

COMPANY REGISTRATION NUMBER 04206708

**FACTOR 21 PLC**  
**FINANCIAL STATEMENTS**  
**30 JUNE 2005**

**HAINES WATTS**

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



**FACTOR 21 PLC**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2005**

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

|                               |                                                                                                                          |
|-------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| <b>The board of directors</b> | Mr J G Ethelston<br>Mr N A Ethelston                                                                                     |
| <b>Company secretary</b>      | Mr J Burnett                                                                                                             |
| <b>Registered office</b>      | Ayres House<br>Station Road<br>Wallingford<br>Oxfordshire<br>OX10 0XF                                                    |
| <b>Auditors</b>               | Haines Watts<br>Chartered Accountants<br>& Registered Auditors<br>7 - 11 Station Road<br>Reading<br>Berkshire<br>RG1 1LG |
| <b>Bankers</b>                | NatWest Bank plc<br>13 Market Place<br>Reading<br>Berkshire<br>RG1 2EP                                                   |

# FACTOR 21 PLC

## THE DIRECTORS' REPORT

### YEAR ENDED 30 JUNE 2005

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 June 2005.

#### 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 performance during the year, in particular the reduction in bad debts, and are continuing to improve internal monitoring and systems.

#### 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<br>30 June 2005 | At<br>1 July 2004 |
|------------------|----------------|--------------------|-------------------|
| 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 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 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 £520 (2004: £705).

# FACTOR 21 PLC

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2005

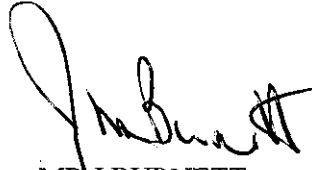
### AUDITORS

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 ..... 3/10/05

**FACTOR 21 PLC**  
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF**  
**FACTOR 21 PLC**  
**YEAR ENDED 30 JUNE 2005**

We have audited the financial statements of Factor 21 plc for the year ended 30 June 2005 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**

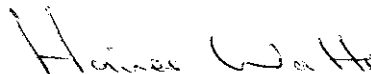
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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 2005**

**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 2005 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

5 October 2005

**FACTOR 21 PLC**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 30 JUNE 2005**

|                                                      | Note     | 2005<br>£             | 2004<br>£        |
|------------------------------------------------------|----------|-----------------------|------------------|
| <b>TURNOVER</b>                                      | <b>2</b> | <b>1,059,481</b>      | 935,442          |
| Administrative expenses                              |          | <u>518,704</u>        | <u>572,595</u>   |
| <b>OPERATING PROFIT</b>                              | <b>3</b> | <b>540,777</b>        | 362,847          |
| Interest receivable                                  |          | –                     | 146              |
| Interest payable and similar charges                 | <b>6</b> | <u>(199,062)</u>      | <u>(185,300)</u> |
| <b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |          | <b>341,715</b>        | 177,693          |
| Tax on profit on ordinary activities                 | <b>7</b> | <u>74,716</u>         | <u>34,100</u>    |
| <b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>        |          | <b>266,999</b>        | 143,593          |
| Balance brought forward                              |          | <u>365,522</u>        | <u>221,929</u>   |
| Balance carried forward                              |          | <u><b>632,521</b></u> | <u>365,522</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 2005

|                                                                | Note | 2005<br>£   | 2004<br>£   |
|----------------------------------------------------------------|------|-------------|-------------|
| <b>FIXED ASSETS</b>                                            |      |             |             |
| Tangible assets                                                | 8    | 42,755      | 64,206      |
| <b>CURRENT ASSETS</b>                                          |      |             |             |
| Debts factored with recourse:                                  |      |             |             |
| Gross debts                                                    |      | 6,263,017   | 7,215,016   |
| less: amount due to clients                                    |      | (2,827,791) | (2,981,914) |
|                                                                |      | 3,435,226   | 4,233,102   |
| Other debtors                                                  | 9    | 12,898      | 12,479      |
| Cash in hand                                                   |      | 200         | 200         |
| <b>TOTAL CURRENT ASSETS</b>                                    |      | 3,448,324   | 4,245,781   |
| <b>CREDITORS: Amounts falling due within one year</b>          | 10   | 2,158,313   | 3,241,171   |
| <b>NET CURRENT ASSETS</b>                                      |      | 1,290,011   | 1,004,610   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | 1,332,766   | 1,068,816   |
| <b>CREDITORS: Amounts falling due after more than one year</b> | 11   | 400,000     | 400,000     |
|                                                                |      | 932,766     | 668,816     |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                  |      |             |             |
| Deferred taxation                                              | 13   | 245         | 3,294       |
|                                                                |      | 932,521     | 665,522     |

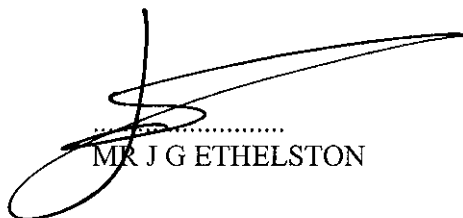
The Balance sheet continues on the following page.

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

**FACTOR 21 PLC**  
**BALANCE SHEET** *(continued)*  
**30 JUNE 2005**

|                             | Note | 2005<br>£      | 2004<br>£      |
|-----------------------------|------|----------------|----------------|
| <b>CAPITAL AND RESERVES</b> |      |                |                |
| Called-up share capital     | 16   | 300,000        | 300,000        |
| Profit and loss account     |      | <u>632,521</u> | <u>365,522</u> |
|                             |      | <u>932,521</u> | <u>665,522</u> |
| <b>SHAREHOLDERS' FUNDS:</b> | 17   |                |                |
| Equity                      |      | 692,521        | 425,522        |
| Non-equity                  |      | <u>240,000</u> | <u>240,000</u> |
|                             |      | <u>932,521</u> | <u>665,522</u> |

These financial statements were approved by the directors on the 3/10/05..... 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 2005**

|                                                                                                      | 2005<br>£            | 2004<br>£             |
|------------------------------------------------------------------------------------------------------|----------------------|-----------------------|
| <b>NET CASH INFLOW/(OUTFLOW) FROM<br/>OPERATING ACTIVITIES</b>                                       | <b>1,297,840</b>     | <b>(608,459)</b>      |
| <b>RETURNS ON INVESTMENTS AND<br/>SERVICING OF FINANCE</b>                                           |                      |                       |
| Interest received                                                                                    | —                    | 146                   |
| Interest paid                                                                                        | <u>(199,062)</u>     | <u>(185,300)</u>      |
| <b>NET CASH OUTFLOW FROM RETURNS ON<br/>INVESTMENTS AND SERVICING OF FINANCE</b>                     | <b>(199,062)</b>     | <b>(185,154)</b>      |
| <b>TAXATION</b>                                                                                      | <b>(35,179)</b>      | <b>(33,111)</b>       |
| <b>CAPITAL EXPENDITURE</b>                                                                           |                      |                       |
| Payments to acquire tangible fixed assets                                                            | <u>(1,969)</u>       | <u>(39,020)</u>       |
| <b>NET CASH OUTFLOW FROM CAPITAL<br/>EXPENDITURE</b>                                                 | <b>(1,969)</b>       | <b>(39,020)</b>       |
| <b>CASH INFLOW/(OUTFLOW) BEFORE<br/>FINANCING</b>                                                    | <b>1,061,630</b>     | <b>(865,744)</b>      |
| <b>FINANCING</b>                                                                                     |                      |                       |
| (Decrease)/Increase in bank loans                                                                    | (1,050,000)          | 850,000               |
| (Decrease)/Increase in directors' long-term loans                                                    | <u>—</u>             | <u>200,000</u>        |
| <b>NET CASH (OUTFLOW)/INFLOW FROM<br/>FINANCING</b>                                                  | <b>(1,050,000)</b>   | <b>1,050,000</b>      |
| <b>INCREASE IN CASH</b>                                                                              | <b><u>11,630</u></b> | <b><u>184,256</u></b> |
| <b>RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW)<br/>FROM OPERATING ACTIVITIES</b> |                      |                       |

|                                                            | 2005<br>£               | 2004<br>£               |
|------------------------------------------------------------|-------------------------|-------------------------|
| Operating profit                                           | 540,777                 | 362,847                 |
| Depreciation                                               | 23,420                  | 18,441                  |
| Decrease/(increase) in debtors                             | 951,580                 | (2,262,475)             |
| (Decrease)/increase in creditors                           | <u>(217,937)</u>        | <u>1,272,728</u>        |
| <b>Net cash inflow/(outflow) from operating activities</b> | <b><u>1,297,840</u></b> | <b><u>(608,459)</u></b> |

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

# FACTOR 21 PLC

## CASH FLOW STATEMENT *(continued)*

YEAR ENDED 30 JUNE 2005

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

|                                               | 2005               | 2004               |
|-----------------------------------------------|--------------------|--------------------|
|                                               | £                  | £                  |
| Increase in cash in the period                | 11,630             | 184,256            |
| Net cash outflow/(inflow) to bank loans       | 1,050,000          | (850,000)          |
| Cash (inflow) from directors' long-term loans | —                  | (200,000)          |
|                                               | <u>1,061,630</u>   | <u>(865,744)</u>   |
| Change in net debt                            | 1,061,630          | (865,744)          |
| Net debt at 1 July 2004                       | <u>(3,239,231)</u> | <u>(2,373,487)</u> |
| Net debt at 30 June 2005                      | <u>(2,177,601)</u> | <u>(3,239,231)</u> |

### ANALYSIS OF CHANGES IN NET DEBT

|                          | At<br>1 Jul 2004   | Cash flows       | At<br>30 Jun 2005  |
|--------------------------|--------------------|------------------|--------------------|
|                          | £                  | £                | £                  |
| Net cash:                |                    |                  |                    |
| Cash in hand and at bank | 200                | —                | 200                |
| Overdrafts               | <u>(89,431)</u>    | <u>11,630</u>    | <u>(77,801)</u>    |
|                          | <u>(89,231)</u>    | <u>11,630</u>    | <u>(77,601)</u>    |
| Debt:                    |                    |                  |                    |
| Debt due within 1 year   | <u>(2,750,000)</u> | <u>1,050,000</u> | <u>(1,700,000)</u> |
| Debt due after 1 year    | <u>(400,000)</u>   | <u>—</u>         | <u>(400,000)</u>   |
|                          | <u>(3,150,000)</u> | <u>1,050,000</u> | <u>(2,100,000)</u> |
| Net debt                 | <u>(3,239,231)</u> | <u>1,061,630</u> | <u>(2,177,601)</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 2005**

**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:

|                | 2005             | 2004           |
|----------------|------------------|----------------|
|                | £                | £              |
| United Kingdom | <u>1,059,481</u> | <u>935,442</u> |

**FACTOR 21 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2005**

**3. OPERATING PROFIT**

Operating profit is stated after charging:

|                                    | 2005         | 2004         |
|------------------------------------|--------------|--------------|
|                                    | £            | £            |
| Depreciation of owned fixed assets | 23,420       | 18,441       |
| Auditors' remuneration             |              |              |
| - as auditors                      | <u>5,500</u> | <u>5,500</u> |

**4. PARTICULARS OF EMPLOYEES**

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

|                            | 2005     | 2004     |
|----------------------------|----------|----------|
|                            | No       | No       |
| Number of management staff | <u>7</u> | <u>7</u> |

The aggregate payroll costs of the above were:

|                       | 2005           | 2004           |
|-----------------------|----------------|----------------|
|                       | £              | £              |
| Wages and salaries    | 183,811        | 161,562        |
| Social security costs | 21,468         | 16,424         |
| Other pension costs   | 15,477         | 13,479         |
|                       | <u>220,756</u> | <u>191,465</u> |

**5. DIRECTORS' EMOLUMENTS**

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

|                                                                  | 2005          | 2004          |
|------------------------------------------------------------------|---------------|---------------|
|                                                                  | £             | £             |
| Emoluments receivable                                            | 53,000        | 50,000        |
| Value of company pension contributions to money purchase schemes | 4,800         | 4,800         |
|                                                                  | <u>57,800</u> | <u>54,800</u> |

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

|                        | 2005     | 2004     |
|------------------------|----------|----------|
|                        | No       | No       |
| Money purchase schemes | <u>1</u> | <u>1</u> |

# FACTOR 21 PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

|                                              | 2005           | 2004           |
|----------------------------------------------|----------------|----------------|
|                                              | £              | £              |
| Interest payable - bank loans and overdrafts | 133,410        | 119,998        |
| Interest payable - all other loans           | 65,652         | 65,302         |
|                                              | <u>199,062</u> | <u>185,300</u> |

### 7. TAXATION ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the year

|                                                                                | 2005          | 2004          |
|--------------------------------------------------------------------------------|---------------|---------------|
|                                                                                | £             | £             |
| Current tax:                                                                   |               |               |
| In respect of the year:                                                        |               |               |
| UK Corporation tax based on the results for the year at 21.40%<br>(2004 - 19%) | 77,765        | 35,642        |
| Total current tax                                                              | <u>77,765</u> | <u>35,642</u> |
| Deferred tax:                                                                  |               |               |
| Origination and reversal of timing differences                                 | (3,049)       | (1,542)       |
| Tax on profit on ordinary activities                                           | <u>74,716</u> | <u>34,100</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 21.40% (2004 - 19%).

|                                               | 2005           | 2004           |
|-----------------------------------------------|----------------|----------------|
|                                               | £              | £              |
| Profit on ordinary activities before taxation | <u>341,715</u> | <u>177,693</u> |
| Profit/(loss) on ord actvs by rate of tax     | 73,127         | 33,762         |
| Expenses not deductible for tax               | 1,583          | 417            |
| Capital allowances in excess of depreciation  | 3,055          | 1,463          |
| Total current tax (note 7(a))                 | <u>77,765</u>  | <u>35,642</u>  |

**FACTOR 21 PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 JUNE 2005**

**8. TANGIBLE FIXED ASSETS**

|                        | Motor<br>Vehicles<br>£ | Equipment<br>£ | Total<br>£     |
|------------------------|------------------------|----------------|----------------|
| <b>COST</b>            |                        |                |                |
| At 1 July 2004         | 48,495                 | 56,780         | 105,275        |
| Additions              | —                      | 1,969          | 1,969          |
| <b>At 30 June 2005</b> | <u>48,495</u>          | <u>58,749</u>  | <u>107,244</u> |
| <b>DEPRECIATION</b>    |                        |                |                |
| At 1 July 2004         | 15,747                 | 25,322         | 41,069         |
| Charge for the year    | 11,812                 | 11,608         | 23,420         |
| <b>At 30 June 2005</b> | <u>27,559</u>          | <u>36,930</u>  | <u>64,489</u>  |
| <b>NET BOOK VALUE</b>  |                        |                |                |
| <b>At 30 June 2005</b> | <u>20,936</u>          | <u>21,819</u>  | <u>42,755</u>  |
| At 30 June 2004        | <u>32,748</u>          | <u>31,458</u>  | <u>64,206</u>  |

**9. OTHER DEBTORS**

|                                | 2005<br>£     | 2004<br>£     |
|--------------------------------|---------------|---------------|
| Prepayments and accrued income | <u>12,898</u> | <u>12,479</u> |

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

|                                                         | 2005<br>£        | 2004<br>£        |
|---------------------------------------------------------|------------------|------------------|
| Other loans                                             | 500,000          | 500,000          |
| Bank loans and overdrafts                               | 1,277,801        | 2,339,431        |
| Other creditors including taxation and social security: |                  |                  |
| Corporation tax                                         | 81,854           | 39,268           |
| Other taxation and social security                      | 19,708           | 22,047           |
| Directors current accounts                              | 180,000          | 240,000          |
|                                                         | <u>2,059,363</u> | <u>3,140,746</u> |
| Accruals and deferred income                            | 98,950           | 100,425          |
|                                                         | <u>2,158,313</u> | <u>3,241,171</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 2005

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

|                          | 2005<br>£      | 2004<br>£      |
|--------------------------|----------------|----------------|
| Other creditors:         |                |                |
| Directors' loan accounts | <u>400,000</u> | <u>400,000</u> |

### 12. PENSIONS

The company makes contributions into employees individual personal pension plans. The total cost for the year amounted to £15,477 (2004: £13,479). This includes payments for 1 director amounting to £4,800 (2004: £4,800).

### 13. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

|                                                          | 2005<br>£      | 2004<br>£      |
|----------------------------------------------------------|----------------|----------------|
| Provision brought forward                                | 3,294          | 4,836          |
| Profit and loss account movement arising during the year | <u>(3,049)</u> | <u>(1,542)</u> |
| Provision carried forward                                | <u>245</u>     | <u>3,294</u>   |

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

|                                                                 | 2005<br>£  | 2004<br>£    |
|-----------------------------------------------------------------|------------|--------------|
| Excess of taxation allowances over depreciation on fixed assets | <u>245</u> | <u>3,294</u> |
|                                                                 | <u>245</u> | <u>3,294</u> |

### 14. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2005 the company had annual commitments under non-cancellable operating leases as set out below.

|                                | <b>Land &amp; Buildings</b> |               |
|--------------------------------|-----------------------------|---------------|
|                                | 2005<br>£                   | 2004<br>£     |
| 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 £580,000 (2004: £640,000) by the company.

# FACTOR 21 PLC

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005

### 16. SHARE CAPITAL

#### Authorised share capital:

|                                      | 2005<br>£        | 2004<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:

|                              | 2005           |                | 2004           |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 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

|                                    | 2005<br>£      | 2004<br>£      |
|------------------------------------|----------------|----------------|
| Profit for the financial year      | 266,999        | 143,593        |
| Opening shareholders' equity funds | 425,522        | 281,929        |
| Closing shareholders' equity funds | <u>692,521</u> | <u>425,522</u> |

#### NON-EQUITY SHAREHOLDERS' FUNDS

|                                                    |                |                |
|----------------------------------------------------|----------------|----------------|
| Opening and closing shareholders' non-equity funds | <u>240,000</u> | <u>240,000</u> |
|----------------------------------------------------|----------------|----------------|

|                                  |                       |                       |
|----------------------------------|-----------------------|-----------------------|
| <b>TOTAL SHAREHOLDERS' FUNDS</b> | <u><b>932,521</b></u> | <u><b>665,522</b></u> |
|----------------------------------|-----------------------|-----------------------|