group should be profitable and cash flow positive in the year ended 31 October 2011.

#### RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £417,236 (2009 - profit £213,406).

There were no dividends paid during the year (2009 - £nil) and no dividends proposed.

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## FREECLAIM IDC PLC

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 2010

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#### DIRECTORS

The directors who served during the year were

D Towler (resigned 7 October 2010)

W Towler

M D Armstrong

I Drysdale (Non Executive)

M Dyer Bartlett (Non Executive)

J L Robertson (Non Executive)

#### 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 46 (2009 - 46 days) of average supplies invoiced during the year.

#### PROVISION OF INFORMATION TO AUDITOR

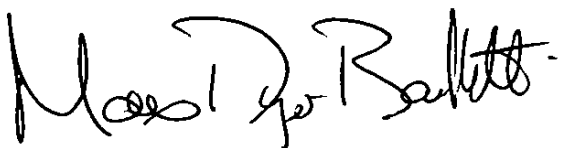
Each of the persons who are directors at the time when this directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditor is 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 auditor in connection with preparing its report and to establish that the company and the group's auditor is aware of that information.

#### AUDITOR

Under section 487(2) of the Companies Act 2006, Lakin Rose Limited will be deemed to have been reappointed as auditor 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.

This report was approved by the board on 27 May 2011 and signed on its behalf



**M Dyer Bartlett**  
Secretary

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## **FREECLAIM IDC PLC**

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### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FREECLAIM IDC PLC**

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We have audited the group and parent company financial statements (the "financial statements") of Freeclaim IDC plc for the year ended 31 October 2010, set out on pages 5 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the statement of directors' responsibilities, 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 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.

#### **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 2010 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 1.1 to the financial statements concerning the group's ability to continue as a going concern.

The matters explained in note 1.1 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.

#### **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.

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FREECLAIM IDC PLC

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FREECLAIM IDC PLC

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**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 remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Christopher Beaumont (Senior statutory auditor)

for and on behalf of  
**Lakin Rose Limited**

Chartered Accountants  
Registered Auditors

Pioneer House  
Vision Park  
Histon

Cambridge  
CB24 9NL

Date 27 May 2011

**FREECLAIM IDC PLC**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 OCTOBER 2010**

	Note	2010 £	2009 £
<b>TURNOVER</b>	1,2	<b>4,297,427</b>	<b>2,795,435</b>
Cost of sales		(2,306,676)	(980,346)
Exceptional cost of sales		(1,147,797)	-
Total cost of sales		(3,454,473)	(980,346)
<b>GROSS PROFIT</b>		<b>842,954</b>	<b>1,815,089</b>
Administrative expenses		(1,342,182)	(1,614,303)
<b>OPERATING (LOSS)/PROFIT</b>	3	<b>(499,228)</b>	<b>200,786</b>
Interest receivable and similar income	7	119,496	207,918
Interest payable and similar charges	8	(146,746)	(136,092)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(526,478)</b>	<b>272,612</b>
Tax on (loss)/profit on ordinary activities	9	109,242	(59,206)
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	20	<b>£ (417,236)</b>	<b>£ 213,406</b>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the profit and loss account

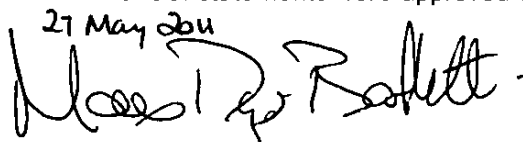
The notes on pages 9 to 24 form part of these financial statements

**FREECLAIM IDC PLC**  
**REGISTERED NUMBER 02828478**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 OCTOBER 2010**

	Note	£	2010	£	£	2009	£
<b>FIXED ASSETS</b>							
Tangible assets	10			31,333			31,672
Investments	11			2,301,669			1,927,990
				<u>2,333,002</u>			<u>1,959,662</u>
<b>CURRENT ASSETS</b>							
Stocks	12		-			68,954	
Debtors	13	5,589,484				3,397,382	
Investments	14	2,996,474				3,174,286	
Cash at bank and in hand		11,620				474,365	
				<u>8,597,578</u>		<u>7,114,987</u>	
<b>CREDITORS: amounts falling due within one year</b>	15	(5,935,344)				(1,684,026)	
<b>NET CURRENT ASSETS</b>				2,662,234			5,430,961
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				4,995,236			7,390,623
<b>CREDITORS amounts falling due after more than one year</b>	16			(680,000)			(3,608,409)
<b>PROVISIONS FOR LIABILITIES</b>							
Other provisions	18			(2,592,160)			(1,798,802)
<b>NET ASSETS</b>				<u>£ 1,723,076</u>			<u>£ 1,983,412</u>
<b>CAPITAL AND RESERVES</b>							
Called up share capital	19			331,602			279,302
Share premium account	20			1,110,678			1,006,078
ESOP reserve	20			(216,923)			(216,923)
Profit and loss account	20			497,719			914,955
<b>SHAREHOLDERS' FUNDS</b>	21			<u>£ 1,723,076</u>			<u>£ 1,983,412</u>

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

27 May 2011  


**M Dyer Bartlett**  
Director

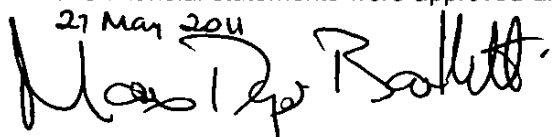
The notes on pages 9 to 24 form part of these financial statements

FREECLAIM IDC PLC  
REGISTERED NUMBER: 02828478

COMPANY BALANCE SHEET  
AS AT 31 OCTOBER 2010

	Note	£	2010 £	£	2009 £	£
<b>FIXED ASSETS</b>						
Tangible assets	10		10,687		26,041	
Investments	11		1,800,001		1,800,001	
			<u>1,810,688</u>		<u>1,826,042</u>	
<b>CURRENT ASSETS</b>						
Stocks	12	-		68,954		
Debtors	13	4,046,100		2,524,470		
Investments	14	2,996,474		3,174,286		
Cash at bank and in hand		643		43,348		
			<u>7,043,217</u>	<u>5,811,058</u>		
<b>CREDITORS</b> amounts falling due within one year	15	(4,505,027)		(733,597)		
<b>NET CURRENT ASSETS</b>			<u>2,538,190</u>		<u>5,077,461</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>4,348,878</u>		<u>6,903,503</u>	
<b>CREDITORS</b> amounts falling due after more than one year	16		(680,000)		(3,608,409)	
<b>PROVISIONS FOR LIABILITIES</b>						
Other provisions	18		(2,592,160)		(1,798,802)	
<b>NET ASSETS</b>			<u>£ 1,076,718</u>		<u>£ 1,496,292</u>	
<b>CAPITAL AND RESERVES</b>						
Called up share capital	19		331,602		279,302	
Share premium account	20		1,110,678		1,006,078	
ESOP reserve	20		(216,923)		(216,923)	
Profit and loss account	20		(148,639)		427,835	
<b>SHAREHOLDERS' FUNDS</b>	21		<u>£ 1,076,718</u>		<u>£ 1,496,292</u>	

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

27 May 2011  


**M Dyer Bartlett**  
Director

The notes on pages 9 to 24 form part of these financial statements

**FREECLAIM IDC PLC**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 OCTOBER 2010**

	<b>Note</b>	<b>2010 £</b>	<b>2009 £</b>
Net cash flow from operating activities	22	87,634	(615,962)
Returns on investments and servicing of finance	23	(27,250)	71,826
Taxation		(12,674)	(30,824)
Capital expenditure and financial investment	23	(571,097)	(76,892)
<b>CASH OUTFLOW BEFORE FINANCING</b>		<b>(523,387)</b>	<b>(651,852)</b>
Financing	23	(2,777,943)	2,243,566
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>£ (3,301,330)</b>	<b>£ 1,591,714</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
FOR THE YEAR ENDED 31 OCTOBER 2010**

	<b>2010 £</b>	<b>2009 £</b>
(Decrease)/Increase in cash in the year	(3,301,330)	1,591,714
Cash outflow from decrease in debt and lease financing	2,934,843	(2,243,566)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(366,487)</b>	<b>(651,852)</b>
Net debt at 1 November 2009	(3,225,478)	(2,573,626)
<b>NET DEBT AT 31 OCTOBER 2010</b>	<b>£ (3,591,965)</b>	<b>£ (3,225,478)</b>

The notes on pages 9 to 24 form part of these financial statements

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## FREECLAIM IDC PLC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2010

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#### 1. ACCOUNTING POLICIES

##### 1.1 Working capital

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 additional equity funding and continuing support from its bank.

The bank has indicated a willingness to continue with the group's existing facilities pending either the injection of new equity or the sale of the group's insurance business. Accordingly the directors believe it appropriate to prepare the financial statements on the going concern basis.

##### 1.2 Basis of preparation of financial statements

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

##### 1.3 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.

##### 1.4 Turnover

Turnover comprises revenue recognised by the company in respect of registration fees, marketing contributions, insurance premium profit share and contingency fees relating to the industrial compensation and DSS benefit claims being settled in the year.

##### 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:

Motor vehicles	-	25% straight line
Office equipment	-	20% straight line
Computer equipment	-	33% straight line

##### 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010**

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**1. ACCOUNTING POLICIES (continued)**

**1.7 Work in progress**

Work in progress comprises of direct costs and attributable overheads relating to ongoing cases which the directors expect to be successfully resolved. Revenue and profit are not recognised until the successful conclusion of each case is assured and until the critical event occurs, work in progress remains stated at lower of cost and net realisable value.

**1.8 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.

**1.9 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.

**1.10 Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**1.11 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.

**1.12 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.

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FREECLAIM IDC PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010

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1. ACCOUNTING POLICIES (continued)

1.13 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.

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

	2010 £	2009 £
Depreciation of tangible fixed assets		
- owned by the group	15,647	8,464
- held under finance leases	3,619	4,825
Operating lease rentals		
- plant and machinery	22,512	27,881
- other operating leases	39,124	43,508
Exceptional cost of sales	1,147,797	-

The exceptional item of £1,147,797 relates to an increase in the provision for costs against pleural plaque cases ongoing at 31 October 2010 following the House of Lords decision to uphold the ruling in the High Court that such cases do not qualify for compensation.

The provision is based upon the number of pleural plaque cases expected to be lost and the average cost per case. As a result of the increase in the number of cases expected to be lost and an increase in the average cost per case the provision has been increased by £1,147,797.

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FREECLAIM IDC PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010

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4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2010 £	2009 £
Wages and salaries	609,652	702,573
Social security costs	61,617	73,773
Other pension costs	14,464	16,502
	<u>£ 685,733</u>	<u>£ 792,848</u>

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

	2010 No	2009 No
Management	6	6
Administration	10	14
	<u>16</u>	<u>20</u>

5 DIRECTORS' REMUNERATION

	2010 £	2009 £
Emoluments	<u>£ 282,025</u>	<u>£ 292,104</u>
Company pension contributions to defined contribution pension schemes	<u>£ 5,652</u>	<u>£ 5,607</u>
Amounts paid to third parties for directors' remuneration services	<u>£ 22,000</u>	<u>£ 22,750</u>

During the year retirement benefits were accruing to 3 directors (2009 - 3) in respect of defined contribution pension schemes

The highest paid director received remuneration of £86,913 (2009 - £93,801)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,712 (2009 - £1,705)

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FREECLAIM IDC PLC

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010

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6 AUDITORS' REMUNERATION

	2010 £	2009 £
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 pursuant to legislation	13,380	12,025
Other services relating to taxation	3,500	3,500

The fees of £13,380 (2009 - £12,025) 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

	2010 £	2009 £
Other interest receivable	£ 119,496	£ 207,918

8. INTEREST PAYABLE

	2010 £	2009 £
On bank loans and overdrafts	144,947	134,983
On other loans	431	149
On finance leases and hire purchase contracts	1,368	960
	£ 146,746	£ 136,092

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010

9 TAXATION

	2010 £	2009 £
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on (loss)/profit for the year	-	28,511
Adjustments in respect of prior periods	-	10
<b>Total current tax</b>	-	28,521
<b>Deferred tax</b>		
Origination and reversal of timing differences	(109,242)	30,695
Adjustments in respect of prior periods	-	(10)
<b>Total deferred tax</b> (see note 17)	(109,242)	30,685
<b>Tax on (loss)/profit on ordinary activities</b>	<b>£ (109,242)</b>	<b>£ 59,206</b>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2009 - *lower than*) the standard rate of corporation tax in the UK of 21% (2009 - 21%) The differences are explained below

	2010 £	2009 £
(Loss)/profit on ordinary activities before tax	<b>£ (526,478)</b>	<b>£ 272,612</b>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2009 - 21%)	(110,560)	57,248
<b>Effects of.</b>		
Non-tax deductible amortisation of goodwill and impairment	1,093	1,492
Capital allowances for year in excess of depreciation	(4,251)	(1,575)
Unutilised/(utilisation) of tax losses	113,524	(29,107)
Tax on intra group profit/(loss)	194	453
Adjustments to tax charge in respect of prior periods	-	10
<b>Current tax charge for the year</b> (see note above)	<b>£ -</b>	<b>£ 28,521</b>

**Factors that may affect future tax charges**

The group has tax losses of approximately £968,000 (2009 - £427,000) which are available to carry forward against future taxable profits

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010

10. TANGIBLE FIXED ASSETS

Group	Motor vehicles £	Office equipment, fixtures and fittings £	Total £
<b>Cost</b>			
At 1 November 2009	19,300	85,210	104,510
Additions	-	26,566	26,566
Disposals	(19,300)	-	(19,300)
At 31 October 2010	-	111,776	111,776
<b>Depreciation</b>			
At 1 November 2009	8,042	64,796	72,838
Charge for the year	3,619	15,647	19,266
On disposals	(11,661)	-	(11,661)
At 31 October 2010	-	80,443	80,443
<b>Net book value</b>			
At 31 October 2010	£ -	£ 31,333	£ 31,333
At 31 October 2009	£ 11,258	£ 20,414	£ 31,672

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

Group	2010 £	2009 £
Motor vehicles	£ -	£ 11,258

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010

10 TANGIBLE FIXED ASSETS (continued)

Company	Motor vehicles £	Office equipment, fixtures and fittings £	Total £
<b>Cost</b>			
At 1 November 2009	19,300	53,437	72,737
Additions	-	4,900	4,900
Disposals	(19,300)	-	(19,300)
At 31 October 2010	-	58,337	58,337
<b>Depreciation</b>			
At 1 November 2009	8,042	38,654	46,696
Charge for the year	3,619	8,996	12,615
On disposals	(11,661)	-	(11,661)
At 31 October 2010	-	47,650	47,650
<b>Net book value</b>			
At 31 October 2010	£ -	£ 10,687	£ 10,687
At 31 October 2009	£ 11,258	£ 14,783	£ 26,041

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

Company	2010 £	2009 £
Motor vehicles	£ -	£ 11,258

11 FIXED ASSET INVESTMENTS

Group	Other investments £
<b>Cost or valuation</b>	
At 1 November 2009	1,927,990
Additions	373,679
At 31 October 2010	2,301,669
<b>Net book value</b>	
At 31 October 2010	£ 2,301,669
At 31 October 2009	£ 1,927,990

FREECLAIM IDC PLC

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010

11. FIXED ASSET INVESTMENTS (continued)

Company Cost or valuation	Investments in subsidiary companies £
At 1 November 2009 and 31 October 2010	<u>1,800,001</u>
<b>Net book value</b>	
At 31 October 2010	<u>£ 1,800,001</u>
At 31 October 2009	<u>£ 1,800,001</u>

12 STOCKS

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Work in progress	<u>£ -</u>	<u>£ 68,954</u>	<u>£ -</u>	<u>£ 68,954</u>

13 DEBTORS

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Trade debtors	4,468,256	2,161,196	96,432	79,958
Amounts owed by group undertakings	216,923	216,923	3,059,472	1,548,132
Other debtors	16,119	142,805	15,862	142,548
Prepayments and accrued income	685,248	782,762	668,748	661,063
Deferred tax asset (see note 17)	202,938	93,696	205,586	92,769
	<u>£ 5,589,484</u>	<u>£ 3,397,382</u>	<u>£ 4,046,100</u>	<u>£ 2,524,470</u>

14 CURRENT ASSET INVESTMENTS

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
Loans provided to clients to fund claims	<u>£ 2,996,474</u>	<u>£ 3,174,286</u>	<u>£ 2,996,474</u>	<u>£ 3,174,286</u>

**FREECLAIM IDC PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010**

**15. CREDITORS.**  
**Amounts falling due within one year**

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts	2,923,585	85,000	2,923,585	85,000
Net obligations under finance leases and hire purchase contracts	-	6,434	-	6,434
Trade creditors	78,242	89,902	78,242	89,902
Amounts owed to group undertakings	216,923	216,923	216,923	216,923
Corporation tax	15,837	28,511	15,837	4
Social security and other taxes	281,767	138,267	51,077	21,984
Other creditors	208,223	6,002	105,405	3,671
Accruals and deferred income	2,210,767	1,112,987	1,113,958	309,679
	<u>£ 5,935,344</u>	<u>£ 1,684,026</u>	<u>£ 4,505,027</u>	<u>£ 733,597</u>

During the year bank loans falling due after more than one year of £2,841,266 were converted to bank overdrafts due within one year

Bank loans and overdrafts of £2,838,585 (2009 - £nil) are secured by a debenture over all the company's assets and guarantees of £450,000 from 5 shareholders

**16 CREDITORS:**  
**Amounts falling due after more than one year**

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Bank loans	680,000	3,606,266	680,000	3,606,266
Net obligations under finance leases and hire purchase contracts	-	2,143	-	2,143
	<u>£ 680,000</u>	<u>£ 3,608,409</u>	<u>£ 680,000</u>	<u>£ 3,608,409</u>

Creditors include amounts not wholly repayable within 5 years as follows

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Repayable by instalments	<u>£ 340,000</u>	<u>£ 425,000</u>	<u>£ 340,000</u>	<u>£ 425,000</u>

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 2010

**16 CREDITORS**  
**Amounts falling due after more than one year (continued)**

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£	£	£	£
Between one and five years	£ -	£ 2,143	£ -	£ 2,143

During the year bank loans falling due after more than one year of £2,841,266 were converted to bank overdrafts due within one year

Bank loans of £nil (2009 - £2,841,266), are secured by a debenture over all the company's assets and guarantees of £450,000 from 5 shareholders

**17 DEFERRED TAX ASSET**

The deferred taxation asset/(liability) is as follows

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£	£	£	£
At beginning of year	93,696	124,381	92,769	122,079
Released during/(charge for) the year	109,242	(30,685)	112,817	(29,310)
At end of year	£ 202,938	£ 93,696	£ 205,586	£ 92,769

The deferred tax asset is made up as follows

	<u>Group</u>		<u>Company</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	£	£	£	£
Depreciation in advance of capital allowances	(463)	(3,788)	2,185	(2,861)
Tax losses available	203,216	(89,691)	203,216	(89,691)
Other short term timing differences	185	(217)	185	(217)
	£ 202,938	£ (93,696)	£ 205,586	£ (92,769)

**FREECLAIM IDC PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010**

**18 PROVISIONS**

	Other provisions £
<b>Group and Company</b>	
At 1 November 2009	1,798,802
Additions	1,147,797
Amounts released	(354,439)
At 31 October 2010	<u>£ 2,592,160</u>

**Other provisions**

The provision of £2,592,160 (2009 - £1,798,802) relates to estimated costs against ongoing pleural plaque cases following the House of Lords decision to uphold the ruling in the High Court that such cases do not qualify for compensation

The provision is based upon the number of pleural plaque cases expected to be lost and the average cost per case. As a result of the increase in the number of cases expected to be lost and an increase in the average cost per case the provision has been increased by £1,147,797

**19. SHARE CAPITAL**

	2010 £	2009 £
<b>Allotted, called up and fully paid</b>		
3,316,015 (2009 - 2,793,015) Ordinary shares of 10p each	£ 331,602	£ 279,302

During the year the company issued 523,000 ordinary shares fully paid for cash at 30p per share

**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 £
March 2001	1,235	1.94
May 2003	38,831	2.10
April 2004	25,321	3.24
April 2005	6,330	3.56
October 2006	39,526	1.00
September 2007	33,890	1.00

**FREECLAIM IDC PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010**

**20 RESERVES**

	Share premium account £	ESOP reserve £	Profit and loss account £
<b>Group</b>			
At 1 November 2009	1,006,078	(216,923)	914,955
Loss for the year			(417,236)
Premium on shares issued during the year	104,600		
At 31 October 2010	<u>£ 1,110,678</u>	<u>£ (216,923)</u>	<u>£ 497,719</u>
	Share premium account £	ESOP reserve £	Profit and loss account £
<b>Company</b>			
At 1 November 2009	1,006,078	(216,923)	427,835
Loss for the year			(576,474)
Premium on shares issued during the year	104,600		
At 31 October 2010	<u>£ 1,110,678</u>	<u>£ (216,923)</u>	<u>£ (148,639)</u>

**21. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	2010 £	2009 £
<b>Group</b>		
Opening shareholders' funds	1,983,412	1,770,006
(Loss)/profit for the year	(417,236)	213,406
Shares issued during the year	52,300	-
Share premium on shares issued (net of expenses)	104,600	-
Closing shareholders' funds	<u>£ 1,723,076</u>	<u>£ 1,983,412</u>
	2010 £	2009 £
<b>Company</b>		
Opening shareholders' funds	1,496,292	1,392,691
(Loss)/profit for the year	(576,474)	103,601
Shares issued during the year	52,300	-
Share premium on shares issued (net of expenses)	104,600	-
Closing shareholders' funds	<u>£ 1,076,718</u>	<u>£ 1,496,292</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)/profit for the year dealt with in the accounts of the company was £576,474 (2009 - £103,601)

FREECLAIM IDC PLC

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010**

**22 NET CASH FLOW FROM OPERATING ACTIVITIES**

	2010 £	2009 £
Operating (loss)/profit	(499,228)	200,786
Depreciation of tangible fixed assets	19,266	13,289
Loss/(profit) on sale of tangible fixed assets	1,864	(1,265)
Decrease in stocks	68,954	8,000
Increase in debtors	(2,082,860)	(974,661)
Increase in creditors	1,431,841	137,889
Increase in provisions	1,147,797	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>£ 87,634</b>	<b>£ (615,962)</b>

**23 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	2010 £	2009 £
<b>Returns on investments and servicing of finance</b>		
Interest received	119,496	207,918
Interest paid	(145,378)	(135,132)
Hire purchase interest	(1,368)	(960)
<b>Net cash (outflow)/inflow from returns on investments and servicing of finance</b>	<b>£ (27,250)</b>	<b>£ 71,826</b>
	2010 £	2009 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(26,566)	(7,419)
Sale of tangible fixed assets	5,775	1,265
Purchase of unlisted and other investments	(373,679)	(1,451)
Redemption of/(increase in) funding loans to clients	(176,627)	(69,287)
<b>Net cash outflow from capital expenditure</b>	<b>£ (571,097)</b>	<b>£ (76,892)</b>
	2010 £	2009 £
<b>Financing</b>		
Issue of ordinary shares	156,900	-
New secured loans	-	2,250,000
Repayment of loans	(2,926,266)	-
Repayment of finance leases	(8,577)	(6,434)
<b>Net cash (outflow)/inflow from financing</b>	<b>£ (2,777,943)</b>	<b>£ 2,243,566</b>

**FREECLAIM IDC PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2010**

**24 ANALYSIS OF CHANGES IN NET DEBT**

	1 November 2009	Cash flow	Other non-cash changes	31 October 2010
	£	£	£	£
Cash at bank and in hand	474,365	(462,745)	-	11,620
Bank overdraft	-	(2,838,585)	-	(2,838,585)
	<u>474,365</u>	<u>(3,301,330)</u>	<u>-</u>	<u>(2,826,965)</u>
<b>Debt.</b>				
Finance leases	(8,577)	8,577	-	-
Debts due within one year	(85,000)	2,926,266	(2,926,266)	(85,000)
Debts falling due after more than one year	(3,606,266)	-	2,926,266	(680,000)
<b>Net debt</b>	<u>£ (3,225,478)</u>	<u>£ (366,487)</u>	<u>£ -</u>	<u>£ (3,591,965)</u>

**25. 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 £14,464 (2009 - £16,502). Contributions totalling £1,993 (2009 - £2,241) were payable to the fund at the balance sheet date and are included in creditors.

**26. OPERATING LEASE COMMITMENTS**

At 31 October 2010 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2010	2009	2010	2009
	£	£	£	£
<b>Group and Company</b>				
<b>Expiry date:</b>				
Within 1 year	6,307	11,898	7,901	3,287
Between 2 and 5 years	-	-	4,847	18,716

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## FREECLAIM IDC PLC

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2010

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#### 27. RELATED PARTY TRANSACTIONS

AON Insurance Managers (Gibraltar) Limited are 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

AON is considered a related party as it has directors in common with Mount Grace Insurance Company Limited

During the year AON supplied services amounting to £67,500 (2009 - £67,500) and at the end of the year were owed £22,500 (2009 - £5,625) by the group

Included within other creditors due within one year are loans from directors amounting to £90,000 (2009 - £nil) The directors concerned are D Towler, I Drysdale and J L Robertson During the year interest was payable on these loans at 10% per annum amounting to £4,356 (2009 - £nil)

During the year the company issued 433,334 ordinary shares for £130,000 to M Dyer Bartlett, a director

#### 28. 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