

**FACTOR 21 PLC**  
**FINANCIAL STATEMENTS**  
**30 JUNE 2003**

**Company Registration Number 04206708**



**HAINES WATTS**  
Chartered Accountants & Registered Auditors  
7 - 11 Station Road  
Reading  
Berkshire  
RG1 1LG

**FACTOR 21 PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2003**

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**FACTOR 21 PLC**  
**OFFICERS AND PROFESSIONAL ADVISERS**

**The board of directors**

Mr J G Ethelston  
Mr N A Ethelston

**Company secretary**

Mr J Burnett

**Auditors**

Haines Watts  
Chartered Accountants  
& Registered Auditors  
7 - 11 Station Road  
Reading  
Berkshire  
RG1 1LG

**Bankers**

NatWest Bank plc  
13 Market Place  
Reading  
Berkshire  
RG1 2EP

**FACTOR 21 PLC**  
**THE DIRECTORS' REPORT**  
**YEAR ENDED 30 JUNE 2003**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 June 2003.

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the company during the year was that of debt factoring

The directors are happy with the progress and performance of the business during the year.

**RESULTS AND DIVIDENDS**

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

**THE DIRECTORS AND THEIR INTERESTS IN 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:

|                  | Class of share | At<br>30 June 2003 | At<br>1 July 2002 |
|------------------|----------------|--------------------|-------------------|
| Mr J G Ethelston | Ordinary       | 30,000             | 30,000            |
|                  | Preference     | 240,000            | 240,000           |
| Mr N A Ethelston | Ordinary       | 30,000             | 30,000            |
|                  |                | <u>—</u>           | <u>—</u>          |

**POLICY ON THE PAYMENT OF CREDITORS**

The company pays all invoices in the month they are received, therefore, year-end creditors amount to £nil.

**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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 10, 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.

**DONATIONS**

During the year, the company made donations amounting to £1,360 (2002: £25), including a donation of £1,000 to Reading Youth Rugby.

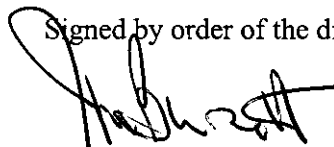
**FACTOR 21 PLC**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 30 JUNE 2003**

**AUDITORS**

A resolution to re-appoint Haines Watts as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:

Signed by order of the directors



MR J BURNETT  
Company Secretary

Approved by the directors on 18.9.03

**FACTOR 21 PLC**  
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**  
**YEAR ENDED 30 JUNE 2003**

We have audited the financial statements on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditors' 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 THE DIRECTORS AND THE AUDITORS**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with United Kingdom 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 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.

**FACTOR 21 PLC**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS** *(continued)*

**YEAR ENDED 30 JUNE 2003**

**OPINION**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2003 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*Haines Watts*

7 - 11 Station Road  
Reading  
Berkshire  
RG1 1LG

HAINES WATTS  
Chartered Accountants  
& Registered Auditors

*3 October 2003*  
.....

**FACTOR 21 PLC**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 JUNE 2003**

|                                                          | Note     | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|----------------------------------------------------------|----------|---------------------------|-----------------------------------------------|
| <b>TURNOVER</b>                                          | <b>2</b> | <b>656,909</b>            | <b>337,288</b>                                |
| Administrative expenses                                  |          | <u>349,896</u>            | <u>204,740</u>                                |
| <b>OPERATING PROFIT</b>                                  | <b>3</b> | <b>307,013</b>            | <b>132,548</b>                                |
| Interest payable                                         | <b>6</b> | <u>115,344</u>            | <u>47,219</u>                                 |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE<br/>TAXATION</b> |          | <b>191,669</b>            | <b>85,329</b>                                 |
| Tax on profit on ordinary activities                     | <b>7</b> | <u>37,455</u>             | <u>17,614</u>                                 |
| <b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>            |          | <b>154,214</b>            | <b>67,715</b>                                 |
| Balance brought forward                                  |          | <u>67,715</u>             | <u>—</u>                                      |
| Balance carried forward                                  |          | <u><b>221,929</b></u>     | <u><b>67,715</b></u>                          |

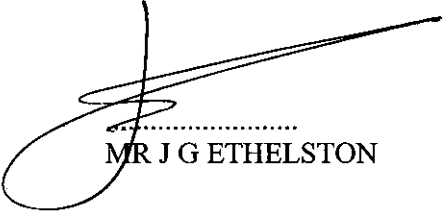
The company has no recognised gains or losses other than the results for the  
year as set out above.

All of the activities of the company are classed as continuing.

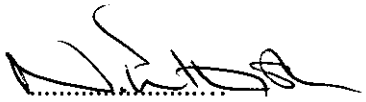
**FACTOR 21 PLC**  
**BALANCE SHEET**  
**30 JUNE 2003**

|                                                                | Note | 2003<br>£        | 2002<br>£        |
|----------------------------------------------------------------|------|------------------|------------------|
| <b>FIXED ASSETS</b>                                            |      |                  |                  |
| Tangible assets                                                | 8    | 43,627           | 35,446           |
| <b>CURRENT ASSETS</b>                                          |      |                  |                  |
| Debtors                                                        | 9    | 3,182,834        | 1,721,436        |
| Cash at bank and in hand                                       |      | 200              | 1,560            |
|                                                                |      | <u>3,183,034</u> | <u>1,722,996</u> |
| <b>CREDITORS: Amounts falling due within one year</b>          | 10   | <u>2,499,896</u> | <u>1,190,523</u> |
| <b>NET CURRENT ASSETS</b>                                      |      | <u>683,138</u>   | <u>532,473</u>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>726,765</u>   | <u>567,919</u>   |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 11   | <u>200,000</u>   | <u>200,000</u>   |
|                                                                |      | <u>526,765</u>   | <u>367,919</u>   |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                  |      |                  |                  |
| Deferred taxation                                              | 13   | 4,836            | 204              |
|                                                                |      | <u>521,929</u>   | <u>367,715</u>   |
| <b>CAPITAL AND RESERVES</b>                                    |      |                  |                  |
| Called-up share capital                                        | 15   | 300,000          | 300,000          |
| Profit and Loss Account                                        |      | <u>221,929</u>   | <u>67,715</u>    |
| <b>SHAREHOLDERS' FUNDS:</b>                                    |      |                  |                  |
| Equity                                                         | 16   | 281,929          | 127,715          |
| Non-equity                                                     |      | 240,000          | 240,000          |
|                                                                |      | <u>521,929</u>   | <u>367,715</u>   |

These financial statements were approved by the directors on the 18 SEP 2003 and are signed on their behalf by:



MR J G ETHELSTON



MR N A ETHELSTON

**FACTOR 21 PLC**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 30 JUNE 2003**

|                                                                                      | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|--------------------------------------------------------------------------------------|---------------------------|-----------------------------------------------|
| <b>NET CASH OUTFLOW FROM<br/>OPERATING ACTIVITIES</b>                                | <b>(902,975)</b>          | <b>(1,526,242)</b>                            |
| <b>RETURNS ON INVESTMENTS AND<br/>SERVICING OF FINANCE</b>                           |                           |                                               |
| Interest paid                                                                        | <u>(115,344)</u>          | <u>(47,219)</u>                               |
| <b>NET CASH OUTFLOW FROM<br/>RETURNS ON INVESTMENTS AND<br/>SERVICING OF FINANCE</b> | <b>(115,344)</b>          | <b>(47,219)</b>                               |
| <b>TAXATION</b>                                                                      | <b>(13,496)</b>           | <b>—</b>                                      |
| <b>CAPITAL EXPENDITURE</b>                                                           |                           |                                               |
| Payments to acquire tangible fixed assets                                            | <u>(20,432)</u>           | <u>(47,779)</u>                               |
| <b>NET CASH OUTFLOW FROM<br/>CAPITAL EXPENDITURE</b>                                 | <b>(20,432)</b>           | <b>(47,779)</b>                               |
| <b>CASH OUTFLOW BEFORE<br/>FINANCING</b>                                             | <b>(1,052,247)</b>        | <b>(1,621,240)</b>                            |
| <b>FINANCING</b>                                                                     |                           |                                               |
| Issue of equity share capital                                                        | —                         | 60,000                                        |
| Issue of non-equity share capital                                                    | —                         | 240,000                                       |
| Repayment of other loans                                                             | (222,800)                 | 722,800                                       |
| Increase in bank loans                                                               | 1,000,000                 | 400,000                                       |
| Repayment of directors' long-term loans                                              | <u>—</u>                  | <u>200,000</u>                                |
| <b>NET CASH INFLOW FROM<br/>FINANCING</b>                                            | <b>777,200</b>            | <b>1,622,800</b>                              |
| <b>(DECREASE)/INCREASE IN CASH</b>                                                   | <b><u>(275,047)</u></b>   | <b><u>1,560</u></b>                           |

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM  
OPERATING ACTIVITIES**

|                                                   | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|---------------------------------------------------|---------------------------|-----------------------------------------------|
| Operating profit                                  | 307,013                   | 132,548                                       |
| Depreciation                                      | 12,251                    | 10,378                                        |
| Loss on disposal of fixed assets                  | —                         | 1,955                                         |
| Increase in debtors                               | (1,461,398)               | (1,721,436)                                   |
| Increase in creditors                             | 239,159                   | 50,313                                        |
| <b>Net cash outflow from operating activities</b> | <b><u>(902,975)</u></b>   | <b><u>(1,526,242)</u></b>                     |

**FACTOR 21 PLC**  
**CASH FLOW STATEMENT** *(continued)*  
**YEAR ENDED 30 JUNE 2003**

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

|                                                   | 2003                      |   | 2002                      |   |
|---------------------------------------------------|---------------------------|---|---------------------------|---|
|                                                   | £                         | £ | £                         | £ |
| (Decrease)/Increase in cash in the period         | (275,047)                 |   | 1,560                     |   |
| Net cash outflow from/(inflow) from other loans   | 222,800                   |   | (722,800)                 |   |
| Net cash (inflow) from bank loans                 | (1,000,000)               |   | (400,000)                 |   |
| Net cash (inflow) from directors' long-term loans | —                         |   | (200,000)                 |   |
|                                                   | <u>(1,052,247)</u>        |   | <u>(1,321,240)</u>        |   |
| <b>Change in net debt</b>                         | <b>(1,052,247)</b>        |   | <b>(1,321,240)</b>        |   |
| <b>Net debt at 1 July 2002</b>                    | <b>(1,321,240)</b>        |   | <b>—</b>                  |   |
| <b>Net debt at 30 June 2003</b>                   | <b><u>(2,373,487)</u></b> |   | <b><u>(1,321,240)</u></b> |   |

**ANALYSIS OF CHANGES IN NET DEBT**

|                          | At<br>1 Jul 2002<br>£     | Cash flows<br>£           | At<br>30 Jun 2003<br>£    |
|--------------------------|---------------------------|---------------------------|---------------------------|
| Net cash:                |                           |                           |                           |
| Cash in hand and at bank | 1,560                     | (1,360)                   | 200                       |
| Overdrafts               | —                         | (273,687)                 | (273,687)                 |
|                          | <u>1,560</u>              | <u>(275,047)</u>          | <u>(273,487)</u>          |
| Debt:                    |                           |                           |                           |
| Debt due within 1 year   | (1,122,800)               | (777,200)                 | (1,900,000)               |
| Debt due after 1 year    | (200,000)                 | —                         | (200,000)                 |
| <b>Net debt</b>          | <b><u>(1,321,240)</u></b> | <b><u>(1,052,247)</u></b> | <b><u>(2,373,487)</u></b> |

**FACTOR 21 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2003**

**1. ACCOUNTING POLICIES****Basis of accounting**

The financial statements have been prepared under the historical cost convention.

**Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

**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:

|                |                     |
|----------------|---------------------|
| Motor Vehicles | - 25% straight line |
| Equipment      | - 20% straight line |

**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 pension costs charged against profit represent the contributions payable to employee's personal pension plans.

**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 is measured on a discounted/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.

**2. TURNOVER**

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

|                | Year to<br>30 Jun 03 | Period from<br>27 Apr 01 to<br>30 Jun 02 |
|----------------|----------------------|------------------------------------------|
|                | £                    | £                                        |
| United Kingdom | <u>656,909</u>       | <u>337,288</u>                           |

**FACTOR 21 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2003**

**3. OPERATING PROFIT**

Operating profit is stated after charging:

|                                         | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|-----------------------------------------|---------------------------|-----------------------------------------------|
| Depreciation                            | 12,251                    | 10,378                                        |
| Loss on disposal of fixed assets        | —                         | 1,955                                         |
| Auditors' remuneration<br>- as auditors | <u>6,180</u>              | <u>6,180</u>                                  |

**4. PARTICULARS OF EMPLOYEES**

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

|                            | Year to<br>30 Jun 03<br>No. | Period from<br>27 Apr 01 to<br>30 Jun 02<br>No. |
|----------------------------|-----------------------------|-------------------------------------------------|
| Number of management staff | <u>6</u>                    | <u>5</u>                                        |

The aggregate payroll costs of the above were:

|                       | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|-----------------------|---------------------------|-----------------------------------------------|
| Wages and salaries    | 116,220                   | 80,068                                        |
| Social security costs | 10,907                    | 7,623                                         |
| Other pension costs   | <u>10,657</u>             | <u>6,690</u>                                  |
|                       | <u>137,784</u>            | <u>94,381</u>                                 |

**5. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

|                                                                     | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|---------------------------------------------------------------------|---------------------------|-----------------------------------------------|
| Emoluments receivable                                               | 43,320                    | 41,539                                        |
| Value of company pension contributions to money<br>purchase schemes | <u>4,800</u>              | <u>4,800</u>                                  |
|                                                                     | <u>48,120</u>             | <u>46,339</u>                                 |

**6. INTEREST PAYABLE**

|                                    | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|------------------------------------|---------------------------|-----------------------------------------------|
| Interest payable on bank borrowing | <u>115,344</u>            | <u>47,219</u>                                 |

**FACTOR 21 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2003**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES****(a) Taxation**

|                                                                             | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|-----------------------------------------------------------------------------|---------------------------|-----------------------------------------------|
| Current tax:                                                                |                           |                                               |
| In respect of the year:                                                     |                           |                                               |
| UK Corporation tax based on the results for the year<br>at 19% (2002 - 20%) | 36,737                    | 17,410                                        |
| Over/under provision in prior year                                          | (3,914)                   | —                                             |
| Total current tax                                                           | <u>32,823</u>             | <u>17,410</u>                                 |
| Deferred tax:                                                               |                           |                                               |
| Increase in deferred tax provision                                          | 4,632                     | 204                                           |
| Tax on profit on ordinary activities                                        | <u>37,455</u>             | <u>17,614</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% (2002 - 20%).

|                                               | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|-----------------------------------------------|---------------------------|-----------------------------------------------|
| Profit on ordinary activities before taxation | <u>191,669</u>            | <u>85,329</u>                                 |
| Profit/(loss) on ord actvs by rate of tax     | 36,417                    | 17,066                                        |
| Expenses not deductible for tax               | 1,139                     | 530                                           |
| Capital allowances in excess of depreciation  | (819)                     | (186)                                         |
| Adjustments in respect of previous periods    | (3,914)                   | —                                             |
| Total current tax (note 7(a))                 | <u>32,823</u>             | <u>17,410</u>                                 |

**FACTOR 21 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2003**

**8. TANGIBLE FIXED ASSETS**

|                        | Motor<br>Vehicles<br>£ | Equipment<br>£ | Total<br>£    |
|------------------------|------------------------|----------------|---------------|
| <b>COST</b>            |                        |                |               |
| At 1 July 2002         | 14,995                 | 30,829         | 45,824        |
| Additions              | —                      | 20,432         | 20,432        |
| <b>At 30 June 2003</b> | <u>14,995</u>          | <u>51,261</u>  | <u>66,256</u> |
| <b>DEPRECIATION</b>    |                        |                |               |
| At 1 July 2002         | 4,061                  | 6,317          | 10,378        |
| Charge for the year    | 3,749                  | 8,502          | 12,251        |
| <b>At 30 June 2003</b> | <u>7,810</u>           | <u>14,819</u>  | <u>22,629</u> |
| <b>NET BOOK VALUE</b>  |                        |                |               |
| <b>At 30 June 2003</b> | <u>7,185</u>           | <u>36,442</u>  | <u>43,627</u> |
| At 30 June 2002        | <u>10,934</u>          | <u>24,512</u>  | <u>35,446</u> |

**9. DEBTORS**

|                                | 2003<br>£        | 2002<br>£        |
|--------------------------------|------------------|------------------|
| Trade debtors                  | 3,163,707        | 1,717,203        |
| Prepayments and accrued income | 19,127           | 4,233            |
|                                | <u>3,182,834</u> | <u>1,721,436</u> |

**10. CREDITORS: Amounts falling due within one year**

|                                                         | 2003<br>£        | 2002<br>£        |
|---------------------------------------------------------|------------------|------------------|
| Other loans                                             | 500,000          | 722,800          |
| Bank loans and overdrafts                               | 1,673,687        | 400,000          |
| Other creditors including taxation and social security: |                  |                  |
| Corporation tax                                         | 36,737           | 17,410           |
| Other taxation and social security                      | 12,666           | 13,490           |
| Directors current accounts                              | 230,000          | —                |
|                                                         | <u>2,453,090</u> | <u>1,153,700</u> |
| Accruals and deferred income                            | 46,806           | 36,823           |
|                                                         | <u>2,499,896</u> | <u>1,190,523</u> |

The bank loan is secured by a fixed and floating charge over all current and future assets of the company.

The other loans all require 6 months written notice before repayment. As at the balance sheet date, no formal requests had been received.

**FACTOR 21 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2003**

**11. CREDITORS: Amounts falling due after more than one year**

|                          | 2003<br>£      | 2002<br>£      |
|--------------------------|----------------|----------------|
| Other creditors:         |                |                |
| Directors' loan accounts | <u>200,000</u> | <u>200,000</u> |

**12. PENSIONS**

The company makes contributions into employees individual personal pension plans. The total cost for the year amounted to £10,657 (2002: £6,690). This includes payments for 1 director amounting to £4,800 (2002: £4,800).

**13. DEFERRED TAXATION**

|                                                                      | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|----------------------------------------------------------------------|---------------------------|-----------------------------------------------|
| The movement in the deferred taxation provision during the year was: |                           |                                               |
| Provision brought forward                                            | 204                       | --                                            |
| Profit and Loss Account movement arising during the year             | 4,632                     | 204                                           |
| Provision carried forward                                            | <u>4,836</u>              | <u>204</u>                                    |

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

|                                                                 | Year to<br>30 Jun 03<br>£ | Period from<br>27 Apr 01 to<br>30 Jun 02<br>£ |
|-----------------------------------------------------------------|---------------------------|-----------------------------------------------|
| Excess of taxation allowances over depreciation on fixed assets | 4,836                     | 204                                           |
|                                                                 | <u>4,836</u>              | <u>204</u>                                    |

**14. RELATED PARTY TRANSACTIONS**

The company was under the control of Mr J Ethelston and Mr N Ethelston, the Directors and equal 50% shareholders, throughout the current and previous year.

As at the year-end, Mr J Ethelston was owed £430,000 (2002: £200,000) by the company.

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**15. SHARE CAPITAL****Authorised share capital:**

|                                      | 2003<br>£        | 2002<br>£        |
|--------------------------------------|------------------|------------------|
| 760,000 Ordinary shares of £1 each   | 760,000          | 760,000          |
| 240,000 Preference shares of £1 each | 240,000          | 240,000          |
|                                      | <u>1,000,000</u> | <u>1,000,000</u> |

**Allotted, called up and fully paid:**

|                   | 2003<br>No.    | £              | 2002<br>No.    | £              |
|-------------------|----------------|----------------|----------------|----------------|
| Ordinary shares   | 60,000         | 60,000         | 60,000         | 60,000         |
| Preference shares | 240,000        | 240,000        | 240,000        | 240,000        |
|                   | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> |

The preference shares can be redeemed or converted at the request of either the company or shareholder, with three months written notice required, with terms being agreed by the parties at the transaction date. The annual dividend entitlement is at a rate of 6%, payable at the discretion of the company and is non-cumulative. The shares will not carry any voting right, but the shareholders will be informed, and can attend, all shareholder meetings. On any potential dissolution of the company, the shares will not participate in any surplus asset distribution.

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****EQUITY SHAREHOLDERS' FUNDS**

|                                     | 2003<br>£      | 2002<br>£      |
|-------------------------------------|----------------|----------------|
| Profit for the financial year       | 154,214        | 67,715         |
| New equity share capital subscribed | —              | 60,000         |
| Net addition to funds               | 154,214        | 127,715        |
| Opening shareholders' equity funds  | 127,715        | —              |
| Closing shareholders' equity funds  | <u>281,929</u> | <u>127,715</u> |

**NON-EQUITY SHAREHOLDERS' FUNDS**

|                                         |                |                |
|-----------------------------------------|----------------|----------------|
| Opening shareholders' non-equity funds  | 240,000        | —              |
| New non-equity share capital subscribed | —              | 240,000        |
| Closing shareholders' non-equity funds  | <u>240,000</u> | <u>240,000</u> |
| <b>TOTAL SHAREHOLDERS' FUNDS</b>        | <u>521,929</u> | <u>367,715</u> |