

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007



1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

COMPANY INFORMATION

DIRECTORS

R O Channon
M R Johnson
A F Williams

COMPANY SECRETARY

R O Channon

REGISTERED OFFICE

12 George Street
Bath
Avon
BA1 2EH

REGISTERED NUMBER

3681755

AUDITORS

Moore Stephens
Chartered Accountants
30 Gay Street
Bath
BA1 2PA

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

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1 PM (UK) LIMITED (FORMERLY 1PM LTD)

THE DIRECTORS' REPORT

YEAR ENDED 31 MAY 2007

The directors present their report and the financial statements of the company for the year ended 31 May 2007

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of providing equipment lease rental finance to UK businesses

BUSINESS REVIEW / CHAIRMANS STATEMENT

The loss for the year, after taxation, amounted to £354,869

Whilst it is disappointing to report a loss for the year to 31 May 2007 I can categorically state that your board looks forward to the future with optimism as a result of the decisive action taken to restructure the company

The focus of the business from inception in 1998 through to February 2007 was directed predominantly at the sub prime market, i.e. customers with historic credit difficulties

During August 2006 the company found itself experiencing escalating levels of delinquencies which demanded a detailed evaluation of the underwriting and collection process together with the provisioning policy and recovery potential

Through this process it became clear that the underwriting criteria and the credit control procedures required an extensive revision if the performance of the company was to improve

The board has conducted a comprehensive case by case review

The results of this review are reflected in a bad debt write off of £482,518, which contributed to the posted trading loss for the year ending 31 May 2007 of £438,107

After careful consideration the decision was taken to withdraw from offering sub prime finance and reposition into the traditional small ticket leasing market specialising in providing funding for small and emerging businesses that have a proven payment history and are professionally controlled by experienced owner managers who have a vested interest in success of the business

It is essential that the company is an "open book" and we are not carrying forward year upon year aged delinquencies that will continue to adversely impact on the balance sheet

Current trading and future prospects

We have created a "clean" and operationally slick vehicle expertly positioned in a thriving £5bn market that the new management team have successfully performed in for many years

The key factors that are fundamental to maximising this opportunity are

- Structured withdrawal from the sub prime market
- Definitive new underwriting policy implemented and designed specifically to exclude any form of adverse credit
- All sub prime brokers terminated
- Thirty new brokers all known personally by the new management team appointed
- Two new funding lines now in place
- New finance director appointed with proven leasing background

1 PM (UK) LIMITED (FORMERLY 1PM LTD)

THE DIRECTORS' REPORT

YEAR ENDED 31 MAY 2007

BUSINESS REVIEW / CHAIRMANS STATEMENT (continued)

- Robust consistent collection policy implemented including the appointment of two proven specialist legal collections firm of lawyers
- Recoveries February to June of £145,000
- Recoveries June to October anticipated to achieve £170,000
- Provisioning policy of 3% "across the board " immediately implemented

I am delighted to report that there is now the opportunity for a "new start" based on the sound foundations we have established that are now commencing to generate strong income margins in their own right and the added advantage of the recent restructuring already beginning to contribute positively to the bottom line

The company is also now able to aggressively promote our "Simple Finance for Smart Business" philosophy based exclusively on the success of the repositioning programme and comfortable in the knowledge we are operating from a proven, consistent and most importantly a secure administrative and operational platform

FINANCIAL RISK

The company's exposure to financial risk is disclosed in note 19

CHANGE OF NAME

The company name was changed to 1 PM (UK) Limited following a special resolution passed on 14 June 2006

THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows

Ordinary Shares of £1 each		
	At 31 May 2007	At 1 June 2006
Mr A F Williams	-	132,200
Mr J D G Stickley (resigned 31 May 2007)	-	132,200
Mr J P Benson (resigned 19 March 2007)	-	-
Mr M R Johnson (appointed 17 May 2007)	-	-
Mr S M Grey (appointed 6 June 2006, resigned 19 March 2007)	-	-
Mr R O Channon (appointed 17 May 2007)	-	-
	<hr/>	<hr/>

On the 3 July 2006 the companies entire share capital was acquired by 1pm plc

1 PM (UK) LIMITED (FORMERLY 1PM LTD)

THE DIRECTORS' REPORT

YEAR ENDED 31 MAY 2007

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 of the company for that year

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 8 to 9, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the directors are aware

there is no relevant audit information of which the company's auditors are unaware, and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Registered office
12 George Street
Bath
Avon
BA1 2EH

Signed by order of the directors



MR R O CHANNON
Company Secretary

Approved by the directors on 5 September 2007

1 PM (UK) LIMITED (FORMERLY 1PM LTD)
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF 1 PM (UK) LIMITED
YEAR ENDED 31 MAY 2007

We have audited the financial statements of 1 PM (UK) Limited for the year ended 31 May 2007 on page 5 to 17 which have been prepared on the basis of the accounting policies set out on pages 8 to 9

This report is made solely to the company's shareholders, as a body. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2007 and of its loss for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements for the year ended 31 May 2007.

30 Gay Street
Bath
BA1 2PA

MOORE STEPHENS
Chartered Accountants
& Registered Auditors



6th September 2007

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MAY 2007

	Note	2007 £	2006 £
TURNOVER		871,965	794,664
Cost of sales		<u>792,711</u>	<u>323,480</u>
GROSS PROFIT		79,254	471,184
Administrative expenses		<u>510,960</u>	<u>208,466</u>
OPERATING (LOSS) / PROFIT	2	(431,706)	262,718
Interest payable and similar charges		(12,372)	(22,471)
Interest receivable		<u>5,971</u>	<u>-</u>
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(438,107)	240,247
Tax on profit on ordinary activities	5	<u>83,238</u>	<u>(45,647)</u>
(LOSS) / PROFIT FOR THE FINANCIAL YEAR		<u>(354,869)</u>	<u>194,600</u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 8 to 17 form part of these financial statements


1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

BALANCE SHEET

31 MAY 2007

	Note	2007 £	£	2006 £
FIXED ASSETS				
Tangible assets	7		42,512	18,400
CURRENT ASSETS				
Debtors	8	2,826,951		2,740,217
Cash at bank and in hand		<u>145</u>		<u>942</u>
		2,827,096		2,741,159
CREDITORS Amounts falling due within one year	9	<u>(2,297,701)</u>		<u>(1,454,381)</u>
NET CURRENT ASSETS			<u>529,395</u>	<u>1,286,778</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			571,907	1,305,178
CREDITORS Amounts falling due after more than one year	10		<u>(662,376)</u>	<u>(1,040,084)</u>
			<u>(90,469)</u>	265,094
PROVISIONS FOR LIABILITIES				
Deferred taxation	12		-	694
			<u>(90,469)</u>	<u>264,400</u>
CAPITAL AND RESERVES				
Called-up equity share capital	15		264,400	264,400
Profit and loss account	16		<u>(354,869)</u>	-
SHAREHOLDERS' FUNDS	17		<u>(90,469)</u>	<u>264,400</u>

These financial statements were approved by the directors on the 5th Sept 2007 and are signed on their behalf by


M.R. JOHNSON
Director

The notes on pages 8 to 17 form part of these financial statements.

1 PM (UK) LIMITED (FORMERLY 1PM LTD)

CASH FLOW STATEMENT

YEAR ENDED 31 MAY 2007

	Note	2007 £	2006 £
Net cash inflow / (outflow) from operating activities	18	484,682	(207,100)
Returns on investments and servicing of finance	18	(6,401)	(22,471)
Taxation	18	(54,783)	(35,000)
Capital expenditure and financial investment	18	(34,756)	(19,311)
Equality dividends paid		-	(33,161)
Cash inflow (outflow) before financing		388,742	(317,043)
Financing	18	<u>(231,369)</u>	<u>171,156</u>
Increase / (decrease) in cash	18	<u>157,373</u>	<u>(145,887)</u>

The notes on pages 8 to 17 form part of these financial statements

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

Leased assets and turnover

Assets leased to customers on finance leases are excluded from the fixed assets of the company, and are reported as a debtor in the Balance Sheet. Receipts from finance lease contracts contain a capital element which reduces the debtor and an interest charge which is credited to revenue using the "rule of 78". In addition 5% of total interest charges are credited to revenue in the year of inception of each lease to cover initial administration costs.

Funding creditors and cost of sales - interest

Finance received from funding providers is classified as creditors in the Balance Sheet. Payments to the funding providers contain a capital element which reduces the creditor and an interest charge is debited to the cost of sales using the "rule of 78".

Fixed assets

All fixed assets are recorded at cost on acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Fixtures & fittings - 25% on cost

Assets held under finance leases and hire purchase contracts

Fixed assets held under hire purchase contracts, and those financed by leasing agreements which give rights approximating to ownership (ie finance leases) are treated in accordance with Statement of Standard Accounting Practice No 21 as if purchased outright. The corresponding obligations are included in creditors.

Depreciation is provided, depending on the type of fixed asset, by the rates and methods set out above.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

ACCOUNTING POLICIES (*continued*)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

Provision for doubtful debts

Provision is made for contracts in arrears after taking into account expected recovery proceeds. All outstanding amounts on contracts passed to collection agents are written off in full, less expected subsequent recovery proceeds. During the year the company's provisioning policies were reconsidered and additional provisions made as required

2 OPERATING (LOSS) / PROFIT

Operating (loss) / profit is stated after charging

	2007 £	2006 £
Depreciation of owned fixed assets	10,644	7,969
Auditor's fees	9,087	4,200
Operating lease costs		
Other	<u>15,000</u>	<u>16,581</u>

3 PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to

	2007 No	2006 No
Number of administrative staff	5	3
Number of management staff	<u>4</u>	<u>4</u>
	<u>9</u>	<u>7</u>

The aggregate payroll costs of the above were

	2007 £	2006 £
Wages and salaries	313,869	95,009
Social security costs	24,755	8,417
Other pension costs	<u>31,792</u>	<u>11,749</u>
	<u>370,416</u>	<u>115,175</u>

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

4 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2007 £	2006 £
Aggregate emoluments	186,559	11,754
Value of company pension contributions to money purchase schemes	<u>31,792</u>	<u>4,500</u>
	<u>218,351</u>	<u>16,254</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2007 No	2006 No
Money purchase schemes	<u>2</u>	<u>2</u>

Emoluments disclosed above include the following amounts paid to the highest paid director

	£	£
Emoluments for qualifying services	77,754	9,834
Company pension contributions to money purchase schemes	<u>-</u>	<u>11,749</u>

5. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2007 £	2006 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 19% (2006 - 19%)	<u>(3,683)</u>	<u>3,683</u>
Total current tax	<u>(3,683)</u>	<u>3,683</u>
Deferred tax		
Origination and reversal of timing differences (note 12)		
Other	<u>(79,555)</u>	<u>41,964</u>
Tax on profit on ordinary activities	<u>(83,238)</u>	<u>45,647</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2006 - 19%)

	2007 £	2006 £
(Loss)/profit on ordinary activities before taxation	<u>(438,107)</u>	<u>240,247</u>
(Loss)/profit on ordinary activities by rate of tax	<u>(83,238)</u>	<u>45,647</u>
Capital allowances for period in excess of depreciation	<u>(1,864)</u>	<u>(154)</u>
Unrelieved losses	<u>61,499</u>	<u>-</u>
Other short term timing differences	<u>19,920</u>	<u>(41,810)</u>
Total current tax (note 5(a))	<u>(3,683)</u>	<u>3,683</u>

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

6 DIVIDENDS

Dividends on equity shares

	2007	2006
	£	£
Paid		
Equity dividends paid on ordinary shares	<u>—</u>	<u>33,161</u>

7. TANGIBLE FIXED ASSETS

	Fixtures & fittings
	£
COST	
At 1 June 2006	31,873
Additions	<u>34,756</u>
At 31 May 2007	<u>66,629</u>
DEPRECIATION	
At 1 June 2006	13,473
Charge for the year	<u>10,644</u>
At 31 May 2007	<u>24,117</u>
NET BOOK VALUE	
At 31 May 2007	<u>42,512</u>
At 31 May 2006	<u>18,400</u>

Assets held under finance leases and hire purchase contracts, included in the relevant heading in the above table are,

	Cost	Accumulated Depreciation	Charge for the Year
At 31 May 2007	<u>5,475</u>	<u>570</u>	<u>570</u>
At 31 May 2006	<u>—</u>	<u>—</u>	<u>—</u>

8 DEBTORS

	2007	2006
	£	£
Trade debtors	2,625,960	2,642,532
VAT recoverable	36,580	5,652
Other debtors	68,983	72,628
Prepayments and accrued income	16,567	19,405
Deferred tax	<u>78,861</u>	<u>—</u>
	<u>2,826,951</u>	<u>2,740,217</u>

Included in trade debtors is an amount of £1,787,923 which is due after more than one year (2006 - £1,401,771)

Trade debtors wholly represents finance lease debtors

The cost of assets acquired for the purpose of letting under finance leases were as follows, 2007 - £1,886,398 (2006 - £2,101,420)

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

9 CREDITORS: Amounts falling due within one year

	2007	2006
	£	£
Bank loans and overdrafts	106,731	269,507
Trade creditors	1,184,607	1,033,662
Corporation tax	3,542	62,008
Other taxation and social security	9,086	2,302
Other creditors	7,330	-
Amounts due to group undertaking	915,335	-
Accruals and deferred income	<u>71,070</u>	<u>86,902</u>
	<u>2,297,701</u>	<u>1,454,381</u>

Trade creditors wholly represents funding creditors which are secured on the value of finance leases written during the financial period

The trade creditors figure is made up of numerous funding blocks that are repaid by monthly instalments. The length of the repayment term varies from 24 to 36 months and interest rates from 6 1% to 10 66%

10 CREDITORS: Amounts falling due after more than one year

	2007	2006
	£	£
Bank loans and overdrafts	-	50,659
Trade creditors	<u>662,376</u>	<u>989,425</u>
	<u>662,376</u>	<u>1,040,084</u>

Trade creditors are secured as noted above, with the same repayment and interest rates (note 9)

11 CREDITORS – BANK LOANS

Creditors include finance capital which is due for repayment as follows

	2007	2006
	£	£
Amounts repayable		
In one year or less or on demand	50,659	55,264
In more than one year but not more than two years	-	50,659
In more than two years but not more than five years	-	-
	<u>50,659</u>	<u>105,923</u>

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

12 DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows

	2007	2006
	£	£
Included in debtors (note 8)	78,861	-
Included in provisions	<u>-</u>	<u>694</u>

The movement in the deferred taxation account during the year was

	2007	2006
	£	£
Balance brought forward	694	(41,270)
Profit and loss account movement arising during the year	<u>(79,555)</u>	<u>41,964</u>
Balance carried forward	<u>(78,861)</u>	<u>694</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2007	2006
	£	£
Other timing differences	<u>78,861</u>	<u>694</u>

13 COMMITMENTS UNDER OPERATING LEASES

At 31 May 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land & Buildings	
	2007	2006
	£	£
Operating leases which expire		
After more than 5 years	<u>15,000</u>	<u>15,000</u>

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

14. RELATED PARTY TRANSACTIONS

The controlling party is 1pm plc as it holds 100% of the issued ordinary share capital of the company

A director Mr A F Williams and a former director Mr J D G Stickley have given personal guarantees of £160,000 each to Barclays Bank plc, which are supported by second charges over their personal domestic properties limited to £160,000 each. Also Mr J D G Stickley and Mr A F Williams have each given personal guarantees of £70,000 to Barclays Bank plc, which are unsupported.

Mr J D G Stickley is a director of and shareholder in Online Leasing Limited. During the year 1 pm (UK) Limited incurred the following commission charges, 2007 £415 (2006 £1,743). There were no balances due at the year ends.

Included within other creditors (Note 9) are amounts owed to directors being, Mr J Stickley of £Nil (2006 £29,788) and Mr A Williams of £Nil (2006 £29,788).

During the year the following directors invoiced the company for services rendered:

J Benson invoiced the company for £25,233
S Grey invoiced the company for £2,250
M Johnson invoiced the company for £20,779
R Channon invoiced the company for £4,278

15. SHARE CAPITAL

Authorised share capital

	2007 £	2006 £
264,400 Ordinary shares of £1 each	<u>264,400</u>	<u>264,400</u>

Allotted, called up and fully paid

	2007		2006	
	No	£	No	£
Ordinary shares of £1 each	<u>264,400</u>	<u>264,400</u>	<u>264,400</u>	<u>264,400</u>
Equity shares				
Ordinary shares of £1 each	<u>264,400</u>	<u>264,400</u>	<u>264,400</u>	<u>264,400</u>

16. PROFIT AND LOSS ACCOUNT

	2007 £	2006 £
Balance brought forward	-	(161,439)
(Loss) / profit for the financial year	<u>(354,869)</u>	<u>194,600</u>
Equity dividends (note 6)	-	<u>(33,161)</u>
Balance carried forward	<u>(354,869)</u>	<u>-</u>

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
(Loss) / profit for the financial year	(354,869)	194,600
Equity dividends	<u>-</u>	<u>(33,161)</u>
Net (reduction in) / addition to shareholders' funds	(354,869)	161,439
Opening shareholders' funds	<u>264,400</u>	<u>102,961</u>
Closing shareholders' funds	<u>(90,469)</u>	<u>264,400</u>

18 NOTES TO THE STATEMENT OF CASH FLOW

RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating (loss) / profit	(431,706)	262,718
Depreciation	10,644	7,969
Decrease/ (increase) in debtors	75,364	(712,202)
Increase in creditors	909,935	234,415
Movement in deferred tax provision	<u>(79,555)</u>	<u>-</u>
Net cash inflow / (outflow) from operating activities	<u>484,682</u>	<u>(207,100)</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2007 £	2006 £
Interest paid	(12,372)	(22,471)
Interest received	<u>5,971</u>	<u>-</u>
Net cash outflow from returns on investments and servicing of finance	<u>(6,401)</u>	<u>(22,471)</u>

TAXATION

	2007 £	2006 £
Taxation	<u>(54,783)</u>	<u>(35,000)</u>

CAPITAL EXPENDITURE

	2007 £	2006 £
Payments to acquire tangible fixed assets	<u>(34,756)</u>	<u>(19,311)</u>
Net cash outflow from capital expenditure	<u>(34,756)</u>	<u>(19,311)</u>

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

18. NOTES TO THE STATEMENT OF CASH FLOW (continued)

FINANCING

	2007 £	2006 £
Repayment of bank loans	55,265	(55,245)
Net outflow from short- term trade creditors	(150,945)	-
Net inflow from long-term trade creditors	<u>327,049</u>	<u>226,421</u>
Net cash inflow from financing	<u>231,369</u>	<u>171,176</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £	2006 £
Increase / (decrease) in cash in the year	157,373	(145,867)
Net cash inflow from bank loans	55,265	55,245
Net cash inflow / (outflow) from long-term trade creditors	<u>327,049</u>	<u>(226,421)</u>
	<u>539,687</u>	<u>(317,043)</u>
Change in net debt	539,687	(317,043)
Net debt at 1 June 2006	<u>(1,308,648)</u>	<u>(991,605)</u>
Net debt at 31 May 2007	<u>(768,961)</u>	<u>(1,308,648)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jun 2006 £	Cashflows £	At 31 May 2007 £
Net cash			
Cash in hand and at bank	942	(797)	145
Overdrafts	<u>(214,242)</u>	<u>158,170</u>	<u>(56,072)</u>
	(213,300)	157,373	(55,927)
Debt			
Debt due within 1 year	(55,264)	-	(55,264)
Debt due after 1 year	<u>(1,040,084)</u>	<u>382,314</u>	<u>(657,770)</u>
Net debt	<u>(1,308,648)</u>	<u>539,687</u>	<u>(768,961)</u>

1 PM (UK) LIMITED (FORMERLY 1 PM LTD)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2007

19. FINANCIAL INSTRUMENTS

The company's financial instruments comprise cash and liquid resources that arise directly from operations. The main purpose of the financial instruments is to fund the groups operations. As a matter of policy the company does not trade in financial instruments, nor does it enter into any derivative transactions.

The operations of the company have principally been financed to date through the funds raised on the placing of its shares. The company has an overdraft facility in place with the company's bankers, and a loan facility totalling £769,107 as at 31 May 2007.

The main risks to the company, and the policies adopted by the directors to minimise the efforts on the group are as follows:

Credit Risk – The directors believe that credit risk is limited due to debts being spread over a large number of debtors. No individual debtor poses a significant risk.

Interest rate and liquidity risk – All of the company's cash balances and short term deposits are held in such a way that enables the correct balance of access to working capital and a competitive rate of interest is achieved. Working capital requirements are constantly monitored.

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditor's report on page 4**