Ultimate Invoice Finance Limited

Report and Financial Statements

Year Ended

30 June 2012

Company Number 04325262

Ultimate Invoice Finance Limited

Report and financial statements
for the year ended 30 June 2012

Contents

Page:

Ultimate Invoice Finance Limited

Directors and officers
for the year ended 30 June 2012

Country of incorporation of company

United Kingdom

Legal form

Private limited company

Directors

J Coombes	
S Horsell	
P Atkins	(resigned 5 December 2012)
C Lewis	
R Pepler	(resigned 23 November 2011)
C Langron	(resigned 29 February 2012)
D Jewell	(appointed 1 October 2012)

Secretary and registered office

S Horsell, First Floor Unit 1 West Point Court, Great Park Road, Bradley Stoke, Bristol, BS32 4PS

Company number

04325262

Auditors

BDO LLP, Bridgewater House, Finzels Reach, Counterslip, Bristol, BS1 6BX

Principal Bankers

Lloyds TSB Bank Plc, PO Box 112, Canons Way, Bristol, BS99 7LB

Company Offices

First Floor Unit 1 West Point Court, Great Park Road, Bradley Stoke, Bristol, BS32 4PS

8th Floor, 80 Mosley Street, St Peter's Square, Manchester, M2 3FX

Calverley House, 55 Calverley Road, Tunbridge Wells, Kent, TN1 2TU

Website

www ultimatefinance co uk

Email address

info@ultimatefinance co uk

Ultimate Invoice Finance Limited

Report of the directors
for the year ended 30 June 2012

The directors present their report together with the audited financial statements for the year ended 30 June 2012

Principal activities, review of business and future developments

The company is a trading subsidiary of Ultimate Finance Group plc (the "Group")

The company's principal activity is the provision of factoring and invoice discounting services

Business review and risk

The directors consider their key performance indicators to be core sales income, client turnover financed, overheads and risk management (measured by largest investments as a proportion of total funds advanced)

The directors consider the major risks to the business to be (these are further discussed in note 2 of the financial statements)

Credit risk – Credit risk is the risk of financial loss to the group if a customer or counterparty fails to meet its contractual obligations, and arises principally from the company's receivables from customers This risk is mitigated by extremely stringent underwriting procedures before the client is accepted and by constant monitoring of the client's credit situation Particular attention is concentrated on the clients' debtors through review of debtor concentration ratios and debtor validation checks on significant exposures Furthermore, poor credit risk debtors are not financed or only partially financed All operational staff are extensively trained in these procedures

General economic risk – the current economic downturn could potentially reduce the amount of client sales financed However any economic downturn also increases the amount of businesses requiring factoring and invoice discounting solutions At such times credit risk can increase and the credit risk procedures discussed above are tightened further

Liquidity risk – Liquidity risk is the risk to earnings or capital arising from an inability to meet obligations when they become due, without incurring unexpected or unacceptable losses The company funds its business through its own capital but is also dependent upon external finance in order to provide financing to its clients This is currently achieved through a back-to-back financing facility with Lloyds TSB Commercial Finance for £29,000,000 which has a minimum term to July 2014

In the longer term, the market for factoring and invoice discounting products continues to present real growth opportunities, and the recession has increased the level and quality of enquiries We continue, however, to remain robust in our strict underwriting procedures and risk management during these challenging times for the UK economy

Our clients are loyal and long-standing We expect steady client growth as we continue to market our new products and services and expand our sales team still further

We believe we are ideally positioned as the economy recovers, bigger, stronger and with an increased share of this competitive market

Key performance indicators

The directors consider their key performance indicators to be core sales income, client turnover financed, overheads and risk management (measured by largest investments as a proportion of total funds advanced)

Turnover for the full year was up 1 3% to £7,537,000 (2011 £7,439,000) Administrative expenses, before group reorganisation costs increased 2 1% to £5,689,000 (2011 £5,571,000)

Directors and directors' interest

The directors of the company during the year and subsequently were

R Pepler	(resigned 23 November 2011)
J Coombes	
S Horsell	
P Atkins	(resigned 5 December 2012)
C Langron	(resigned 29 February 2012)
C Lewis	
D Jewell	(appointed 1 October 2012)

No director had any beneficial interest in the share capital of the company

The directors' interests in the shares of the parent company are shown in that company's directors' report In addition the shares and share options held by the directors of Ultimate Invoice Finance Limited, who are also not directors of Ultimate Finance Group plc is shown below

	Ordinary shares of 5p each	
	Shares held at 30 June 2012	Share Options held at 30 June 2012
P Atkins (resigned 5 December 2012)	-	57,500
C Langron (resigned 29 February 2012)	-	-
C Lewis	14,600	50,000

Ultimate Invoice Finance Limited

Report of the directors (continued)
for the year ended 30 June 2012

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 of the profit or loss of the company 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 accounting estimates that are reasonable and prudent,
- 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 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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 aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all 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 489 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting of the parent company

By order of the Board

Shane Horsell
Director

Date 28 March 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ULTIMATE INVOICE FINANCE LIMITED

We have audited the financial statements of Ultimate Invoice Finance Limited for the year ended 30 June 2012 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 auditors

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

BDO LLP

Simon Brooker (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Bristol, UK
Date 28 March 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Ultimate Invoice Finance Limited

Statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 £'000	2011 £'000
Revenue	3	**7,537**	7,439
Cost of sales – finance costs	8	**(588)**	(692)
Cost of sales - other	8	**(285)**	(336)
Total cost of sales		**(873)**	(1,028)
Gross profit		**6,664**	6,411
Administrative expenses		**(5,689)**	(5,571)
Administrative expenses - other			
Group reorganisation costs		**(389)**	-
Total administrative expenses		**(6,078)**	(5,571)
Operating profit	5	**586**	840
Finance expense	7	**(71)**	(70)
Finance income	7	**45**	10
Profit before tax		**560**	780
Taxation	9	**(105)**	(197)
Profit from continuing operations being total comprehensive income		**455**	583

The notes on pages 13 to 30 form part of these financial statements

Ultimate Invoice Finance Limited

Statement of financial position
at 30 June 2012

Company number 04325262

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Non-current assets					
Property, plant and equipment	10		394		428
Total non-current assets			394		428
Current assets					
Loans and other receivables	11	26,230		30,241	
Cash and cash equivalents	12	1,022		664	
Total current assets			27,252		30,905
Total assets			27,646		31,333
Current liabilities					
Bank borrowings and overdrafts	12	22,134		26,259	
Trade and other payables	13	4,323		4,281	
Tax payable		119		201	
Total current liabilities			26,576		30,741
Non-current liabilities					
Deferred tax liability	15		16		5
Total liabilities			26,592		30,746
Net assets			1,054		587
Equity attributable to owners of the company					
Share capital	16		-		-
Retained earnings	17		1,054		587
Total equity			1,054		587

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2013 and were signed on its behalf by

Shane Horsell
Director

The notes on pages 13 to 30 form part of these financial statements

Ultimate Invoice Finance Limited

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Cash flows from operating activities					
Profit before tax for the year			560		780
Adjustments for					
Depreciation	5,10	148		96	
Financial income	7	(45)		(10)	
Financial expense	7	71		70	
Equity settled share-based payment expense		12		12	
			186		168
			746		948
(Increase)/Decrease in loans and other receivables		4,011		(4,027)	
Increase/(decrease) trade and other payables		42		435	
Increase in tax payable		-		21	
			4,053		(3,571)
Cash generated by operations			4,799		(2,623)
Tax paid			(176)		(160)
Net cash flows from operating activities			4,623		(2,783)
Cash flows from investing activities					
Acquisition of property, plant and equipment	10	(114)		(302)	
Net cash used in investing activities			(114)		(302)
Cash flows from financing activities					
Financial income	7	45			
Financial expense	7	(71)		(70)	
Net cash used in financing activities			(26)		(70)
Net increase/(decrease) in cash and cash equivalents			4,483		(3,155)
Cash and cash equivalents at 1 July			(25,595)		(22,440)
Cash and cash equivalents at 30 June			(21,112)		(25,595)

The notes on pages 13 to 30 form part of these financial statements

Ultimate Invoice Finance Limited

Statement of changes in equity
for the year ended 30 June 2012

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
At 30 June 2010		-	(8)	(8)
Total comprehensive income		-	583	583
Equity settled share based payment transactions		-	12	12
At 30 June 2011		-	**587**	**587**
Total comprehensive income		-	455	455
Equity settled share based payment transactions		-	12	12
At 30 June 2012		-	**1,054**	**1,054**

The notes on pages 13 to 30 form part of these financial statements

Ultimate Invoice Finance Limited

Notes forming part of the financial statements
for the year ended 30 June 2012

1 Accounting policies

Basis of preparation and statement of compliance

Ultimate Invoice Finance Limited (the "company") is a company incorporated in the UK

The financial statements were approved by the board of directors on 28 March 2013

The company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("adopted IFRSs"), and its interpretations adopted by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") of their predecessors, which had been approved by the European Commission at 30 June 2012

The financial statements are prepared on the historical cost basis and are presented in Pounds Sterling, the company's functional and presentational currency

The company is reliant on the support of its parent Ultimate Finance Group plc, in order to continue as a going concern The directors of Ultimate Finance Group plc have indicated this support will continue until the company is able to support itself, and that repayment of balances due to group companies will only be required when funds are available Accordingly, the financial statements have been prepared on a going concern basis

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue during the reporting period The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources Actual results could differ from these estimates

The estimates and underlying assumptions are reviewed on an ongoing basis Information about such judgments and estimates are discussed in note 2

The directors have not adopted the following standards, which although endorsed by the EU are not yet effective

- *Amendments to IAS 1 Presentation of financial statements, effective from 1 July 2012*
- *IAS 19 Employee benefits, effective 1 January 2013*

The accounting policies set out below have been applied consistently to all periods presented in these financial statements

1 Accounting policies *(continued)*

Revenue

Revenue comprises fees for the provision of invoice financing services, net of Value Added Tax, and is recognised as follows

Interest income

Interest income and set up fee income and associated directly attributable set up costs are recognised in the income statement for all financial assets measured at amortised cost using the effective interest method The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows through the expected life, or contractual term if shorter, of the financial asset to the net carrying amount of the financial asset When calculating the EIR, the company estimates cash flows considering all contractual terms of the financial instruments, but does not include an expectation for future credit losses Interest income is calculated and applied to clients' accounts on a daily basis

Service fee income

The company charges its clients a factoring fee for managing their sales ledgers which is based on the value of invoices assigned The variable fee for each particular assignment of invoices is then recognised as revenue on a straight line basis over the average repayment period of the assigned invoices, reflecting the provision of the management service over the life of those invoices On average this will be approximately 60 days

Other fee income

Other fee income, which includes disbursements, is credited to the income statement when the service has been provided or the disbursement expenditure incurred

Expenses

Operating lease payments

Leases are categorised as operating leases where the lessor retains substantially all the risks and rewards of ownership of the leased asset All leased assets held by the company are categorised as operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease

Borrowing costs

Borrowing costs in relation to the back-to-back financing facility with Lloyds TSB Commercial Finance Ltd are shown within coat of sales The facility is used to finance loans provided to clients and is backed by the underlying debts of the clients

Interest on other loans and borrowings is charged using the effective interest rate method Interest expense in this context includes initial transactions costs as well as any interest or coupon payable while the liability is outstanding

1 **Accounting policies** *(continued)*

Taxation

Income tax expense comprises current and deferred tax Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase recognised in retained earnings within equity, over the period in which the employees become unconditionally entitled to the options The fair value of the options granted is measured at grant date, using an option valuation model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting

Where the company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker The chief operating decision-maker has been identified as the management team of the Group including the Chief Executive, Group Managing Director and Finance Director

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

1 Accounting policies *(continued)*

***Property, plant and equipment* (continued)**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment The estimated useful lives are as follows

Plant and machinery	-	3 years
Fixtures and fittings	-	2-5 years
Motor vehicles	-	5 years

Financial assets

Management determine the classification of the company's financial assets at initial recognition into one of the following categories – loans and other receivables, held-to-maturity financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss The company has not held any held-to-maturity, available for sale financial assets or financial assets at fair value through profit or loss at any point during the year

All financial assets are initially measured at fair value plus, in the case of financial assets not classified as a fair value through income statement, transaction costs that are directly attributable to their acquisition

The company initially recognises advances to clients and deposits on the date that they are originated These balances are included in loans and other receivables and are initially recognised at fair value and subsequently measured at amortised cost less impairment losses

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred

Impairment of loans and receivables

In respect of loans and receivables, the company assesses on an ongoing basis whether there is objective evidence that an individual loan asset is impaired If any such indication exists, the assets' recoverable amount is estimated An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount Impairment losses are recognised in the income statement

Impairment losses are reversed through the income statement is there is a change in the estimates used to determine the recoverable amount

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits The back to back financing facility with Lloyds TSB Commercial Finance forms an integral part of the company's cash management and as such is included as a component of cash and cash equivalents for the purpose only of the statement of cash flows The borrowing on this back to back financing facility is shown as a current liability in the statement of financial position

1 Accounting policies *(continued)*

Financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

2 Key risks and sources of estimation uncertainty

Financial risk management

The company issues advances to its clients which are financed by a back-to-back financing facility The company is responsible for managing the credit, liquidity and interest rate risks associated with these arrangements

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital Further quantitative disclosures are included throughout these financial statements

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty fails to meet its contractual obligations, and arises principally from the company's receivables from customers Quantitative disclosures in respect of credit risk are given in note 11

This risk is mitigated by underwriting procedures before the client is accepted and by constant monitoring of the client's credit situation Particular attention is concentrated on the clients' debtors through review of debtor concentration ratios and debtor validation checks on significant exposures Furthermore, poor credit risk debtors are not financed or only partially financed

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of specific loans and other receivables

Liquidity risk

Liquidity risk is the risk to earnings or capital arising from an inability to meet obligations when they become due, without incurring unexpected or unacceptable losses The company's liabilities include trade and other payables, bank overdraft and client balances The client balance is the difference between the total of clients' gross debtors and the loans made to those clients The company funds its business through its own capital but is also dependent upon external finance in order to provide financing to its clients This is currently achieved through a back-to-back financing facility with Lloyds TSB Commercial Finance

The company's approach to managing liquidity using cash flow forecasting is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation Existing and forecast company headroom levels are reviewed monthly by the executive management team There have been no changes to liquidity risk considerations in the year The maturity of the company's financial liabilities are given in note 13

2 Key risks and sources of estimation uncertainty

Financial risk management *(continued)*

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk

The company does not have significant exposure to currency risk or interest rate risk as fluctuations in these are passed onto the company's client base

3 Revenue

	2012 £'000	2011 £'000
Revenue arises from		
Service fee income	**4,515**	4,183
Interest income	**1,419**	1,722
Other fee income	**1,603**	1,534
	7,537	7,439

4 Segmental information

Factors that management used to identify the company's reportable segments and measurement of operating segment profit or loss, assets and liabilities

Whilst the company evaluates the performance of different operating segments on the basis of profit or loss from operations before tax, not including non-recurring losses, such as restructuring costs, and also excluding the effects of share based payments, management have concluded that the company's operations represent only one reportable segment As a result, no detailed disclosures have been presented on separable reportable segments

All revenues relate to external customers domiciled in the UK There are no revenues derived from overseas external customers in the current or prior years

All non-current assets are held within the UK There are no non-current assets held overseas in the current or prior years

There is no one customer which generates 10% or more in external revenues in the current or prior years

Ultimate Invoice Finance Limited

Notes forming part of the financial statements (continued)
for the year ended 30 June 2012

5 Operating profit

	2012 £'000	2011 £'000
This has been arrived at after charging		
Deprecation of property, plant and equipment	**148**	96
Operating lease expense		
- Plant and machinery	**145**	147
- Property	**127**	145
Auditors' remuneration		
- Audit of these financial statements	**17**	15
- Amounts receivable by auditors and their associates in respect of other services relating to taxation	**3**	3
Employee benefit expense	**12**	12

6 Staff costs

	2012 £'000	2011 £'000
Staff costs (including directors) comprise		
Wages and salaries	**2,521**	2,167
Social security costs	**292**	260
Other pension costs	**227**	177
	3,040	2,604

The average number of persons employed by the company (including directors) during the year was 62 (2011 60)

Directors' remuneration

The directors are the only key management personnel who are subject to remuneration as detailed below

	2012 £'000	2011 £'000
Directors' emoluments	**707**	634
Company contributions to money purchase pension plans	**132**	104
	839	738

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £218,703 (2011 £167,378), and company pension contributions of £27,080 (2011 £23,699) were made to a money purchase pension scheme on his behalf

7 Finance income and expense

	2012 £'000	2011 £'000
Finance income		
Bank interest income	**45**	10
	45	10
Finance expense		
Interest paid to parent	**71**	70
	71	70

8 Cost of sales

	2012 £'000	2011 £'000
Cost of sales - finance costs	**588**	692
Cost of sales - other	**285**	336
Total cost of sales	**873**	1,028

Cost of sales - finance costs relates entirely to interest payable on the back-to-back financing facility with Lloyds TSB Commercial Finance

Cost of sales - other relates to external legal fees incurred which are recharged on to clients The recharge is included within revenue and the cost is included in cost of sales

9 Tax expense

	2012 £'000	2011 £'000
Current tax expense		
UK corporation tax and income tax of overseas operations on profits for the year	**119**	194
Adjustment for (over)/under provision in prior periods	**(25)**	6
	94	200
Deferred tax expense		
Origination and reversal of temporary differences	**-**	(3)
Adjustment in respect of the previous year	**11**	-
	11	(3)
Total income tax expense	**105**	197

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows

	2012 £'000	2011 £'000
Profit before tax	**560**	780
Expected tax charge based on the standard rate of corporation tax in the UK of 25 5% (2011 – 27 5%)	**143**	215
Expenses not deductible for tax purposes	**38**	29
Adjustment in respect of the previous year	**(14)**	6
Group relief claimed	**(59)**	(53)
Other short term differences	**(3)**	-
Total tax expense	**105**	197

10 Property, plant and equipment

	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
Balance at 1 July 2010	351	240	-	591
Additions	128	110	64	302
Balance at 30 June 2011	479	350	64	893
Balance at 1 July 2011	479	350	64	893
Additions	18	82	14	114
Disposals	(10)	(4)	-	(14)
Transfers between categories	(26)	26	-	-
Balance at 30 June 2012	461	454	78	993
Accumulated depreciation				
Balance at 1 July 2010	266	103	-	369
Depreciation charge for the year	53	42	1	96
Balance at 30 June 2011	319	145	1	465
Balance at 1 July 2011	319	145	1	465
Depreciation charge for the year	70	58	20	148
Depreciation on disposals	(10)	(4)	-	(14)
Transfers between categories	(26)	26	-	-
Balance at 30 June 2012	353	225	21	599
Net book value				
At 1 July 2010	85	137	-	222
At 30 June 2011 and 1 July 2011	160	205	63	428
At 30 June 2012	**108**	**229**	**57**	**394**

11 Loans and other receivables

	2012 £'000	2011 £'000
Loans and receivables	**24,552**	28,608
Prepayments	**192**	251
Other receivables	**221**	35
Amounts owed by group undertakings	**1,265**	1,347
	26,230	30,241

Loans and other receivables denominated in currencies other than sterling comprise £448,207 (2011 £1,590,000) denominated in Euros and a further £117,931 denominated in US dollars (2011 £181,000) As described in note 2, the company does not have significant exposure to currency risk or interest rate risk as fluctuations in these are passed onto the company's client base

Credit risk

As described in note 2, credit risk in relation to loans and receivables is the risk that financial loss arises from the failure of a client to meet its obligations under an invoice discounting agreement The company has strict policies and procedures in place to monitor this risk

Under the company's recourse agreement with its clients, debtors assigned to the group that remain unpaid after 90 days are re-factored to the clients An impairment provision is made where objective evidence exists to doubt recoverability of amounts advanced to clients

A summary of the customer loans and receivables is shown below, the maximum exposure to credit risk at the year end is £25,292,000 (2011 £29,225,000)

	2012 £'000	2011 £'000
Outstanding client balances	**25,292**	29,225
Deferred income	**(320)**	(346)
	24,972	28,879
Provision for impairment	**(420)**	(271)
	24,552	28,608

Invoices factored by the company are formally assigned to it and are typically paid within 60 days

Collateral

In addition to the value of the underlying assigned sales ledger balances, the company will wherever possible obtain additional security before offering invoice finance facilities to a client These include personal guarantees from major shareholders and/or directors, charges over personal and other business property, cross guarantees from associated companies, and unlimited warranties in the case of frauds These additional forms of security are impractical to fair value, as valuations of the guarantees or warranties are not capable of being accurately determined at any point during the agreement

11 Loans and other receivables *(continued)*

Provision for impairment

	2012 £'000	2011 £'000
Balance brought forward	**271**	247
Utilised in the year	**(195)**	(157)
Provided in the year	**344**	181
Balance carried forward	**420**	271

The ageing of the loans to clients is shown in the table below

Ageing of loans and receivables

	2012 £'000	Impairment £'000	2012 £'000	2011 £'000	Impairment £'000	2011 £'000
Less than 90 days	**23,103**	**-**	**23,103**	27,550	-	27,550
Over 90 days – no impairment	**812**	**-**	**812**	999	-	999
Over 90 days – net of impairment	**1,057**	**(420)**	**637**	330	(271)	59
	24,972	**(420)**	**24,552**	28,879	(271)	28,608

The carrying value of all financial assets and liabilities held at the current and prior year is not materially different from the fair value of the financial instruments

12 Cash and cash equivalents/bank overdrafts

	2012 £'000	2011 £'000
Cash and cash equivalents	**1,022**	664
Bank borrowings and overdrafts	**(22,134)**	(26,259)
	(21,112)	(25,595)

Cash denominated in currencies other than Pounds Sterling comprise £61,000 (2011 £333,000) denominated in Euros and £553,000 (2011 £323,000) denominated in US Dollars

13 Trade and other payables

	2012 £'000	2011 £'000
Trade payables	**1,114**	1,138
Other payables and accrued expenses	**485**	473
Amounts owed to parent undertaking	**2,724**	2,670
	4,323	4,281

All of the trade and other payables for the company are expected to be settled within 12 months, with the exception of the amount owed to parent

There are no trade or other payables denominated in currencies other than pound sterling The company's liabilities include trade and other payables and borrowings under its bank facilities The headroom in the company's banking facilities is £8,578,000 at 30 June 2012 (2011 £3,741,000)

The company's liabilities include trade and other payables and borrowing under its bank facility

The headroom in the group's banking facility is £8,677,000 at 30 June 2012 (2011 £6,269,000)

Trade and other payables balances due by the company at the current and prior year end relate to accrued expenses payable within one month

The maturity profile of the contractual cash flows associated with the company's financial liabilities is shown below

2012	**Within one month £'000**	**Less than a year £'000**
Trade payables	**1,114**	-
Other payables and accrued expenses	**485**	-
Amounts owed to parent undertaking	-	**2,724**
Bank borrowings	-	**22,134**
	1,599	**24,858**

2011		
Trade payables	1,138	-
Other payables and accrued expenses	473	-
Amounts owed to parent undertaking	-	2,670
Bank borrowings	-	26,259
	1,611	28,929

14 Employee benefits

Pension

The company operates a defined contribution pension scheme The pension cost charge for the year includes contributions payable by the company to the scheme and amounted to £226,948 (2011 £176,532)

Contributions amounting to £18,763 were unpaid at the year end and are included in trade and other payables (2011 £19,308)

The company also paid into schemes outside of the company's defined contribution scheme for two directors (2011 three) during the year

Share based payments

The total charge for the year relating to the employee share-based payments scheme was £12,000 (2011 £12,001), all of which related to equity-settled share-based payment transactions made under the Company Share Option Plan

Company share option plan

Under the terms of the Company Share Option Plan, options over the parent company's shares may be issued on a discretionary basis to management staff within the group at not less than the prevailing market price The maximum aggregate subscription price of all options granted to a member of staff in any 10 year period may not exceed £30,000 In addition, options may not be granted in total greater than 10% of the issued ordinary share capital of the company No conditions apply to the exercise of options currently held Details of the amounts granted and vesting dates are shown in the remuneration report in the parent company financial statements

Fair value of equity settled share-based payments

The fair value of all share-based payments arising from share awards granted under the Company Share Option Plan has been estimated using a Black-Scholes pricing model The applicable grant dates and share prices are as follows -

Grant date	Vesting date	Share price at grant date	Exercise price	Exercise period
3 November 2008	3 November 2011	5 50p	5 50p	4 years
21 September 2009	31 October 2010	13 00p	13 00p	6 years
29 October 2010	29 October 2013	13 50p	13 50p	4 years
5 January 2011	5 January 2014	13 25p	13 25p	4 years

The assumptions used in the valuation of share options are described below

Expected volatility in share price is based on historic volatility over an appropriate period, consistent with the expected life of the option during the period immediately preceding the date of the grant The risk free rate of return represents the yield on UK Gilt Strips at the date of the grant of a term consistent with the life of the option

The forfeiture rate is estimated at 5%, and expected life of each option is 5 years The dividend yield is assumed to be Nil

These assumptions are the same as those made for the valuation performed in the previous year

The weighted average share price during the year was 15 64p (2011 15 42p)

14 Employee benefits *(continued)*

A reconciliation of the number of shares in respect of which awards have been made is set out in the table below

Option grant date	Number of options at 1 July 2011	Exercised in year	Lapsed in year	Number of options at 30 June 2012
31 October 2007	50,000	(50,000)	-	-
3 November 2008	50,000	-	-	50,000
5 January 2009	-	-	-	-
21 September 2009	670,000	-	(232,500)	437,500
29 October 2010	392,500	-	(45,000)	347,500
5 January 2011	300,000	-	(250,000)	50,000
Total	**1,462,500**	**(50,000)**	**(527,500)**	**885,000**
Weighted average exercise price	12 8p	9 25p	13 2p	12 8p

The estimated fair value of options granted in the year is £nil (2011 £12,000)

No new options were granted during the year (2011 692,500) and 527,500 options lapsed through employees leaving the company (2011 115,000) 50,000 options were exercised during the year (2011 nil)

As at 30 June 2012 the weighted average exercise price of share options exercisable as at year end is 12 2p (2011 9 25p)

15 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 24% (2011 - 28%)

Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the following and are shown as a non-current liability on the statement of financial position

	2012 £'000	2011 £'000
Other timing differences	**16**	5
	16	5

15 Deferred tax *(continued)*

Movement on the deferred tax account during the year

	2012 £'000	2011 £'000
At 1 July	**5**	8
Charge/(credit)	**11**	(3)
At 30 June	**16**	5

Deferred tax assets have been recognised in respect of all such tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable that these assets will be recovered

16 Share capital

	Authorised			
Ordinary shares of £1 each	**2012 Number**	**2012 £**	2011 Number	2011 £
	1,000	**1,000**	1,000	1,000

	Issued and fully paid			
	2012 Number	**2012 £**	2011 Number	2011 £
Ordinary shares of £1 each	**2**	**2**	2	2

The holders of ordinary shares are entitles to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company

17 Reserves

The following describes the nature and purpose of each reserve within owners' equity

Share capital	amount subscribed for share capital at nominal value
Retained earnings	cumulative net gains and losses recognised in the income statement

18 Leases

Operating leases

The group leases all of its properties The terms vary between properties, although each have periodic rent reviews and have break clauses Other operating leases relate to leased cars as well as leasing payments in relation to software systems

Future lease payments are due as follows

	Land & buildings 2012 £'000	**Other 2012 £'000**	Land & buildings 2011 £'000	Other 2011 £'000
Not later than one year	**127**	**131**	127	155
Later than one year and not later than five years	**374**	**100**	348	156
	501	**231**	475	311

19 Related party transactions

The company entered into the following related party transactions

The company was provided with a loan from its parent Ultimate Finance Group plc, for which a financing charge was levied each month The interest rate charged was 2% above Bank of England base rate The interest charged in the year was £71,000 (2011 £70,000)

The amount payable to the parent company at 30 June 2012 was £2,724,000 (2011 £2,670,000)

The company provided loans to other group companies in the year At 30 June 2012 the following amounts were outstanding

Ultimate Asset Finance Limited £861,000 (2011 £750,000)
Ultimate Trade Finance Limited £104,000 (2011 £376,000)
Ashley Commercial Finance Limited £301,000 (2011 £221,000)

Disclosure of the remuneration paid to key management is included in note 6

20 Capital commitments

There were no capital commitments at the end of the financial year (2011 £Nil)

21 Guarantee and indemnity

The company has a facility with Lloyds TSB Commercial Finance Limited for a £30 million back-to-back financing facility, the minimum period for which expires in July 2013 The facility is used to finance loans provided to clients and is backed by the underlying debts of the clients

The facility is secured against an all assets debenture given by Ultimate Invoice Finance Limited and a deed of guarantee and indemnity has been given by Ultimate Finance Group plc

22 Ultimate parent company

The company's ultimate parent company is Ultimate Finance Group plc Copies of the group financial statements of Ultimate Finance Group plc are available from the company's office, First Floor Unit 1 West Point Court, Great Park Road, Bradley Stoke, Bristol, BS32 4PS

23 Post balance sheet event

There have been no post balance sheet events that require disclosure within these financial statements