

4728183



A25 \*ABY7BDES\* 726  
COMPANIES HOUSE 03/03/2006

A41 \*A10YEDSP\* 243  
COMPANIES HOUSE 25/02/2006

***Compass Finance Group plc  
Annual Report & Accounts  
2005***

## Contents

Pro forma financial information	1
Financial calendar	1
Chairman's statement	2
Resignation notice	4
Chief Executive's review	5
Directors' biographies	7
Directors' report	8
Statement of directors' responsibilities	10
Independent auditors' report	11
Consolidated profit and loss account	12
Consolidated statement of total recognised gains and losses	12
Consolidated and parent company balance sheet	13
Consolidated cash flow statement	14
Reconciliation of net cash flow to movement in net debt	14
Notes to the accounts	15
Advisers and contacts	27
Notice of Annual General Meeting	28
Form of proxy	31

Page 2 removed at the request of Companies House  
02.03.06

A handwritten signature in black ink, appearing to read 'M. Walker', written in a cursive style.

Mark Walker  
Finance Director

## Chairman's statement

### Introduction

Our first full year as a public company has been very eventful. In response to the disappointing trading performance in the earlier part of the year, a number of senior management changes were made. These changes followed the appointment of Mike Sutcliffe as Chief Executive in May and we are already seeing the benefits from the strategies being implemented by the new management team.

### Comparative figures

Compass Finance was incorporated on 9 April 2003. On 8 March 2004, the Group acquired the entire issued share capital of Compass Finance Limited and, on the same date, was admitted to AIM and commenced trading. Comparative figures in these financial statements only include, therefore, the results for the period from 8 March 2004 to 30 September 2004.

### Statutory results

For the year to 30 September 2005, the Group reported turnover of £14.29 million (period ended 30 September 2004: £8.57 million) and a loss before taxation of £0.60 million (period ended 30 September 2004: profit before taxation of £1.52 million). The following table presents the earnings before taxation, depreciation and amortisation (EBITDA) for the relevant periods:

	Year to 30 September 2005 £000	Period from 9 April 2003 to 30 September 2004 £000
<b>Turnover</b>	<b>14,288</b>	<b>8,568</b>
Administrative costs	13,968	6,535
<b>EBITDA</b>	<b>320</b>	<b>2,033</b>
Depreciation/amortisation	698	374
<b>(Loss)/profit before interest and taxation</b>	<b>(378)</b>	<b>1,659</b>
Interest	(223)	(135)
<b>(Loss)/profit before taxation</b>	<b>(601)</b>	<b>1,524</b>

The basic and diluted loss per share for the year amounted to 0.82p (period ended 30 September 2004: earnings per share of 1.46p).

In the year to 30 September 2005, the Group received broking commission on funds of £213 million which were lent to customers by a number of lenders (period ended 30 September 2004: £115 million).

Net debt at 30 September 2005 was £2.96 million resulting in gearing of 48%. The net asset value of the Group as at 30 September 2005 was £6.09 million.

### Dividends

In view of the financial performance for the year, the Board does not believe it is appropriate to declare a dividend to shareholders. However, the Board confirms its intention to implement a progressive dividend policy in the future, subject to the Group's performance.

**Board changes**

In May 2005, following a strategic review of the Group's business, we were pleased to announce the appointment of Mike Sutcliffe as the new Chief Executive. Mike was previously on the management board of CitiFinancial Europe Plc, a member of Citigroup Inc and prior to that had spent 8 years with Household International Inc, now a subsidiary of HSBC.

On 23 September 2005, we reported that the business had completed a full senior management restructuring, with the appointment to the Board of Mark Walker as Finance Director and Mark Snape as Sales and Operations Director.

Mark Walker is a chartered accountant, having trained with Price Waterhouse, and has spent the last 8½ years working with a number of venture capital companies and other stakeholders handling a variety of corporate transactions. He was Finance Director at a £30 million management buy-out speciality chemicals business which was sold to a quoted US business in 2001. After heading up the business integration process, he was headhunted to join an £85 million management buy-out of a global speciality paper manufacturer.

Mark Snape has held senior positions with a number of financial services organisations, most recently on the management board of CitiFinancial Europe Plc and previously as Chief Operating Officer of Firstplus, the Barclays Bank subsidiary specialising in the secured loans market.

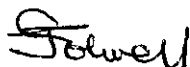
In addition, Mark Cawood was appointed as marketing director responsible for overseeing the marketing function of the business, with particular emphasis on developing a multi-channel marketing strategy, aimed at increasing response rates and core business lead volumes. Mark has previously held senior marketing positions, most recently as head of marketing for CitiFinancial Europe Plc, principal consultant for PricewaterhouseCoopers and marketing director at HFC Bank, the UK subsidiary of US finance company Household International Inc.

**Current trading and prospects**

Trading since 30 September 2005 has been encouraging with the first two months of the new financial year showing a return to profit in line with management's expectations, as indicated in your Chief Executive's report below.

On behalf of the Board, I would like to take this opportunity of thanking all employees for their dedication and commitment in what was a difficult year for the Group.

With the new senior management team now established, this is an exciting time for the Group, its employees and its shareholders and the Board remains confident about the Group's long-term potential.



**Gren Folwell**

*Non-Executive Chairman*

6 December 2005


## ***Resignation notice***

### ***Resignation of Mark Butterwick and acquisition of his shares by the Group's Employee Benefit Trust***

After the completion of the Group's financial statements for the year to 30 September 2005 and the issue of the Preliminary Statement on 7 December 2005, Mark Butterwick resigned as a director of the Group with effect from 7 December 2005. Under the terms of his compromise agreement, he sold his entire shareholding of 11,725,000 ordinary shares of 0.5p each ("Ordinary Shares") at 2.5p per Ordinary Share to Compass Finance Trustees Limited, the trustee of the Group's employee benefit trust (the "EBT"). Funding for this purchase was primarily provided by way of loans to the Group from four of the directors.

Options were granted over certain of the Ordinary Shares acquired by the EBT to certain directors of the Group at an equivalent option price of 2.5p per Ordinary Share as set out in the table below.

Director	Number of Ordinary Shares over which options were granted
Mike Sutcliffe	7,975,000
Mark Snape	2,000,000
Mark Walker	1,150,000



**Gren Folwell**

*Non-Executive Chairman*

7 December 2005

## **Chief Executive's review**

### **Summary performance**

The year under review has been a transitional one for Compass Finance in which the business has undertaken a restructuring of the senior management team, relocated premises to accommodate strategic growth plans and managed its way through new FSA regulations for mortgage and general insurance sales.

Turnover for the year grew to £14.3 million and generated an EBITDA of £0.32 million, resulting in a loss before tax of £0.6 million. Whilst 2005 has seen an uplift in turnover, profitability was impacted by investment made in new premises, the additional cost of mortgage and general insurance regulation, investment in new mortgage sales teams and uplifts in marketing activity. These investments have positioned the business in readiness for a more regulated and competitive market. Whilst the first half of the year ended 30 September 2005 saw a net cash outflow from operations of £0.87 million, the second half saw a net cash inflow of £0.68 million as a result of improved financial controls and the actions of the new senior management team.

Improved underlying operational indicators demonstrate that the business is now in a strong position to return to a pattern of profits growth in both the current year and beyond. The business has seen a marked increase in both of its core business divisions, with mortgage and secured loan sales and pipeline volumes in line with management expectations to achieve internal budgets.

### **Board changes**

I am delighted that in September 2005 the senior management restructure was completed, with the appointments to the Board of Mark Walker as Finance Director and Mark Snape as Sales and Operations Director.

In addition, the senior management team has been further strengthened with the appointment of Mark Cawood as marketing director. Mark's appointment is a direct result of the shift towards more segmented and targeted marketing approaches to new customer acquisition and maximising existing customer opportunities.

These key appointments demonstrate the appetite of the Group for continued earnings growth through a combination of organic growth, as well as diversification into new markets, facilitated by attracting the highest calibre people into the business.

### **Strategy**

Having completed a strategic review of the business and a review of the marketplace in which we operate, there are clearly opportunities for us to diversify into related financial services markets, as well as to gain greater market share within our current markets.

The core brokerage divisions have stabilised and have now returned to growth. To ensure this growth continues and improves, we will broaden our presence into new segments of the mortgage and secured loan markets.

Diversification into related markets will be a key feature of our strategy moving forward. As a business we have a responsibility to offer appropriate financial solutions to all applicants. This leads to a natural affinity with helping customers who are experiencing debt problems and are looking for help and guidance to resolve these problems, yet are unable to find a solution. Through the development of a best advice model, facilitated by having the right expertise and product set, we aim to be able to offer a financial solution to all our customers.

### **Marketing**

Through the restructured management team and a deeper understanding of its markets and customers, Compass Finance is now positioned to broaden its market penetration. Traditionally, the business has concentrated on the sub-prime market for mortgages and secured loans. Whilst this segment will remain central to our business, throughout 2006 we will enter the medium adverse and near-prime segments of the market, opening up an additional 4 million potential new customers.

In order that lead volumes continue to increase in line with expectations, the business will focus on lead generation through a more integrated marketing approach, utilising a multitude of marketing tactics.

Historically, the business has focused its marketing efforts on direct mail, a medium that will continue to be used. However, other media such as direct response television, radio and press will become key components of the integrated marketing strategy being deployed. Added to this will be the launch of our new website, driven by enhanced functionality and content, targeted at offering customers a fast, efficient service to meet their financial needs. These new channels will allow the business to meet its strategic goals to diversify into new markets, whilst protecting growth in the core business divisions.

As we move through 2006, our drive to generate core leads will see Compass Finance continue to penetrate deeper into the affinity lead market. Work recently commenced on attracting high street mortgage and secured loan lead providers, work that is now crystallising into increased lead volumes.

### **Operations**

During the year under review, a restructuring was completed of the middle management and core sales and processing functions. The people and process changes implemented have seen operational efficiencies continue to improve in the latter part of 2005. Sales and completion metrics now exceed those delivered historically and continue to increase.

In late 2005, we established a new business labelled Compass Debt Management. Whilst still in its infancy, the operation is already positively contributing to the revenues of the Group and is well placed to become a significant contributor in the future.

### **Information technology**

Work has now been completed on the design of an IT infrastructure capable of delivering efficient processing in a diversified business. As we move into new markets our IT capability is key to our success, allowing us to provide excellent service to our customers as well as opening new distribution channels to service a diverse product set and broader marketplace.

Throughout 2006, we will implement our new systems infrastructure, adding enhanced web functionality and improved operational processes and accommodating new business divisions and products. These systems will create efficiencies in processing as well as facilitating the start of our drive to implement a CRM strategy, thereby developing longer term relationships with our customers.

### **Employees**

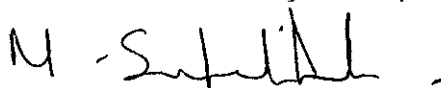
I would like to take this opportunity to thank all of our employees for their hard work, dedication and commitment over the past year. The quality and calibre of our employees has been, and continues to be, the key driver behind our return to profitable growth.

In 2006, we will continue to recruit and build a workforce based on talent. Whilst it is anticipated that we will add to the numbers of employees, any increase will be controlled in line with revenue and profit growth expectations. Employee numbers will increase at a lower rate than our revenue growth as we continue to leverage efficiencies gained from sales and process improvements, as well as enhanced systems.

### **2006 Outlook**

As a business we look forward to 2006 with optimism and confidence. Compass Finance has now restructured in readiness for capturing a greater share of its existing market and for entering new markets.

The underlying performance indicators demonstrate that the business is currently performing in line with budget. Our core business has returned to profitability and our diversification into related markets has already begun. Early signs are that these new markets will contribute significantly to our income growth in 2006 and beyond. Against this background, I look forward to updating shareholders further at the Annual General Meeting in February which will be held at our new head office in Bury.



**Mike Sutcliffe**

*Chief Executive*

6 December 2005



## ***Directors' biographies***

### ***Gren Folwell***, age 62, Non-executive Chairman

Gren was Deputy Chief Executive of Halifax plc from 1996 to 1999, having joined the board as Group Finance Director in 1989. During his time on the board, Gren was involved in the merger and integration of the Halifax and Leeds Permanent Building Societies, the £18 billion flotation of Halifax plc and the £750 million takeover of Birmingham Midshires Building Society. Gren's other current non-executive directorships include Partnerships UK plc, Institute of Public Finance Limited, Public Private Partnerships & Programmes Limited and Software Solutions Partners Limited.

### ***Mike Sutcliffe***, age 37, Chief Executive

Following a strategic review of the Group's business, Mike was appointed as Chief Executive in May 2005. Mike has extensive business management experience, and has enjoyed a career in the financial services sector for over 16 years, initially as a manager and regional manager. Mike was latterly a member of the Management Board of CitiFinancial Europe Plc, a subsidiary of Citigroup Inc and prior to that had spent 8 years with Household International Inc, now a subsidiary of HSBC Bank. As Chief Executive, Mike has responsibility for all aspects of Corporate Strategy, Sales and Marketing and Compliance as well as Finance and IT.

### ***Mark Walker***, age 42, Finance Director

Mark is a Chartered Accountant, having trained with Price Waterhouse, and has spent the last 8½ years working with a number of venture capital companies and other stakeholders handling a variety of corporate transactions. He was Finance Director at a £30 million management buy-out of a speciality chemicals business which was sold to a quoted US business in 2001. After heading up the business integration process, he was headhunted to join an £85 million management buy-out of a global speciality paper manufacturer. Mark was appointed to the Compass Board in September 2005 and has specific responsibility for the finance, IT and administrative functions of the business.

### ***Mark Snape***, age 43, Sales and Operations Director

Mark has held senior positions with a number of financial services organisations for the past 10 years. Mark has extensive experience in the consumer lending market and has had senior executive responsibility for many functions for the companies he has worked for. Most recently on the Management Board of CitiFinancial Europe Plc with responsibility for Acquisitions, Central Lending and Intermediaries, he also had responsibility for Future Mortgages and sat on its management board. Prior to this Mark was Chief Operating Officer of Firstplus, the Barclays Bank subsidiary, specialising in the secured loans market, and assisted in positioning the business as one of the best lenders in the market. Mark was appointed to the Compass Board in September 2005 and has specific responsibility for the sales and operational functions of the business.

### ***Richard Hughes***, age 37, Non-executive Director

Richard has over 17 years' experience of corporate activity including flotations, capital raisings, public to private transactions and mergers and acquisitions for both public and private companies. He was most recently managing director of Apax Partners & Co. Corporate Finance, having set up the Manchester office in 1996. Richard is a partner of Holyrood Partners and a director of Zeus Capital Limited which is an FSA regulated company providing corporate finance advice. He is a non-executive director of Cityblock plc and Vindon Healthcare plc as well as a director of a number of private companies.

### ***Michael Fort***, age 46, Non-executive Director

Michael has financial and management experience in a number of corporate environments. He is currently Chief Executive of Synexus Clinical Research plc, an AIM quoted clinical research company, and a non-executive director of Zi-Medical plc, an AIM quoted medical devices company. He was a director of Trinity Pharmaceuticals Limited until its sale to Chiesi Farmaceutica SpA and has held directorships in a number of other medium sized enterprises.

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2005.

### Principal activities

The principal activity of the Group in the period under review was that of finance broking.

### Business review

The Group recorded a loss for the year of £552,000 on a turnover of £14,288,000.

### Proposed dividend and results for the year

The directors do not propose a final dividend for the year ended 30 September 2005.

### Directors and directors' interests

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

#### Executive

MW Butterwick

M Sutcliffe (appointed 5 May 2005)

MH Walker (appointed 22 September 2005)

MD Snape (appointed 22 September 2005)

#### Non-executive

GJ Folwell (Chairman)

RI Hughes

MJ Fort (an executive director until 22 September 2005)

CJ Smith (an executive director until 22 September 2005)

The beneficial interests of the directors holding office on 30 September 2005 in the issued share capital of the Company were as follows:

		30 September 2005	30 September 2004
	Class of share		
MW Butterwick	Ordinary 0.5p	11,725,000	11,725,000
GJ Folwell (Chairman)	Ordinary 0.5p	416,667	416,667
MJ Fort	Ordinary 0.5p	3,000,019	3,000,019
RI Hughes	Ordinary 0.5p	6,001,010	6,001,010
CJ Smith	Ordinary 0.5p	11,725,000	11,725,000

### Corporate governance

The Board of Directors fully supports the underlying principles of corporate governance recommended by the Combined Code, notwithstanding that the Company is not required to comply with such recommendations.

The Company has an audit committee, consisting of the chairman Richard Hughes and Gren Folwell, and a remuneration committee, consisting of the chairman Gren Folwell and Richard Hughes. The audit committee has unrestricted access to the Group's auditors.

The Board generally meets on a monthly basis. It considers all issues relating to the strategy, direction and future development of the Company.

### Employment policy

It is the Group's policy that there should be no discrimination against any person on the grounds of race, sex, religion or otherwise.

In accordance with the Group's equal opportunities policy, disabled people are given the same consideration as others when they apply for a job. Depending on their skills and abilities, they enjoy the same career prospects and scope for realising their potential as other employees. If an existing employee becomes disabled, reasonable steps are taken to retain him/her in employment.

Within the bounds of commercial confidentiality, staff are kept reasonably informed of matters that affect the progress of the Group and are of interest to them as employees.

***Payments to suppliers***

The Group does not have a standard creditor payment policy but seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment, which will be agreed with suppliers when the details of each transaction are settled. The Group will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders. The Group and the Company had 25 days purchases outstanding at 30 September 2005 (30 September 2004: 16 days).

***Political and charitable donations***

The Group's charitable donations for the year amounted to £2,156 (2004: £500). There were no political contributions.

***Auditors***

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



**M Sutcliffe**  
Director

2nd Floor  
Warwick House  
Hollins Brook Way  
Pilsworth  
Bury  
BL9 8RR

6 December 2005

## ***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 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 Company 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 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 Company and to prevent and detect fraud and other irregularities.

## ***Independent auditors' report***

KPMG Audit Plc  
Edward VII Quay  
Navigation Way  
Preston  
PR2 2YF  
United Kingdom

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

We have audited the financial statements on pages 12 to 26.

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.

#### ***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 the affairs of the Company and the Group as at 30 September 2005 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

6 December 2005

## ***Consolidated profit and loss account***

**for the year ended 30 September 2005**

		30 September	9 April 2003 to 30 September
	Note	2005	2004*
		£000	£000
<b>Turnover</b>	1	<b>14,288</b>	8,568
Administrative expenses		<b>(14,666)</b>	(6,909)
<b>Operating (loss)/profit</b>	2-5	<b>(378)</b>	1,659
Interest receivable and similar income	6	<b>29</b>	14
Interest payable and similar charges	7	<b>(252)</b>	(149)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(601)</b>	1,524
Tax on (loss)/profit on ordinary activities	8	<b>49</b>	(547)
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(552)</b>	977
Dividends	9	—	(100)
<b>Retained (loss)/profit for the period</b>		<b>(552)</b>	877
Earnings per share — basic and diluted	10	<b>(0.82p)</b>	1.46p

\* Represents the trading period from 8 March 2004 to 30 September 2004 (see note 1).

All of the above transactions relate, in the current year, to continuing operations and in the prior year to acquisitions.

## ***Consolidated statement of total recognised gains and losses***

**for the year ended 30 September 2005**

There were no other gains and losses in the current year or prior period other than those reported in the consolidated profit and loss account above.

## Consolidated and parent company balance sheet

as at 30 September 2005

	Note	2005 £000	2005 £000	2004 £000	2004 £000
<b>Fixed assets</b>					
Intangible assets	11		9,134		9,631
Tangible assets	12		686		377
			<u>9,820</u>		<u>10,008</u>
<b>Current assets</b>					
Debtors	13	1,324		1,311	
Cash at bank and in hand		240		1,450	
		<u>1,564</u>		<u>2,761</u>	
<b>Creditors:</b> amounts falling due within one year	14	(2,312)		(2,520)	
<b>Net current (liabilities)/assets</b>			<u>(748)</u>		<u>241</u>
<b>Total assets less current liabilities</b>			<u>9,072</u>		<u>10,249</u>
<b>Creditors:</b> amounts falling due after more than one year	15		(2,962)		(3,598)
<b>Provisions for liabilities and charges</b>	18		(20)		(9)
<b>Net assets</b>			<u>6,090</u>		<u>6,642</u>
<b>Capital and reserves</b>					
Called up share capital	19		335		335
Share premium	20		5,430		5,430
Profit and loss account	20		325		877
<b>Shareholders' funds</b>	21		<u>6,090</u>		<u>6,642</u>

These financial statements were approved by the Board of Directors on 6 December 2005 and were signed on its behalf by:



**M Sutcliffe**  
Director

## **Consolidated cash flow statement**

for the year ended 30 September 2005

		30 September	9 April 2003 to 30 September
		2005	2004*
	Note	£000	£000
<b>Net cash inflow from operating activities</b>	22	<b>432</b>	1,768
Return on investments and servicing of finance	23	(219)	(114)
Taxation		(339)	(757)
Capital expenditure	23	(67)	29
Acquisitions	23	—	(6,125)
Dividends		(100)	—
<b>Net cash outflow before financing</b>		<b>(293)</b>	(5,199)
Financing	23	(917)	6,649
<b>(Decrease)/increase in cash in the period</b>		<b>(1,210)</b>	1,450

## **Reconciliation of net cash flow to movement in net debt**

for the year ended 30 September 2005

	30 September	9 April 2003 to 30 September
	2005	2004*
	£000	£000
(Decrease)/increase in cash in the period	(1,210)	1,450
Cash outflow/(inflow) from change in debt	917	(3,385)
<b>Changes in net debt resulting from cash flows</b>	<b>(293)</b>	(1,935)
Finance leases acquired with subsidiary	—	(193)
New finance leases	(453)	(84)
Net debt at beginning of period	(2,212)	—
<b>Net debt at end of period</b>	<b>(2,958)</b>	(2,212)

\* Represents the trading period from 8 March 2004 to 30 September 2004 (see note 1).



## 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.

##### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 30 September 2005.

The Company was incorporated on 9 April 2003 and on 8 March 2004 acquired the entire issued share capital of Compass Finance Limited. Under the acquisition method of accounting, the results of the subsidiary undertaking acquired were included in the consolidated profit and loss account from the date of acquisition. The prior period results on page 12 therefore comprise the period from 8 March 2004 to 30 September 2004.

A separate profit and loss account dealing with the results of the Company alone has not been presented as permitted by section 230 of the Companies Act 1985.

##### Related party transactions

The directors have taken advantage of the exemption in Financial Reporting Standard Number 8, paragraph 3(c) and have not disclosed transactions with entities that are part of the Compass Finance plc Group.

##### Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of twenty years.

##### Fixed assets and depreciation

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Computer equipment	—	33% on straight-line balance
Motor vehicles	—	33%/25% on reducing balance
Fixtures and fittings	—	33% on straight-line balance
Leasehold additions	—	over the life of the lease

##### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made in full for deferred tax liabilities in accordance with FRS 19. Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it is more likely than not that all amounts are recoverable.

##### Turnover

Turnover represents commissions and fees due on loan contracts completed and signed during the year, excluding value added tax.

##### Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

##### Advertising and marketing expenditure

Advertising and marketing expenditure is generally expensed in the month following the date of promotion. This is to recognise the lead time between incurring the expense, the customer contacting the Company and the associated commission income recognised when the leads are completed.

### Employee share option schemes

The cost of awards to employees that take the form of shares or rights to shares, are recognised over the period of the employee's related performance. Where there are no performance criteria, the cost is recognised when the employee becomes unconditionally entitled to the shares.

### Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

## 2 Operating (loss)/profit

	30 September	Period 9 April 2003 to 30 September
	2005	2004
	£000	£000
<b>Operating (loss)/profit is stated after charging:</b>		
Depreciation	202	97
Amortisation	496	277
Auditors' remuneration:		
— audit	18	25
— non-audit	11	10
Operating leases		
— plant and machinery	79	16
— land and buildings	295	88
	<u>          </u>	<u>          </u>

### 3 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	<b>Number of Employees 2005</b>	Number of Employees 2004
Management	19	12
Sales	114	88
Administration	9	7
	<u>142</u>	<u>107</u>

The aggregate payroll costs of these persons were as follows:

	<b>30 September 2005 £000</b>	Period 9 April 2003 to 30 September 2004 £000
Wages and salaries	4,402	1,917
Social security costs	489	217
Other pension costs	52	23
	<u>4,943</u>	<u>2,157</u>

### 4 Remuneration of directors

	<b>30 September 2005 £000</b>	Period 9 April 2003 to 30 September 2004 £000
Emoluments payable to directors	405	158
Fees payable to related parties	51	28
	<u>456</u>	<u>186</u>

There are no retirement benefits accruing to directors.

### 5 Pensions

The Company operates a defined contribution scheme covering certain employees. The assets of the scheme are separately held from those of the Company in independently operated funds. The pension costs charged represent the contributions payable by the Company and amounted to £52,000. Amounts outstanding at the year end were £nil.

**6 Interest receivable and similar income**

	30 September	Period 9 April 2003 to 30 September
	2005	2004
	£000	£000
Bank account interest	<u>29</u>	<u>14</u>

**7 Interest payable and similar charges**

	30 September	Period 9 April 2003 to 30 September
	2005	2004
	£000	£000
On bank loans and overdrafts	227	142
Finance charges payable in respect of finance leases and hire purchase contracts	<u>25</u>	<u>7</u>
	<u>252</u>	<u>149</u>

**8 Taxation on (loss)/profit on ordinary activities**

	30 September	Period 9 April 2003 to 30 September
	2005	2004
	£000	£000
UK corporation tax at 30%	<u>(49)</u>	<u>547</u>
<b>Tax reconciliation</b>		
	30 September	Period 9 April 2003 to 30 September
	2005	2004
	£000	£000
(Loss)/profit on ordinary activities before taxation	<u>(601)</u>	<u>1,524</u>
(Loss)/profit on ordinary activities multiplied by the rate of corporation tax in the UK at 30%	(180)	457
Prior year adjustment	(45)	—
Effects of:		
Expenses not deductible for tax purposes (including goodwill amortisation)	165	87
Depreciation for period in excess of capital allowances	11	2
Fixed asset disposal	—	(5)
Other	<u>—</u>	<u>6</u>
	<u>(49)</u>	<u>547</u>

## 9 Dividends

	30 September 2005 £000	Period 9 April 2003 to 30 September 2004 £000
Ordinary shares:		
Proposed dividend of 0.15p per share — 30 September 2004	—	100

## 10 Earnings per share

The calculation of earnings per share is based on the loss of £552,000 (2004 profit: £977,000). The calculation of basic earnings per share is based on a weighted average number of ordinary shares in issue during the year of 66,949,792 (2004: 66,949,792). There is no difference between the basic and diluted earnings per share as the share options in existence at 30 September 2004 lapsed, and no additional options were issued during the year.

## 11 Intangible fixed assets

	Goodwill £000
<b>Group</b>	
<b>Cost at 1 October 2004 and 30 September 2005</b>	9,921
<b>Amortisation at 1 October 2004</b>	290
Charged in period	496
Amortisation at 30 September 2005	786
<b>Net book value</b>	
<b>At 30 September 2005</b>	9,134
At 1 October 2004	9,631
	<b>Goodwill £000</b>
<b>Company</b>	
<b>Cost at 1 October 2004 and 30 September 2005</b>	9,673
<b>Amortisation at 1 October 2004</b>	43
Charged in period	496
Amortisation at 30 September 2005	539
<b>Net book value</b>	
<b>At 30 September 2005</b>	9,134
At 1 October 2004	9,631

**12 Tangible fixed assets**

	Plant & Machinery £000	Leasehold improvements £000	Total £000
<b>Group and Company</b>			
<b>Cost at 1 October 2004</b>	402	—	402
Additions	160	411	571
Disposals	(139)	—	(139)
<b>At 30 September 2005</b>	<b>423</b>	<b>411</b>	<b>834</b>
<b>Depreciation at 1 October 2004</b>	25	—	25
Charge for year	177	25	202
Released on disposal	(79)	—	(79)
<b>At 30 September 2005</b>	<b>123</b>	<b>25</b>	<b>148</b>
<i>Net book value</i>			
<b>At 30 September 2005</b>	<b>300</b>	<b>386</b>	<b>686</b>
At 1 October 2004	377	—	377

The net book value of tangible fixed assets includes £503,000 (2004: £179,000) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £111,000 (2004: £40,000).

**13 Debtors**

	2005 £000	2004 £000
<b>Group and Company</b>		
Trade debtors	503	345
Corporation tax	15	—
Prepayments and accrued income	806	966
	<b>1,324</b>	<b>1,311</b>

**14 Creditors: amounts falling due within one year**

	2005 £000	2004 £000
<b>Group and Company</b>		
Bank loan	738	682
Obligations under hire purchase contracts and finance leases	165	49
Trade creditors	563	495
Taxation and social security	189	142
Corporation tax	—	386
Accruals and deferred income	324	433
Deferred consideration	333	333
	<b>2,312</b>	<b>2,520</b>

15 Creditors: amounts falling due after more than one year

	2005	2004
	£000	£000
<b>Group and Company</b>		
Bank loan	2,079	2,818
Obligations under hire purchase contracts and finance leases	216	113
Deferred consideration	667	667
	<u>2,962</u>	<u>3,598</u>
	2005	2004
	£000	£000
<b>Bank loans</b>		
<b>Group and Company</b>		
Within one year	738	682
Within one to two years	788	734
Within two to five years	1,291	2,084
	<u>2,817</u>	<u>3,500</u>

**Term loans**

The Group and Company has a bank loan of £2,817,000. The loan is repayable over five years and will be fully paid by 8 March 2009. Interest on the loan is charged at 2.5% over bank base rate. The loan is secured via certain corporate guarantees and debentures over the assets of the Company.

The maturity of obligations under finance lease and hire purchase contracts is as follows:

	2005	2004
	£000	£000
<b>Group and Company</b>		
Within one year	165	49
Within two to five years	216	113
	<u>381</u>	<u>162</u>

## 16 Financial instruments

The Group's financial instruments at the year end comprised cash, bank borrowings, hire purchase finance and various non-derivative financial instruments such as trade debtors and trade creditors. As permitted by Financial Reporting Standard 13, short-term debtors and creditors have been excluded from the disclosures in this note.

The Group uses financial instruments to manage financial and commercial risk wherever it is appropriate to do so. The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk.

### Interest rate risk

The Group finances its operations by a mixture of retained profits, bank borrowings and hire purchase arrangements.

The interest rate risk profile of the Group's financial liabilities is as follows:

	2005 £000	2004 £000
<b>Financial liabilities:</b>		
Fixed rate	381	162
Floating rate	2,817	3,500
	<u>3,198</u>	<u>3,662</u>
Fixed rate weighted average interest rate at 30 September	<u>7.0%</u>	<u>7.1%</u>

Interest on floating rate financial liabilities is based on the relevant bank base rate plus 2.5%.

The Group has no derivative financial instruments at 30 September 2005 and in the opinion of the Board the fair value of the Group's financial assets and liabilities is equal to book value.

### Liquidity risk

Throughout the year the Group's policy has been to ensure the continuity of funding through loan and hire purchase funding.

The maturity profile of financial liabilities is as follows:

	2005 £000	2004 £000
Due within one year	903	731
Due between one and two years	968	781
Due between two and five years	1,327	2,150
	<u>3,198</u>	<u>3,662</u>

## 17 Commitments

The following operating lease payments are committed to be paid within one year:

	Land and buildings		Other	
	2005 £000	2004 £000	2005 £000	2004 £000
<b>Group and Company</b>				
Expiring:				
Within one year	—	—	33	—
2 to 5 years	—	—	44	42
Over 5 years	302	—	—	—
	<u>302</u>	<u>—</u>	<u>77</u>	<u>42</u>

There are no capital commitments at 30 September 2005 in either the Company or the Group.



# 18 Provisions for liabilities and charges

2005  
Deferred tax  
£000

## Group and Company

Brought forward at 1 October 2004

9

Charged to profit and loss

11

## Balance at 30 September 2005

20

The liability is analysed as follows:

2005  
£000

2004  
£000

Accelerated capital allowances

20

9

# 19 Called up share capital

2005  
£000

2004  
£000

## Group and Company

### Authorised

100,000,000 ordinary shares of 0.5p each

500

500

### Allotted, called up and fully paid

66,949,792 ordinary shares of 0.5p each

335

335

# 20 Reserves

Share  
premium  
£000

Profit and  
loss account  
2005  
£000

## Group and Company

At 1 October 2004

5,430

877

Retained loss for the year

—

(552)

## At 30 September 2005

5,430

325

**21 Reconciliation of movements in shareholders' funds**

	2005	2004
	£000	£000
<b>Group and Company</b>		
Opening shareholders' funds	6,642	—
Share capital	—	335
Share premium	—	5,430
(Loss)/profit for the financial year	(552)	977
Dividend payable	—	(100)
Closing shareholders' funds	<u>6,090</u>	<u>6,642</u>

**22 Reconciliation of operating profit to net cash flow from operating activities**

	2005	2004
	£000	£000
<b>Group</b>		
Operating (loss)/profit	(378)	1,659
Depreciation	202	97
Amortisation of goodwill	496	277
Decrease/(increase) in debtors	2	(496)
(Decrease)/increase in creditors	110	231
Net cash flow from operating activities	<u>432</u>	<u>1,768</u>

## 23 Analysis of cash flows for headings summarised in the cash flow statement

	2005	2004
	£000	£000
<b>Group</b>		
<b>Returns on investments and servicing of finance</b>		
Interest received	29	14
Interest paid	(223)	(121)
Interest element of hire purchase payments	(25)	(7)
<b>Net cash outflow from returns on investment and servicing of finance</b>	<b>(219)</b>	<b>(114)</b>
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(114)	(68)
Receipts from sales of tangible fixed assets	47	97
<b>Net cash (outflow)/inflow from capital expenditure</b>	<b>(67)</b>	<b>29</b>
<b>Acquisitions</b>		
Purchase of subsidiary	—	(7,725)
Net cash acquired with subsidiary	—	1,600
<b>Net cash flow from acquisitions</b>	<b>—</b>	<b>(6,125)</b>
<b>Financing</b>		
New loans received	—	3,500
Repayment of bank loans	(683)	—
Capital element of hire purchase payments	(234)	(116)
Issue of ordinary share capital	—	3,265
<b>Net cash (outflow)/inflow from financing</b>	<b>(917)</b>	<b>6,649</b>

## 24 Reconciliation of net debt to the amounts shown in the balance sheet

	At 30 September 2004 £000	Cash flow £000	Non-cash movement £000	At 30 September 2005 £000
<b>Group</b>				
Cash at bank and in hand	1,450	(1,210)	—	240
Debt due within 1 year	(682)	(56)	—	(738)
Debt due after 1 year	(2,818)	739	—	(2,079)
Hire purchase	(162)	234	(453)	(381)
	(3,662)	917	(453)	(3,198)
<b>Net debt</b>	<b>(2,212)</b>	<b>(293)</b>	<b>(453)</b>	<b>(2,958)</b>

**25 Related party disclosures**

Deferred consideration of up to £1 million on the purchase of Compass Finance Limited on 8 March 2004 is payable to the previous owners of Compass Finance Limited, Mr C Smith and Mr M Butterwick, both of whom are directors of Compass Finance Group plc. The amounts become due upon the Group achieving certain performance based targets over a three year period.

Mr R Hughes, a director of the Company, is also a partner of Holyrood Partners LLP. Fees paid to Holyrood Partners in the year in relation to Mr Hughes' services as a director totalled £16,000 (2004: £12,000). Mr Hughes is also a director of Zeus Capital Limited who acted as sponsors for the Company's flotation. Fees paid to Zeus Capital in 2005 in respect of general financial advice were £6,606 (2004: £3,672).

During the year £35,000 was paid to MJF Associates in respect of Mr M Fort's services as a director of the Company (2004: £28,000).

Accrued amounts owing in respect of non-executive directors at 30 September 2005 are Holyrood Partners LLP £4,525 (2004: £Nil) and MJF Associates £3,917 (2004: £3,917).

**26 Company results**

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not presented its own profit and loss account for the year ended 30 September 2005. The loss after tax for the period dealt with in the accounts of Compass Finance Group plc was £552,000 (2004 profit: £977,000).

**27 Principal subsidiary undertakings**

The Company has the following consolidated subsidiary undertakings:

**Dormant**

Compass Finance Limited

Compass Homeloans Limited

Compass Debt Management Limited (previously Compass Capital Planning Limited)

## ***Advisers and contacts***

<b>Company secretary and solicitors</b>	Halliwells LLP St James's Court Brown Street Manchester M2 2JF
<b>Registered office</b>	2nd Floor Warwick House Hollins Brook Way Pilsworth Bury BL9 8RR
<b>Registered number</b>	4728183
<b>Financial adviser</b>	Zeus Capital Limited 3 Ralli Courts West Riverside Manchester M3 5FT
<b>Nominated adviser and broker</b>	W.H. Ireland Limited 11 St James's Square Manchester M2 6WH
<b>Principal bankers</b>	Bank of Scotland 19/21 Spring Gardens Manchester M2 1FB
<b>Public relations consultants</b>	Cubitt Consulting 30 Coleman Street London EC2R 5AL
<b>Auditors</b>	KPMG Audit Plc Edward VII Quay Navigation Way Preston PR2 2YF
<b>Registrars</b>	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA
<b>Website</b>	<a href="http://www.compassfinancegroupplc.co.uk">www.compassfinancegroupplc.co.uk</a>

## ***Notice of annual general meeting***

**NOTICE IS HEREBY GIVEN** that the second annual general meeting of Compass Finance Group plc (the "Company") will be held at 2nd Floor, Warwick House, Hollins Brook Way, Pilsworth, Bury, BL9 8RR on the 23rd day of February 2006 at 2.00 pm for the following purposes:

### **Ordinary Business**

1. To receive and approve the report of the directors and the Company's accounts for the year ended 30 September 2005 and the report of the auditors thereon.
2. To ratify the appointment of Michael Robert Herbert Sutcliffe as a director of the Company with effect from 4 May 2005.
3. To ratify the appointment of Mark Howard Walker as a director of the Company with effect from 22 September 2005.
4. To ratify the appointment of Mark David Snape as a director of the Company with effect from 22 September 2005.
5. To reappoint KPMG Audit Plc as auditors of the Company to hold office from the conclusion of the meeting until the next general meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.
6. To accept the resignation of Christopher Smith as a director of the Company (with effect from the date of the meeting), who retires by rotation but does not wish to offer himself for re-election.
7. To re-elect Michael John Fort as a director of the Company, who retires by rotation in accordance with the Company's articles of association.

### **Ordinary Resolution**

To consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution.

8. THAT, in substitution for all existing authorities and powers relating to the allotment of relevant securities (as defined in section 80(2) of the Companies Act 1985 (the "Act")), save to the extent that the same may already have been exercised, the directors of the Company be and they are hereby generally and unconditionally authorised and empowered pursuant to section 80 of the Act to exercise all powers of the Company to allot relevant securities up to an aggregate nominal amount of £165,251.04 provided that this authority shall (unless renewed, varied or revoked) expire on the date which is fifteen months after the date on which this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2007 save that the Company may before such expiry make an offer, agreement or arrangement which would or might require relevant securities to be allotted after such expiry, and the directors of the Company may allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority hereby conferred had not expired.

### **Special Business**

To consider and, if thought fit, pass the following resolutions, which will be proposed as special resolutions.

### **Special Resolutions**

9. THAT, subject to the passing of resolution 8 above, the directors of the Company be and they are hereby authorised and empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) pursuant to the general authority conferred by resolution 8 above, as if section 89(1) of the Act did not apply to such allotment, provided that such power shall be limited to the allotment of equity securities:

(a) in connection with a rights issue or other issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever;

(b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of the greater of £33,474.90 or 10% of the Company's current issued ordinary share capital

and shall (unless renewed, varied or revoked) expire on the date which is fifteen months after the date on which this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2007 save that the directors shall be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after such expiry.

10. THAT, in accordance with Chapter VII of Part V of the Act, the Company be generally and unconditionally authorised (pursuant to section 166 of the Act) to make one or more market purchases (as defined in section 163(3) of the Act) of its own ordinary shares of 0.5p ("Ordinary Shares") from such person(s) and upon such terms and conditions as the directors may, from time to time, determine (subject always to the articles of association of the Company), provided that:

(a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 16,737,448 (representing 25% of the Company's current issued ordinary share capital);

(b) the minimum price which may be paid for an Ordinary Share is 0.5p;

(c) the maximum price which may be paid for an Ordinary Share shall not be more than 10% above the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days (being a day other than a Saturday or Sunday or public holiday in England) immediately preceding the day on which the share is contracted to be purchased; and

(d) the authority hereby conferred shall (unless previously revoked, varied or renewed) expire on the date which is fifteen months after the date on which this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2007, but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

**By Order of the Board**

**Registered office:**

2nd Floor  
Warwick House  
Hollins Brook Way  
Pilsworth  
Bury  
BL9 8RR  
Dated: 24 January 2006

**HL Secretaries Limited**

Company Secretary

**Notes:**

1. A member entitled to attend and vote at the above Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member.
2. In accordance with Regulation 41(1) of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered in the Company's register of members at 2.00 pm on 21 February 2006 (or in the case of an adjournment, no later than 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the Meeting and that the number of votes which any such shareholder may cast will be determined by reference to the number of shares registered in such shareholder's name at that time. Changes to entries in the share register after 2.00 pm on 21 February 2006 shall be disregarded in determining the rights of any person(s) to attend and/or vote at the above Meeting.
3. To be effective, a proxy card must be deposited at the offices of the Company's registrars, Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA not less than 48 hours before the time fixed for the Meeting. A proxy card is enclosed. Completion of the proxy card does not preclude a member from subsequently attending and voting at the Meeting in person if he or she so wishes.
4. 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.
5. In the case of joint holders of a share the vote of the senior who tenders the vote whether in person or proxy shall be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names appear in the Company's register of members in respect of the share in question.



## Form of proxy

**Proxy Form for use by Ordinary Shareholders at the Annual General Meeting of Compass Finance Group plc (the "Company"), to be held at 2nd Floor, Warwick House, Hollins Brook Way, Pilsworth, Bury, BL9 8RR on 23 February 2006 at 2.00 pm**

I/We (name(s) in full)

.....(in BLOCK CAPITALS please)

of (address)

being (a) holder(s) [delete as appropriate] of Ordinary Shares of 0.5p each in the capital of the Company, hereby appoint the Chairman of the Meeting or ..... [please see note 6 below] to act as my/our [delete as appropriate] proxy at the Annual General Meeting of the Company to be held on 23 February 2006 and at any adjournment thereof.

Please indicate with an "X" in the appropriate space opposite each resolution how you wish your vote to be cast. On receipt of this form of proxy duly signed and in the absence of any specific directions, your proxy may vote or abstain as he/she thinks fit on the resolution before the meeting and on any other business which properly comes before the meeting.

### SECOND ANNUAL GENERAL MEETING

RESOLUTIONS	FOR	AGAINST
1. To receive and approve the report of the directors and the Company's accounts for the year ended 30 September 2005 and the report of the auditors thereon.		
2. To ratify the appointment of Michael Robert Herbert Sutcliffe as a director of the Company with effect from 4 May 2005.		
3. To ratify the appointment of Mark Howard Walker as a director of the Company with effect from 22 September 2005.		
4. To ratify the appointment of Mark David Snape as a director of the Company with effect from 22 September 2005.		
5. To reappoint KPMG Audit Plc as auditors of the Company to hold office until the conclusion of the next general meeting of the Company at which accounts are laid and to authorise the directors to fix their remuneration.		
6. To accept the resignation of Christopher Smith as a director of the Company (with effect from the date of the Meeting), who retires by rotation but does not wish to offer himself for re-election.		
7. To re-elect Michael John Fort as a director of the Company, who retires by rotation in accordance with the Company's articles of association.		
8. To authorise the directors of the Company to allot relevant securities (for the purposes of and pursuant to section 80(1) of the Companies Act 1985) up to an aggregate nominal amount of £165,251.04.		
9. To authorise the directors of the Company to allot equity securities for otherwise than on a pre-emptive basis in the circumstances set out in the accompanying notice.		
10. To authorise the Company to purchase its own shares		

Signature(s) .....

Dated ..... 2006

Joint holders (if any) – please see note 2 below

#### Notes:

- 1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company.
- 2 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s). For this purpose seniority is determined by the order in which the names stand in the Register of Members in respect of the joint holding.
- 3 In the case of a corporation this form of proxy must be given under its common seal or be signed on its behalf by an attorney or officer duly authorised or, if it is subject to the Companies Act 1985 (as amended), in accordance with section 36A thereof.
- 4 To be valid and effective, this form of proxy must be deposited at the offices of the Company's registrars, Neville Registrars Limited of Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA not less than 48 hours before the time fixed for the Meeting, or any adjournment thereof, together, if appropriate, with the power of attorney or other authority under which it is signed or a notarially certified copy of such power or, where the form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.
- 5 Any alterations made in this form of proxy should be initialled by the person in whose hand it is signed or executed.
- 6 If it is desired to appoint as proxy any person other than the named proxies/the Chairman of the Meeting, his/her name and address should be inserted in the relevant place, reference to the named proxy/the Chairman deleted and the alteration initialled.
- 7 The completion and return of this form of proxy will not prevent you from attending in person and voting at the Meeting should you subsequently decide to do so.
- 8 In accordance with Regulation 41 (1) of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Company's register of members at 12.30 pm on 21 February 2006 (or in the case of an adjournment, no later than 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the Meeting and that the number of votes which any such shareholder may cast will be determined by reference to the number of shares registered in such shareholder's name at that time.

Second fold

PLEASE  
AFFIX  
STAMP  
HERE

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

First fold

Third fold  
and tuck in flap opposite

**Compass Finance Group plc**

Warwick House  
Hollins Brook Way  
Pilsworth  
Bury, BL9 8RR

[www.compassfinancegroupplc.co.uk](http://www.compassfinancegroupplc.co.uk)