

Registered number 4350565

## **Ultimate Finance Group plc**

**Directors' report and consolidated  
financial statements  
For the year ended 30 June 2007**

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## **Directors and advisers**

### ***Clive Garston (non-executive chairman)***

Clive Garston, aged 62 is a solicitor and is a member of Halliwells LLP specialising in corporate finance and mergers and acquisitions. He is currently the senior partner of the firm's London office. He is a non-executive director of a number of quoted and unquoted companies.

### ***Brian Sumner (chief executive)***

Brian Sumner, aged 60, is a co founder of the Ultimate Finance Group and has over 40 years' service in factoring and invoice discounting. Having become a director of Alex Lawrie in the 1970's following senior positions in sales/marketing and operations, in 1983 he founded the Boston Financial Company Limited (the foundation stone of what ultimately became Lloyds TSB Commercial Finance Limited) and later founded Causeway Invoice Discounting Limited. The latter company was subsequently sold to N M Rothschild & Sons Limited and renamed Five Arrows Commercial Finance Limited. Brian was a founder director of the Factors and Discounters Association (FDA).

### ***Richard Pepler (managing director)***

Richard Pepler, aged 47, has 29 years' experience in commercial banking, leasing, trade finance, factoring and invoice discounting and has held a number of senior management and director positions, particularly in sales. Prior to forming the Ultimate Finance Group, he was sales director and a principal underwriter of all new business for Bibby Factors (Bristol) Limited. He also led group marketing for over two years for The Bibby Group of Factors Limited.

### ***Jeremy Coombes (operations director)***

The third founding member of the Ultimate Finance Group, Jeremy Coombes, aged 42, has 21 years experience in factoring in various operational and underwriting roles. Before forming the Ultimate Finance Group, Jeremy was the operations director for Bibby Factors (Bristol) Limited where his duties included the development and planning of operation strategy, financial planning and risk control.

### ***Shane Horsell (finance director)***

Shane Horsell, aged 41, joined Ultimate Finance Group in March 2006. Shane has 20 years experience in various finance roles, latterly as finance director of Blick UK Ltd the major subsidiary of Blick Plc (the formerly FTSE listed company) and as group finance director for Advent Publishing Systems Ltd.

### ***Derek Ashford (non-executive director)***

Derek Ashford, aged 51, is a chartered accountant and former finance director of W H Ireland Group plc. Derek has wide experience in senior finance roles in both private practice and the financial services sector including a spell in Jersey as Head of Financial Planning and Management Information for the Abbey National Offshore Group.

### ***Richard Lee (non-executive director)***

Richard Lee, aged 62, is a director of W H Ireland Group plc. He has been a director of various public companies in a variety of industries. Richard is a non-executive director of Freedom Finance Holdings PLC.

## Chairman's statement

### Results

I am pleased to be able to report, that for the year ending 30th June 2007, Ultimate Finance Group PLC ("Ultimate") achieved a profit before tax of £301,986 (2006 £278,710, as restated). Client sales financed in the year increased by 26 per cent to £154.9 million from the previous year (2006 £123million), the increase a consequence of the growth experienced by existing clients and the increase in size of transactions with new clients. This is an acceptable performance in difficult trading conditions. However, margins have been under pressure and lower on new business during the year as a result of fierce competition.

Turnover for the period increased by 15% to £4,026,628 (2006 £3,500,594). Profit before tax, however, increased by only 8% year on year, due to lower margins on new business and increased investment in growing the business.

Basic earnings per share for the year to 30 June 2007 amounted to 1.09p compared to 1.94p for 2006. The after tax profit figure for 2006 incorporated the recognition of a deferred tax asset increasing the profit after tax by £108,585 (as restated). In order to more accurately measure the earnings per share on the trading performance of the group, an additional adjusted figure has been included in note 23, to reflect the earnings before the impact of taxation. On this basis, the earnings per share amounted to 1.51p compared to 1.40p in 2006.

### Funding

It is pleasing to report the back to back receivables financing arrangement with Lloyds TSB Commercial Finance has been renewed for a further two years. This will continue to provide the flexibility to drive the business forward in terms of growth and increase in shareholder value. At the year end the group had utilised £11.8 million of the £18 million facility.

### Management and employees

The main driver of the success of Ultimate has been the commitment and hard work of my colleagues on the board and the employees of Ultimate. It is they who have achieved these results. I would like to acknowledge and thank them for their efforts in what has been a difficult year. We will continue to invest in people in order to develop and expand our business.

Derek Ashford, who has been a director of the company since its flotation, is stepping down following the AGM. Derek's contribution has been invaluable and I would like to thank him for his commitment to and efforts for Ultimate and to wish him all the best in the future. Derek was also chairman of the audit committee and I will be taking over that position.

### Risk management

Ultimate continues to have a good record on minimising bad debts. With the increasing number of liquidations in the SME market place Ultimate's risk management procedures have remained the primary focus. Very high underwriting standards ensure deals will not be taken on for short term growth at the expense of long term shareholder value. Experienced client management and credit control staff ensure both an excellent level of customer service and financial stewardship in respect of Ultimate's client base.

### Outlook

Current trading conditions remain difficult with lower margins and competitors offering low priced deals to attract clients. Ultimate will continue to take all necessary steps to build sustainable shareholder value without compromising on the quality of its portfolio of clients. Costs continue to be controlled whilst allowing for essential investment in sales and marketing activities.

Notwithstanding current conditions the board looks forward to the future with confidence, but does not see any significant growth in the current year

**Clive R Garston**

*Chairman*

## Chief Executive's review

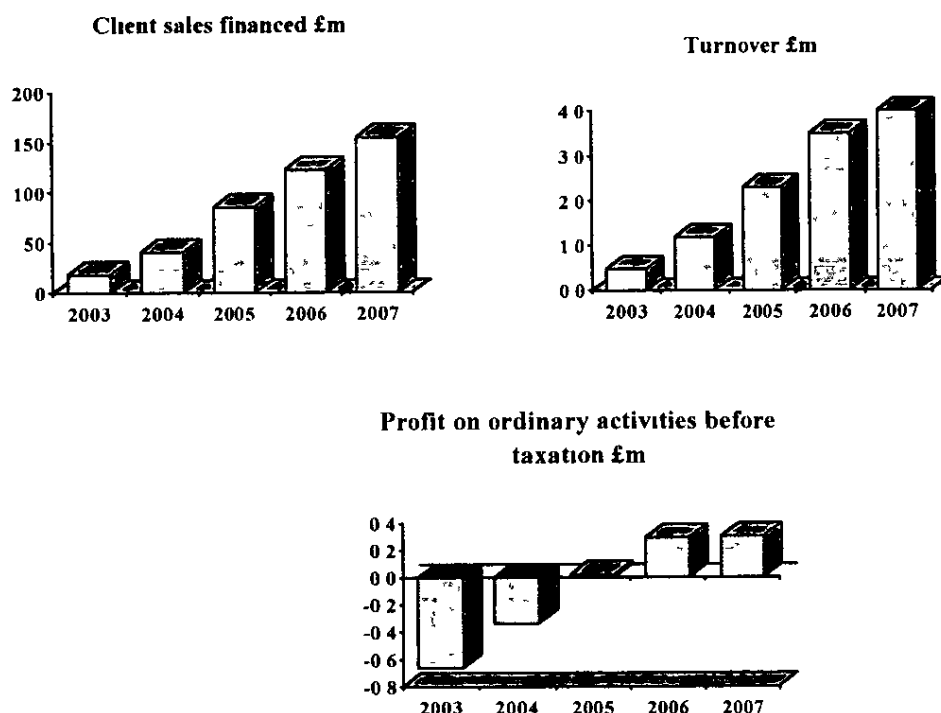
Over the last year the Company has, in many ways, gone from strength to strength, while growing both sales invoices assigned (up 26%) and turnover (up 15%). However, our margins have come under great pressure in what, for the time being at least, is a very competitive market. As a result, Ultimate is not currently seeing significant profit growth, which is disappointing.

Our ambitions continue to reflect the four cornerstones of our strategy:

- 1 A wealth of experience applied to risk management and underwriting,
- 2 A strong service ethic enabling us to differentiate ourselves,
- 3 A recognition that only the best staff, developed to the full through training and guidance, can deliver on the 'ultimate' promise, and
- 4 A sound and secure product range capable of being tailored to meet the practical needs of the client throughout the business cycle.

Through our factoring and invoice discounting products and our AIG-backed debtor protection product, which has been a great success over the last year, our revenues have risen year on year.

We are of course still in the investment phase and are investing in people generally, in particular in the sales team and our new full client sales and service office in Northwest England which has been up and running for over a year now, and is well established and an important part of our future growth strategy.



As the portfolio has continued to mature so we have naturally always experienced a degree of client losses, mostly smaller clients - often, but not exclusively, start up businesses that have failed within their first two years of trading. With national client failure statistics up markedly, this trend has increased over this past year. Overall, we have experienced more client failures than expected, which has itself put pressure on both incomes and profits.

To counteract this, and for the purpose of risk management, we have taken a defensive posture and become more cautious in our underwriting criteria. This has meant that we have taken on fewer clients, but bigger and of higher overall quality.

Whilst there have been bad debt write-offs, these have been appropriately managed and provided for. Once again this is testimony to our risk management procedures, underwriting criteria, and the quality of our operations team.

#### Systems

We have enjoyed several productivity gains over the last year, particularly in the area of IT, and we have more to come, now our main operations software Aquarius is more established and functional. We have also extended our in-house scanning facility and now process our own bulk mail, bringing further efficiencies.

#### Prospects

After five years in business I can confidently state that we are now well established and running efficiently, with an excellent portfolio of clients and a highly professional team of people assembled. Our current priority is to add to the sales team to enable us to increase the rate of new business taken.

It remains for me to thank all the staff at Ultimate for their efforts over the last year, which has been much appreciated by the Directors.

**Brian Sumner**  
*Chief Executive*

## **Corporate governance**

The board has given consideration to the Combined Code of Corporate Governance issued by the London Stock Exchange. Although companies traded on AIM are not required to provide Corporate Governance disclosure, the directors have chosen to provide certain information on how the company has adopted various principles of the Code.

### **The board and its committees**

The group board is currently made up of four executive and three non-executive directors. The board is responsible for the overall direction and strategy of the group and meets regularly throughout the year. Under the company's Articles of Association, one third of the directors are required to retire by rotation each year.

The board has formally established a number of committees and agreed their terms of reference, these committees being

#### **Remuneration committee**

The principal function of this Committee is to determine the policy on Executive appointments and remuneration. The Committee consists of three non-executive directors, Richard Lee, who chairs the Committee, Clive Garston and Derek Ashford. It is the aim of the Committee to attract, retain and motivate high calibre individuals with a competitive remuneration package.

Remuneration for an executive normally comprises of basic salary, bonus, benefits in kind and options. Details of the current directors' remuneration and the executive share option scheme are given in the Remuneration report, the Directors' report and the notes to the financial statements.

The Chief Executive may be invited to attend certain discussions of the Committee.

#### **Audit committee**

The Committee is made up of Derek Ashford as Chairman of the Committee and two non-executive directors, Richard Lee and Clive Garston. Its principal terms of reference are to review compliance with all relevant financial services legislation and regulation, adherence to and effectiveness of the group's own internal procedures and the identification of operational, credit and other financial risks. The Audit Committee is also responsible for reviewing the interim and annual financial statements and for the appointment of external auditors.

### **Internal control**

The directors acknowledge that they are responsible for the system of internal control established by the group and place considerable importance on maintaining a strong control environment. However, any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

Detailed internal control procedures exist throughout the group's operations and compliance is monitored by management.

## **Remuneration report**

Companies traded on AIM are not required to provide a formal remuneration report. This report is provided for information purposes only to give a greater transparency to the way executive directors are remunerated.

### **Composition and role of the remuneration committee**

The board of directors has established a remuneration committee, which consists of three non-executive directors, Richard Lee who chairs the committee, Clive Garston and Derek Ashford.

The committee determines and agrees with the board the framework and policy of executive directors' remuneration and the associated costs to the group and is responsible for the implementation of that policy. The committee determines the specific remuneration packages for each of the executive directors and no director is involved in any decision as to his own remuneration. The committee has access to information and advice provided by the Chief Executive and has access to independent advice where it considers it appropriate.

This report explains how the group has applied its policy on remuneration paid to executive directors.

### **Framework and policy on executive directors' remuneration**

The group's remuneration policy is designed to provide competitive rewards for its executive directors taking into account the performance of the group and the individual executives together with comparisons to pay conditions throughout the market in which the group operates. It is the aim of the committee to attract, retain and motivate high calibre individuals with a competitive remuneration package.

The remuneration packages are constructed to provide a balance between fixed and variable rewards. Therefore remuneration packages for executive directors normally include salary, discretionary bonuses, benefits in kind and options. In agreeing the level of basic salaries and annual bonuses the committee takes into consideration the total remuneration that executives could receive.

### **Basic salary**

Basic salaries are reviewed on an annual basis or following a significant change in responsibilities. The committee seeks to establish a basic salary for each executive determined by individual responsibilities and performance, taking into account comparable salaries for similar positions in companies of a similar size in the same market.

### **Incentive arrangements**

#### **1 Annual discretionary bonus**

These are designed to reflect the group's performance, taking into account the performance of its peers, the market in which the group operates and the executive's contribution to that performance. These bonuses are added to normal salary and subjected to normal PAYE taxation.

#### **2 Share options**

Under the terms of the company's Share Option Schemes, options over the company's shares may be issued on a discretionary basis to the executives within the group at not less than the prevailing market price. Under the Company Share Ownership Plan, the maximum aggregate subscription price of all options issued to an executive in any ten year period may not exceed £30,000. In addition, options may not be granted in total in excess of 10% of the issued ordinary share capital of the company.

Under the Unapproved Employee Share Option Scheme, the number of shares in which options may be granted must not exceed 5% of the issued ordinary share capital of the company.

## **Remuneration report *(continued)***

At the discretion of the board, exercise of options granted under both schemes can be subject to performance criteria. Options granted to the executives under the Unapproved Employee Share Option Scheme on 7 June 2002 are subject to the company achieving pre tax profits of not less than £1,000,000, as shown by the group's audited consolidated financial statements. No conditions apply to the exercise of any other options currently held.

During the year to 30 June 2007, 132,500 options were granted over the company's shares under the Company Share Ownership Plan to employees of the company including the executive directors.

### **Other employee benefits**

Executive directors are entitled to a range of benefits, including a company car (or car allowance), contributions to personal pension plans, private medical insurance and life assurance.

### **Service contracts and notice periods**

Brian Sumner, Richard Pepler and Jeremy Coombes are employed on rolling contracts subject to twelve months' notice from the company or six months notice from the executive. Shane Horsell is employed on a service contract subject to six months' notice given by either party. The service contracts of the current executive directors are available for inspection by any person at the company's registered office during normal working hours on any day except weekends and bank holidays and at the Annual General Meeting from 10.00am on the day of the Meeting until the conclusion of the Meeting.

Service contracts do not provide explicitly for termination payments or damages but the company may make payments in lieu of notice. For this purpose pay in lieu of notice would consist of basic salary and other relevant emoluments for the notice period excluding any bonus.

### **Non-executive directors**

All non-executive directors are appointed on a rolling basis subject to six months' notice by either the non-executive director or the company, given at any time. In the event of termination of their appointment they are not entitled to any compensation. The terms and conditions of appointment of non-executive directors are available for inspection by any person at the company's registered office during normal working hours on any day except weekends or bank holidays and at the Annual General Meeting from 10.00am on the day of the Meeting until the conclusion of the Meeting.

Non-executive directors are not eligible for pensions and do not participate in the company's bonus or share schemes.

## Remuneration report *(continued)*

### Directors' emoluments

The remuneration of each director, excluding share options and awards, during the year ended 30 June 2007 is detailed in the table below

	Salaries/Fees £	Benefits £	Total for year ended 30 June 2007 £	Total for year ended 30 June 2006 £	Pension contributions for year ended 30 June 2007 £	Pension contributions for year ended 30 June 2006 £
<b>Executives</b>						
Brian Sumner	124,900	2,748	127,648	99,888	14,250	12,150
Darren Newman <sup>1</sup>	-	-	-	26,948	-	2,083
Jeremy Coombes	89,020	1,622	90,642	80,654	7,750	6,900
Richard Pepler	97,500	2,992	100,492	88,559	9,000	7,100
Shane Horsell <sup>2</sup>	79,567	1,830	81,397	22,784	6,500	1,992
<b>Non-executives</b>						
Clive Garston	17,500	-	17,500	17,500	-	-
Derek Ashford	12,500	-	12,500	12,500	-	-
Richard Lee	12,500	-	12,500	12,500	-	-
	<b>433,487</b>	<b>9,192</b>	<b>442,679</b>	<b>361,333</b>	<b>37,500</b>	<b>30,225</b>

<sup>1</sup> Darren Newman was appointed to the board on 11 November 2004. He subsequently resigned on 30 November 2005.

<sup>2</sup> Shane Horsell was appointed to the board on 10 March 2006.

The emoluments of the executive directors are incurred by Ultimate Finance Limited.

## Remuneration report *(continued)*

### Directors' interests in share options

	Number of ordinary shares	Date of grant of share option	Exercise price per ordinary share	Exercise period
Brian Sumner	*100,000	07/06/2002	24 0p	07/12/03 to 06/06/09
	25,000	28/11/2003	23 0p	28/11/06 to 27/11/10
	50,000	29/09/2004	17 5p	29/09/07 to 28/09/11
	25,000	13/04/2005	21 0p	13/04/08 to 12/04/12
Richard Pepler	*100,000	07/06/2002	24 0p	07/12/03 to 06/06/09
	25,000	28/11/2003	23 0p	28/11/06 to 27/11/10
	50,000	29/09/2004	17 5p	29/09/07 to 28/09/11
	25,000	13/04/2005	21 0p	13/04/08 to 12/04/12
Jeremy Coombes	*100,000	07/06/2002	24 0p	07/12/03 to 06/06/09
	25,000	28/11/2003	23 0p	28/11/06 to 27/11/10
	50,000	29/09/2004	17 5p	29/09/07 to 28/09/11
	25,000	13/04/2005	21 0p	13/04/08 to 12/04/12
Shane Horsell	75,000	15/03/2006	23 75p	15/03/09 to 14/03/13
	10,000	29/09/2006	23 0p	29/09/09 to 28/09/13

\* Options granted under the Unapproved Employee Share Option Scheme

## **Directors' report**

The directors present their annual report and the audited financial statements for the year to 30 June 2007

### **Principal activities**

The company has one trading subsidiary, Ultimate Finance Limited and three dormant subsidiaries, Ultimate Factors Limited, Ultimate Asset Finance Limited and Ultimate Cash Flow Limited

The principal activities of the group throughout the period were the provision of factoring, invoice discounting and trade finance services

### **Business review**

A review of the business can be found in the Chairman's statement, on pages 2 and 3, and the Chief Executive Officer's review on pages 4 and 5

In addition the directors have considered the guidance on company narrative reporting issued by the DTI and the requirements of CA85 s234ZZB. The directors consider the major risks to the business to be

**Credit Risk** – the risk of financial loss as a result of a client's failure to settle financial obligations as they fall due. This risk is mitigated by extremely stringent underwriting procedures before the client is accepted and by constant monitoring of the client's credit situation. With particular attention concentrated on the clients' debtors with regard to debtor concentration ratios, debtor validation checks (in case of fraudulent activities) on significant exposures, also poor credit risk debtors are not financed or only partially financed. All operational staff are extensively trained in these procedures.

**General economic risk** – clearly an economic downturn would potentially reduce the amount of client sales financed. However any economic downturn also increases the amount of businesses looking for factoring and invoice discounting solutions. At such times credit risk can increase and the credit risk procedures discussed above are tightened further.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2006 nil)

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

The company subscribes and adheres to the 'Prompt Payer Partnership' code of practice for settlement of supplier accounts. Furthermore, it is the group's payment policy with all suppliers to settle due and outstanding accounts in accordance with the terms and conditions agreed when placing orders. At the year end, there were 10 days purchases in trade creditors for the group (2006 11 days). There were no trade creditors for the company as at 30 June 2007 (2006 nil).

### **Directors and directors' interests**

The directors who held office during the period were as follows

Clive Garston  
Brian Sumner  
Richard Pepler  
Jeremy Coombes  
Shane Horsell  
Derek Ashford  
Richard Lee

The directors retiring by rotation are Richard Lee and Richard Pepler who, being eligible, offer themselves for re-election.

## Directors' report *(continued)*

### Directors and directors' interests *(continued)*

The directors who held office at the end of the financial year, or their immediate families, had the following interests in the ordinary shares of the company according to the register of directors' interests

	Ordinary shares of 5p each	
	Interest at beginning of year	Interest at end of year
Clive Garston	236,000	250,000
Brian Sumner	1,401,845	1,421,845
Richard Pepler	945,925	960,000
Jeremy Coombes	811,010	811,010
Shane Horsell	40,000	40,000
Derek Ashford	111,000	135,000
Richard Lee	86,000	100,000

There have been no changes in the interests of the directors or their immediate families in the ordinary shares of the company according to the register of directors' interests between the year end and 7 September 2007, the last practicable date prior to the publication of this report

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company (or any other group company) were granted to any of the directors or their immediate families, or exercised by them, during the financial year except as indicated below

	Date of grant	Options granted	Exercise price	Exercise dates
Shane Horsell	29/09/06	10,000	23 0p	29 September 2009 to 28 September 2013

No rights to subscribe for shares in or debentures of the company (or any other group company) were granted to any of the directors or their immediate families between the year end and 7 September 2007

### Major shareholdings

At 7 September 2007, the last practicable date prior to the publication of this report, the company had been notified of the following shareholdings (other than directors) of 3% or more of the ordinary share capital

	Ordinary Shares	%
W H Ireland Group plc	4,633,122	23.2
Mark Abbott Esq	865,171	4.3
David Laurence Harvey Esq	615,000	3.1

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

### **Political and charitable contributions**

The group made no charitable donations during the period (2006 £603) The group made no political contributions during the period (2006 nil)

### **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 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

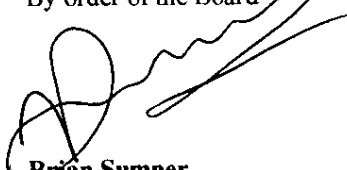
### **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

### **Annual General Meeting**

Notice of the Annual General Meeting of the company to be held at Bradley Pavilions, Pear Tree Road, Bradley Stoke, Bristol, BS32 0BQ at 11am on 31st October 2007 is enclosed with this report, together with a form of proxy

By order of the Board



**Brian Sumner**  
*Director*

Bradley Stoke  
Bristol  
BS32 0BQ  
10 September 2007

## **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 group and parent company financial statements in accordance with UK Accounting Standards.

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 the 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 judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent 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 parent 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 group and to prevent and detect fraud and other irregularities.

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

## **Independent auditors' report to the members of Ultimate Finance Group plc**

We have audited the group and parent company financial statements (the "financial statements") of Ultimate Finance Group plc for the year ended 30 June 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Reconciliation of movement in shareholders' funds 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 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 14.

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. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Chief Executive's review that is cross referenced from the Business Review section of the Directors' Report.

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 Director's Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **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.

### **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 June 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 Audit Plc*

10 September 2007

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

**Consolidated profit and loss account**  
*for the year to 30 June 2007*

	<i>Note</i>	2007 £	* as restated 2006 £
<b>Turnover</b>	2	4,026,628	3,500,594
Administrative expenses		(3,010,832)	(2,647,109)
<b>Operating profit</b>		<u>1,015,796</u>	<u>853,485</u>
Other interest receivable and similar income		4,478	4,391
Interest payable and similar charges	6	(718,288)	(579,166)
<b>Profit on ordinary activities before taxation</b>	3	<u>301,986</u>	<u>278,710</u>
Tax on profit on ordinary activities	7	(84,151)	108,585
<b>Profit on ordinary activities after taxation</b>		<u><u>217,835</u></u>	<u><u>387,295</u></u>
<b>Earnings per share</b>	23		
Basic		1.09p	1 94p
Diluted		<u>1 09p</u>	<u>1 93p</u>

\* see note 1

All amounts relate to continuing activities

**Consolidated statement of total recognised gains and losses**  
*for the year to 30 June 2007*

	2007	2006
	£	£
Profit after tax, being total gains and losses recognised in the year	217,835	387,295
Prior year adjustment (as explained in note 1)		
Share-based payments charge	(20,397)	
Tax credit on share-based payments	6,119	
Total gains and losses recognised since last annual report	203,557	

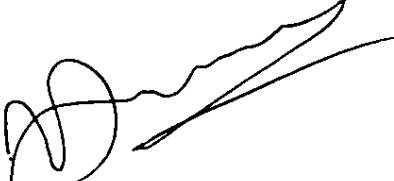
# Consolidated balance sheet


At 30 June 2007

	Note	2007 £	* as restated 2006 £
<b>Fixed assets</b>			
Tangible assets	9	128,950	116,695
<b>Current assets</b>			
Debtors	11	15,031,704	12,176,624
Cash at bank and in hand	12	831	844
		<u>15,032,535</u>	<u>12,177,468</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(12,490,114)</u>	<u>(9,852,627)</u>
<b>Net current assets</b>		<u>2,542,421</u>	<u>2,324,841</u>
<b>Net assets</b>		<u>2,671,371</u>	<u>2,441,536</u>
<b>Capital and reserves</b>			
Called up share capital	14	999,851	999,851
Share premium account	15	1,949,390	1,949,390
Profit and loss account	15	(277,870)	(507,705)
<b>Shareholders' funds (all equity)</b>		<u>2,671,371</u>	<u>2,441,536</u>

\* see note 1

These financial statements were approved by the board of directors on 10 September 2007 and were signed on its behalf by

  
**Brian Sumner**  
 Director

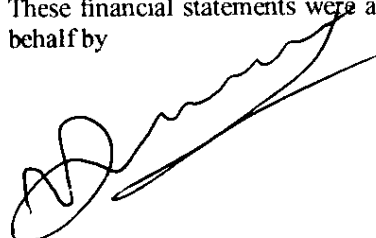
  
**Shane Horsell**  
 Director

# **Company balance sheet**

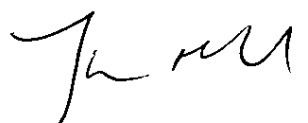
*At 30 June 2007*

	<i>Note</i>	<b>2007</b> £	<b>2006</b> £
<b>Fixed assets</b>			
Investments	10	8	8
<b>Current assets</b>			
Debtors	11	3,100,908	2,932,389
Cash at bank and in hand	12	831	844
		<u>3,101,739</u>	<u>2,933,233</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(30,465)</u>	<u>(20,625)</u>
<b>Net current assets</b>		<u>3,071,274</u>	<u>2,912,608</u>
<b>Net assets</b>		<u>3,071,282</u>	<u>2,912,616</u>
<b>Capital and reserves</b>			
Called up share capital	14	999,851	999,851
Share premium account	15	1,949,390	1,949,390
Profit and loss account	15	122,041	(36,625)
<b>Shareholders' funds (all equity)</b>		<u>3,071,282</u>	<u>2,912,616</u>

These financial statements were approved by the board of directors on 10 September 2007 and were signed on its behalf by



**Brian Sumner**  
*Director*



**Shane Horsell**  
*Director*

**Consolidated cash flow statement**  
*for the year to 30 June 2007*

	Note	2007 £	* as restated 2006 £
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit		1,015,796	853,485
Charge in respect of share based payments		12,000	11,784
Depreciation charges		72,210	45,545
Increase in debtors		(2,909,783)	(1,856,886)
Increase in creditors		61,211	290,574
		<u>(1,748,566)</u>	<u>(655,498)</u>
<b>Net cash outflow from operating activities</b>			
<b>Cash flow statement</b>			
Cash flow from operating activities		(1,748,566)	(655,498)
Returns on investments and servicing of finance	20	(713,810)	(574,775)
Capital expenditure	20	(84,465)	(57,277)
		<u>(2,546,841)</u>	<u>(1,287,550)</u>
Cash outflow before financing		(2,546,841)	(1,287,550)
Financing	20	2,546,828	688,372
		<u>(13)</u>	<u>(599,178)</u>
<b>Decrease in cash in the period</b>			
<b>Reconciliation of net cash flow to movement in net debt</b>			
Decrease in cash in the period		(13)	(599,178)
Utilisation of credit facility/bank overdraft	21	(2,546,828)	(688,372)
		<u>(2,546,841)</u>	<u>(1,287,550)</u>
Movement in net debt in the period	21	(9,240,551)	(7,953,001)
Net debt at the start of the period		<u>(11,787,392)</u>	<u>(9,240,551)</u>
Net debt at the end of the period	21	(11,787,392)	(9,240,551)

\* see note 1

**Reconciliation of movements in shareholders' funds**  
*for the year to 30 June 2007*

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Opening shareholders' funds	2,435,417	2,912,616	-	-
Prior year adjustment (see note 1)	6,119	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Opening shareholders' funds as restated	2,441,536	2,912,616	2,042,457	2,784,826
Profit for the period	217,835	158,666	395,544	127,790
Credit in relation to share-based payments (see Note 17 )	12,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>2,671,371</b>	<b>3,071,282</b>	<b>2,435,417</b>	<b>2,912,616</b>
	<hr/>	<hr/>	<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### ***Basis of preparation***

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

The directors have confirmed the company will provide financial support to Ultimate Finance Limited in order to meet liabilities as they fall due

The board is required to report as to whether it is appropriate for the financial statements to be prepared on a going concern basis. The executive directors have prepared a budget which demonstrates a good future for the company and that the finances are sound. The board therefore continues to adopt the going concern basis in preparing the financial statements

FRS20 *Share-based Payments* has been adopted for the first time. The accounting policy under FRS20 is set out below together with disclosure of the effects of its adoption

#### ***Basis of consolidation***

The group financial statements consolidate the financial statements of Ultimate Finance Group plc and all of its subsidiary companies made up to 30 June 2007. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal

No profit and loss account is presented for Ultimate Finance Group plc as provided by Section 230 (3) of the Companies Act 1985

#### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Office equipment including network equipment	-	2-5 years
Computer equipment excluding network equipment	-	3 years

#### ***Foreign currencies***

Payments received in settlement of assigned debts are received in foreign currency bank accounts. The amounts received are translated using the rate of exchange prevailing at the transaction date. Monetary assets denominated in foreign currencies are translated using the rate of exchange prevailing at the balance sheet date and any gains or losses on translation are reflected in client commitments

#### ***Leases***

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease

#### ***Pension benefits***

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account includes the contributions payable to the scheme in respect of the accounting period

## **Notes (continued)**

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

#### ***Taxation***

Deferred tax liabilities are recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised only when it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### ***Turnover***

Turnover represents fees (excluding value added tax) and discount income. Fees are recognised when service is provided and discount income is recognised on funds advanced to clients as it becomes due.

#### ***Cash and liquid resources***

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

#### ***Introducer commissions***

Commissions payable to the introducers of business are charged to the profit and loss account over the minimum period of the service contract. In the event of early termination of a client's factoring arrangement, any commission not already charged to the profit and loss account is written off in full.

#### ***Client commitments***

Amounts due to clients under recourse factoring agreements are offset against the related trade debtors. The resulting balance represents net client commitments and is included in debtors.

#### ***Client provisions***

Provision is made specifically in relation to clients with outstanding advances where recoverability is doubtful.

#### ***Prior year adjustment - Share based payments***

The share option programme allows employees to acquire shares of the Company. Following the adoption of FRS 20 *Share-based Payments*, the fair value of options granted after 7 November 2002 and not yet vested as at 1 July 2006 is recognised as an employee expense with a corresponding increase in equity.

The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing 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.

The adoption of the standard has resulted in a prior year adjustment to the comparative amounts reported in these financial statements in respect of the share based payments charge and the deferred tax asset thereon. The effect of the prior year adjustment has been to reduce the profit before tax for the year to 30 June 2006 by £11,784, reduce the tax charge for the year to 30 June 2006 by £3,535 and to increase shareholders' funds brought forward at 1 July 2006 by £6,119.

## Notes (continued)

### 2 Turnover

Turnover arises wholly from the principal activities of the group. It comprises service fees, discount charges and other income net of VAT. Turnover, profits or losses and net assets arise wholly within the United Kingdom.

Total client's sales financed during the year amounted to £154,860,216 (2006, £123,044,105)

### 3 Profit on ordinary activities before taxation

	2007 £	2006 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	19,500	27,000
Other services – fees payable to the auditor and its associates	3,750	3,500
Depreciation and other amounts written off tangible fixed assets		
Owned	72,210	45,545
Hire of other assets - operating leases	210,444	165,723

### 4 Remuneration of directors

	2007 £	2006 £
Directors' emoluments	442,679	361,333
Company contributions to money purchase pension schemes	37,500	30,225
	<u>480,179</u>	<u>391,558</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £127,648 (2006 £99,888), and company pension contributions of £14,250 (2006 £12,150) were made to a money purchase scheme on his behalf.

Full details of remuneration paid to directors during the year can be found in the remuneration report on page 9

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period was 41 (2006 37)  
The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	1,250,240	1,052,236
Social security costs	141,718	115,125
Other pension costs	78,642	63,488
	<u>1,470,600</u>	<u>1,230,849</u>

### 6 Interest payable and similar charges

	2007 £	2006 £
On bank loans and overdrafts	<u>718,288</u>	<u>579,166</u>

## Notes (continued)

### 7 Taxation

	2007 £	as restated 2006 £
UK Corporation Tax at 30% (2006 30%)		
2006/07	29,240	-
2005/06	208	-
	<hr/>	<hr/>
Total current tax charge	29,448	-
Deferred tax - origination and reversal of timing differences (note 16)	54,703	(105,050)
Prior year adjustment (see note 1)	-	(3,535)
	<hr/>	<hr/>
Total taxation on profit on ordinary activities	84,151	(108,585)
	<hr/>	<hr/>

#### Factors affecting the tax charge for the current period

The current tax charge for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £	2006 £
<b>Current tax reconciliation</b>		
Profit on ordinary activities before tax	301,986	278,710
	<hr/>	<hr/>
Current tax at 30%	90,596	83,613
	<hr/>	<hr/>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	15,192	12,624
Capital allowances for period in excess of depreciation	5,728	2,494
Provisions not deductible for tax purposes	366	(4,683)
Utilisation of tax losses	(66,312)	(97,583)
Difference in tax rates	(16,330)	-
Adjustment in relation to 2005/06	208	-
Prior year adjustment to deferred tax	-	3,535
	<hr/>	<hr/>
Total current tax charge (see above)	29,448	Nil
	<hr/>	<hr/>

### 8 Result of the parent company

The parent company's profit for the period to 30 June 2007 amounted to £158,666 (2006 £127,790)

## Notes (continued)

### 9 Tangible fixed assets

Group	Office equipment including network equipment £	Computer equipment excluding network equipment £	Total £
<b>Cost</b>			
At 30 June 2006	105,552	109,811	215,363
Additions	18,456	66,009	84,465
	<hr/>	<hr/>	<hr/>
At 30 June 2007	<b>124,008</b>	<b>175,820</b>	<b>299,828</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 30 June 2006	42,777	55,891	98,668
Charge for the year	18,588	53,622	72,210
	<hr/>	<hr/>	<hr/>
At 30 June 2007	<b>61,365</b>	<b>109,513</b>	<b>170,878</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 30 June 2006	62,775	53,920	116,695
	<hr/>	<hr/>	<hr/>
At 30 June 2007	<b>62,643</b>	<b>66,307</b>	<b>128,950</b>
	<hr/>	<hr/>	<hr/>

### 10 Fixed asset investments

	£
Cost brought forward and carried forward	8
	<hr/>

## Notes (continued)

### 10 Fixed asset investments (continued)

The undertakings in which the company's interest at the year end is more than 20% are as follows

Name of company	Principal activity	Class of shares held	Proportion held	Capital and reserves held at 30 June 2007
Ultimate Finance Limited	Invoice discounting and debt factoring services	2 ordinary shares of £1 each	100%	£(399,908)
Ultimate Cash Flow Limited	Dormant	2 ordinary shares of £1 each	100%	£2
Ultimate Factors Limited	Dormant	2 ordinary shares of £1 each	100%	£2
Ultimate Asset Finance Limited	Dormant	2 ordinary shares of £1 each	100%	£2

All subsidiary companies are incorporated in the United Kingdom

### 11 Debtors

	Group 2007 £	Company 2007 £	as restated Group 2006 £	Company 2006 £
Gross factored debts receivable	28,124,103	-	22,640,689	-
Due to clients on collection	(13,380,274)	-	(10,815,958)	-
Client commitments	14,743,829	-	11,824,731	-
Amounts owed by group undertakings	-	3,091,850	-	2,907,515
Deferred tax	128,209	-	182,912	16,986
Other debtors	27,035	-	28,685	7,888
Prepayments and accrued income	132,631	9,058	140,296	-
	<u>15,031,704</u>	<u>3,100,908</u>	<u>12,176,624</u>	<u>2,932,389</u>

Of the deferred tax asset, an amount will be recoverable within one year and the balance after more than one year

### 12 Cash

The company, together with its subsidiary undertakings, is party to a back to back receivables financing agreement with its bankers. This agreement permits the bankers to set off and/or combine all bank accounts included therein. The accounting disclosure of cash, loans and overdrafts reflects the substance of this agreement.

## Notes (continued)

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

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Bank loans and overdrafts	11,788,223	-	9,241,395	-
Trade creditors	54,604	-	35,158	-
Taxation and social security	235,372	28,381	138,515	-
Other creditors	281,319	-	270,503	-
Accruals and deferred income	130,596	2,084	167,056	20,625
	<u>12,490,114</u>	<u>30,465</u>	<u>9,852,627</u>	<u>20,625</u>

The group has a loan facility with Lloyds TSB Commercial Finance Ltd for an £18 million back-to-back receivables financing agreement the minimum period for which expires on 19 August 2009

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

At the end of the year, the group utilised £11,809,112 of the facility (2006 £9,213,516)

### 14 Called up share capital

	2007 £	2006 £
<b>Authorised</b>		
Equity 40,000,000 (2005 40,000,000) ordinary shares of 5p each	<u>2,000,000</u>	<u>2,000,000</u>
<b>Allotted, called up and fully paid</b>		
Equity 19,997,018 ordinary shares of 5p each	<u>999,851</u>	<u>999,851</u>

Details of director's interests in the company are given in the directors' report on page 12

## Notes (continued)

### 15 Share premium and reserves

	Group share premium account 2007 £	Group profit and loss account 2007 £	Company share premium account 2007 £	Company profit and loss account 2007 £
At beginning of year	1,949,390	(513,824)	1,949,390	(36,625)
Prior year adjustment (see note 1)	-	6,119	-	-
Beginning of year (restated)	1,949,390	(507,705)	1,949,390	(36,625)
Retained profit for the period	-	217,835	-	158,666
Credit in relation to share-based payments (see note 17)	-	12,000	-	-
At end of year	1,949,390	(277,870)	1,949,390	122,041

### 16 Deferred tax

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Deferred tax asset at beginning of year	176,793	16,986	71,743	71,743
Prior year adjustment (see note 1)	6,119	-	-	-
Restated Deferred tax asset at beginning of year	182,912	16,986	71,743	71,743
Deferred tax asset recognised/(released) in the year	(54,703)	(16,986)	105,050	(54,757)
Deferred tax asset at end of year	128,209	-	176,793	16,986

## Notes (continued)

### 17 Share-based payments

The total charge for the year relating to employee share-based payment schemes was £12,000 (30 June 2006 £11,784), 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 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 the options currently held.

#### Unapproved Employee Share Option Scheme

At 30 June 2007, options in respect of 300,000 shares (2006 300,000) which were granted to certain of the group's employees under the Unapproved Employee Share Option Scheme remain outstanding. All these options were granted before 7 November 2002 and as such, do not fall within the scope of FRS 20 *Share-based Payments*. The group has therefore not attributed a fair value to these options. The options are exercisable subject to the group achieving pre-tax profits of not less than £1,000,000 as shown by the group's audited consolidated 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 the Black-Scholes pricing model. The applicable grant dates and share prices are as follows:

Grant date	Vesting date	Share price at grant date, p	Exercise price, p	Exercise period
28 November 2003	28 November 2006	23.00	23.00	4 years
29 September 2004	29 September 2007	17.50	17.50	4 years
13 April 2005	13 April 2008	21.00	21.00	4 years
19 October 2005	19 October 2008	19.50	19.50	4 years
15 March 2006	15 March 2009	21.75	21.75	4 years
29 September 2006	29 September 2009	22.50	22.50	4 years
3 April 2007	3 April 2010	16.75	16.75	4 years
19 June 2007	19 June 2010	13.00	13.00	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 Strip 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.

The weighted average share price during the year was 17.43p (2006 21.79p).

## Notes (continued)

### 17 Share-based payments (continued)

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

Option grant date	Number of options at 1 July 2006	Granted in year	Forfeited in year	Number of options at 30 June 2007
28 November 2003	100,000			100,000
29 September 2004	235,000		(55,000)	180,000
13 April 2005	75,000			75,000
19 October 2005	92,500		(37,500)	55,000
15 March 2006	75,000			75,000
29 September 2006	-	102,500	(45,000)	57,500
3 April 2007	-	25,000		25,000
19 June 2007	-	50,000		50,000

### 18 Commitments

- (a) There were no capital commitments at the end of the financial period
- (b) Annual commitments under non-cancellable operating leases are as follows

	Land and buildings 2007 £	Other 2007 £	Land and buildings 2006 £	Other 2006 £
Operating leases which expire				
Within one year	-	97,227	6,280	2,987
In the second to fifth years inclusive	67,019	37,110	53,284	135,617
	<u>67,019</u>	<u>134,337</u>	<u>59,564</u>	<u>138,604</u>

## Notes (continued)

### 19 Pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the period includes contributions payable by the group to the scheme and amounted to £53,255 (2006 £43,549)

Contributions amounting to £5,213 were unpaid at the year end and are included in creditors (2006 £4,371)

The group also pays into schemes outside of the group's defined contribution scheme for two directors and one employee

### 20 Analysis of cash flows

	2007 £	2006 £
<b>Returns on investment and servicing of finance</b>		
Interest received	4,478	4,391
Interest paid	(718,288)	(579,166)
	<u>(713,810)</u>	<u>(574,775)</u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(84,465)	(57,277)
	<u>(84,465)</u>	<u>(57,277)</u>
<b>Financing</b>		
Utilisation of credit facility/bank overdraft	2,546,828	688,372
	<u>2,546,828</u>	<u>688,372</u>

## Notes (continued)

### 21 Analysis of net debt

	At 30 June 2006 £	Cash flow £	At 30 June June 2007 £
Cash in hand, at bank (see note 12)	844	(13)	831
Utilisation of credit facility/bank overdraft	(9,241,395)	(2,546,828)	(11,788,223)
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>(9,240,551)</b>	<b>(2,546,841)</b>	<b>(11,787,392)</b>
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 22 Financial instruments

The group's financial instruments comprise, bank borrowings and facilities, cash and short and medium term deposits. The fair value of financial assets and financial liabilities are not materially different from their net book value. The group has various other financial instruments, including factored debt receivable, client advances, trade debtors and trade creditors that arise directly from its operations which have not been included in the following disclosures.

The main risk arising from the group's financial instruments are interest rate risk and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the board. It is and has been throughout the period under review the group's policy that no trading in financial instruments shall be undertaken.

#### *Interest rate risk*

The group debt represents bank borrowings at a rate based on Bank of England base rate. Discount fee income from client funding is similarly based on the Bank of England base rate.

#### *Liquidity risk*

It is the group's policy to finance its business by means of internally generated funds, equity and facilities from its bankers. The facilities are regularly reviewed by the board.

### 23 Earnings per share

The basic profit per share for the year to 30 June 2007 has been calculated from the profit on ordinary activities after taxation of £217,835 (2006 £387,295 as restated) and on the weighted average number of ordinary shares in issue during the year (19,997,018) (2006 19,997,018).

The company has dilutive potential ordinary shares in respect of the 'Company Share Option Plan' (see note 17). The diluted earnings per share amounts to 1.09p (2006 1.94p as restated) and is based on profit on ordinary activities after taxation of £217,835 (2006 £387,295, as restated) and 20,009,726 ordinary shares being the weighted average of the shares in issue during the year adjusted to assume conversion of all dilutive potential ordinary shares (2006 20,054,325).

Adjusted earnings per share figures have been calculated in addition to the basic and diluted figures since, in the opinion of the directors, these provide further information on the understanding of the group's performance. A reconciliation of the different earnings per share figures is shown below.

	2007 Pence	as restated 2006 Pence
Basic earnings per share	1.09	1.94
Adjustment for recognition of deferred tax asset and taxation	0.42	(0.54)
Earnings per share before recognition of deferred tax asset and taxation	1.51	1.40

## **Notes** *(continued)*

### **24 Related party disclosures**

At the year end W H Ireland Group plc, of whom Richard Lee is an executive director, owned 23.2% of the company's issued share capital

At the year end there were outstanding balances in respect of directors fees payable to Derek Ashford of £1,042 (2006 £7,292) and Richard Lee £1,042 (2006 £2,448)

During the period under review W H Ireland Limited, a subsidiary of W H Ireland Group plc, acted as broker to the company. The total amount payable by the group for these services during the year to 30 June 2007 was £10,000

During the period under review Halliwells LLP, of whom Clive Garston is a senior partner, acted as solicitors to the company. The total amount payable by the group for these services during the year to 30 June 2007 was £2,084

### **25 Post balance sheet events**

Since the year end, the Group has reached an agreement with Lloyds TSB Commercial Finance to extend the back-to-back receivables financing agreement, the minimum period for which expires on 19 August 2009

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of Ultimate Finance Group plc ("the Company") will be held at Bradley Pavilions, Pear Tree Road, Bradley Stoke, Bristol BS32 0BQ at 11am on 31<sup>st</sup> October 2007, for the following purposes

### *Ordinary Business*

- 1 To receive and adopt the report of the directors and the audited financial statements for the period ended 30 June 2007
- 2 To re-elect R J Pepler as a director who retires in accordance with the Company's articles of association
- 3 To re-elect R E M Lee as a director who retires in accordance with the Company's articles of association
- 4 To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the directors of the Company to determine their remuneration

### *Special Business*

To consider and, if thought fit, to pass the following resolutions which will be proposed as to resolution 5 as an ordinary resolution and as to resolutions 6 and 7 as special resolutions,

- 5 That, in substitution for all existing and unexercised authorities and powers, the directors of the Company be and they are hereby generally and unconditionally authorised and empowered pursuant to and for the purposes of section 80 of the Companies Act 1985 (the "Act") to exercise all and any powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum nominal amount £329,951 to such persons and at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the Company) provided that this authority and power shall expire (unless previously renewed, varied, or revoked by the Company in general meeting) at the conclusion of the annual general meeting of the Company next following the passing of this resolution or 15 months from the date of passing of this resolution (whichever is the earlier) and provided further that the directors of the Company may, at any time prior to the expiry of such period, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if this authority and power had not expired
- 6 That, subject to and conditional upon the passing of resolution 5 and in substitution for all existing and unexercised authorities and powers, the directors of the Company be authorised and empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) of the Company for cash pursuant to the authority and power conferred upon them by resolution 5 as if section 89(1) of the Act did not apply to any such allotment provided that this authority and power shall be limited to
  - (i) the allotment of equity securities pursuant to a rights issue or similar offer to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are in proportion (as nearly as may be) to their respective existing holdings of ordinary shares of 5 pence each in the capital of the Company, but subject to such exclusions or other arrangements as the directors of the Company deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of a regulatory body or stock exchange in, any territory, and
  - (ii) the allotment (other than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £99,985 representing 10% of the nominal value of the current issued ordinary share capital of the Company,

and shall, unless previously renewed, varied or revoked, expire at the conclusion of the annual general meeting of the Company next following the passing of this resolution or 15 months from the date of passing of this resolution (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the

directors of the Company may allot equity securities in pursuance of such offer or agreement as if this authority and power had not expired

- 7 That the Company be and it is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 5p each in the Company in such a manner and on such terms as the Directors of the Company may from time to time determine provided that

- (i) the maximum number of ordinary shares hereby authorised to be acquired is £149,978, 15% of issued share capital,
- (ii) the maximum price which may be paid for any such share is an amount equal to 105% of the average of the middle market quotation for an ordinary share as derived from the AIM Appendix to the London Stock Exchange Daily Official List for the 5 business days immediately preceding the date of purchase (exclusive of any expenses payable by the Company),
- (iii) the minimum price which may be paid for any such share is 5p, and
- (iv) the authority hereby given shall expire at the close of the next annual general meeting of the Company to be held after the passing of this resolution save that the Company may make a purchase of ordinary shares after the expiry of such authority in execution of a contract of purchase that was made before the expiry of such authority

BY ORDER OF THE BOARD

Shane Horsell  
Company Secretary

Registered office  
Bradley Pavilions  
Pear Tree Road  
Bradley Stoke  
Bristol  
BS32 0BQ

10 September 2007

## **Notice of Annual General Meeting *(continued)***

### ***Notes***

**1** In accordance with the articles of association of the Company, a member entitled to attend and vote at this meeting is entitled to appoint one or more other persons (whether members or not) as his proxy to attend and vote instead of him. The instrument appointing a proxy (and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority) must be deposited at the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA not less than 48 hours before the time appointed for the meeting. A form of proxy accompanies this notice for use by members. Completion of the form of proxy will not preclude a member from attending and voting in person.

**2** Any corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf.

**3** Copies of the directors' service contracts, other than those expiring or determinable without payments of compensation within one year, are available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the annual general meeting and on the day of the annual general meeting at the place of the meeting from 15 minutes prior to its commencement until its conclusion.

**4** In accordance with regulation 41 of the Uncertificated Securities Regulations 2001, in order to have the right to attend or vote at the meeting and for the purpose of determining how many votes he may cast, a holder of ordinary shares must be entered on the Company's register of members in respect of such ordinary shares by 6.00pm on 29 October 2007. Changes to entries on the register after 6.00pm on 29 October 2007 shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

**5** CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

**5.1** In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message must be transmitted so as to be received by the Company's agent, Neville Registrars (whose CREST ID is 7RA11) by the specified latest time(s) for receipt of proxy appointments. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed.

**5.2** The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### ***Explanatory notes***

#### **Resolution 5 – Directors' power to allot securities**

Under section 80 of the Act, relevant shares may only be issued with the consent of the shareholders, unless the shareholders pass a resolution generally authorising the directors to issue shares without further reference to shareholders. This resolution authorises the issue of shares up to an aggregate nominal value of £329,951, which is equal to 33% of the nominal value of the current issued ordinary share capital of the Company, for the period commencing with the passing of the resolution until the conclusion of the annual general meeting in 2008 or 15 months from the date of passing of the resolution (whichever is the earlier)

#### **Resolution 6 – Disapplication of pre-emption rights on equity issues for cash**

Section 89 of the Act requires that a company issuing shares for cash must first offer them to existing shareholders following a statutory procedure, which in the case of a rights issue may prove to be both costly and cumbersome. This resolution excludes that statutory procedure as far as rights issues are concerned. It also enables the directors to allot shares up to an aggregate nominal value of £99,985, which is equal to 10% of the nominal value of the current issued ordinary share capital of the Company, subject to resolution 5 being passed.

The directors believe that the limited powers provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next annual general meeting of the Company or 15 months from the date of passing of the resolution (whichever is the earlier).

#### **Resolution 7 – Purchase of own shares**

Under resolution 7, it is proposed to give the Company authority to purchase up to £149,978 ordinary shares, representing 15% of its present issued share capital. The directors consider it to be in the best interests of the Company that it should be authorised to exercise this power and purchase its ordinary shares within the above limit. Whilst the directors have no immediate plans to make such purchases, they would, in any event, only do so if they believe the effect of any such purchase would increase earnings per share on the remaining issued share capital. The Company may consider holding purchased shares in treasury although it should be noted that prevailing circumstances at the time of any purchase may mean that any such shares are cancelled immediately on purchase. The authority contained in resolution 7 will expire at the conclusion of the annual general meeting of the company to be held in 2008.

## Proxy Form

BLOCK CAPITALS PLEASE

I/We, the undersigned,

being a member/members of Ultimate Finance Group plc ("the Company"), hereby appoint the Chairman of the Meeting/or

(Note 1)

as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the Company to be held at 11am at Bradley Pavilions, Pear Tree Road, Bradley Stoke, Bristol, BS32 0BQ on 31 October 2007 and at any adjournment thereof

Signature

(Note 2)

Joint holders (if any) (Note 4)

Name

Name

Name

Name

Dated

Please indicate with an X in the spaces below how you wish your votes to be cast (Note 3)

		<i>For</i>	<i>Against</i>	<i>Abstain</i>
Resolution 1	To adopt the directors' report and annual accounts for the year ended 30 June 2007			
Resolution 2	To re-elect R J Pepler as a director of the Company			
Resolution 3	To re-elect R E M Lee as a director of the Company			
Resolution 4	To re-appoint KPMG Audit Plc as auditors of the Company			
Resolution 5	To grant the directors authority to allot shares			
Resolution 6	To disapply the statutory pre-emption rights			
Resolution 7	To authorise the purchase of own shares			

## **Proxy Form** *(continued)*

### **Notes**

- 1** If you wish to appoint some other person as your proxy please insert his/her name and address, initial and strike out the words "the Chairman of the Meeting/or" A proxy need not be a member of the Company This Form of Proxy (and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority) must be deposited at the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA not less than 48 hours before the time appointed for the meeting Appointing a proxy will not preclude you from personally attending and voting at the meeting (in substitution for your proxy vote) if you subsequently decide to do so If no name is entered, the return of this form, duly signed, will authorise the Chairman of the meeting to act as your proxy
- 2** This Form of Proxy must, in the case of an individual, be signed by the appointer or his/her attorney or, in the case of a corporation, be given under its common seal or signed on its behalf by an attorney or a duly authorised officer or, if it is subject to the Companies Act 1985 (as amended), in accordance with section 36A thereof Any alteration in this Form of Proxy must be initialled by the person in whose hand it is signed or executed
- 3** Please indicate with an X in the appropriate box how you wish your vote to be cast Unless otherwise instructed, the proxy will exercise his/her discretion as to whether, and if so, how he/she will vote Unless instructed otherwise, the Proxy may also vote or abstain from voting as he or she thinks fit on any other business which may properly come before the meeting (including amendments to resolutions)
- 4** In the case of joint holders of a share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the statutory register of members in respect of the relevant share

## Company information and advisers

### ***Auditors***

KPMG Audit Plc  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

### ***Principal Bankers***

Lloyds TSB Bank plc  
PO Box 112  
Canons House  
Canons Way  
Bristol  
BS99 7LB

### ***Brokers***

W H Ireland Limited  
11 St James's Square  
Manchester  
M2 6WH

### ***Nominated Adviser***

Dawnay, Day Corporate Finance Limited  
8-10 Grosvenor Gardens  
London  
SW1W 0DH

### ***Registrars***

Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands  
B63 3DA

### ***Solicitors***

Halliwell LLP  
St James's Court  
Brown Street  
Manchester  
M2 2JF

Hammonds  
7 Devonshire Square  
Cutlers Gardens  
London  
EC2M 4YH

### ***Registered Office***

Bradley Pavilions  
Pear Tree Road  
Bradley Stoke  
Bristol  
BS32 0BQ

### ***Company Offices***

Bradley Pavilions  
Pear Tree Road  
Bradley Stoke  
Bristol  
BS32 0BQ

Dean Row Court  
Summerfield Village Centre  
Dean Row Road  
Wilmslow  
SK9 2TB

### ***Website & Email Addresses***

[www.ultimatefinance.co.uk](http://www.ultimatefinance.co.uk)  
[info@ultimatefinance.co.uk](mailto:info@ultimatefinance.co.uk)