

## **Freedom Finance Holdings Limited**

### **Directors' report and consolidated financial statements**

For the year ended 30 April 2007

Registered number 3900345

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# Freedom Finance Holdings Limited

## **Directors' report and consolidated financial statements**

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## **Directors' report**

The directors present their annual report and the audited consolidated financial statements for the year ended 30 April 2007

### **Principal activities and business review**

The principal activity of the company is that of a holding company. During the year the company had two wholly owned operating subsidiaries, Freedom Finance plc and Freedom Funding Limited. The principal activity of Freedom Finance plc is the generation of commission income from its own marketing activities, it also acts as an outsourced data processor. The principal activity of Freedom Funding was the advance of loans secured on residential property and the subsequent sale of the resulting portfolios on a regular basis. Freedom Funding Limited was sold on 25 July 2006 creating a profit on disposal of £22,352,941.

In addition, the company holds a 55% stake in Mortgage Next Limited and Mortgage Next Network Limited through its Freedom Network Holdings Limited subsidiary. Mortgage Next Limited and Mortgage Next Network Limited provide the Group with a significant presence in the UK mortgage distribution market.

The company also has a significant presence in Europe with operations in both Sweden and Spain. The company has a 75% shareholding in Freedom Finance Kreditservice AB which contributed £0.9m to operating profit during the year. The Spanish operation also performed strongly during the year making an operating profit of £0.6m. On 17<sup>th</sup> July 2006 the Spanish trading branch was incorporated, following which Freedom Finance plc held 85% of the share capital with local management holding the remaining 15%.

During the year the group significantly increased its operating profit from continuing activities from £1.6m to £2.1m. The increase stemmed from further expansion of the European operations partially offset by lower operating margins from the UK businesses. The UK performance has suffered from ongoing pressure on operating margins throughout the industry and a difficult trading environment caused by the impact of continuing regulation. The company has benefited from the establishment of several different lead sources within its core business which has reduced the risk of a downturn in market conditions and continues to build long term relationships with a number of lenders in order to reduce the risk of margin pressure in the future.

The group has invested heavily in management information systems and regularly monitors a comprehensive list of key performance indicators. These include both financial, such as budgets, forecasts and cashflows, and operational, including cost of lead generation and subsequent conversion to payout.

The principal risks to the business are the impact of further regulation and the underlying strength of the economy as a whole. The company has taken steps to mitigate the impact of regulation uncertainty by continuing to invest significant time and resource in its compliance function that works closely with regulatory bodies throughout the industry.

### **Dividends**

An interim dividend of £4,781,240 (2006: £nil) was paid during the year, but the directors do not recommend the payment of a final dividend (2006: £nil). In addition a dividend of £33,614 was paid to minority shareholders of Freedom Finance Kreditservice AB.

### **Transfers to reserves**

The consolidated profit for the year of £22,383,559 (2006 loss: £839,375) has been transferred to reserves.

### **Directors**

The directors who held office during the year were as follows:

RG Webb, AM Chadwick, AJ Machin, REM Lee, JM Green-Armytage, JR Plimmer, DW Zalaznick

## **Directors' report** *(continued)*

### **Employees**

Within the bounds of commercial confidentiality, staff at all levels are kept informed of matters that affect the progress of the Company. This is achieved through a broad base of communications including staff briefings, announcements and a staff newsletter. The company promotes policies to ensure that employees and applicants for employment are treated fairly, consistently and without discrimination. In addition the Company seeks to apply best practice in the employment, training, development and promotion of disabled persons.

### **Policy and practice on payment of creditors**

Payment terms are normally agreed with suppliers at the time of placing orders. All suppliers fulfilling the conditions of order will be paid in accordance with the terms agreed.

### **Political and charitable donations**

The company made no political contributions during the year. Donations to UK charities were £5,060 (2006 £6,100).

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Auditors**

In accordance with section 385 of the Companies Act 1985, a resolution concerning the reappointment of KPMG LLP will be proposed at the next Annual General Meeting.

By Order of the Board



**AM Chadwick**  
Secretary

20 February 2008

Freedom House  
Church Street  
Wilmslow  
Cheshire  
SK9 1AX

## **Statement of directors' responsibilities in respect of the directors' report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit or loss for that period.

In preparing these 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 UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud or other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



St James' Square, Manchester M2 6DS

### **Independent auditors' report to the members of Freedom Finance Holdings Limited**

We have audited the group and parent company financial statements of Freedom Finance Holdings Limited for the year ended 30 April 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' responsibilities for preparing the Directors Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition, we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### **Basis of audit opinion**

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

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

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 April 2007 and of the group's profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

**KPMG LLP**

*Chartered Accountants, Manchester, Registered Auditor*

20 February 2008

## **Consolidated profit and loss account**

*For the year ended 30 April 2007*

	<i>Note</i>	<b>Year ended 30 April 2007 £</b>	<b>Restated Year ended 30 April 2006 £</b>
<b>Turnover</b>			
Continuing operations		63,062,714	57,386,716
Discontinued operations		1,382,707	5,071,426
	3	<u>64,445,421</u>	<u>62,458,142</u>
Cost of sales		(44,895,852)	(41,974,451)
<b>Gross profit</b>		<u>19,549,569</u>	<u>20,483,691</u>
Administrative expenses		(16,794,719)	(18,060,351)
Goodwill amortisation		(1,336,116)	(1,336,116)
<b>Operating profit</b>	2	<u>1,418,734</u>	<u>1,087,224</u>
Continuing operations		2,097,403	1,587,899
Discontinued operations		(678,669)	(500,675)
Profit on disposal of Freedom Funding	10	22,352,941	-
Interest receivable and similar income		363,145	197,984
Interest payable and similar charges	6	(900,357)	(1,989,500)
<b>Profit / (loss) on ordinary activities before taxation</b>	2	23,234,463	(704,292)
Taxation on profit / (loss) on ordinary activities	7	(596,992)	(288,902)
<b>Profit / (loss) on ordinary activities after taxation</b>		<u>22,637,471</u>	<u>(993,194)</u>
Minority interests		(253,912)	153,819
<b>Profit / (loss) for the financial year</b>	16	<u><u>22,383,559</u></u>	<u><u>(839,375)</u></u>

Amounts relate to continuing operations and discontinued operations

The notes on pages 10 to 26 form part of these financial statements

**Consolidated statement of total recognised gains and losses**

*For the year ended 30 April 2007*

	Year Ended 30 April 2007 £	Year Ended 30 April 2006 £
Profit/(loss) for the financial year	22,383,559	(839,375)
<b>Total recognised gains and losses relating to the year</b>	<b>22,383,559</b>	<b>(839,375)</b>
Prior year adjustment	1,258,404	
<b>Total gains and losses recognised since last year</b>	<b>23,641,963</b>	



**Consolidated balance sheet**  
*at 30 April 2007*

	<i>Note</i>	<b>30 April 2007</b> £	Restated 30 April 2006 £
<b>Intangible assets</b>			
Goodwill	9	17,905,259	19,241,375
<b>Fixed assets</b>			
Tangible fixed assets	11	2,754,202	2,825,937
<b>Current assets</b>			
Debtors	12	5,245,812	82,782,999
Cash at bank and in hand		11,221,578	4,609,594
		<u>16,467,390</u>	<u>87,392,593</u>
<b>Creditors: amounts falling due within one year</b>	13	(11,965,269)	(89,151,204)
<b>Net current assets / (liabilities)</b>		<u>4,502,121</u>	<u>(1,758,611)</u>
<b>Total assets less current liabilities</b>		25,161,582	20,308,701
<b>Creditors: amounts falling due after more than one year</b>	14	(8,353,615)	(21,333,437)
<b>Net assets</b>		<u>16,807,967</u>	<u>(1,024,736)</u>
<b>Capital and reserves</b>			
Called up share capital	18	4,340	4,254
Share premium account	16	3,713,754	3,713,754
Profit and loss account	16	17,167,572	(434,747)
		<u>20,885,666</u>	<u>3,283,261</u>
Minority interest	17	(4,077,699)	(4,307,997)
		<u>16,807,967</u>	<u>(1,024,736)</u>

The notes on pages 10 to 26 form part of these financial statements. These financial statements were approved by the Board of directors on 20 February 2008 and were signed on its behalf by



**JR Plimmer**  
*Director*



**AM Chadwick**  
*Director*

**Parent company balance sheet**  
*at 30 April 2007*

	<i>Note</i>	<b>30 April 2007</b> £	30 April 2006 £
<b>Fixed assets</b>			
Investment in subsidiaries	<i>10</i>	<b>22,545,000</b>	22,545,000
<b>Current assets</b>			
Debtors	<i>12</i>	<b>7,331,878</b>	8,802,261
Cash at bank and in hand		<b>7,000,755</b>	2,405
<b>Creditors: amounts falling due within one year</b>	<i>13</i>	<b>(9,132,749)</b>	(4,612,647)
<b>Net current assets</b>		<b>5,199,884</b>	4,192,019
<b>Total assets less current liabilities</b>		<b>27,744,884</b>	26,737,019
<b>Creditors: amounts falling due after more than one year</b>	<i>14</i>	<b>(5,600,000)</b>	(18,575,000)
<b>Net assets</b>		<b>22,144,884</b>	8,162,019
<b>Capital and reserves</b>			
Called up share capital	<i>18</i>	<b>4,340</b>	4,254
Share premium account	<i>16</i>	<b>3,713,754</b>	3,713,754
Profit and loss account	<i>16</i>	<b>18,426,790</b>	4,444,011
<b>Equity shareholders' funds</b>		<b>22,144,884</b>	8,162,019

The notes on pages 10 to 26 form part of these financial statements. These financial statements were approved by the Board of directors on 20 February 2008 and were signed on its behalf by



**JR Plimmer**  
*Director*



**AM Chadwick**  
*Director*

## **Consolidated cash flow statement**

*For the year ended 30 April 2007*

	<i>Note</i>	<b>Year ended 30 April 2007 £</b>	<b>Year ended 30 April 2006 £</b>
<b>Net cash inflow from operating activities</b>	<i>19</i>	<b>14,177,467</b>	5,234,558
<b>Returns on investments and servicing of finance</b>			
Interest received		363,145	197,984
Interest paid		(900,357)	(1,989,500)
		<hr/> (537,212)	<hr/> (1,791,516)
<b>Taxation</b>		(37,685)	(2,043,702)
<b>Equity dividends paid</b>		(4,814,854)	-
<b>Capital expenditure</b>		(912,919)	(782,052)
<b>Acquisitions and disposals</b>			
Disposal of subsidiary	<i>20</i>	22,301,663	-
		<hr/> 30,176,460	<hr/> 617,288
<b>Financing</b>			
Increase in loans		8,000,000	-
Loan repayments		(22,975,000)	(3,600,000)
Issue of ordinary share capital		86	-
Issue of ordinary share capital to minority interest in Freedom Finance Espana SL		10,000	-
		<hr/> (14,964,914)	<hr/> (3,600,000)
<b>Movement in cash</b>	<i>21</i>	<hr/> <b>15,211,546</b> <hr/>	<hr/> <b>(2,982,712)</b> <hr/>

**Notes (forming part of the financial statements)**

**1 Accounting policies**

The accounting policies listed below have been applied consistently in dealing with items which are considered material in relation to the group financial statements

***a) Basis of preparation***

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

***b) Basis of consolidation***

The group financial statements incorporate the financial statements of the company and all its subsidiary undertakings and include the appropriate share of results and retained reserves of businesses acquired or disposed of during the year. Goodwill arising under acquisition accounting principles, representing the excess of the consideration paid over the fair value of the net assets acquired, is capitalised and written off on a straight line basis over its useful economic life of twenty years. Provision is made for any impairment.

Intra-group turnover, transactions and unrealised profits are eliminated on consolidation.

Freedom Funding Limited was consolidated up to 25 July 2006. Freedom Finance Espana SL was consolidated from 17 July 2006.

Under Section 230(4) of the Companies Act 1985, the company is exempt from the requirement to present its own profit and loss account.

***c) Turnover***

Turnover represents invoiced sales of services (excluding VAT), commission receivable, and interest receivable in the Freedom Funding subsidiary, which is recognised on an accruals basis.

***d) Mortgage portfolio premia***

The premia generated from the disposal of mortgage portfolios are recognised in the profit and loss account upon realisation of the sale.

***e) Mortgage indemnity guarantee ("MIG")***

It was Freedom Funding's policy to require mortgage indemnity insurance if an advance resulted in a loan to value being in excess of 75% and was retained for more than two months on the balance sheet. Under the terms of its insurance contract, the company retained some of the risk of loss. It assessed any additional risk and included any increased risk in its product pricing policy.

***f) Depreciation***

Depreciation is calculated to write off the cost of each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold buildings	2% reducing balance
Leasehold improvements	25% reducing balance
Fixtures and fittings	15% - 25% reducing balance
Motor vehicles	25% reducing balance
Computer equipment	25% reducing balance

**Notes (continued)**

***g) Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

***h) Hire purchase and leasing commitments***

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

The rentals of operating leases are charged to profit on a straight line basis over the lease term, even when payments are not made on such a basis.

***i) Foreign currencies***

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

***j) Related parties***

As over 50% of the Company's voting rights are controlled within the group headed by JZI Finance 1 Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of JZI Finance 1 Limited, within which this Company is included, can be obtained from Companies House, Cardiff.

***k) Deferred taxation***

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain assets for taxation and accounting purposes which has arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

***l) Cash***

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

***m) Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

**Notes (continued)**

**2 Profit / (loss) on ordinary activities before taxation**

	Year ended 30 April 2007 £	Restated Year ended 30 April 2006 £
<i><b>Profit / (loss) on ordinary activities before taxation is stated after charging / (crediting)</b></i>		
Depreciation		
Owned assets	710,037	770,619
Leased assets	2,826	3,768
Loss on disposal of fixed asset	-	47,048
Goodwill amortisation	1,336,116	1,336,116
Operating lease rentals		
Land and buildings	805,505	680,109
Other	178,081	203,129
Auditors' remuneration		
Audit	55,000	43,500
Non audit	103,945	274,414
Directors' emoluments (note 5)	2,105,476	928,531

**3 Segmental analysis**

	Year ended 30 April 2007 £	Year ended 30 April 2006 £
<b>Turnover:</b>		
UK Continuing	51,543,276	50,857,443
UK Discontinued	1,382,707	5,071,426
Spain	8,030,812	4,665,155
Sweden	3,488,626	1,864,118
	<hr/> 64,445,421 <hr/>	<hr/> 62,458,142 <hr/>
<b>Operating Profit:</b>		
UK Continuing	1,781,802	2,164,063
UK Discontinued	(678,669)	(500,675)
Spain	647,708	437,587
Sweden	1,004,009	322,365
	<hr/> 2,754,850 <hr/>	<hr/> 2,423,340 <hr/>

There are no distinguishable classes of business within the group. The analysis above details the geographical segments. The segmental analysis of operating profit is stated before goodwill amortisation of £1,336,116 (2006 £1,336,116).

**Notes (continued)**

**4 Employment costs (including directors' emoluments)**

	Year ended 30 April 2007 £	Year ended 30 April 2006 £
Salaries and bonuses	16,025,930	15,853,418
Social security	2,197,033	1,900,164
Pension costs	411,362	409,706
	<hr/>	<hr/>
	18,634,325	18,163,288
	<hr/>	<hr/>

The above amount represents the pension charge for the period, no contributions are outstanding at the balance sheet date

The average monthly number of employees was as follows

	Year ended 30 April 2007	Year ended 30 April 2006
Directors	7	7
Administrative staff	573	535
	<hr/>	<hr/>
	580	542
	<hr/>	<hr/>

**5 Directors' emoluments**

	Year ended 30 April 2007 £	Year ended 30 April 2006 £
Salaries and bonuses	1,969,669	882,662
Pension costs	65,338	45,869
	<hr/>	<hr/>
	2,035,007	928,531
	<hr/>	<hr/>

Emoluments of the highest paid director during the year were £817,470 (2006 £364,844)

**Notes (continued)**

**6 Interest payable and similar charges**

	Year ended 30 April 2007 £	Year ended 30 April 2006 £
Interest payable on		
Bank loans and overdrafts	452,308	1,319,125
Other loans	448,049	670,375
	<u>900,357</u>	<u>1,989,500</u>

**7 Taxation**

	Year ended 30 April 2007 £	Restated Year ended 30 April 2006 £
<b>a) Analysis of charge in the year</b>		
<i>Current tax</i>		
UK Corporation tax on profits for the year	314,683	120,293
Adjustments in respect of previous periods	(191,247)	(47,568)
Foreign tax	472,369	322,676
	<u>595,805</u>	<u>395,401</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	1,187	(106,499)
Tax on profit / (loss) on ordinary activities	<u>596,992</u>	<u>288,902</u>



**Notes (continued)**

**7 Taxation (continued)**

	Year ended 30 April 2007 £	Restated Year ended 30 April 2006 £
<b>b) Factors affecting tax charge for the year</b>		
The current tax charge for the period is lower (2006 <i>higher</i> ) than the standard rate of corporation tax in the UK (30%, 2006 30%) The differences are explained below		
Profit / (loss) on ordinary activities before tax	23,234,463	(704,292)
Profit / (loss) on ordinary activities multiplied by the rate of corporation tax of 30% (2006 30%)	6,970,339	(211,288)
<i>Effects of</i>		
Permanent differences between items affecting tax and accounting profit	55,681	112,186
UK tax liability crystallising on incorporation of Spanish branch	100,000	-
Profit on sale of subsidiary (covered by SSE)	(6,705,882)	-
Schedule 23 deduction	(41,328)	-
Capital allowances in excess of depreciation	10,117	(34)
Other timing differences	429	30,943
Amortisation of goodwill	393,911	393,911
Tax losses utilised	(9,710)	(52,500)
Adjustment in respect of previous periods	(191,247)	(47,568)
Different rates of tax on overseas profits	(19,347)	26,045
Tax losses carried forward	32,842	143,706
Current tax charge for year	595,805	395,401

*Factors that may affect future current and total tax charges*

On 21 March 2007 the UK Government announced that it proposed to reduce the standard rate of corporation tax from 30% to 28% with effect from 1 April 2008. As this change had not been substantially enacted by Parliament at the balance sheet date, deferred tax as at 30 April 2007 has been recognised using a rate of 30%. We expect that the tax charge for 2008 will be higher than in 2007, due to the fact that the deferred tax asset will be reduced. However, we expect that the tax charge for subsequent periods of account will be lower than in 2007.

**Notes (continued)**

**8 Dividends**

	Year ended 30 April 2007	Year ended 30 April 2006
	£	£
Ordinary dividend paid at £115 per share (2006 <i>nil</i> )	4,781,240	-
Ordinary dividend paid to minority shareholders of Freedom Finance Kreditervice AB	33,614	-
	<hr/>	<hr/>
	4,814,854	-
	<hr/>	<hr/>

The total ordinary dividend paid by Freedom Finance Kreditervice AB was £115,385, of which £81,771 was eliminated on group consolidation

**9 Goodwill**

**Group**

	Total £
<b>Cost</b>	
At 1 May 2006 as reported	38,456,801
Prior year adjustment	(12,080,674)
	<hr/>
<b>Restated at 1 May 2006 and 30 April 2007</b>	26,376,127
	<hr/>
<b>Amortisation</b>	
At 1 May 2006 as reported	8,393,156
Restatement	(1,258,404)
	<hr/>
At 1 May 2006 as restated	7,134,752
Charge for year	1,336,116
	<hr/>
<b>At 30 April 2007</b>	8,470,868
	<hr/>
<b>Net book value</b>	
At 30 April 2007	17,905,259
	<hr/>
At 30 April 2006	19,241,375
	<hr/>

**Notes (continued)**

**10 Investment in subsidiaries**

**Company**

	<b>Total £</b>
<b>Cost</b>	
At 1 May 2006 and 30 April 2007	<b>22,545,000</b>
<b>Net book value</b>	
At 30 April 2006 and 30 April 2007	<b>22,545,000</b>

On 17<sup>th</sup> July 2006, Freedom Finance plc contributed the assets and liabilities of its Spanish branch into a new Spanish company, Freedom Finance España SL, in exchange for the entire 85,000 ordinary share capital of €1 each, 5,000 of which were immediately converted into preference shares which entitle the company to the first €5m of any distribution

Immediately following the transaction outlined above, local management subscribed for a further 15,000 €1 ordinary shares at par. The rights attached to these shares are subject to certain restrictions, such as the requirement to remain in employment for a minimum of three years following subscription. Having considered these restrictions, and the valuation of Freedom Finance España SL at incorporation, the Directors are of the opinion that no charges to income are required under FRS 20, Share-Based Payment. Local management's interest in the business is disclosed within Minority Interests and represents their shares at par value and their share of the post incorporation earnings.

The company has the following wholly owned or controlled subsidiaries which with the exception of Freedom Finance Kreditervice AB which is incorporated in Sweden and Freedom Finance España SL which is incorporated in Spain, are all incorporated in Great Britain and registered in England and Wales. All of the subsidiaries below are included within the consolidation.

The subsidiary Freedom Funding Limited was sold on 25 July 2006 creating a profit on disposal of £22,352,941 (see note 20).

<b>Name of subsidiary</b>	<b>Principal activities</b>
<b>Freedom Finance plc</b>	Finance broker
<b>Freedom Mortgages &amp; Loans Limited</b>	Non trading
<b>Mortgage Next Limited</b>	Mortgage intermediary
<b>Mortgage Next Network Limited</b>	Mortgage intermediary
<b>Low Cost Loans Limited</b>	Provision of personal finance
<b>Freedom Network Holdings Limited</b>	Holding company
<b>Freedom Finance Kreditervice AB</b>	Provision of mortgages and loans
<b>Freedom Finance España SL</b>	Provision of mortgages and loans
<b>Wilmslow Finance Limited</b>	Dormant
<b>Freedom Personal Finance Limited</b>	Dormant
<b>Freedom Financial Services Limited</b>	Dormant

**Notes (continued)**

**10 Investment in subsidiaries (continued)**

<b>Freedom Leasing Limited</b>	Dormant
<b>Freedom Loans Limited</b>	Dormant
<b>Freedom Pensions Limited</b>	Dormant
<b>Wilmslow Financial Services Limited</b>	Dormant
<b>Freedom Commercial Finance Limited</b>	Dormant
<b>Freedom Mortgages Limited</b>	Dormant
<b>Freedom Commercial Mortgages &amp; Loans Limited</b>	Dormant
<b>The Freedom Mortgage Network Limited</b>	Dormant
<b>Network Freedom Limited</b>	Dormant
<b>The Freedom Network Limited</b>	Dormant
<b>My Sort Of Loan Limited</b>	Dormant
<b>Freedom Intermediary Network Limited</b>	Dormant
<b>Freedom Lending Limited</b>	Dormant

**11 Tangible fixed assets**

**Group**

	<b>Leasehold improvements £</b>	<b>Fixtures and fittings £</b>	<b>Motor Vehicles £</b>	<b>Computer Equipment £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 May 2006	126,125	1,226,090	-	3,907,059	5,259,274
Additions	3,557	594,973	12,147	302,242	912,919
Disposals	-	(21,965)	-	(347,242)	(369,207)
<b>At 30 April 2007</b>	<b>129,682</b>	<b>1,799,098</b>	<b>12,147</b>	<b>3,862,059</b>	<b>5,802,986</b>
<b>Depreciation</b>					
At 1 May 2006	95,270	491,311	-	1,846,756	2,433,337
Charge for year	8,238	195,620	323	508,682	712,863
Disposals	-	(5,457)	-	(91,959)	(97,416)
<b>At 30 April 2007</b>	<b>103,508</b>	<b>681,474</b>	<b>323</b>	<b>2,263,479</b>	<b>3,048,784</b>
<b>Net book value</b>					
<b>At 30 April 2007</b>	<b>26,174</b>	<b>1,117,624</b>	<b>11,824</b>	<b>1,598,580</b>	<b>2,754,202</b>
At 30 April 2006	30,855	734,779	-	2,060,303	2,825,937

The company itself had no fixed assets

The disposals above all relate to the disposal of Freedom Funding which occurred on 25 July 2006. The total net book value of disposed assets was £271,791

**Notes (continued)**

**12 Debtors**

	30 April 2007	30 April 2006
	£	£
<b>Group</b>		
Trade debtors	3,019,481	2,396,289
Advances secured on residential property	-	78,461,280
Sundry debtors and prepayments	2,015,648	1,674,488
Deferred tax	210,683	250,942
	<u>5,245,812</u>	<u>82,782,999</u>

See note 15 for deferred tax

	£	£
<b>Company</b>		
Amounts due from subsidiaries	7,214,762	8,802,261
Other debtors	117,116	-
	<u>7,331,878</u>	<u>8,802,261</u>

All the debts as at 30 April 2007 are payable in less than one year

**13 Creditors: amounts falling due within one year**

	30 April 2007	30 April 2006
	£	£
<b>Group</b>		
Trade creditors	3,711,181	3,575,023
Amounts due to parent company	132,188	88,125
Bank loan and overdraft	1,974,720	3,715,803
Corporation tax	597,450	78,401
Other taxes and social security	512,412	524,955
Bank funding facility	-	77,890,479
Other creditors and accruals	5,037,318	3,278,418
	<u>11,965,269</u>	<u>89,151,204</u>

**Company**

Bank loan	1,600,000	3,600,000
Amounts due to parent company	132,188	88,125
Amounts due to subsidiaries	5,827,546	630,984
Other creditors and accruals	1,573,015	293,538
	<u>9,132,749</u>	<u>4,612,647</u>

**Notes (continued)**

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

<b>Group</b>	<b>30 April 2007</b>	<b>30 April 2006</b>
	<b>£</b>	<b>£</b>
Bank loan	5,600,000	14,000,000
Loan notes	2,750,000	5,250,000
Amounts due to parent company	-	2,075,000
Other creditors	3,615	8,437
	<hr/> 8,353,615 <hr/>	<hr/> 21,333,437 <hr/>
 <b>Company</b>		
Bank loan	5,600,000	14,000,000
Loan notes	-	2,500,000
Amounts due to parent company	-	2,075,000
	<hr/> 5,600,000 <hr/>	<hr/> 18,575,000 <hr/>

Following the sale of Freedom Funding on 25<sup>th</sup> July 2006, part of the proceeds were used to offset the outstanding balance of £16.7m of term loans provided by Lloyds TSB. The loan was finally repaid on 3<sup>rd</sup> January 2007. In addition, the credit facility of £2,075,000 granted by the parent company JZI Finance 1 Limited and the loan notes of £2,500,000 held by RG Webb, a director of the company, were repaid in full.

The bank loan at the year end is the amount outstanding on a new term loan of £8,000,000, which was provided by Lloyds TSB on 3<sup>rd</sup> January 2007. The capital in respect of the new bank loan is repayable quarterly over five years with interest payable quarterly in arrears at two percentage points above the Bank of England Base Rate. The facility is secured by fixed and floating charges over the assets of all group companies except those of the European operations.

Loan notes to the value of £1,388,750 and £1,361,250 were issued by Freedom Network Holdings Limited (a 55% owned subsidiary) to Martin Maynard and Justine Tomlinson respectively, both directors of Mortgage Next Limited, on 24 March 2004. They pay interest at 7.5% per annum, payable quarterly in arrears. The capital is repayable at par after March 2009. Repayment of these notes is subordinated to repayments due under the bank loan.

**Notes (continued)**

**15 Deferred taxation**

	Total £
Deferred tax asset at 1 May 2006	(250,942)
Disposal of Freedom Funding	39,072
Credit for the year	1,187
	<hr/>
Deferred tax asset at 30 April 2007	<b>(210,683)</b>
	<hr/>

The deferred tax asset (included in debtors) comprised unutilised trading losses of £320,967 (2006 £332,645), short term timing differences of £23,441 (2006 £71,633) less accelerated capital allowances of £133,725 (2006 £153,336)

**16 Reconciliation of movements in shareholders' funds**

**Group**

	Capital reserve £	Called up share capital £	Share Premium £	Profit and loss account £	Total £
At 1 May 2005 as reported	4,539,284	4,254	3,713,754	(249,742)	8,007,550
Prior year adjustment	(4,539,284)	-	-	654,370	(3,884,914)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 May 2005 as restated	-	4,254	3,713,754	404,628	4,122,636
Retained loss (as restated)	-	-	-	(839,375)	(839,375)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2006 and 1 May 2006	-	4,254	3,713,754	(434,747)	3,283,261
Share issue	-	86	-	-	86
Profit for the year	-	-	-	22,383,559	22,383,559
Dividends	-	-	-	(4,781,240)	(4,781,240)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 30 April 2007</b>	<b>-</b>	<b>4,340</b>	<b>3,713,754</b>	<b>17,167,572</b>	<b>20,885,666</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Notes (continued)**

**Company**

	Called up share capital £	Share premium £	Profit and loss account £	Total £
At 1 May 2006	4,254	3,713,754	4,444,011	8,162,019
Share issue	86	-	-	86
Profit for the year	-	-	18,764,019	18,764,019
Dividends	-	-	(4,781,240)	(4,781,240)
<b>At 30 April 2007</b>	<b>4,340</b>	<b>3,713,754</b>	<b>18,426,790</b>	<b>22,144,884</b>

The consolidated accounts have been restated as a result of a revision in accounting for the acquisition of Mortgage Next Limited in 2004

As a result of the prior year adjustment the position as at 1 May 2005 has been impacted by the elimination of the capital reserve (£4,539,284), an increase in the profit and loss reserve (£654,379) and a reduction in minority interest (£7,541,390)

The restatement of the 2006 consolidated balance sheet and profit and loss account has resulted in a reduction in net assets and goodwill (£10,822,270), a reduction in minority interest (£7,541,390), an increase in the profit and loss reserve (£1,258,404) and a reduction in the annual goodwill amortisation charge (£604,034)

**17 Minority interests**

	<b>Total £</b>
At 1 May 2005 as reported	3,387,212
Prior year adjustment	(7,541,390)
At 1 May 2005 as adjusted	(4,154,178)
Share of loss for the year 20 April 2006	(153,819)
<b>At 30 April 2006 as adjusted</b>	<b>(4,307,997)</b>
Share of profit for year	253,912
Dividends	(33,614)
Purchase of shares	10,000
<b>At 30 April 2007</b>	<b>(4,077,699)</b>



**Notes (continued)**

**18 Called up share capital**

**Authorised**

	30 April 2007 £	30 April 2006 £
55,000 A Ordinary shares of 10p each	5,500	5,500
41,500 B Ordinary shares of 10p each	4,150	4,150
5,500 C Ordinary shares of 10p each	550	550
5,000 D Ordinary shares of 10p each	500	500
	<hr/> 10,700 <hr/>	<hr/> 10,700 <hr/>

**Issued, allotted and fully paid up**

	30 April 2007 £	30 April 2006 £
22,473 A Ordinary shares of 10p each	2,247	2,247
16,956 B Ordinary shares of 10p each	1,696	1,696
2,147 C Ordinary shares of 10p each	215	215
1,823 D Ordinary shares of 10p each	182	96
	<hr/> 4,340 <hr/>	<hr/> 4,254 <hr/>

During the year the company issued 861 Ordinary 'D' shares of 10p each for a total consideration of £86

*Voting and dividend rights*

Each A, B and C shareholder has one vote for every Ordinary share that is held and fully paid up. The D shareholders have no such vote. Each A, B and C shareholder is entitled to dividends, D shareholders have no such right.

*Capital*

In the event of a winding up of the company or other return of capital, the assets of the company available for distribution to shareholders after payment of all other debts and liabilities of the company shall be distributed amongst the holders of the A, B and C ordinary shares in proportion to the number of Ordinary shares held. The holders of D shares have no such rights.

*Sale of the company*

In the event of a sale of the share capital of the company, the consideration shall be paid into a designated trustee account and shall be distributed amongst the holders of the Ordinary shares in proportion to the numbers of Ordinary shares held by them.

*Appointment of Directors*

The holders of the A Ordinary shares have the right to appoint up to 3 persons to be non-executive directors of the company and each of the subsidiaries of the company. One of these directors shall be the chairman who will have a casting vote in all proceedings of the Board of directors. The holder of the B Ordinary shares has the right to appoint up to 3 persons to be directors of the company and each of the subsidiaries of the company.

**Notes (continued)**

**19 Reconciliation of operating profit to net cash inflow from operating activities**

	30 April 2007	Restated 30 April 2006
	£	£
Operating profit	1,418,734	1,087,224
Depreciation of fixed assets	712,863	774,387
Amortisation of goodwill	1,336,116	1,336,116
Loss on disposal of fixed asset	-	47,048
(Increase) / decrease in debtors	(964,352)	527,428
Decrease / (increase) in mortgage advances to customers	(37,802,779)	(40,451,285)
Increase in creditors	1,921,757	2,222,891
(Decrease) / increase in warehouse funding facility	47,555,128	39,690,749
<b>Net cash inflow from operating activities</b>	<b>14,177,467</b>	<b>5,234,558</b>

**20 Disposal of Freedom Funding Limited**

	Note	£
<b>Net liabilities disposed of</b>		
Fixed assets		271,791
Cash		8,858,479
Debtors		116,264,059
Creditors		(125,445,607)
		<b>(51,278)</b>
Profit on disposal	10	22,352,941
		<b>22,301,663</b>
<b>Satisfied by</b>		
Cash		22,755,546
Less costs of disposal		(453,883)
		<b>22,301,663</b>

**Notes (continued)**

**21 Reconciliation of net cash inflow to movement in net cash**

	30 April 2007 £	30 April 2006 £
Movement in cash	15,211,546	(2,982,712)
Cashflow from movement in debt	14,975,000	3,600,000
Disposal of Freedom Funding	(8,858,479)	
	<hr/>	<hr/>
Change in cash resulting from cashflows	21,328,067	617,288
	<hr/>	<hr/>
<b>Movement in net debt</b>	<b>21,328,067</b>	<b>617,288</b>
	<hr/> <hr/>	<hr/> <hr/>

**22 Analysis of net debt**

	At 30 April 2006 £	Cashflows £	Disposal £	At 30 April 2007 £
Cash at bank and in hand	4,609,594	15,470,463	(8,858,479)	11,221,578
Bank overdraft	(115,803)	(258,917)	-	(374,720)
Debt due in less than one year	(3,600,000)	2,000,000	-	(1,600,000)
Debt due in more than one year	(21,325,000)	12,975,000	-	(8,350,000)
	<hr/>	<hr/>	<hr/>	<hr/>
	(20,431,209)	30,186,546	(8,858,479)	896,858
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**23 Commitments**

The Group's annual commitments under non cancellable operating leases were as follows

	Land and buildings 30 April 2007 £	30 April 2006 £	Other 30 April 2007 £	30 April 2006 £
Expiring:				
Within one year	-	-	11,252	39,008
Between two and five years	59,422	59,422	-	6,742
After five years	722,352	493,450	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	781,774	552,872	11,252	45,750
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The company had no such commitments

**Notes (continued)**

**24 Contingent liabilities**

The group's main subsidiary, Freedom Finance plc, has been challenged by HM Revenue and Customs regarding an alleged breach of VAT legislation. At the date of signing of these accounts, assessments totalling £2,252,000 (2006 £513,000) have been raised on the company in respect of this matter. Having taken appropriate advice, the directors are of the view that this liability is unlikely to crystallise and have appealed against the total amount of assessments raised. Furthermore, if the company is successful in rebutting the claim, HMR&C will be obliged to repay significant amounts of input VAT currently being withheld.

**25 Post Balance Sheet Events**

On 27 June 2007, the company acquired a 55% stake in the Perfect Mortgages Group, a Dublin based mortgage broker.

**26 Ultimate holding company**

The ultimate holding company is JZ International LLC, a limited liability company incorporated and registered in the United States of America.

The smallest and largest group in which the results of the company are consolidated is that headed by JZI Finance 1 Limited, incorporated and registered in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from Companies House.