

COMPANY REGISTRATION NUMBER 04206708

FACTOR 21 PLC
FINANCIAL STATEMENTS
30 JUNE 2004



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

FACTOR 21 PLC
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

CONTENTS	PAGE
Officers and professional advisers	1
The directors' report	2
Independent auditors' report to the shareholders	4
Profit and loss account	6
Balance sheet	7
Cash flow statement	9
Notes to the financial statements	11
The following pages do not form part of the financial statements	
Detailed profit and loss account	18
Notes to the detailed profit and loss account	19

FACTOR 21 PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr J G Ethelston
Mr N A Ethelston

Company secretary

Mr J Burnett

Registered office

Ayres House
Station Road
Wallingford
Oxfordshire
OX10 0XF

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 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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

The directors have taken steps to remedy the bad debts which marred the performance during the year and are happy with the overall progress of the business.

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 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:

	Class of share	At 30 June 2004	At 1 July 2003
Mr J G Ethelston	Ordinary	30,000	30,000
	Preference	240,000	240,000
Mr N A Ethelston	Ordinary	<u>30,000</u>	<u>30,000</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 11, 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 £705 (2003: £1,360).

FACTOR 21 PLC

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2004

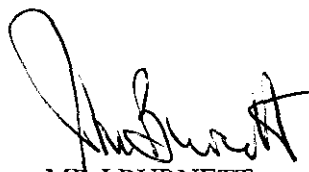
AUDITORS

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:

Ayres House
Station Road
Wallingford
Oxfordshire
OX10 0XF

Signed by order of the directors



MR J BURNETT
Company Secretary

Approved by the directors on 4 Nov 2004

FACTOR 21 PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FACTOR 21 PLC

YEAR ENDED 30 JUNE 2004

We have audited the financial statements on pages 6 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 11.

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 DIRECTORS AND AUDITORS

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.

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.

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.

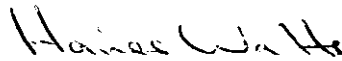
FACTOR 21 PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF FACTOR 21 PLC *(continued)*

YEAR ENDED 30 JUNE 2004

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 2004 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



HAINES WATTS
Chartered Accountants
& Registered Auditors

7 - 11 Station Road
Reading
Berkshire
RG1 1LG

10 November 2004

FACTOR 21 PLC
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2004

	Note	2004 £	2003 £
TURNOVER	2	935,442	656,909
Administrative expenses		<u>572,595</u>	<u>349,896</u>
OPERATING PROFIT	3	362,847	307,013
Interest receivable		146	—
Interest payable	6	(185,300)	(115,344)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>177,693</u>	<u>191,669</u>
Tax on profit on ordinary activities	7	34,100	37,455
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>143,593</u>	154,214
Balance brought forward		<u>221,929</u>	<u>67,715</u>
Balance carried forward		<u><u>365,522</u></u>	<u><u>221,929</u></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 11 to 16 form part of these financial statements.

FACTOR 21 PLC

BALANCE SHEET

30 JUNE 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	8	64,206	43,627
CURRENT ASSETS			
Debts factored with recourse:			
Gross debts		7,215,016	4,945,893
less: amount due to clients		(2,981,914)	(1,782,186)
		<u>4,233,102</u>	<u>3,163,707</u>
Other debtors	9	12,479	19,127
Cash in hand		200	200
TOTAL CURRENT ASSETS		<u>4,245,781</u>	<u>3,183,034</u>
CREDITORS: Amounts falling due within one year	10	<u>3,241,171</u>	<u>2,499,896</u>
NET CURRENT ASSETS		<u>1,004,610</u>	<u>683,138</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,068,816</u>	<u>726,765</u>
CREDITORS: Amounts falling due after more than one year	11	<u>400,000</u>	<u>200,000</u>
		<u>668,816</u>	<u>526,765</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	3,294	4,836
		<u>665,522</u>	<u>521,929</u>

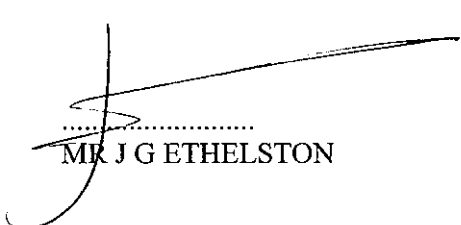
The Balance sheet continues on the following page.

The notes on pages 11 to 16 form part of these financial statements.

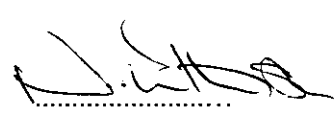
FACTOR 21 PLC
BALANCE SHEET *(continued)*
30 JUNE 2004

	Note	2004 £	2003 £
CAPITAL AND RESERVES			
Called-up share capital	16	300,000	300,000
Profit and loss account		<u>365,522</u>	<u>221,929</u>
		<u>665,522</u>	<u>521,929</u>
SHAREHOLDERS' FUNDS:	17		
Equity		425,522	281,929
Non-equity		<u>240,000</u>	<u>240,000</u>
		<u>665,522</u>	<u>521,929</u>

These financial statements were approved by the directors on the 4.11.04 and are signed on their behalf by:



 MR J G ETHELSTON



 MR N A ETHELSTON

The notes on pages 11 to 16 form part of these financial statements.

FACTOR 21 PLC
CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2004

	2004 £	2003 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(608,459)	(902,975)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	146	—
Interest paid	<u>(185,300)</u>	<u>(115,344)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(185,154)	(115,344)
TAXATION	(33,111)	(13,496)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	<u>(39,020)</u>	<u>(20,432)</u>
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(39,020)	(20,432)
CASH OUTFLOW BEFORE FINANCING	(865,744)	(1,052,247)
FINANCING		
Repayment of debenture loans	—	(222,800)
Increase in bank loans	850,000	1,000,000
Increase in directors' long-term loans	<u>200,000</u>	<u>—</u>
NET CASH INFLOW FROM FINANCING	1,050,000	777,200
INCREASE/(DECREASE) IN CASH	<u>184,256</u>	<u>(275,047)</u>
RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES		
	2004 £	2003 £
Operating profit	362,847	307,013
Depreciation	18,441	12,251
Increase in debtors	(2,262,475)	(3,243,584)
Increase in creditors	1,272,728	2,021,345
Net cash outflow from operating activities	<u>(608,459)</u>	<u>(902,975)</u>

The notes on pages 11 to 16 form part of these financial statements.

FACTOR 21 PLC
CASH FLOW STATEMENT *(continued)*
YEAR ENDED 30 JUNE 2004

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004	2003
	£	£
Increase/(decrease) in cash in the period	184,256	(275,047)
Net cash outflow from debentures	—	222,800
Net cash (inflow) from bank loans	(850,000)	(1,000,000)
Net cash (inflow) from directors' long-term loans	(200,000)	—
	<u>(865,744)</u>	<u>(1,052,247)</u>
Change in net debt	(865,744)	(1,052,247)
Net debt at 1 July 2003	(2,373,487)	(1,321,240)
Net debt at 30 June 2004	<u>(3,239,231)</u>	<u>(2,373,487)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jul 2003	Cash flows	At 30 Jun 2004
	£	£	£
Net cash:			
Cash in hand and at bank	200	—	200
Overdrafts	(273,687)	184,256	(89,431)
	<u>(273,487)</u>	<u>184,256</u>	<u>(89,231)</u>
Debt:			
Debt due within 1 year	(1,900,000)	(850,000)	(2,750,000)
Debt due after 1 year	(200,000)	(200,000)	(400,000)
	<u>(2,100,000)</u>	<u>(1,050,000)</u>	<u>(3,150,000)</u>
Net debt	<u>(2,373,487)</u>	<u>(865,744)</u>	<u>(3,239,231)</u>

The notes on pages 11 to 16 form part of these financial statements.

FACTOR 21 PLC

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

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 charged during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

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:

	2004	2003
	£	£
United Kingdom	<u>935,442</u>	<u>656,909</u>

FACTOR 21 PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

3. OPERATING PROFIT

Operating profit is stated after charging:

	2004	2003
	£	£
Depreciation of owned fixed assets	18,441	12,251
Auditors' remuneration		
- as auditors	<u>5,500</u>	<u>6,180</u>

4. PARTICULARS OF EMPLOYEES

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

	2004	2003
	No	No
Number of management staff	<u>7</u>	<u>6</u>

The aggregate payroll costs of the above were:

	2004	2003
	£	£
Wages and salaries	161,562	116,220
Social security costs	16,424	10,907
Other pension costs	13,479	10,657
	<u>191,465</u>	<u>137,784</u>

5. DIRECTORS' EMOLUMENTS

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

	2004	2003
	£	£
Emoluments receivable	50,000	43,320
Value of company pension contributions to money purchase schemes	4,800	4,800
	<u>54,800</u>	<u>48,120</u>

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

	2004	2003
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable on borrowings	<u>185,300</u>	<u>115,344</u>

FACTOR 21 PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2004 £	2003 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 19% (2003 - 19%)	35,642	36,737
Over/under provision in prior year	—	(3,914)
Total current tax	<u>35,642</u>	<u>32,823</u>
Deferred tax:		
Origination and reversal of timing differences	(1,542)	4,632
Tax on profit on ordinary activities	<u>34,100</u>	<u>37,455</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2003 - 19%).

	2004 £	2003 £
Profit on ordinary activities before taxation	<u>177,693</u>	<u>191,669</u>
Profit/(loss) on ord actvs by rate of tax	33,762	36,417
Expenses not deductible for tax	417	1,139
Capital allowances in excess of depreciation	1,463	(819)
Adjustments in respect of previous periods	—	(3,914)
Total current tax (note 7(a))	<u>35,642</u>	<u>32,823</u>

FACTOR 21 PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

8. TANGIBLE FIXED ASSETS

	Motor Vehicles £	Equipment £	Total £
COST			
At 1 July 2003	14,995	51,261	66,256
Additions	33,500	5,520	39,020
At 30 June 2004	<u>48,495</u>	<u>56,781</u>	<u>105,276</u>
DEPRECIATION			
At 1 July 2003	7,810	14,819	22,629
Charge for the year	7,937	10,504	18,441
At 30 June 2004	<u>15,747</u>	<u>25,323</u>	<u>41,070</u>
NET BOOK VALUE			
At 30 June 2004	<u>32,748</u>	<u>31,458</u>	<u>64,206</u>
At 30 June 2003	<u>7,185</u>	<u>36,442</u>	<u>43,627</u>

9. OTHER DEBTORS

	2004 £	2003 £
Prepayments and accrued income	<u>12,479</u>	<u>19,127</u>

10. CREDITORS: Amounts falling due within one year

	2004 £	2003 £
Other loans	500,000	500,000
Bank loans and overdrafts	2,339,431	1,673,687
Other creditors including taxation and social security:		
Corporation tax	39,268	36,737
Other taxation and social security	22,047	12,666
Directors current accounts	240,000	230,000
	<u>3,140,746</u>	<u>2,453,090</u>
Accruals and deferred income	100,425	46,806
	<u>3,241,171</u>	<u>2,499,896</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 2004

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

	2004 £	2003 £
Other creditors:		
Directors' loan accounts	<u>400,000</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 £13,479 (2003: £10,657). This includes payments for 1 director amounting to £4,800 (2003: £4,800).

13. DEFERRED TAXATION

	2004 £	2003 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	4,836	204
Profit and loss account movement arising during the year	<u>(1,542)</u>	<u>4,632</u>
Provision carried forward	<u>3,294</u>	<u>4,836</u>

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

	2004 £	2003 £
Excess of taxation allowances over depreciation on fixed assets	<u>3,294</u>	<u>4,836</u>
	<u>3,294</u>	<u>4,836</u>

14. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings 2004 £	2003 £
Operating leases which expire:		
After more than 5 years	<u>25,000</u>	<u>25,000</u>

15. 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 £640,000 (2003: £430,000) by the company.

FACTOR 21 PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

16. SHARE CAPITAL

Authorised share capital:

	2004	2003
	£	£
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:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	60,000	60,000	60,000	60,000
Preference shares of £1 each	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.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EQUITY SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	143,593	154,214
Opening shareholders' equity funds	281,929	127,715
Closing shareholders' equity funds	<u>425,522</u>	<u>281,929</u>

NON-EQUITY SHAREHOLDERS' FUNDS

Opening and closing shareholders' non-equity funds	<u>240,000</u>	<u>240,000</u>
TOTAL SHAREHOLDERS' FUNDS	<u>665,522</u>	<u>521,929</u>