

Registered number 4350565

## **Ultimate Finance Group plc**

**Directors' report and consolidated  
financial statements  
For the year ended 30 June 2004**



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## **Directors and advisers**

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

Clive Garston, aged 59 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 including Chairman of MKM Group plc.

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

Brian Sumner, aged 57, is a co founder of the Ultimate Finance Group and has over 37 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 44, has 25 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 39, has 18 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.

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

Derek Ashford, aged 48, is a chartered accountant and the 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 59, 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 non-executive chairman of Prime People plc, an AIM listed company and a non-executive director of Freedom Finance PLC.

### ***Mark Harris (non-executive director)***

Mark Harris, aged 39, is a Chartered Accountant and Chief Executive of Glenmore Investments Limited, an investment holding company. He has spent a number of years in corporate finance, banking, leasing and financial services. He is also a director of short-term property finance specialist, Bristol and West Investments plc.

## **Chairman's statement**

### **Results**

I am pleased to report that during the year under review, Ultimate's business has achieved significant success in growing its income level and expanding its client base. At the year end, Ultimate's client portfolio numbered 106 clients and represents an 80% increase on the previous year (2003: 59).

Turnover for the period increased by 144% to £1,183,506 (2003: £485,117) with recourse factoring products accounting for 90% of group turnover with the remaining 10% being confidential invoice discounting. The loss on ordinary activities before taxation was halved to £338,609 (2003: £663,083) with a loss per share of 2.72p (2003: 5.91p).

Total sales financed during the year exceeded £40 million reflecting an increase of almost 120% over the level of client turnover financed in the previous period (2003: £18.4 million). At the year end, Ultimate had £9.0 million of debtors under management (2003: £5.1 million) and funds advanced to clients of £5.1 million (2003: £2.8 million).

Staffing levels have increased during the year to underpin our reputation for providing a quality service and we continue to dedicate the appropriate resources to ensure the effectiveness of our risk management procedures. As at 30 June 2004, the operating group employed 16 staff (2003: 13) of which 9 are employed in the operations department.

### **Funding**

During the year the company increased its share capital as a result of a placing and offer for subscription, which raised £1.2 million net of expenses. At the same time, the company changed bankers to Lloyds TSB and replaced the previous facilities provided by HBOS with a back-to-back receivables financing agreement offering up to £14 million over a 19-month period ending 31 December 2005.

The proceeds of the share issue and the increased bank facilities available will provide the group with the resource required to grow the business further.

### **Directors**

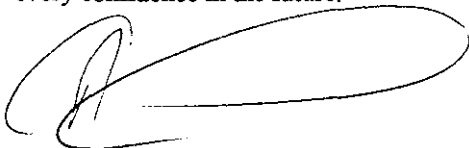
As a result of the proportional reduction in shareholding held by Glenmore Investments Ltd subsequent to the fundraising exercise conducted during the year, Mark Harris has intimated his desire to resign as a director at the forthcoming annual general meeting. I am grateful to him for the help and assistance he has given in establishing Ultimate since its inception. I have asked Derek Ashford to take over as chairman of the audit committee and I am delighted that he has accepted.

### **Thanks**

I am grateful to all my colleagues on the board for their consistent support and guidance throughout the year and to our chief executive, Brian Sumner, and his colleagues for continuing to expand and establish the company's business. I would also like to thank all the employees of Ultimate for their dedication, support and continuing efforts.

### **Outlook**

The current financial year has started well with 15 clients added to our portfolio in July and August. The Board has every confidence in the future.



**Clive R Garston**  
*Chairman*

## Chief Executive's review

### Introduction

Ultimate Finance Group plc was formed in June 2002 by seasoned and successful professionals from the factoring and invoice discounting industry. This team was keen to offer clients these services differentiated by high levels of personal support and regular contact with staff at all levels of the company. Furthermore our invoice discounting and factoring products, which also provide for sales ledger management, are supported by an IT infrastructure that enables clients to access their account information via the Internet.

This comprehensive, open door approach to providing a quality service is a key component of Ultimate's growth strategy and is delivering significant new client wins.

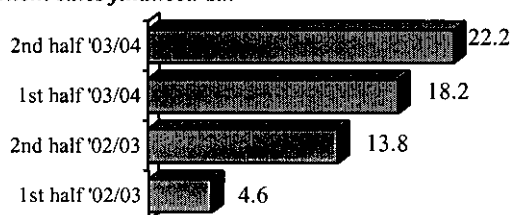
At the year end, our client portfolio had grown by almost 80% to 106 clients as compared with 59 as at 30 June 2003. I am also pleased to report that in the first two months of the current financial year a further 15 new clients were added to the portfolio, which reflects the strength of both our service levels as well as our national sales presence.

The year under review has been a period of growth for Ultimate Finance as it consolidates its position as a factoring business capable of delivering flexible finance solutions to small and medium size business across England and Wales.

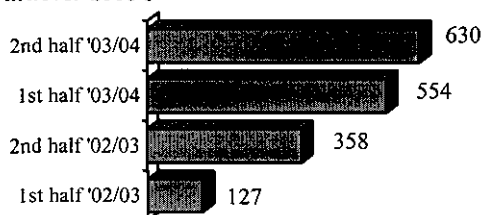
During April and May, we raised an additional £1.2 million, net of expenses, from a Placing and Offer for Subscription. At the same time, negotiations with Lloyds TSB Commercial Finance were successfully completed resulting in the availability of a £14 million back-to-back receivables financing agreement. These additional funds have provided the foundation for continued, controlled growth of the portfolio, and provide much greater flexibility to write new and bigger business; this is the key to our future growth potential. In support of this growth ambition, we have recently recruited a third regional sales director who takes responsibility for the Midlands with effect from September 2004.

### Performance

*Client sales financed £m*



*Turnover £000's*



With the growth in the portfolio, levels of client sales financed have naturally increased. Total sales financed in the year to 30 June 2003 exceeded £40 million, over 119% up on sales financed in our maiden year. Turnover for the year has experienced equally impressive growth; at £1,183,506 turnover is almost 144% up on turnover for the previous year. Conversely growth in our overhead base has been limited to less than 19% year on year and the incremental costs reflect that which is required to maintain our growth potential and maximise risk management.

As a consequence of the growth in revenue, the loss before tax has been almost halved by comparison to our first trading period. The operating loss has been dramatically reduced from £654,960 in the period to 30 June 2003 to £172,628 in the year just ended. As expected, interest costs have increased as the group begins to rely more and more on debt finance.

As we come towards profitability we are ready to grow at a quicker pace than hitherto both from a financial and administrative standpoint. In anticipation of this step change in expansion and performance I am pleased to report that negotiations for new, larger premises on the outskirts of Bristol were recently concluded and the relocation was seamlessly managed over the course of the first weekend in July.

## **Chief Executive's review** *(continued)*

### **People**

I fully appreciate that our staff are a key asset and the Board have been fortunate to bring together a group of skilled professionals each of whom plays a key role in our business strategy and continued success. I would like to add my personal thanks to them for all their hard work and commitment since the group's formation in 2002 and I look forward to celebrating further success in the years ahead.

I would also like to take this opportunity to thank all our new business introducers such as the specialist brokers, the accountants and the business consultants to name but a few for their on-going support.

### **Risk management**

Risk management continues to form the core element of business management within Ultimate Finance. High standards of selection for recruitment combined with continuous training programs are regarded as a corner stone of best practice in risk management. This applies to new business staff as well as operations staff. The quality of our staff together with the strength of our underwriting procedures continue to reward us with a well spread and stable portfolio.

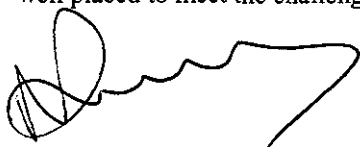
Ongoing development of our core infrastructure and systems enable us to successfully cope with the increasing demands made upon it. In addition, process improvements will be sought out to ensure optimal working practice.

At 30 June 2004 total debts under management were £9.0 million, against which we had advanced a total of £5.1 million. At the year-end, the single largest advance was £300,453.

### **Strategy**

We shall continue to build the national sales team as required in the future to take advantage of the increasing number of opportunities that are becoming available to us in a still growing marketplace.

As a result of the influx of new business, most notably in the last quarter of the year, the group is now particularly well placed to meet the challenges of the next year.



**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 three executive and four 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 Mark Harris. 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 Mark Harris as Chairman of the Committee and two non-executive directors, Derek Ashford and Clive Garston. Its principal terms of reference are to review compliance with all relevant financial services legislation and regulation, adherence to the group's own internal procedures and the identification of operational, credit and other financial risks.

#### **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. Therefore 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 Mark Harris.

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 2004, 120,000 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**

All executive directors are employed on rolling contracts subject to twelve months' notice from the company or six months notice from the executive. 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 2004 is detailed in the table below:

	Salaries/Fees	Benefits	Total for year ended 30 June 2004	Total for period ended 30 June 2003	Pension contributions for year ended 30 June 2004	Pension contributions for period ended 30 June 2003
	£	£	£	£	£	£
<b>Executives</b>						
Brian Sumner	80,520	3,112	83,632	102,486	11,025	11,375
Jeremy Coombes	70,020	1,302	71,322	77,209	6,300	6,500
Richard Pepler	63,000	7,833	70,833	87,041	6,300	6,500
<b>Non-executives</b>						
Clive Garston	15,000	-	15,000	16,250	-	-
Derek Ashford	10,000	-	10,000	10,833	-	-
Mark Harris	10,000	-	10,000	6,935	-	-
Richard Lee	10,000	-	10,000	10,833	-	-
	<b>258,540</b>	<b>12,247</b>	<b>270,787</b>	<b>311,587</b>	<b>23,625</b>	<b>24,375</b>

### Directors' interests in shares

	Ordinary shares of 5p each	
	At 30 June 2004	At 30 June 2003
Clive Garston	191,810	141,810
Brian Sumner	1,335,345	1,201,845
Richard Pepler	934,160	817,510
Jeremy Coombes	800,010	700,010
Derek Ashford	61,000	41,000
Richard Lee	61,000	41,000

### 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	24p	07/12/03 to 06/06/09
Brian Sumner	25,000	28/11/2003	23p	28/11/06 to 27/11/10
Richard Pepler	100,000	07/06/2002	24p	07/12/03 to 06/06/09
Richard Pepler	25,000	28/11/2003	23p	28/11/06 to 27/11/10
Jeremy Coombes	100,000	07/06/2002	24p	07/12/03 to 06/06/09
Jeremy Coombes	25,000	28/11/2003	23p	28/11/06 to 27/11/10

## **Directors' report**

The directors present their annual report and the audited financial statements for the year to 30 June 2004.

### **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 provisions of factoring, invoice discounting and trade finance services.

### **Business review**

A review of the business can be found in the Chairman's Statement on page 2 and the Chief Executive Officer's review on pages 3 and 4.

### **Proposed dividend**

The directors do not recommend the payment of a dividend (2003: nil)

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

It is the group's payment policy with all suppliers to settle outstanding accounts in accordance with the terms and conditions agreed when placing orders. At the year end, there were 25 days purchases in trade creditors (2003: 19 days).

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

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

Clive Garston  
Brian Sumner  
Richard Pepler  
Jeremy Coombes  
Derek Ashford  
Richard Lee  
Mark Harris

The directors retiring by rotation are Richard Pepler and Richard Lee 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	141,810	191,810
Brian Sumner	1,201,845	1,335,345
Richard Pepler	817,510	934,160
Jeremy Coombes	700,010	800,010
Derek Ashford	41,000	61,000
Richard Lee	41,000	61,000
Mark Harris	-	-

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
Brian Sumner	28 Nov 2003	25,000	23p	28 Nov 2006 to 27 Nov 2010
Richard Pepler	28 Nov 2003	25,000	23p	28 Nov 2006 to 27 Nov 2010
Jeremy Coombes	28 Nov 2003	25,000	23p	28 Nov 2006 to 27 Nov 2010

### Major shareholdings

At 23 September 2004, the last practicable date prior to the publication of this report, the company had been notified of the following shareholdings (other than directors) in excess of 3% of the ordinary share capital:

	Ordinary Shares	%
W.H. Ireland Group plc	4,012,027	20.1
Glenmore Investments Limited	1,459,035	7.3

### Political and charitable contributions

The group made no political contributions and no charitable donations during the period.

### Auditors

In accordance with Section 384 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.

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

### **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 11.15am on 11 November 2004 is enclosed with this report, together with a form of proxy.

By order of the Board

A handwritten signature in black ink, appearing to be 'Brian Sumner', written over a horizontal line.

**Brian Sumner**  
*Director*

11 St. James's Square  
Manchester  
M2 6WH  
24 September 2004

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the 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.



## KPMG Audit Plc

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Neville Street  
Leeds  
LS1 4DW  
United Kingdom

### **Report of the independent auditors to the members of Ultimate Finance Group plc**

We have audited the financial statements on pages 15 to 30.

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

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

The directors are responsible for preparing the directors' report and, as described on page 12, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the other information in the annual report, including the corporate governance statement 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.

#### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's 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 of the state of affairs of the company and the group as at 30 June 2004 and of the loss of the group for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

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

24 September 2004



**Consolidated profit and loss account**  
*for the year to 30 June 2004*

	<i>Note</i>	<b>2004</b> £	2003 £
<b>Turnover</b>	2	<b>1,183,506</b>	485,117
Administrative expenses		<u>(1,356,134)</u>	<u>(1,140,077)</u>
<b>Operating loss</b>		<b>(172,628)</b>	(654,960)
Other interest receivable and similar income		<b>5,096</b>	22,722
Interest payable and similar charges	6	<u>(171,077)</u>	<u>(30,845)</u>
<b>Loss on ordinary activities before taxation</b>	3	<b>(338,609)</b>	(663,083)
Tax on profit on ordinary activities	7	<u>-</u>	<u>-</u>
<b>Loss on ordinary activities after taxation</b>		<b>(338,609)</b>	(663,083)
<b>Basic and fully diluted loss per share</b>	21	<b>(2.72)p</b>	(5.91)p

All amounts relate to continuing activities.

The comparative period for 2003 reflects the trading period from 12 June 2002 to 30 June 2003.

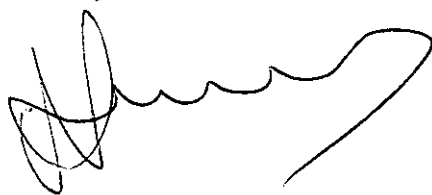
There are no recognised gains or losses in the period except those reported above.

# Consolidated balance sheet

At 30 June 2004

	Note	2004 £	2003 £
<b>Fixed assets</b>			
Tangible assets	9	42,792	29,566
<b>Current assets</b>			
Debtors	11	5,220,028	2,883,433
Cash at bank and in hand		326,944	404,130
		<u>5,546,972</u>	<u>3,287,563</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,642,215)</u>	<u>(2,202,381)</u>
<b>Net current assets</b>		<u>1,904,757</u>	<u>1,085,182</u>
<b>Net assets</b>		<u>1,947,549</u>	<u>1,114,748</u>
<b>Capital and reserves</b>			
Called up share capital	13	999,851	561,169
Share premium account	14	1,949,390	1,216,662
Profit and loss account	14	(1,001,692)	(663,083)
<b>Shareholders' funds (all equity)</b>		<u>1,947,549</u>	<u>1,114,748</u>

These financial statements were approved by the Board of directors on 24 September 2004 and were signed on its behalf by:



**Brian Sumner**  
Director

## Company balance sheet

At 30 June 2004

	<i>Note</i>	<b>2004</b> £	2003 £
<b>Fixed assets</b>			
Investments	10	8	8
<b>Current assets</b>			
Debtors	11	2,281,007	3,537,679
Cash at bank and in hand		278,000	170,673
		<u>2,559,007</u>	<u>3,708,352</u>
<b>Creditors: amounts falling due within one year</b>	12	(3,154)	(2,060,415)
<b>Net current assets</b>		<u>2,555,853</u>	<u>1,647,937</u>
<b>Net assets</b>		<u>2,555,861</u>	<u>1,647,945</u>
<b>Capital and reserves</b>			
Called up share capital	13	999,851	561,169
Share premium account	14	1,949,390	1,216,662
Profit and loss account		(393,380)	(129,886)
<b>Shareholders' funds (all equity)</b>		<u>2,555,861</u>	<u>1,647,945</u>

These financial statements were approved by the Board of directors on 24 September 2004 and were signed on its behalf by:



**Brian Sumner**  
Director

## Consolidated cash flow statement

for the year to 30 June 2004

	Note	2004 £	2003 £
<b>Reconciliation of operating loss to net cash flow from operating activities</b>			
Operating loss		(172,628)	(654,960)
Depreciation charges		13,451	8,607
Increase in debtors		(2,336,595)	(2,883,433)
Increase in creditors		51,249	120,753
		<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>		<b>(2,444,523)</b>	<b>(3,409,033)</b>
		<hr/>	<hr/>
<b>Cash flow statement</b>			
Cash flow from operating activities		(2,444,523)	(3,409,033)
Returns on investments and servicing of finance	18	(165,981)	(8,123)
Capital expenditure	18	(26,677)	(38,173)
		<hr/>	<hr/>
Cash outflow before financing		(2,637,181)	(3,455,329)
Financing	18	2,265,352	3,827,831
		<hr/>	<hr/>
<b>(Decrease) / Increase in cash in the period</b>		<b>(371,829)</b>	<b>372,502</b>
		<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>(Decrease) / Increase in cash in the period</b>		<b>(371,829)</b>	<b>372,502</b>
Cash inflow from debt in the period	19	(1,093,942)	(2,050,000)
		<hr/>	<hr/>
<b>Movement in net debt in the period</b>	19	<b>(1,465,771)</b>	<b>(1,677,498)</b>
<b>Net debt at the start of the period</b>		<b>(1,677,498)</b>	<b>-</b>
		<hr/>	<hr/>
<b>Net debt at the end of the period</b>	19	<b>(3,143,269)</b>	<b>(1,677,498)</b>
		<hr/>	<hr/>

## Reconciliation of movements in shareholders' funds

for the year to 30 June 2004

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Loss for the period	(338,609)	(263,494)	(663,083)	(129,886)
New share capital subscribed (net of issue costs)	1,171,410	1,171,410	1,777,831	1,777,831
<b>Net addition to shareholders' funds</b>	<b>832,801</b>	<b>907,916</b>	1,114,748	1,647,945
Opening shareholders' funds	1,114,748	1,647,945	-	-
<b>Closing shareholders' funds</b>	<b>1,947,549</b>	<b>2,555,861</b>	1,114,748	1,647,945

On 14 April 2004, by or pursuant to resolutions of the company passed on that date 3,473,646 new ordinary shares were placed at a price of 15p, raising £521,047, before expenses for the development of the company's factoring and invoice discounting business.

On 27 May 2004, by or pursuant to resolutions of the company passed on that date a further 5,300,000 new ordinary shares at 15p each were allotted pursuant to the terms of the offer for subscription announced on 15 April 2004, raising a further £795,000, before expenses.

After expenses, the proceeds from these two share issues amounted to £1,171,410.

## 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.

#### ***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 2004.

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***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### ***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.

#### ***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 the directors believe that it is more probable than not that it will be recovered in the next twelve months.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

### 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, losses and net assets arise wholly within the United Kingdom.

Total client's sales financed during the year amounted to £40,377,549 (2003; £18,441,645).

### 3 Loss on ordinary activities before taxation

	2004 £	2003 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	15,000	15,000
Other services – fees payable to the auditor and its associates	28,565	3,500
Depreciation and other amounts written off tangible fixed assets:		
Owned	13,451	8,607
Hire of other assets - operating leases	95,276	76,017

## Notes (continued)

### 4 Remuneration of directors

	2004 £	2003 £
Directors' emoluments	270,787	311,587
Company contributions to money purchase pension schemes	23,625	24,375
	<u>294,412</u>	<u>335,962</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £83,632 (2003: £102,486), and company pension contributions of £11,025 (2003: £11,375) were made to a money purchase scheme on his behalf.

### No. of directors

Retirement benefits are accruing to the following number of directors under money purchase schemes 3

### 5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period was 19 (2003: 13). The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	557,017	455,883
Social security costs	62,093	45,686
Other pension costs	39,050	34,555
	<u>658,160</u>	<u>536,124</u>

### 6 Interest payable and similar charges

	2004 £	2003 £
On bank loans and overdrafts	<u>171,077</u>	<u>30,845</u>



## Notes (continued)

### 7 Taxation

No taxation arose due to the losses incurred in the period. The Group has accumulated tax losses available for offset against future profits of £1,018,243 (2003: £668,734).

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

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

	2004 £	2003 £
<b><i>Current tax reconciliation</i></b>		
Loss on ordinary activities before tax	(338,609)	(663,083)
	<hr/>	<hr/>
Current tax at 30%	(101,583)	(198,925)
<b><i>Effects of:</i></b>		
Expenses not deductible for tax purposes	4,540	5,272
Capital allowances for period in excess of depreciation	(3,551)	(8,748)
Provisions not deductible for tax purposes	241	-
Non utilisation of tax losses	100,353	200,621
Other timing differences	-	1,780
	<hr/>	<hr/>
Total current tax charge (see above)	Nil	Nil
	<hr/>	<hr/>

A deferred tax asset of £294,967 (2003: £193,653) has not been recognised as the directors do not believe that it is more probable than not that it will be recovered in the next 12 months. (Note 15)

### 8 Result of the parent company

The parent company's loss for the period to 30 June 2004 amounted to £263,494 (2003: £129,886).

## Notes (continued)

### 9 Tangible fixed assets

Group	Office equipment including network equipment £	Computer equipment excluding network equipment £	Total £
<b>Cost</b>			
At 30 June 2003	8,341	29,832	38,173
Additions	3,869	22,808	26,677
At 30 June 2004	<b>12,210</b>	<b>52,640</b>	<b>64,850</b>
<b>Depreciation</b>			
At 30 June 2003	2,166	6,441	8,607
Charge for the year	2,569	10,882	13,451
At 30 June 2004	<b>4,735</b>	<b>17,323</b>	<b>22,058</b>
<b>Net book value</b>			
At 30 June 2004	<b>7,475</b>	<b>35,317</b>	<b>42,792</b>
At 30 June 2003	6,175	23,391	29,566

### 10 Fixed asset investments

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
Ultimate Finance Limited	Provision of invoice discounting and debt factoring services	2 ordinary shares of £1 each	100%
Ultimate Cash Flow Limited	Dormant	2 ordinary shares of £1 each	100%
Ultimate Factors Limited	Dormant	2 ordinary shares of £1 each	100%
Ultimate Asset Finance Limited	Dormant	2 ordinary shares of £1 each	100%

All subsidiary companies are incorporated in the United Kingdom.

## Notes (continued)

### 10 Fixed asset investments (continued)

The aggregate amount of capital and reserves held at 30 June 2004 and 30 June 2003 was £8.

### 11 Debtors

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Gross factored debts receivable	8,974,588	-	5,126,860	-
Due to clients on collection	(3,882,097)	-	(2,309,101)	-
Client commitments (note 12)	5,092,491	-	2,817,759	-
Amounts owed by group undertakings	-	2,265,342	-	3,504,686
Other debtors	19,902	15,665	13,922	654
Prepayments and accrued income	84,898	-	51,752	32,339
	<b>5,197,291</b>	<b>2,281,007</b>	<b>2,883,433</b>	<b>3,537,679</b>
Debtors falling due after more than 1 year: prepayments and accrued income	22,737	-	-	-
	<b>5,220,028</b>	<b>2,281,007</b>	<b>2,883,433</b>	<b>3,537,679</b>

## Notes (continued)

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

	Group 2004 £	Company 2004 £	Group 2003 £	Company 2003 £
Bank loans and overdrafts	3,470,213	-	2,081,628	2,050,000
Trade creditors	47,340	-	31,612	-
Taxation and social security	42,523	-	34,037	-
Other creditors	48,269	-	39,687	8,253
Accruals and deferred income	33,870	3,154	15,417	2,162
	<u>3,642,215</u>	<u>3,154</u>	<u>2,202,381</u>	<u>2,060,415</u>

The group has a loan facility with Lloyds TSB Commercial Finance Ltd for a £14 million back-to-back receivables financing agreement the minimum period for which expires on 31 December 2005.

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 £3,143,942 of the facility.

### 13 Called up share capital

	2004 £	2003 £
<b>Authorised</b>		
Equity: 20,000,000 ordinary shares of 5p each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Allotted, called up and fully paid</b>		
Equity: 19,997,018 ordinary shares of 5p each	<u>999,851</u>	<u>561,169</u>

Details of director's interests in the company are given in the directors' report on page 8.

## Notes (continued)

### 14 Share premium and reserves

	Share premium account 2004 £	Profit and loss account 2004 £
At beginning of year	1,216,662	(663,083)
Retained loss for the period	-	(338,609)
Premium on share issues, less expenses	732,728	-
At end of year	<u>1,949,390</u>	<u>(1,001,692)</u>

### 15 Provisions for liabilities and charges

The deferred tax (assets)/liabilities not recognised, as calculated under Financial Reporting Standard 19 are as follows:

Group	Unprovided 2004 £	Unprovided 2003 £
Difference between accumulated depreciation and capital allowances	12,301	8,748
Other timing differences	(307,268)	(202,401)
	<u>(294,967)</u>	<u>(193,653)</u>
Company	Unprovided 2004 £	Unprovided 2003 £
Difference between accumulated depreciation and capital allowances	-	-
Other timing differences	(120,014)	(36,465)
	<u>(120,014)</u>	<u>(36,465)</u>

No deferred tax asset has been recognised as the directors do not believe that it is more probable than not that it will be recovered in the next twelve months.

## Notes (continued)

### 16 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 2004 £	Other 2004 £	Land and buildings 2003 £	Other 2003 £
Operating leases which expire:				
Within one year	1,440	3,300	32,100	6,826
In the second to fifth years inclusive	-	71,051	-	62,055
	<u>1,440</u>	<u>74,351</u>	<u>32,100</u>	<u>68,881</u>

### 17 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 £22,925 (2003: £21,153).

Contributions amounting to £3,504 were unpaid at the year end and are included in creditors (2003: £2,292)

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

## Notes (continued)

### 18 Analysis of cash flows

	2004 £	2003 £
<b>Returns on investment and servicing of finance</b>		
Interest received	5,096	22,722
Interest paid	(171,077)	(30,845)
	<u>(165,981)</u>	<u>(8,123)</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(26,677)	(38,173)
	<u>(26,677)</u>	<u>(38,173)</u>
<b>Financing</b>		
Issue of ordinary share capital	1,316,047	2,002,000
Expenses paid in connection with share issue	(144,637)	(224,169)
Utilisation of credit facility	1,093,942	2,050,000
	<u>2,265,352</u>	<u>3,827,831</u>

### 19 Analysis of net debt

	At 30 June 2003 £	Cash flow £	At 30 June 2004 £
Cash in hand, at bank	404,130	(77,186)	326,944
Bank overdraft	(31,628)	(294,643)	(326,271)
Utilisation of credit facility	(2,050,000)	(1,093,942)	(3,143,942)
	<u>(1,677,498)</u>	<u>(1,465,771)</u>	<u>(3,143,269)</u>
<b>Total</b>			

## Notes (continued)

### 20 Financial instruments

The group's financial instruments comprise, bank borrowings and facilities, cash and short and medium term deposits. 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.

### 21 Earnings per share

The basic loss per share for the period to 30 June 2004 has been calculated from the loss on ordinary activities after taxation of £338,609 and on the weighted average number of ordinary shares in issue during the year (12,470,488).

The fully diluted loss per share for the period to 30 June 2004 is shown as the same value as basic earnings per share, as a loss has been made in the year.

### 22 Related party disclosures

At the year end W. H. Ireland Group plc, of whom Derek Ashford and Richard Lee are executive directors, owned 20.1% of the company's issued share capital.

During the period under review W. H. Ireland Limited, a subsidiary of W. H. Ireland Group plc, acted as broker to the company including work done in connection with the placing of 3,473,646 new ordinary shares and the subsequent offer for subscription resulting in the issue of 5,300,000 new ordinary shares. The total amount payable by the group for these services during the year to 30 June 2004 was £52,399.

During the period under review Halliwell Landau, of whom Clive Garston is a senior partner, acted as solicitors to the company including work done in connection with the placing of 3,473,646 new ordinary shares and the subsequent offer for subscription resulting in the issue of 5,300,000 new ordinary shares. The total amount payable by the group for these services during the year to 30 June 2004 was £29,402.



## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first 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 11.15am on 11 November 2004, 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 2004.
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 in accordance with section 385 of the Companies Act 1985 until the conclusion of the next annual general meeting and to authorise the directors of the Company to determine their remuneration for the ensuing year.

### *Special Business*

5. To consider and, if thought fit, to pass the following resolution as an ordinary resolution;  
"That, the Company's existing authorised share capital be increased from £1,000,000 to £2,000,000 to the creation of 20,000,000 new ordinary shares of 5 pence each, such shares ranking equally in all respects with the existing ordinary shares of 5 pence each in the capital of the Company and having rights attaching to them as set out in the Company's articles of association."
6. To consider and, if thought fit, to pass the following resolution as a special resolution;  
"That, subject to the passing of the resolution numbered 5 in the notice of the meeting at which this resolution is proposed, the Company's articles of association be altered by the deletion of the existing article 3 and the substitution therefor of the following:  
"3. Capital  
The authorised share capital of the Company at 11 November 2004 is £2,000,000 divided into 40,000,000 ordinary shares of 5 pence each."

7. To consider and, if thought fit, to pass the following resolution as an ordinary resolution;  
"That, subject to the passing of the resolution numbered 5 in the notice of the meeting at which this resolution is proposed and in substitution for all existing and unexercised authorities, 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 an aggregate nominal amount equal to £1,000,149 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). This authority and power expires (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 the resolution. 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 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."

## Notice of Annual General Meeting (continued)

8. To consider and, if thought fit, to pass the following resolution as a special resolution;

"That, subject to the resolutions numbered 5 and 7 in the notice of the meeting at which this resolution is proposed being passed, in substitution for all existing and unexercised authorities and powers, the directors of the Company be authorised and empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) of the Company for cash pursuant to the general authority and power conferred by the resolution numbered 7 in the notice of the meeting at which this resolution is proposed as if section 89(1) of the Act did not apply to any such allotment 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 the power conferred on them by the resolution had not expired and save that this authority and power is 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 any territory, or the requirements of a regulatory body or stock exchange; and
- (ii) the allotment (other than pursuant to (i) above) of equity securities up to an aggregate nominal value of £1,000,149 representing the nominal value of the current unissued ordinary share capital of the Company,

provided that this authority and power shall, unless previously renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company 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."

BY ORDER OF THE BOARD

Darren Newman  
Company Secretary

Registered office:  
11 St James's Square  
Manchester  
M2 6WH

24 September 2004

## **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 The register of directors' interests in the shares of the Company and 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.

4 In accordance with regulation 41 of the Uncertified 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 9 November 2004. Changes to entries on the register after 6.00pm on 9 November 2004 shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

### *Explanatory notes*

#### **Resolution 7 – 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 all of the unissued share capital for the period to the conclusion of the annual general meeting in 2005.

#### **Resolution 8 – 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 the aggregate nominal value of £1,000,149, which is the nominal value of the current unissued ordinary share capital of the Company, subject to resolutions 5 and 7 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.

## 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 11.15am at Bradley Pavilions, Pear Tree Road, Bradley Stoke, Bristol, BS32 0BQ on 11 November 2004 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 2004			
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 increase the authorised share capital of the company from £1,000,000 to £2,000,000 by the creation of 20,000,000 new ordinary shares of 5 pence each.			
Resolution 6	To amend article 3 of the Company's articles of association.			
Resolution 7	To authorise the directors of the Company to allot securities pursuant to section 80 of the Companies Act 1985 (the "Act") to an aggregate nominal value of £1,000,149.			
Resolution 8	The directors be empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred by resolution 10 as if section 89(1) of the Act did not apply to any such allotment, subject to the terms and limitations set out in the resolution.			

## **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 Sections 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 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's LLP  
St James's Court  
Brown Street  
Manchester  
M2 2JF

Paul Davidson Taylor  
Chancery Court  
Queen Street  
Horsham  
West Sussex  
RH17 5AD

### ***Registered Office***

11 St James's Square  
Manchester  
M2 6WH

### ***Company Offices***

Bradley Pavilions  
Pear Tree Road  
Bradley Stoke  
Bristol  
BS32 0BQ

Churchfield House  
5 The Crescent  
Cheadle  
Stockport  
SK8 1PS

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

[www.ultimatefinance.net](http://www.ultimatefinance.net)

[info@ultimatefinance.net](mailto:info@ultimatefinance.net)