

DCD Finance (UK) Limited 3928481

Report and Financial Statements

For the year ended

31 December 2008

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DCD Finance (UK) Limited

Annual report and financial statements for the year ended 31 December 2008

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Directors

R J Huggins
D A Gennings
F A Randeree
D Stuckey

Secretary and registered office

C E Shelley
142-146 Old Street
London
EC1V 9BW

Company number

03928481

Auditors

Euro Andertons LLP
Chartered Certified Accountants
93 – 95 Borough High Street
London
SE1 1NL.

DCD Finance (UK) Limited

Report of the directors for the year ended 31 December 2008

Company Number 03928481

The directors present their report together with the financial statements for the year ended 31 December 2008.

Principal activities and review of the business

The principal activities of the group are those of providing the services of confirming agents, trade finance, factoring and invoice discounting facilities to small and medium sized enterprises.

The volume of business financed during the year was £ 19,660,956 (2007- £ 95,807,415) and turnover for the year was £ 862,980 (2007 - £ 2,987,446) – a reduction of 71%.

During 2007 it was discovered that by early 2006 problems were arising with one of the major clients of both of the company's subsidiaries and the companies' exposure continued to increase alarmingly. The companies took appropriate legal action. A freezing injunction was applied for and granted, which stopped the client dealing or disposing of any of its assets.

As a result the subsidiaries have ceased to trade.

Results and dividends

The consolidated profit and loss account is set out on page 5 and shows the loss for the year.

The directors recommended payment of a dividend of £ Nil in respect of the year (2007 - £ 25,000).

Directors

The directors of the company during the year were:

R J Huggins
D A Gennings
F A Randeree
D Stuckey

The directors in office during the year did not have any beneficial interests, including family interests, in the share capital of the company. However, F A Randeree is also a director of the parent company, DCD London & Mutual Plc, and his interests including family interests, in the share capital of that company are shown in its financial statements.

DCD Finance (UK) Limited

Report of the directors for the year ended 31 December 2008 (*Continued*)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the 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 accounting standards have been followed, subject to any material departure disclose and explained in the financial statements;
- 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 group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors have taken advantage of the special exemptions in section 246 of the Companies Act 1985.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Euro Andertons LLP (formerly Andertons) have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board


F A Randeree
Director

Date: 18/08/2009

DCD Finance (UK) Limited

Report of the independent auditors

To the shareholders of DCD Finance (UK) Limited

We have audited the group and parent company financial statements (the "financial statements") of DCD Finance (UK) Limited for the year ended 31 December 2008 which comprise of the group profit and loss account, the group and company balance sheets and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. 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 misstatement 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 judgments 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.

DCD Finance (UK) Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- 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.

Emphasis of matter

Possible outcome of lawsuits

In forming our opinion on the group financial statements, which are not qualified, we have considered the adequacy of disclosures made in note 1 to the trade finance and the factoring companies' financial statements concerning the possible outcome of legal action against a major client and against the companies' previous auditors – the ultimate outcome of which cannot presently be determined.

Subsidiaries that ceased trading during the year.

The trade finance and the factoring companies of the group ceased trading during the year and these companies accounts were not prepared on the going concern basis. The trade finance company accounts were not audited.

The provisions for bad debts in these companies accounts are based on directors' representations in the absence of third party confirmation and no provisions for recoveries of any monies and/or award of damages are made in the financial statements.

Euro Andertons LLP

Euro Andertons LLP
*Chartered Certified Accountants
and Registered Auditors*

Date: 18/08/2009

DCD Finance (UK) Limited**Consolidated profit and loss account for the year ended 31 December 2008**

	Note	2008 £	2007 £
Value of business financed	2	19,660,956	95,807,415
Turnover	2	862,980	2,987,446
Operating expenses		(4,942,357)	(5,165,198)
Operating loss	5	(4,079,377)	(2,177,752)
Other income		1,500,000	-
Interest payable and similar charges	6	(382,191)	(1,657,801)
Loss on ordinary activities before taxation		(2,961,568)	(3,835,553)
Taxation	7	8,053	140,440
Loss on ordinary activities after taxation		(2,953,515)	(3,695,113)

There are no gains or losses for the year other than those recognised in the profit and loss account.

Its subsidiaries ceased trading during the year whose turnover and operating results after other income are:

	Turnover	Operating profit / (loss)
DCD Factors PLC	£ 674,701 (2007 – £ 1,347,060)	£ 218,131 (2007 – loss £ 68,088)
DCD Trade Services Limited	£ 176,483 (2007 – £ 1,654,136)	£ (2,805,458) (2007 – loss £ 1,976,545)

The notes on pages 9 to 17 form part of these financial statements.

DCD Finance (UK) Limited**Statement of total recognised gains and losses for the year ended 31 December 2008**

	Note	2008 £	2007 £
Loss for the financial year		(2,953,515)	(3,695,113)
Prior year adjustment	14.1	-	(1,558,767)
		<hr/>	<hr/>
		(2,953,515)	(5,253,880)
		<hr/>	<hr/>

DCD Finance (UK) Limited

Consolidated balance sheet at 31 December 2008

	Note	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	9		-		29,425
			-		29,425
Current assets					
Debtors	11	10,147,223		20,179,706	
Cash at bank and in hand		36,052		1,054,625	
		10,183,275		21,234,331	
Creditors: amounts falling due within one year	12	15,548,466		23,675,432	
Net current assets			(5,365,191)		(2,441,101)
Total assets less current liabilities			(5,365,191)		(2,411,676)
Capital and reserves					
Called up share capital	13		2,007,209		2,007,209
Profit and loss account	14		(7,372,400)		(4,418,885)
Shareholders' funds - equity	15		(5,365,191)		(2,411,676)

The financial statements were approved by the Board of Directors and authorised for issue on 18/08/2009.



F A Randeree
Director

The notes on pages 9 to 17 form part of these financial statements.

DCD Finance (UK) Limited**Company balance sheet at 31 December 2008**

	Note	2008 £	2007 £
Fixed assets			
Investments	10	-	-
Current assets			
Debtors	11	121,499	107,209
Cash at bank and cash in hand		7,963	-
		<hr/>	<hr/>
Net assets		129,462	107,209
Creditors: amounts falling due within one year	12	(729,929)	(714,215)
		<hr/>	<hr/>
Total assets less current liabilities		<u>(600,467)</u>	<u>(607,006)</u>
Capital and reserves			
Called up share capital	13	2,007,209	2,007,209
Profit and loss account	14	(2,607,676)	(2,614,215)
		<hr/>	<hr/>
Shareholders' funds - equity	15	<u>(600,467)</u>	<u>(607,006)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 18/08/2009.



F A Randeree
Director

The notes on pages 9 to 17 form part of these financial statements.

DCD Finance (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2008

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of DCD Finance (UK) Limited and all of its subsidiaries as at 31 December 2008 using the acquisition method of accounting whereby the results of the subsidiaries are included from the date of acquisition.

Turnover

Turnover represents commissions, interest earned, discount charges, factoring fees on value of business financed together with recoveries of certain direct charges and miscellaneous income, at invoiced amounts less value added tax.

The financial statements have been prepared on the going concern basis notwithstanding the material uncertainty of the possible outcome of legal action against its subsidiary companies' clients owing £ 18,574,299 including a major client owing £ 14,680,951 at the year end. Provisions for bad debts amounted to £ 9,104,193.

Depreciation

Depreciation is provided on fixed assets at the following annual rates which are estimated to write off their cost over their expected useful lives:

Fixtures, fittings and equipment	-	10% on cost
Computer equipment	-	33 $\frac{1}{3}$ % on cost

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax liabilities and assets are not discounted.

Foreign currency

All transactions in foreign currencies are converted at the rates prevailing on the date of the transactions. Current assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the date of the balance sheet.

Contribution to pension funds

The company operates a defined contribution pension scheme via the ultimate holding company. The assets of the scheme are held separately from those of the company in independently administered funds. Pension payments are charged against the profits in the year to which they relate.

1 Accounting policies (*Continued*)

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by DCD London & Mutual Plc and the company is included in consolidated financial statements.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the term of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the term of the lease.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares wholly recognised as liabilities are recognised as expenses and classified within interest payable.

2 Turnover

Turnover represents commissions, interest earned, discount charges and factoring fees on the value of business financed together with recoveries of certain direct charges and miscellaneous income.

In the directors' opinion the disclosure of an analysis of results by class of business or geographical region would be prejudicial to the interests of the company. This information has therefore not been disclosed.

DCD Finance (UK) Limited**Notes forming part of the financial statements for the year ended 31 December 2008****3 Employees**

	2008	2007
	£	£
Staff costs consist of:		
Wages and salaries	242,409	546,202
Social security costs	22,330	60,057
Other pension costs	62,787	19,668
Medical insurance	3,187	9,128
	<u>330,713</u>	<u>635,055</u>

The average monthly number of employees, including directors, for the year were as follows:

	Number	Number
Management	4	7
Administration	4	12
	<u>8</u>	<u>19</u>

4 Directors

	2008	2007
	£	£
Directors' emoluments consist of:		
Fees and remuneration for management services	117,670	172,716
Consultancy fees	6,792	-
Payments to defined contribution pension scheme	4,115	13,059
Medical insurance	93	2,906
Amounts paid to third parties	-	3,363
Director's fees – (non-executive director)	500	4,000
	<u>129,170</u>	<u>196,044</u>

DCD Finance (UK) Limited**Notes forming part of the financial statements for the year ended 31 December 2008****5 Operating (loss) / profit**

	2008	2007
	£	£
This has been arrived at after charging:		
Amortisation charge/ (credit) of goodwill	-	130,519
Depreciation on tangible fixed assets	16,808	29,233
Loss on disposal of tangible fixed assets	-	78,309
Auditors' remuneration	5,000	17,000
Directors' fees	-	193,139
Operating leases - Hire of plant and machinery	11,313	7,739
- Other operating leases	-	90,888
Exchange (gains)/losses	842,466	76,621
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2008	2007
	£	£
Bank charges	2,038	316,061
Bank interest	373,535	1,335,847
Other charges	6,618	5,893
	<u> </u>	<u> </u>
	382,191	1,657,801
	<u> </u>	<u> </u>

7 Taxation on profit from ordinary activities

	2008	2007
	£	£
<i>Corporation tax</i>		
UK Corporation tax of 30% (2007 – 30%)	-	-
Overprovision in respect of prior years	8,053	140,440
	<u> </u>	<u> </u>
Total current tax on ordinary activities	8,053	140,440
	<u> </u>	<u> </u>

Deferred taxation

The company's accounting policy in respect of deferred tax is set out in note 1 above. No provision has been made for deferred taxation as the directors do not expect timing differences to reverse in the foreseeable future.

DCD Finance (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2008

8 Dividends

	2008 £	2007 £
Dividend paid £ Nil (2007 - £0.0125) per share	-	25,000

9 Tangible assets

Group	Computer equipment £	Fixtures fittings and equipment £	Other Assets £	Total £
<i>Cost</i>				
At 1 January 2008	54,194	4,729	11,200	70,123
Disposals	(54,194)	(4,729)	(11,200)	(70,123)
At 31 December 2008	-	-	-	-
<i>Depreciation</i>				
At 1 January 2008	38,880	978	840	40,698
Charge for the year	15,256	471	1,120	16,847
Disposals	(54,136)	(1,449)	(1,960)	(57,545)
At 31 December 2008	-	-	-	-
<i>Net book value</i>				
At 31 December 2008	-	-	-	-
At 31 December 2007	15,314	3,751	10,360	29,425

10 Investments

	Company £
<i>Investments in subsidiary undertakings</i>	
At 1 January 2008	-
At 31 December 2008	-

DCD Finance (UK) Limited**Notes forming part of the financial statements for the year ended 31 December 2008****10 Investments (Continued)**

The subsidiaries of the company at the balance sheet date were:

Name	Activities	Holding of ordinary shares %	Nominal value £
DCD Factors Plc	Financing of receivables	100	1,900,000
DCD Trade Services Limited	Confirming and financing international trade	100	500,000

All of the above subsidiary undertakings are UK companies, and are included in the consolidated financial statements, and are subsidiary undertakings through majority shareholdings.

11 Debtors

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Factor debtors	2,284,398	6,336,956	-	-
Discounted bills	7,549,815	13,432,453	14,226	-
Amounts due from related undertakings	134,130	162,672	107,209	107,209
Other debtors and prepayments	178,880	247,625	64	-
	<u>10,147,223</u>	<u>20,179,706</u>	<u>121,499</u>	<u>107,209</u>
Gross factored debts	6,916,105	14,572,605	-	-
Due to clients on collection	(4,631,707)	(8,235,649)	-	-
	<u>2,284,398</u>	<u>6,336,956</u>	<u>-</u>	<u>-</u>

All amounts fall due for repayment within one year.

DCD Finance (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2008

12 Creditors: amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Discounted bills	1,539	1,129,193	-	-
Trade creditors	367,334	745,471	403	-
Amount due to group undertaking	8,649,270	3,530,930	710,742	-
Amount due to subsidiary undertakings	-	-	-	710,577
Amount due to related undertakings	2,285,043	1,767,275	-	-
Bank overdraft	1,905,510	9,442,048	15,284	1,038
Corporation tax	-	-	-	-
Other taxes and social security	4,538	24,948	-	-
Other creditors and accruals	727,906	1,105,606	3,500	2,600
Other loans	1,607,326	5,929,961	-	-
	<u>15,548,466</u>	<u>23,675,432</u>	<u>729,929</u>	<u>714,215</u>

Bank security:

As security against facilities provided, the banks hold a first charge on the property at 142-146 Old Street, London, EC1V 9BW owned by the parent company. There is also an open cross-company guarantee given by the parent company to group company bankers.

Other loans are unsecured, interest free and have no fixed repayment terms.

13 Share capital

	Authorised			
	2008	2007	2008	2007
	Number	Number	£	£
Ordinary shares of £1 each	5,000,000	5,000,000	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
	Allotted, called up and fully paid			
	2008	2007	2008	2007
	Number	Number	£	£
Ordinary shares of £1 each	2,007,209	2,007,209	2,007,209	2,007,209
	<u>2,007,209</u>	<u>2,007,209</u>	<u>2,007,209</u>	<u>2,007,209</u>

DCD Finance (UK) Limited**Notes forming part of the financial statements for the year ended 31 December 2008****14 Profit and loss account**

	Group £	Company £
At 1 January 2008	(4,418,885)	(2,614,215)
(Loss)/Profit for the year	(2,953,515)	6,539
	<hr/>	<hr/>
At 31 December 2008	(7,372,400)	(2,607,676)
	<hr/>	<hr/>

14.1 Prior year adjustment

This relates to the under provision for bad debts in the previous year's accounts in respect of one major client's defaults which is currently the subject of litigation.

15 Reconciliation of movement in shareholders' funds

	Group		Company	
	2008 £	2007 £	2008 £	2007 £
(Loss)/ Profit for the year	(2,953,515)	(3,695,113)	6,539	(2,614,215)
Dividends received	-	-	-	25,000
Dividends (see note 8)	-	(25,000)	-	(25,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2008	(2,953,515) (2,411,676)	(3,720,113) 1,308,437	6,539 (607,006)	(2,614,215) 2,007,209
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	(5,365,191)	(2,411,676)	(600,647)	(607,006)
	<hr/>	<hr/>	<hr/>	<hr/>

16 Contingent liabilities - group

	2008 £	2007 £
Irrevocable letters of credit and guarantees	-	346,001
	<hr/>	<hr/>

Irrevocable letters of credit and guarantees are written undertakings given by our banks on our behalf to pay suppliers an amount of money within a specified time provided the supplier presents documents which conform with the terms laid down in the letter of credit.

There is also a contingent liability under the open cross-company guarantees given by the subsidiaries on behalf of other group companies to Habib Bank AG Zurich.

DCD Finance (UK) Limited

Notes forming part of the financial statements for the year ended 31 December 2008

17 Commitments under operating leases

As at 31 December 2008, the company's subsidiaries had annual commitments under operating leases as set out below:

	2008	2008	2007	2007
	Land and	Other	Land and	Other
	buildings		buildings	
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	90,888	-
In two to five years	-	-	-	7,739
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	90,888	7,739
	<hr/>	<hr/>	<hr/>	<hr/>

18 Related party disclosures

As 90% or more of the company's voting rights are controlled within the DCD London & Mutual Plc group, the company has taken advantage of the exemption not to disclose transactions with undertakings which are part of the group.

19 Ultimate parent company and controlling party

At 31 December 2008 the company's ultimate parent company and controlling party DCD Group Limited, a company incorporated in Dubai, UAE, which is parent of both the smallest and the largest group of which the company is a member.

DCD London & Mutual Plc is the parent of the largest group in which the company is consolidated. Copies of the group financial statements of DCD London & Mutual Plc are available from Companies House.