

Registered number 4350565

Ultimate Finance Group plc

Directors' report and consolidated
financial statements

For the period ended 30 June 2003



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Directors and advisers

Clive Garston (non-executive chairman)

Clive Garston, aged 58 is a solicitor and has been a partner of Halliwell Landau since 1978 specialising in corporate finance and mergers and acquisitions. He was a senior partner of the firm between 1989 and 1995 and 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 Sports & Leisure Group plc.

Brian Sumner (chief executive)

Brian Sumner, aged 56, is a co founder of the Ultimate Finance Group and has over 33 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.

Richard Pepler (managing director)

Richard Pepler, aged 43, 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 38, has 16 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 and company secretary)

Derek Ashford, aged 47, 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 58, is a corporate strategy consultant and 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, a fully listed company operating in the recruitment sector and a non-executive director of Freedom Finance PLC.

Mark Harris (non-executive director)

Mark Harris, aged 38, 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.

Auditors

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

Bankers

Bank of Scotland Plc
19/21 Spring Gardens
Manchester
M2 1FB

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 Landau
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

1st Floor Aztec Centre
Aztec West
Almondsbury
Bristol
BS32 4TD

Churchfield House
5 The Crescent
Cheadle
Stockport
SK8 1PS

Website & Email Addresses

www.ultimatefinance.net

info@ultimatefinance.net

Chairman's statement

Results

I am delighted to report that notwithstanding the difficult economic conditions prevailing in the UK since the admission of your company's share capital to AIM on 12 June 2002, Ultimate's business has performed well and delivered a solid performance in line with our original expectations.

Since trading commenced, the company has secured a well spread portfolio of 59 clients. Our recourse factoring products accounted for 95% of the group's turnover in the period with the remaining 5% being confidential invoice discounting. The turnover for the period was £485,117 reflecting significant growth in the last six months. Overheads were almost constant during the whole period and amounted to £1,140,077. The loss on ordinary activities before taxation was £663,083 and the loss per share was 5.91p. During the period the company financed sales of £18.4m. At 30 June 2003 factored debt stood at £5.1m against which £2.8m was advanced to clients. Of the total availability under the Bank of Scotland revolving credit facility, £2.1m had been drawn down with £2.3m being unutilised.

Staffing levels have increased during the period as the number of clients and debtors have increased. At the end of the year, staff numbers totalled 13.

During the last six months of the period, the company increased its geographical spread with the recruitment of a senior executive with responsibility for the south-east of England. This together with the two offices operating in Bristol and Greater Manchester leads me to believe that the business is well positioned to achieve continued growth in its target markets.

Directors

During the course of the trading period Mark Harris joined the Board as a non-executive director. He is a chartered accountant with a background in corporate finance and banking. He is, currently, chief executive of Glenmore Investments Limited one of the group's major shareholders. I welcome him to the Board and am grateful to him for the knowledge and experience he brings to it. Mark has also accepted the role as chairman of the audit committee.

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 executive team for successfully establishing the company's business on a firm foundation. I would like to say thank you to all the employees of Ultimate for their dedication, support and continuing efforts. Their professionalism and quality will play a key role in the group's future success.

Finally, I would like to thank our shareholders for their patience. We are dedicated to providing shareholder value.

Outlook

Notwithstanding the difficulty that many UK businesses are currently experiencing as a result of an uncertain political and economic climate, the market for factoring and discounting continues to grow. Ultimate Finance is ideally placed to capitalise on this growth.

Clive R Garston
Chairman

Chief Executive's review

Introduction

Our factoring and invoice discounting services provide small and medium-sized businesses with a highly flexible form of funding. Funds are not restricted (as with a normal bank overdraft) by a formula based on the assets or net worth on a balance sheet. This flexibility is driving the demand for factoring and discounting products at the expense of the traditional bank overdraft. As a result our target market is growing strongly, despite uncertain economic and political conditions, affording significant business opportunities for the group in the future, particularly given our flexible approach and commitment to personal service.

The group's client portfolio is currently in line with expectations and reflects a wide range of business activities, located throughout England and Wales, served from the company's offices in Bristol and the Greater Manchester area.

Main products

Our recourse factoring products account for over 95% of the group's turnover. Funding is provided, in most cases up to 80% of approved debts, on a continuing basis together with debt collection and sales ledger management for the full factoring service. If the prospect's internal credit control function is considered effective and efficient our Bulk Factoring solution may be offered or alternatively a service where the clients manage their own telephone chase up.

Confidential invoice discounting, currently some 5% of the book, offers cash flow finance in a similar way to factoring. The differences are that the arrangement is not disclosed to the debtors, the client continues to run its own sales ledger as it is usually equipped to do so, and the client's balance sheet, administration and financial management tend to be stronger than the average factoring client.

Trade finance and debtor insurance are offered to our clients through close partnerships with specialist providers. No risk accrues to the group through these activities.

Performance

As each new client is won, the accumulating client list results in increasing turnover and cash generation. Turnover from a new client taken on towards the end of a reporting period has little impact on the results for that period, but makes a greater contribution to future results. The effect of this can be seen by comparing the turnover and operating loss for the period from 12 June 2002, when trading commenced, to 31 December 2002 with the results for the six months to 30 June 2003:

	For the period from 12 June 2002 to 31 December 2002	For the period from 1 January 2003 to 30 June 2003
	£000	£000
Turnover	127	358
Operating Loss	(459)	(196)

The generation of income from existing clients for the whole of the next reporting period, combined with the impact of net new clients' contribution for part of it, gives the Board confidence that the end of the predicted early loss making phase of your company's initial development is in sight.

People

Our commitment to a personal service ethic is setting us apart from our main competitors. I fully recognise that our staff are our greatest asset and we have been fortunate to be able to assemble an excellent team of industry professionals. I would like to add my own thanks to them for all their hard work and commitment since forming the group.

Risk management

Experienced and well-qualified staff, together with strong systems, processes and procedures have been introduced throughout the business to ensure that risk management benefits from the industry's best practice. Tried and tested portfolio management techniques continue to be applied to reduce risk wherever possible.

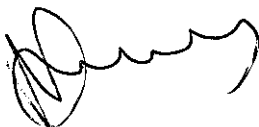
We have successfully managed risk during the period whilst continuing to provide the top class service expected by our clients. No bad debts have been experienced during the year.

We are continuing to build and develop our core infrastructure and systems to cope successfully with the increasing demands made upon it.

Our target market is smaller sized businesses and to spread the risk our funds are utilised across a diversified portfolio of clients. At 30 June 2003 total debts under management were £5.1m, against which we had advanced a total of £2.8m.

The future

We have now built a solid foundation on which to grow the group robustly in the future. The market for factoring and discounting continues to grow giving us increasing numbers of good quality opportunities to win business. We fully expect to continue gaining business at the expense of some of our larger and less flexible competitors through the combination of a well-structured solution at a competitive price with the onus on high service levels.



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 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.

Directors' report

The directors present their annual report and the audited financial statements for the period from 10 January 2002 to 30 June 2003.

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 company was incorporated on 10 January 2002 and changed its name from Hallco 694 plc to Ultimate Finance Group plc on 20 May 2002.

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 3 and the Chief Executive Officer's review on pages 4 and 5.

Proposed dividend

The directors do not recommend the payment of a dividend.

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 19 days purchases in trade creditors.

Directors and directors' interests

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

H.L. Directors Limited
Clive Garston
Brian Sumner
Richard Pepler
Jeremy Coombes
Derek Ashford
Richard Lee
Mark Harris

H.L. Directors Limited resigned as a director on 24 May 2002 and Messrs Garston, Sumner, Pepler, Coombes, Ashford and Lee were appointed directors of the company on that date.

Mark Harris was appointed a director of the company on 22 October 2002.

All directors who held office at the end of the financial year, being eligible, offer themselves for election at the next annual general meeting.

Directors' report *(continued)*

Directors and directors' interests *(continued)*

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company according to the register of directors' interests:

	Ordinary shares of 5p each Interest on admission to AIM	Interest at end of year
Clive Garston	121,010	141,810
Brian Sumner	1,083,345	1,201,845
Richard Pepler	800,010	817,510
Jeremy Coombes	700,010	700,010
Derek Ashford	41,000	41,000
Richard Lee	41,000	41,000
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	7 June 2002	100,000	24p	7 December 2003 to 6 June 2009
Richard Pepler	7 June 2002	100,000	24p	7 December 2003 to 6 June 2009
Jeremy Coombes	7 June 2002	100,000	24p	7 December 2003 to 6 June 2009

Major shareholdings

At 26 September 2003, 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	3,084,684	27.48
Glenmore Investments Limited	1,459,035	13.00

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 1st Floor, Aztec Centre, Aztec West, Almondsbury, Bristol, BS32 4TD at 10.30am on Friday 28 November 2003 is enclosed with this report, together with a form of proxy.

By order of the Board



Brian Sumner
Director

11 St. James's Square
Manchester
M2 6WH
26 September 2003

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

1 The Embankment
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 13 to 28.

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 10, 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 2003 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*

26 September 2003

Consolidated profit and loss account
for the period from 10 January 2002 to 30 June 2003

	<i>Note</i>	2003 £
Turnover	<i>1,2</i>	485,117
Administrative expenses		(1,140,077)
Operating loss		(654,960)
Other interest receivable and similar income		22,722
Interest payable and similar charges	<i>6</i>	(30,845)
Loss on ordinary activities before taxation	<i>3</i>	(663,083)
Tax on profit on ordinary activities	<i>1,7</i>	-
Loss on ordinary activities after taxation		(663,083)
Basic and fully diluted loss per share	<i>21</i>	(5.91)p

All amounts relate to continuing activities.

Trading commenced on 12 June 2002 and the above results relate to the activities carried out since that date. The company was dormant for the period from incorporation on 10 January 2002 to 12 June 2002, being the date its shares were admitted to AIM.

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

Consolidated balance sheet

At 30 June 2003

	Note	2003 £
Fixed assets		
Tangible assets	1,9	29,566
Current assets		
Debtors	11	2,883,433
Cash at bank and in hand		404,130
		<hr/> 3,287,563
Creditors: amounts falling due within one year	12	(2,202,381)
Net current assets		<hr/> 1,085,182
Net assets		<hr/> 1,114,748
Capital and reserves		
Called up share capital	13	561,169
Share premium account	14	1,216,662
Profit and loss account	14	(663,083)
Shareholders' funds (all equity)		<hr/> 1,114,748

These financial statements were approved by the Board of directors on 26 September 2003 and were signed on its behalf by:



Brian Sumner
Director

Company balance sheet

At 30 June 2003

	<i>Note</i>	2003 £
Fixed assets		
Investments	<i>10</i>	8
Current assets		
Debtors	<i>11</i>	3,537,679
Cash at bank and in hand		170,673
		<hr/> 3,708,352
Creditors: amounts falling due within one year	<i>12</i>	(2,060,415)
Net current assets		<hr/> 1,647,937
Net assets		<hr/> 1,647,945
Capital and reserves		
Called up share capital	<i>13</i>	561,169
Share premium account	<i>14</i>	1,216,662
Profit and loss account	<i>14</i>	(129,886)
Shareholders' funds (all equity)		<hr/> 1,647,945

These financial statements were approved by the Board of directors on 26 September 2003 and were signed on its behalf by:



Brian Sumner
Director

Consolidated cash flow statement
for the period from 10 January 2002 to 30 June 2003

	<i>Note</i>	2003 £
Reconciliation of operating loss to net cash flow from operating activities		
Operating loss		(654,960)
Depreciation charges		8,607
Increase in debtors		(2,883,433)
Increase in creditors		120,753
		<hr/>
Net cash outflow from operating activities		(3,409,033)
		<hr/>
Cash flow statement		
Cash flow from operating activities		(3,409,033)
Returns on investments and servicing of finance	18	(8,123)
Capital expenditure	18	(38,173)
		<hr/>
Cash outflow before financing		(3,455,329)
Financing	18	3,827,831
		<hr/>
Increase in cash in the period		372,502
		<hr/>
Reconciliation of net cash flow to movement in net debt	19	
Increase in cash in the period		372,502
Cash inflow from debt in the period		(2,050,000)
		<hr/>
Movement in net debt in the period		(1,677,498)
Net debt at the start of the period		-
		<hr/>
Net debt at the end of the period		(1,677,498)
		<hr/>

Reconciliation of movements in shareholders' funds
for the period from 10 January 2002 to 30 June 2003

	Group 2003 £	Company 2003 £
Loss for the period	(663,083)	(129,886)
New share capital subscribed (net of issue costs)	1,777,831	1,777,831
Net addition to shareholders' funds	1,114,748	1,647,945
Opening shareholders' funds	-	-
Closing shareholders' funds	1,114,748	1,647,945

On incorporation, the authorised share capital of the company was £50,000 divided into 50,000 ordinary shares of £1 each ("Old Shares") of which 2 were in issue, fully paid or credited as fully paid.

On 28 May 2002, by or pursuant to resolutions of the company passed on that date each of the Old Shares was subdivided into 20 ordinary shares and the authorised share capital of the company was increased from £50,000 to £1,000,000 by the creation of an additional 15,360,000 ordinary shares and 3,640,000 redeemable preference shares of 5p each (the "Redeemable Preference Shares")

On 28 May 2002, C R Garston, B R Sumner, R J Pepler, J H Coombes, D F Ashford and R E M Lee were allotted 100,000, 1,000,000, 800,000, 700,000, 20,000 and 20,000 Redeemable Preference Shares respectively and W.H. Ireland Group plc and Glenmore Investments Limited were allotted 918,850 and 81,150 Redeemable Preference Shares respectively, in each case at 5p per share. On 11 June 2002 all the Redeemable Preference Shares were converted into and redesignated as ordinary shares pursuant to the company's articles of association.

On 12 June 2002 11,223,372 ordinary shares were issued at 24p. In addition there were outstanding options under the non-Inland Revenue share option scheme over 300,000 ordinary shares as detailed on page 8 of this report and warrants to subscribe for 561,165 ordinary shares initially issuable as to 112,233 to Dawnay, Day Corporate Finance Limited and as to 448,932 to W.H. Ireland Group plc. Each warrant entitles the holder to subscribe for one ordinary share at 24p. The warrants are transferable and must be exercised between 11 June 2004 and 11 June 2009.

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 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 company's bankers have indicated that they see no reason at present, why the current facilities would not be extended to at least 30 September 2004. 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 2003.

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.

Post-retirement 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.

3 Loss on ordinary activities before taxation

2003
£

Loss on ordinary activities before taxation is stated after charging

Auditors' remuneration:

Audit 15,000

Other services – fees payable to the auditor and its associates 3,500

Depreciation and other amounts written off tangible fixed assets:

Owned 8,607

Hire of other assets - operating leases 76,017

Notes (continued)

4 Remuneration of directors

	Salary £	Benefits £	Bonus on commencement of trading £	Total for period ended 30 June 2003 £	Pension contributions for period ended 30 June 2003 £
Executives					
Brian Sumner	83,438	2,151	16,897	102,486	11,375
Jeremy Coombes	72,605	983	3,621	77,209	6,500
Richard Pepler	65,000	7,558	14,483	87,041	6,500
Non Executives					
Clive Garston	16,250	-	-	16,250	-
Derek Ashford	10,833	-	-	10,833	-
Mark Harris	6,935	-	-	6,935	-
Richard Lee	10,833	-	-	10,833	-

Number 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 13. The aggregate payroll costs of these persons were as follows:

	2003 £
Wages and salaries	455,883
Social security costs	45,686
Other pension costs	34,555
	<hr/>
	536,124
	<hr/>

6 Interest payable and similar charges

	2003 £
On bank loans and overdrafts	30,845
	<hr/>

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 £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.

	2003 £
<i>Current tax reconciliation</i>	
Loss on ordinary activities before tax	(663,083)
	<hr/>
Current tax at 30%	(198,925)
<i>Effects of:</i>	
Expenses not deductible for tax purposes	5,272
Capital allowances for period in excess of depreciation	(8,748)
Non utilisation of tax losses	200,621
Other timing differences	1,780
	<hr/>
Total current tax charge (see above)	Nil
	<hr/>

8 Result of the parent company

The parent company's loss for the period to 30 June 2003 amounted to £129,886.

Notes (continued)

9 Tangible fixed assets

Group	Office equipment including network equipment £	Computer equipment excluding network equipment £	Total £
Cost			
At 10 January 2002	-	-	-
Additions	8,341	29,832	38,173
	<hr/>	<hr/>	<hr/>
At 30 June 2003	8,341	29,832	38,173
	<hr/>	<hr/>	<hr/>
Depreciation			
At 10 January 2002	-	-	-
Charge for the period	2,166	6,441	8,607
	<hr/>	<hr/>	<hr/>
At 30 June 2003	2,166	6,441	8,607
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2003	6,175	23,391	29,566
	<hr/>	<hr/>	<hr/>
At 10 January 2002	-	-	-
	<hr/>	<hr/>	<hr/>

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 and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Loss for the year
	£	£
Ultimate Finance Limited	2	(533,197)
Ultimate Cash Flow Limited	2	-
Ultimate Factors Limited	2	-
Ultimate Asset Finance Limited	2	-

11 Debtors

	Group 2003 £	Company 2003 £
Gross factored debts receivable	5,126,860	-
Due to clients on collection	(2,309,101)	-
Client commitments	2,817,759	-
Amounts owed by group undertakings	-	3,504,686
Other debtors	13,922	654
Prepayments and accrued income	51,752	32,339
	<u>2,883,433</u>	<u>3,537,679</u>

Notes (continued)

12 Creditors: amounts falling due within one year

	Group 2003 £	Company 2003 £
Bank loans and overdrafts	2,081,628	2,050,000
Trade creditors	31,612	-
Taxation and social security	34,037	-
Other creditors	39,687	8,253
Accruals and deferred income	15,417	2,162
	<hr/> 2,202,381 <hr/>	<hr/> 2,060,415 <hr/>

13 Called up share capital

	2003 £
<i>Authorised</i>	
Equity: 20,000,000 ordinary shares of 5p each	1,000,000
	<hr/>
<i>Allotted, called up and fully paid</i>	
Equity: 11,223,372 ordinary shares of 5p each	561,169
	<hr/>

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

14 Share premium and reserves

	Share premium account 2003 £	Profit and loss account 2003 £
At 10 January 2002	-	-
Retained loss for the period	-	(663,083)
Premium on share issues, less expenses	1,216,662	-
	<hr/> 1,216,662 <hr/>	<hr/> (663,083) <hr/>
At 30 June 2003	<hr/> 1,216,662 <hr/>	<hr/> (663,083) <hr/>

Notes (continued)

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 2003 £
Difference between accumulated depreciation and capital allowances	8,748
Other timing differences	(202,401)
	<hr/>
	(193,653)
	<hr/>
Company	Unprovided 2003 £
Difference between accumulated depreciation and capital allowances	-
Other timing differences	(36,465)
	<hr/>
	(36,465)
	<hr/>

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.

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 2003 £	Other 2003 £
Operating leases which expire:		
Within one year	32,100	6,826
In the second to fifth years inclusive	-	62,055
	<hr/>	<hr/>
	32,100	68,881
	<hr/>	<hr/>

Notes (continued)

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 £21,153.

Contributions amounting to £2,292 were unpaid at the year end and are included in creditors.

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

18 Analysis of cash flows

	2003 £
Returns on investment and servicing of finance	
Interest received	22,722
Interest paid	(30,845)
	<hr/> (8,123) <hr/>
Capital expenditure and financial investment	
Purchase of tangible fixed assets	(38,173)
	<hr/> (38,173) <hr/>
Financing	
Issue of ordinary share capital	2,002,000
Expenses paid in connection with share issue	(224,169)
Utilisation of revolving credit facility	2,050,000
	<hr/> 3,827,831 <hr/>

Notes (continued)

19 Analysis of net debt

	At 10 January 2002 £	Cash flow £	At 30 June 2003 £
Cash in hand, at bank	-	404,130	404,130
Bank overdraft	-	(31,628)	(31,628)
Utilisation of credit facility	-	(2,050,000)	(2,050,000)
	<hr/>	<hr/>	<hr/>
Total	-	(1,677,498)	(1,677,498)
	<hr/>	<hr/>	<hr/>

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 LIBOR

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 2003 has been calculated from the loss on ordinary activities after taxation of £663,083 and on the 11,223,372 ordinary shares in issue at 30 June 2003.

The fully diluted loss per share for the period to 30 June 2003 is shown as the same value as basic earnings per share, since the average market value of the company's shares during the period is below the average option price and the options are therefore not considered to have a diluting effect.

22 Related party disclosures

At the year end W. H. Ireland Group plc, of whom Derek Ashford and Richard Lee are executive directors, owned 27.5% 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 and the application for admission of the company's ordinary shares to the Alternative Investment Market. The total amount payable by the group for these services during the period to 30 June 2003 was £58,656.

During the period under review Halliwell Landau, of whom Clive Garston is a senior partner, acted as solicitors to the company in connection with the placing and the application for admission of the company's ordinary shares to the Alternative Investment Market. The total amount payable by the group for these services during the period to 30 June 2003 was £48,818.

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 1st Floor, Aztec Centre, Aztec West, Almondsbury, Bristol BS32 4TD at 10.30am on 28 November 2003, for the following purposes:

Ordinary Business

- 1 To receive the Report of the Directors and the audited financial statements for the period ended 30 June 2003.
- 2 To elect Derek Ashford as a director of the Company
- 3 To elect Jeremy Coombes as a director of the Company
- 4 To elect Clive Garston as a director of the Company
- 5 To elect Mark Harris as a director of the Company
- 6 To elect Richard Lee as a director of the Company
- 7 To elect Richard Pepler as a director of the Company
- 8 To elect Brian Sumner as a director of the Company
- 9 To 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

To consider and, if thought fit, to pass the following resolutions of which resolution 10 will be proposed as an ordinary resolution and resolution 11 will be proposed as a special resolution, to which reference is made in the explanatory notes below following this notice.

10 Directors' power to allot securities

That, 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 £438,831 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 earlier of the conclusion of the annual general meeting of the Company next following the passing of the resolution or 15 months from the date of the passing of this resolution (whichever is the earlier). 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)

11 Disapplication of pre-emption rights on equity issues for cash

That, subject to resolution 10 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 10 in this notice of meeting 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 5p 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 £438,831 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 or 15 months from the date of the passing of this resolution (whichever in 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.

BY ORDER OF THE BOARD

Derek Ashford
Company Secretary

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

26 September 2003

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 26 November 2003. Changes to entries on the register after 6.00pm on 26 November 2003 shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

Explanatory notes

Resolution 10 – 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 2004 or 15 months from the date of the passing of the resolution (whichever is the earlier).

Resolution 11 – 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 £438,831, which is the nominal value of the current unissued ordinary share capital of the Company.

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 the passing of the resolution (whichever is the earlier).

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 10.30am at 1st Floor, Aztec Centre, Aztec West, Almondsbury, Bristol, BS32 4TD on 28 November 2003 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)

Ordinary Business		For	Against	Abstain
Resolution 1	To receive the Report and Accounts for the period ended 30 June 2003			
Resolution 2	To elect Derek Ashford as a director of the Company			
Resolution 3	To elect Jeremy Coombes as a director of the Company			
Resolution 4	To elect Clive Garston as a director of the Company			
Resolution 5	To elect Mark Harris as a director of the Company			
Resolution 6	To elect Richard Lee as a director of the Company			
Resolution 7	To elect Richard Pepler as a director of the Company			
Resolution 8	To elect Brian Sumner as a director of the Company			
Resolution 9	To appoint KPMG Audit Plc as Auditors			

Proxy Form (continued)

Special Business

Ordinary Resolution

		<i>For</i>	<i>Against</i>	<i>Abstain</i>
Resolution 10	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 £438,831.			

Special Resolution

		<i>For</i>	<i>Against</i>	<i>Abstain</i>
Resolution 11	Subject to the passing of resolution 10, 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 notice of annual general meeting.			

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". A proxy need not be a member of the Company. 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 share.