



Director's report and
consolidated financial statements

For the year ended 30 June 2008

ultimatefinance

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Directors

Clive Garston (non-executive chairman)

Clive Garston, aged 63 is a solicitor and is a member of Halliwells LLP specialising in corporate finance and mergers and acquisitions. He is currently a corporate partner of the firm's London office. He is a non-executive director of a number of quoted and unquoted companies.

Richard Pepler (chief executive officer)

Richard Pepler, aged 48, has 30 years' experience in commercial banking, leasing, trade finance, factoring and invoice discounting and has held a number of senior management and director positions, particularly in sales. Prior to forming the Ultimate Finance Group, he was sales director and a principal underwriter of all new business for Bibby Factors (Bristol) Limited. He also led group marketing for over two years for The Bibby Group of Factors Limited.

Jeremy Coombes (operations director)

Jeremy was also a founding member of the Ultimate Finance Group, aged 43, Jeremy has 22 years experience in factoring in various operational and underwriting roles. Before forming the Ultimate Finance Group, Jeremy was the operations director for Bibby Factors (Bristol) Limited where his duties included the development and planning of operation strategy, financial planning and risk control.

Shane Horsell (finance director)

Shane Horsell, aged 42, joined Ultimate Finance Group in March 2006. Shane has 21 years experience in various finance roles, latterly as finance director of Blick UK Ltd the major subsidiary of Blick Plc (the formerly FTSE listed company) and as group finance director for Advent Publishing Systems Ltd.

Richard Lee (non-executive director)

Richard Lee, aged 63, is a director of W.H. Ireland Group plc. He has been a director of various public companies in a variety of industries. Richard is a non-executive director of Freedom Finance Holdings PLC.

Chairman's Statement

Results

As I mentioned in my statement which accompanied the announcement of the results for the six month period ended 31 December 2007 the year ended 30 June 2008 has been impacted by restructuring and severance costs as a result of changes made during the period. However, I am pleased to be able to report, that for the year ended 30 June 2008, Ultimate Finance Group plc (Ultimate) achieved a profit before tax of £137,376 (2007: £301,986) after restructuring and severance costs of £167,387. These costs were incurred primarily as a result of the departure of the former chief executive Brian Sumner. Without this charge profit before tax amounts to £304,763.

Client sales financed in the year increased by 11% to £171.8m (2007: £154.9m). This increase has been, as previously, a consequence of the growth experienced by existing clients and the increase in size of transactions for new clients.

Turnover for the period increased by 3% to £4,145,734 (2007: £4,026,628).

Basic earnings per share for the year to 30 June 2008 amounted to 0.13p compared to 1.09p for 2007. Without the severance and restructuring costs and before taxation the basic earnings per share would have amounted to 1.52p (2007:1.51p).

The Ultimate cost base continues to be contained as much as possible with the sole justification for any increase being to meet the demands of an expanding business and growing portfolio.

In a difficult year and under trying conditions I regard this result as satisfactory.

These are the Group's first set of full year results published under International Financial Reporting Standards as adopted by the European Union ("adopted IFRSs"). The effect of transition to adopted IFRS is set out in the transition statement at the end of this report.

Funding

I am pleased to report that the back-to-back receivable financing arrangement with Lloyds TSB Commercial Finance has been extended until the end of September 2009. At the financial year end the group had utilised £11.2m of the £18m facility.

Management and employees

As noted above, Brian Sumner left the company in October 2007 to pursue other interests. Following his departure Richard Pepler was appointed as Chief Executive and he has shown enthusiasm and commitment to building the Ultimate business and developing shareholder value. The sales force has been expanded from 3 to 7 and a new regional managing director has been recruited for the south east and a new office opened in Tunbridge Wells. The south east of England is an area of importance to Ultimate as there is a very high concentration of SME activity in that area, which I believe Ultimate will now be able to access. This expansion will enable our sales force to be more effective in the regions where we operate.

I would like to thank my colleagues on the board and all employees of Ultimate in helping to achieve these results in what was a difficult year both in terms of the economic climate and a change of chief executive. The success of Ultimate is entirely attributable to its committed team. They deserve every credit.

Risk Management

Ultimate's record of minimising bad debt continues to be good. In the current economic climate, management of risk is increasingly important and our risk management procedures have remained our primary focus and underwriting standards have remained exceptionally high. This ensures that deals will not be taken on for short term growth at the expense of long term shareholder value. Experienced client management and credit control staff ensure both an excellent level of customer service and financial stewardship.

Chairman's Statement *(continued)*

Outlook

Although trading conditions remain challenging there was a significant recovery in the second half of the period under review. Whilst the economic climate remains uncertain your board are still confident about the future of the Ultimate business and will continue to take all necessary steps to build sustainable shareholder value.

We look forward to the future with some confidence.

Clive Garston

Chairman

Chief Executive's Review

Introduction

Ultimate Finance Group plc provides bespoke invoice discounting and factoring facilities to the SME market. Our hallmarks are a personal approach and high levels of support, with regular contact, for all our clients. Our invoice discounting and factoring products, which also provide for sales ledger credit management and our debtor protection product, are supported by an IT infrastructure that enables clients to access their account information in real time via the internet.

This comprehensive, open-door approach to providing a high quality service continues to deliver successful new client wins. Our distinctive offering delivers deals promptly, tailored to the clients needs.

Following my appointment as Chief Executive in March 2008, I have worked hard to instil renewed energy and enthusiasm into the team, with clear direction and focus.

Among initiatives undertaken was our first white-labelled product, in conjunction with the UK's largest specialist factoring broker. We intend to develop this partnership approach, with leading organisations in their respective fields, throughout this financial year and thereafter.

Another exciting advance is our expansion into international factoring, through our membership from July of Factors Chain International (FCI), an established, worldwide network of 240 market leaders in more than 60 countries. We have since then made a number of import factoring offers to FCI members on behalf of their clients in Turkey, Italy, Taiwan and Australia, and the first three will be active very soon. These import factoring facilities do not involve funding the overseas client, but rather providing our expertise in credit management with regard to their UK debtors. The FCI network handles more than 80% of the world's international factoring volume and we are delighted to be one of only six UK members.

Our UK business in the South-East of England continues to expand and the opening of our new centre in the region underlines our strategy to provide a local, high-quality and responsive service to clients both current and new, in the UK and overseas. The office is headed by Maria Dunne, regional Managing Director and recently appointed to the Board of our main trading subsidiary, Ultimate Finance Limited, who benefits from substantial experience of our sector, gained in larger organisations.

In March 2008 we successfully relocated our Northern-based operation from Wilmslow, Cheshire to the centre of Manchester. This was an important move for the Company, positioning us in the centre of the region's business community and ensuring that we are close to our key finance-sector introducers. We are committed to developing our profile in the North of England and our experienced team are prepared for growth.

Strategy

Our main focus remains the SME sector, taking in clients ranging from good-quality, well founded start-ups to established and mature, medium-sized businesses. We are delighted that the quality of our client portfolio continues to grow.

Since July 2007 the SME marketplace has seen an increasing number of business failures, which has made us more selective in increasing client numbers. However, longer-term, the market for factoring and invoice discounting products presents real growth opportunities and the 'credit crunch' has also increased the level of enquiries. We continue, however, to remain robust in our strict underwriting procedures and risk management during these challenging times for the UK economy.

I believe that our market will continue to grow at the expense of the traditional bank overdraft. In the light of developments in our sector and our thorough understanding of the needs of SMEs, the Company is currently exploring a number of other opportunities for growth, including partnerships with leading brokers and further white-labelled products.

Chief Executive's Review *(continued)*

We have continued to build our national sales team and over the last year three additional members have joined us. During the second half of the year the Company appointed a Sales Director, Paul Atkins and he joined the Board of our main trading subsidiary, Ultimate Finance Limited in September 2008. The growth of the team shall continue this year, allowing us to take advantage of the increasing opportunities in our fast-growing market place and position us strongly to take on further clients.

With a market growing at more than 16% per year (source; Asset Based Finance Association), a determined and highly experienced management team focused on expanding our portfolio and profits, robust risk management and high levels of service, the Company has, I am confident, strong prospects.

Performance

During the last year, our margins have come under some pressure in what has been a very competitive market for rates. However, Ultimate did achieve a 29% increase in profit before tax (before restructuring/severance costs) in the second half of the year. We are optimistic that our growth strategy and dedicated team will together provide margin improvement. We are seeing evidence of our bank competitors starting to increase their rates, bringing prospects of increased competitive advantage for Ultimate.

Our experience shows that in times of tightening credit, companies turn to asset financiers such as ourselves in greater numbers, and margins tend to increase. It is likely that current market conditions will produce a similar outcome for the industry.

Our ambitions continue to reflect the four cornerstones of our business: a wealth of experience applied to risk management and underwriting; a strong, locally-based service ethic enabling us to differentiate Ultimate; recognition that quality staff, developed to the full through training and guidance, deliver an accessible, fast, flexible and friendly service; and a sound and secure product range, adaptable to the practical needs of clients throughout the business cycle.

The Ultimate Finance Group team

Our staff remain our greatest asset and we have strengthened the team again in 2008 with some of the best in the industry. We shall continue to ensure we recruit the best available people and that they are properly incentivised to achieve optimum results. We are also committed to building and maintaining close relationships with our valued business introducers.

Conclusion

The well documented problems of the economy have produced difficult times for SMEs including some of our clients. It is at times such as these that these businesses require specialist help and support, enabling us to build stronger relationships. Our robust approach to risk, combined with initiatives such as white-label partnerships and international operations, equip us well to benefit from both current uncertainties and, when it arrives, an improved business environment.

Richard Pepler
Chief Executive

Corporate governance

The board has given consideration to the Combined Code of Corporate Governance issued by the London Stock Exchange (the “Code”). Although companies traded on AIM are not required to provide Corporate Governance disclosure, the directors have chosen to provide certain information on how the company has adopted various principles of the Code.

The board and its committees

The group board is currently made up of three executive and two non-executive directors. The board is responsible for the overall direction and strategy of the group and meets regularly throughout the year. Under the company’s Articles of Association, one third of the directors are required to retire by rotation each year.

The board has formally established a number of committees and agreed their terms of reference, these committees being:

Remuneration committee

The principal function of this Committee is to determine the policy on Executive appointments and remuneration. The Committee consists of two non-executive directors, Richard Lee, who chairs the Committee and Clive Garston. It is the aim of the Committee to attract, retain and motivate high calibre individuals with a competitive remuneration package.

Remuneration for an executive normally comprises of basic salary, bonus, benefits in kind and options. Details of the current directors’ remuneration and the executive share option scheme are given in the Remuneration report, the Directors’ report and the notes to the financial statements.

The Chief Executive may be invited to attend certain discussions of the Committee.

Audit committee

The Committee is made up of two non-executive directors, Clive Garston as Chairman of the Committee and Richard Lee. Its principal terms of reference are to review compliance with all relevant financial services legislation and regulation, adherence to and effectiveness of the group’s own internal procedures and the identification of operational, credit and other financial risks. The Audit Committee is also responsible for reviewing the interim and annual financial statements and for the appointment of external auditors.

Internal control

The directors acknowledge that they are responsible for the system of internal control established by the group and place considerable importance on maintaining a strong control environment. However, any system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss.

Detailed internal control procedures exist throughout the group’s operations and compliance is monitored by management.

Remuneration report

Companies traded on AIM are not required to provide a formal remuneration report. This report is provided for information purposes only to give a greater transparency to the way executive directors are remunerated.

Composition and role of the remuneration committee

The board of directors has established a remuneration committee, which consists of two non-executive directors, Richard Lee who chairs the committee and Clive Garston.

The committee determines and agrees with the board the framework and policy of executive directors' remuneration and the associated costs to the group and is responsible for the implementation of that policy. The committee determines the specific remuneration packages for each of the executive directors and no director is involved in any decision as to his own remuneration. The committee has access to information and advice provided by the Chief Executive and has access to independent advice where it considers it appropriate.

This report explains how the group has applied its policy on remuneration paid to executive directors.

Framework and policy on executive directors' remuneration

The group's remuneration policy is designed to provide competitive rewards for its executive directors taking into account the performance of the group and the individual executives together with comparisons to pay conditions throughout the market in which the group operates. It is the aim of the committee to attract, retain and motivate high calibre individuals with a competitive remuneration package.

The remuneration packages are constructed to provide a balance between fixed and variable rewards. Therefore remuneration packages for executive directors normally include salary, discretionary bonuses, benefits in kind and options. In agreeing the level of basic salaries and annual bonuses the committee takes into consideration the total remuneration that executives could receive.

Basic salary

Basic salaries are reviewed on an annual basis or following a significant change in responsibilities. The committee seeks to establish a basic salary for each executive determined by individual responsibilities and performance, taking into account comparable salaries for similar positions in companies of a similar size in the same market.

Incentive arrangements

1. Annual discretionary bonus

These are designed to reflect the group's performance, taking into account the performance of its peers, the market in which the group operates and the executive's contribution to that performance. These bonuses are added to normal salary and subjected to normal PAYE taxation.

2. Share options

Under the terms of the company's Share Option Schemes, options over the company's shares may be issued on a discretionary basis to the executives within the group at not less than the prevailing market price. Under the Company Share Ownership Plan, the maximum aggregate subscription price of all options issued to an executive in any ten year period may not exceed £30,000. In addition, options may not be granted in total in excess of 10% of the issued ordinary share capital of the company.

Under the Unapproved Employee Share Option Scheme, the number of shares in which options may be granted must not exceed 5% of the issued ordinary share capital of the company.

Remuneration report *(continued)*

At the discretion of the board, exercise of options granted under both schemes can be subject to performance criteria. Options granted to the executives under the Unapproved Employee Share Option Scheme on 7 June 2002 are subject to the company achieving pre tax profits of not less than £1,000,000, as shown by the group's audited consolidated financial statements. No conditions apply to the exercise of any other options currently held.

During the year to 30 June 2008, 150,000 options were granted over the company's shares under the Company Share Ownership Plan to employees of the company including the executive directors.

Other employee benefits

Executive directors are entitled to a range of benefits, including a company car (or car allowance), contributions to personal pension plans, private medical insurance and life assurance.

Service contracts and notice periods

Richard Pepler and Jeremy Coombes are employed on rolling contracts subject to twelve months' notice from the company or six months notice from the executive. Shane Horsell is employed on a service contract subject to six months' notice given by either party. The service contracts of the current executive directors are available for inspection by any person at the company's registered office during normal working hours on any day except weekends and bank holidays and at the Annual General Meeting from 10.00am on the day of the Meeting until the conclusion of the Meeting.

Service contracts do not provide explicitly for termination payments or damages but the company may make payments in lieu of notice. For this purpose pay in lieu of notice would consist of basic salary and other relevant emoluments for the notice period excluding any bonus.

Non-executive directors

All non-executive directors are appointed on a rolling basis subject to six months' notice by either the non-executive director or the company, given at any time. In the event of termination of their appointment they are not entitled to any compensation. The terms and conditions of appointment of non-executive directors are available for inspection by any person at the company's registered office during normal working hours on any day except weekends or bank holidays and at the Annual General Meeting from 10.00am on the day of the Meeting until the conclusion of the Meeting.

Non-executive directors are not eligible for pensions and do not participate in the company's bonus or share schemes.

Remuneration report *(continued)*

Directors' emoluments

The remuneration of each director, excluding share options and awards, during the year ended 30 June 2008 is detailed in the table below:

	Salaries/Fees £	Benefits £	Total for year ended 30 June 2008 £	Total for year ended 30 June 2007 £	Pension contributions for year ended 30 June 2008 £	Pension contributions for year ended 30 June 2007 £
Executives						
Brian Sumner ¹	128,101	753	128,854	127,648	4,945	14,250
Jeremy Coombes	95,633	1,332	96,965	90,642	8,403	7,750
Richard Pepler	111,460	1,503	112,963	100,492	9,926	9,000
Shane Horsell	89,733	1,678	91,411	81,397	8,082	6,500
Non-executives						
Clive Garston	22,500	-	22,500	17,500	-	-
Derek Ashford ²	7,138	-	7,138	12,500	-	-
Richard Lee	12,708	-	12,708	12,500	-	-
	467,273	5,266	472,539	442,679	31,356	37,500

¹ Brian Sumner resigned from the board on 22 October 2007 and fees paid to him during the year include severance costs of £120,000.

² Derek Ashford resigned from the board on 31 October 2007

The emoluments of the executive directors are incurred by Ultimate Finance Limited.

Remuneration report *(continued)*

Directors' interests in share options

	Number of ordinary shares	Date of grant of share option	Exercise price per ordinary share	Exercise period
Brian Sumner ¹	*100,000	07/06/2002	24.0p	07/12/03 to 22/10/08
	25,000	28/11/2003	23.0p	28/11/06 to 22/10/08
	50,000	29/09/2004	17.5p	29/09/07 to 22/10/08
	25,000	13/04/2005	21.0p	13/04/08 to 22/10/08
Richard Pepler	*100,000	07/06/2002	24.0p	07/12/03 to 06/06/09
	25,000	28/11/2003	23.0p	28/11/06 to 27/11/10
	50,000	29/09/2004	17.5p	29/09/07 to 28/09/11
	25,000	13/04/2005	21.0p	13/04/08 to 12/04/12
Jeremy Coombes	*100,000	07/06/2002	24.0p	07/12/03 to 06/06/09
	25,000	28/11/2003	23.0p	28/11/06 to 27/11/10
	50,000	29/09/2004	17.5p	29/09/07 to 28/09/11
	25,000	13/04/2005	21.0p	13/04/08 to 12/04/12
Shane Horsell	75,000	15/03/2006	23.75p	15/03/09 to 14/03/13
	10,000	29/09/2006	23.0p	29/09/09 to 28/09/13

* Options granted under the Unapproved Employee Share Option Scheme

¹ Brian Sumner's options expire 1 year after he resigned.

Directors' report

The directors present their annual report and the audited financial statements for the year to 30 June 2008.

Principal activities

The company has one trading subsidiary, Ultimate Finance Limited and three dormant subsidiaries, Ultimate Factors Limited, Ultimate Asset Finance Limited and Ultimate Cash Flow Limited.

The principal activities of the group throughout the period were the provision of factoring, invoice discounting and trade finance services.

Business review

A review of the business can be found in the Chairman's statement, on pages 2 and 3, and the Chief Executive Officer's review on pages 4 and 5.

In addition the directors have considered the guidance on company narrative reporting issued by the DTI and the requirements of CA85 s234ZZB. The directors consider the major risks to the business to be:

Credit Risk – the risk of financial loss as a result of a client's failure to settle financial obligations as they fall due. This risk is mitigated by extremely stringent underwriting procedures before the client is accepted and by constant monitoring of the client's credit situation. Particular attention is concentrated on the clients' debtors through review of debtor concentration ratios and debtor validation checks on significant exposures. Furthermore, poor credit risk debtors are not financed or only partially financed. All operational staff are extensively trained in these procedures.

General economic risk – clearly the current economic downturn could potentially reduce the amount of client sales financed. However any economic downturn also increases the amount of businesses looking for factoring and invoice discounting solutions. At such times credit risk can increase and the credit risk procedures discussed above are tightened further.

Proposed dividend

The directors do not recommend the payment of a dividend (2007: nil)

Policy and practice on payment of creditors

The company subscribes and adheres to the 'Prompt Payer Partnership' code of practice for settlement of supplier accounts. Furthermore, it is the group's payment policy with all suppliers to settle due and outstanding accounts in accordance with the terms and conditions agreed when placing orders. At the year end, there were 13 days purchases in trade creditors for the group (2007: 10 days). There were no trade creditors for the company as at 30 June 2008 (2007: nil).

Directors and directors' interests

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

Clive Garston
Brian Sumner Resigned on 22 October 2007
Richard Pepler
Jeremy Coombes
Shane Horsell
Derek Ashford Resigned on 31 October 2007
Richard Lee

The directors retiring by rotation are Jeremy Coombes and Shane Horsell who, being eligible, offer themselves for re-election.

Directors' report (continued)

Directors and directors' interests (continued)

The directors who held office at the end of the financial year, or their immediate families, had the following interests in the ordinary shares of the company according to the register of directors' interests:

	Ordinary shares of 5p each	
	Interest at beginning of year	Interest at end of year
Clive Garston	250,000	350,000
Richard Pepler	960,000	1,045,000
Jeremy Coombes	811,010	826,010
Shane Horsell	40,000	40,000
Richard Lee	100,000	100,000

There have been no changes in the interests of the directors or their immediate families in the ordinary shares of the company according to the register of directors' interests between the year end and 12 September 2008, the last practicable date prior to the publication of this report.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company (or any other group company) were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

No rights to subscribe for shares in or debentures of the company (or any other group company) were granted to any of the directors or their immediate families between the year end and 12 September 2008.

Major shareholdings

At 12 September 2008, the last practicable date prior to the publication of this report, the company had been notified of the following shareholdings (other than directors) of 3% or more of the ordinary share capital:

	Ordinary Shares	%
W.H. Ireland Group plc	4,633,122	23.2
Brian Sumner Esq.	1,109,845	5.6
Mark Abbott Esq	820,801	4.1
David Laurence Harvey Esq.	765,000	3.8

Directors' report *(continued)*

Political and charitable contributions

The group made no charitable donations during the period (2007: nil). The group made no political contributions during the period (2007: nil)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

Notice of the Annual General Meeting of the company to be held at Bradley Pavilions, Pear Tree Road, Bradley Stoke, Bristol, BS32 0BQ on the 12 November 2008 will be sent to all shareholders, together with a form of proxy.

By order of the Board

Richard Pepler
Director

Bradley Stoke
Bristol
BS32 0BQ
15 September 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and the parent company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors' are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ULTIMATE FINANCE GROUP PLC

We have audited the group and parent company financial statements (the "financial statements") of Ultimate Finance Group plc for the year ended 30 June 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 14.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 30 June 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008;
- 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.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

1 The Embankment

Neville Street

Leeds

15 September 2008

Consolidated Income Statement
for year ended 30 June 2008

	<i>Note</i>	2008 £000	2007 £000
Revenue	3	4,146	4,027
Cost of sales		(784)	(713)
		<hr/>	<hr/>
Gross profit		3,362	3,314
Administrative expenses	4	(3,224)	(3,011)
		<hr/>	<hr/>
Operating profit		138	303
Finance income	6	6	4
Finance expenses	6	(7)	(5)
		<hr/>	<hr/>
Profit before tax		137	302
Taxation	7	(112)	(84)
		<hr/>	<hr/>
Profit for the year		25	218
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share	19		
Basic		<u>0.13p</u>	<u>1.09p</u>
Diluted		<u>0.13p</u>	<u>1.09p</u>

All amounts relate to continuing activities and are attributable to equity holders of the parent.

There were no recognised income and expense items (2007: nil) other than those reflected in the above income statement.

Consolidated and Company Balance Sheets

At 30 June 2008

	Note	Group 2008 £000	2007 £000	Company 2008 £000	As re-stated* 2007 £000
Non-current assets					
Investment in subsidiary	9	-	-	45	33
Property, plant and equipment	8	104	129	-	-
Deferred tax assets	10	127	186	-	-
		<u>231</u>	<u>315</u>	<u>45</u>	<u>33</u>
Current assets					
Loans and other receivables	11	13,871	14,584	3,310	3,101
Cash and cash equivalents	12	88	136	1	1
		<u>13,959</u>	<u>14,720</u>	<u>3,311</u>	<u>3,102</u>
Total assets		<u>14,190</u>	<u>15,035</u>	<u>3,356</u>	<u>3,135</u>
Current liabilities					
Bank overdraft	12	(11,204)	(11,923)	-	-
Trade and other payables	13	(265)	(545)	(1)	(3)
Tax payable		(146)	(29)	(54)	(28)
		<u>(11,615)</u>	<u>(12,497)</u>	<u>(55)</u>	<u>(31)</u>
Net assets		<u>2,575</u>	<u>2,538</u>	<u>3,301</u>	<u>3,104</u>
Equity attributable to equity holders of the parent					
Share capital	15	1,000	1,000	1,000	1,000
Share premium	15	1,949	1,949	1,949	1,949
Retained earnings	15	(374)	(411)	352	155
		<u>2,575</u>	<u>2,538</u>	<u>3,301</u>	<u>3,104</u>

* see note 1

These financial statements were approved by the board of directors on 15 September 2008 and were signed on its behalf by:

Richard Pepler
Director

Cash Flow Statements

for year ended 30 June 2008

	<i>Note</i>	Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
Cash flows from operating activities					
Profit before tax for the year		137	302	239	187
<i>Adjustments for:</i>					
Depreciation, amortisation and impairment		79	73	-	-
Financial income		(6)	(4)	-	-
Financial expense		7	5	-	-
Equity settled share-based payment expenses		12	12	-	-
Taxation		(112)	(84)	(54)	(28)
		<u>117</u>	<u>304</u>	<u>185</u>	<u>159</u>
(Increase)/decrease in loans and other receivables		772	(2,745)	(209)	(169)
(Decrease) in trade and other payables		(280)	(49)	(2)	(18)
Increase in tax payable		117	29	26	28
		<u>609</u>	<u>(2,765)</u>	<u>(185)</u>	<u>(159)</u>
Tax paid		-	-	-	-
Net cash from operating activities		<u>726</u>	<u>(2,461)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities					
Acquisition of property, plant and equipment	8	(54)	(84)	-	-
Net cash from investing activities		<u>(54)</u>	<u>(84)</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities					
Financial income		6	4	-	-
Financial expense		(7)	(5)	-	-
Net cash from financing activities		<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		671	(2,546)	-	-
Cash and cash equivalents at 1 July		(11,787)	(9,241)	1	1
Cash and cash equivalents at 30 June	12	<u>(11,116)</u>	<u>(11,787)</u>	<u>1</u>	<u>1</u>

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation and statement of compliance

Ultimate Finance Group plc (the “company”) is a company incorporated in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the “group”). The financial statements were approved by the board of directors on 15 September 2008

The group and company financial statements have been prepared for the first time in accordance with International Financial Reporting Standards as adopted in the European Union (“adopted IFRSs”), and its interpretations adopted by the International Accounting Standards Board (“IASB”) or the International Financial Reporting Interpretations Committee (“IFRIC”) of their predecessors, which had been approved by the European Commission at 30 June 2008. An explanation of how the transition to adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 22.

On publishing the parent company financial statements here together with the group financial statements, the company is taking advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements are prepared on the historical cost basis and are presented in Pounds Sterling, the Group’s functional and presentational currency.

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Information about such judgments and estimates are discussed in note 2.

The directors have not adopted IFRS 8 *Operating segments* which although endorsed by the EU is not effective until 2009.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 July 2006 for the purposes of the transition to adopted IFRSs.

Prior year restatement of company balance sheet

The IFRIC interpretation 8 *Scope of IFRS 2* has been adopted and applied retrospectively in the current year. The impact of adopting this policy is to increase the cost of investment in the company’s subsidiary, for an amount equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity. This has resulted in a restatement in the prior year of the carrying value of the company’s investments and retained earnings of £33,000. The accounting policy in respect of share based payments is included below.

First time adoption of IFRS

IFRS 1 *First time adoption of IFRS* outlines how the requirements of IFRS should be applied upon transition to IFRS and to the first financial statements prepared in accordance with IFRS. The standard requires that accounting policies be adopted that comply with IFRS effective at the first reporting date, and for those policies to be applied retrospectively to all periods presented in those first IFRS financial statements. IFRS 1 does however provide a number of optional exemptions to this requirement that can be applied at the date of transition to IFRS. Of these exemptions, the group and the company have chosen to take advantage of the following:

- IFRS 2 *Share-based payment* has not been applied to equity instruments that were granted before 7 November 2002 or those that were granted after 7 November 2002 that vested before 1 January 2005.

Notes (continued)

Basis of consolidation

The financial information contained in the group financial statements represent the results, cash flows, assets and liabilities of the company and its subsidiaries made up to 30 June each year. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All income and expenses and unrealised gains and losses arising on transactions between entities within the group, and balances between entities within the group that exist at the balance sheet date, are eliminated on consolidation.

Revenue recognition

Revenue comprises fees for the provision of invoice financing services, net of Value Added Tax, and is recognised as follows:

a) Interest Income

Interest income and set up fee income and associated directly attributable set up costs are recognised in the income statement for all financial assets measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows through the expected life, or contractual term if shorter, of the financial asset to the net carrying amount of the financial asset. When calculating the EIR, the company estimates cash flows considering all contractual terms of the financial instruments, but does not include an expectation for future credit losses. Interest income is calculated and applied to clients' accounts on a daily basis.

b) Service fee income

The company charges its clients a factoring fee for managing their sales ledgers which is based on the value of invoices assigned. This fee is recognised in the income statement on a straight line basis over the period in which the ledger management service is provided.

c) Other Fee Income

Other fee income, which includes disbursements, is credited to the income statement when the service has been provided or the disbursement expenditure incurred.

Expenses

Operating lease payments

Leases are categorised as operating leases where the lessor retains substantially all the risks and rewards of ownership of the leased asset. All leased assets held by the group at 30 June 2007, 30 June 2008 and the date of transition to IFRS are categorised as operating leases.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that relates to items recognised directly in equity, in which case it is recognised in equity.

Notes *(continued)*

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the temporary differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase recognised in retained earnings within equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured at grant date using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Segmental information

The group determines its business and geographical segments by reference to the nature of business risks and returns and the group's system of internal financial reporting. All the group's operations are based in the United Kingdom and are considered to represent a single geographical and business segment.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Notes *(continued)*

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 3 years
- fixtures and fittings 2-5 years

Investments

Investments in subsidiaries are carried at cost less impairment.

Financial assets

Management determine the classification of the Group's financial assets at initial recognition into one of the following categories – loans and other receivables, held-to-maturity financial assets, available-for-sale financial assets and financial assets at fair value through profit or loss. The group has not held any held-to-maturity, available for sale financial assets or financial assets at fair value through profit or loss at any point during the year.

All financial assets are initially measured at fair value plus, in the case of financial assets not classified as a fair value through income statement, transaction costs that are directly attributable to their acquisition.

The Group initially recognises advances to clients and deposits on the date that they are originated. These balances are included in loans and other receivables and are initially recognised at fair value and subsequently measured at amortised cost less impairment losses.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Impairment of loans & receivables

In respect of loans and receivables, the Group assesses on an ongoing basis whether there is objective evidence that an individual loan asset is impaired. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses are reversed through the income statement if there is a change in the estimates used to determine the recoverable amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. Bank overdrafts are shown as current liabilities in the balance sheet.

Notes *(continued)*

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Financial risk management

The Group issues advances to its clients which are financed by a bank facility. The Group is responsible for managing the credit, liquidity and interest rate risks associated with these arrangements.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

This risk is mitigated by underwriting procedures before the client is accepted and by constant monitoring of the client's credit situation. Particular attention is concentrated on the clients' debtors through review of debtor concentration ratios and debtor validation checks on significant exposures. Furthermore, poor credit risk debtors are not financed or only partially financed.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of specific loans and other receivables.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity using cash flow forecasting, is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group does not have significant exposure to currency risk or interest rate risk as fluctuations in these are passed onto the Group's client base.

Notes (continued)

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity.

The Group does not use derivative financial instruments.

Financial guarantees policy

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements, and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

2 Key sources of estimation uncertainty

Loan Loss Provisioning

The company reviews its loans and receivables on an ongoing basis to assess the level of impairment. Future cash flows are estimated on the basis of the contractual cash flows of the asset, experience of the specific client and historic experience of similar clients. To the extent that the net present value of estimated future cash flows differs by +/-1%, the loan loss provision in the balance sheet would be an estimated £140,000 lower or higher

3 Revenue

All revenue is derived in the United Kingdom and relates to fees and discount income.

	2008	2007
	£000	£000
Service Fee Income	2,265	2,319
Interest Income	1,212	1,150
Other Fee Income	669	558
	<hr/>	<hr/>
Total Income	4,146	4,027
	<hr/> <hr/>	<hr/> <hr/>

4 Expenses and auditors' remuneration

Included in profit/loss are the following:

	2008	2007
	£000	£000
Auditors' remuneration		
Audit of these financial statements	8	7
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	13	10
Other audit services pursuant to legislation	11	3
Other services relating to taxation	4	4
Depreciation and other amounts written off property, plant and equipment	79	73
Restructuring costs expensed as incurred – included in administrative expenses	167	-
Hire of other assets – operating leases	186	210

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period was 39 (2007: 41). The company did not have any employees (2007: nil). The aggregate payroll costs of these persons were as follows:

	2008	2007
	£000	£000
Wages and salaries	1,351	1,250
Social security costs	139	142
Other pension costs	81	79
	1,571	1,471

Directors' remuneration

	2008	2007
	£000	£000
Directors' emoluments	353	443
Company contributions to money purchase pension plans	31	37
Severance costs	120	-
	504	480

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £128,854 (£ 127,648), and company pension contributions of £9,926 (2007:£14,250) were made to a money purchase scheme on his behalf.

6 Finance income and expense

	2008	2007
	£000	£000
Bank interest income	6	4
Finance income	6	4
Bank interest payable	(7)	(5)
Finance expenses	(7)	(5)

Notes (continued)

7 Taxation

Recognised in the income statement

	2008 £000	2007 £000
<i>Current tax expense</i>		
Current year	53	55
Adjustments for prior years	-	-
	<hr/>	<hr/>
	53	55
<i>Deferred tax expense</i>		
Origination and reversal of temporary differences	50	29
Adjustment in respect of prior year	9	-
	<hr/>	<hr/>
	59	84
	<hr/>	<hr/>
Total tax in income statement	112	84
	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of effective tax rate

	2008 £000	2007 £000
Profit for the period	25	218
Total tax expense	112	84
	<hr/>	<hr/>
Profit excluding taxation	137	302
	<hr/> <hr/>	<hr/> <hr/>
Tax using the UK corporation tax rate of 29.5 % ¹ (2007:30 %)	41	91
Small companies tax rate allowance	(4)	(17)
Non-deductible expenses	8	21
Other timing differences	12	-
Effect of tax losses utilised	(3)	(11)
Reversal of IFRS adjustment to deferred income	58	-
	<hr/>	<hr/>
Total tax expense	112	84
	<hr/> <hr/>	<hr/> <hr/>

¹ Tax rate reflects change in UK corporation tax rate from 30% to 28% in April 2008

Notes (continued)

8 Property, plant and equipment – Group

	Plant and equipment £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 July 2006	147	68	215
Additions	68	17	85
Balance at 30 June 2007	<u>215</u>	<u>85</u>	<u>300</u>
Balance at 1 July 2007	<u>215</u>	<u>85</u>	<u>300</u>
Additions	42	12	54
Balance at 30 June 2008	<u>257</u>	<u>97</u>	<u>354</u>
Depreciation and impairment			
Balance at 1 July 2006	75	23	98
Depreciation charge for the year	52	21	73
Balance at 30 June 2007	<u>127</u>	<u>44</u>	<u>171</u>
Balance at 1 July 2007	<u>127</u>	<u>44</u>	<u>171</u>
Depreciation charge for the year	56	23	79
Balance at 30 June 2008	<u>183</u>	<u>67</u>	<u>250</u>
Net book value			
At 1 July 2006	72	45	117
At 30 June 2007 and 1 July 2007	<u>88</u>	<u>41</u>	<u>129</u>
At 30 June 2008	<u>74</u>	<u>30</u>	<u>104</u>

The company did not hold any property, plant and equipment at 30 June 2008 (2007: nil)

9 Fixed asset investments - Company

	£000
Cost brought forward at 1 July 2007 as previously stated	-
Share based payments recognised as a capital contribution (note 1)	33
Cost brought forward at 1 July 2007 as restated	<u>33</u>
Share based payments recognised as a capital contribution	12
Cost carried forward at 30 June 2008	<u><u>45</u></u>

Notes (continued)

The undertakings in which the company's interest at the year end is more than 20% are as follows:

Name of company	Principal activity	Class of shares held	Proportion held	Capital and reserves held at 30 June 2008
Ultimate Finance Limited	Invoice discounting and debt factoring services	2 ordinary shares of £1 each	100%	£(726k)
Ultimate Cash Flow Limited	Dormant	2 ordinary shares of £1 each	100%	£2
Ultimate Factors Limited	Dormant	2 ordinary shares of £1 each	100%	£2
Ultimate Asset Finance Limited	Dormant	2 ordinary shares of £1 each	100%	£2

10 Deferred tax assets and liabilities – Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2008 £000	Assets 2007 £000
Tax value of losses carry-forward	121	134
Other timing differences	6	52
	<hr/>	<hr/>
Net tax assets	127	186
	<hr/> <hr/>	<hr/> <hr/>

Movement in deferred tax during the year

	£000
Brought forward	186
Origination and reversal of timing differences	(1)
Reversal of IFRS adjustment	(58)
	<hr/>
	127
	<hr/> <hr/>

Movement in deferred tax during the prior year

	£000
Brought forward	241
Origination and reversal of timing differences	(55)
	<hr/>
	186
	<hr/> <hr/>

The were no deferred tax assets in the company at 30 June 2008 (2007: nil)

Notes (continued)

11 Loans and other receivables

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Loans and receivables	13,584	14,422	-	-
Prepayments	260	135	11	9
Inter company balances	-	-	3,299	3,092
Other Receivables	27	27	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	13,871	14,584	3,310	3,101
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Trade and other receivables denominated in currencies other than sterling comprise £239k (2007: £325k) of trade debtors denominated in euros and a further £80k of trade debtors denominated in \$ (2007: £0). As described in note 1, the Group does not have significant exposure to currency risk or interest rate risk as fluctuations in these are passed onto the Group's client base.

Credit risk in relation to loans and receivables is the risk that financial loss arises from the failure of a client to meet its obligations under an invoice discounting agreement. The company has strict policies and procedures in place to monitor this risk which are explained further in the financial risk management section on page 24

Under the Group's recourse agreement with its clients, debtors assigned to the Group that remain unpaid after 90 days are re-factored to the clients. An impairment provision is made where objective evidence exists to doubt recoverability of amounts advanced to clients.

Credit risk

A summary of the customer loans and receivables is shown below; the maximum exposure to credit risk at the year end is £14,062,000 (2007: £14,895,000)

	2008	2007
	£000	£000
Outstanding client balances	14,062	14,895
Deferred income	(175)	(192)
Gross loans and receivables	13,887	14,703
Provision for impairment	(303)	(281)
	<hr/>	<hr/>
	13,584	14,422
	<hr/> <hr/>	<hr/> <hr/>

Invoices factored by the group are formally assigned to it and are typically paid within 60 days.

Collateral

In addition to the value of the underlying assigned sales ledger balances, the company will wherever possible obtain additional security before offering invoice finance facilities to a client. These include personal guarantees from major shareholders and/or directors, charges over personal and other business property, cross guarantees from associated companies, and unlimited warranties in the case of frauds. These additional forms of security are impracticable to fair value, as valuations of the guarantees or warranties are not capable of being accurately determined at any point during the agreement.

Notes (continued)

11 Loans and other receivables (continued)

Provision for impairment

	2008 £000	2007 £000
Balance brought forward	281	213
Utilised in year	(167)	(76)
Provided in year	189	144
	<hr/>	<hr/>
Balance carried forward	303	281
	<hr/> <hr/>	<hr/> <hr/>

The ageing of the loans to clients is shown in the table below:

Ageing of loans and receivables

	2008 £000	Impairment	2008 £000	2007 £000	Impairment	2007 £000
Less than 90 days	12,215	-	12,215	13,267	.	13,267
Over 90 days – no impairment	1,156	-	1,156	948	.	948
Over 90 days – net of impairment	516	(303)	213	488	(281)	207
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total loans and receivables	13,887	(303)	13,584	14,703	(281)	14,422
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The carrying value of all financial assets and liabilities held at the current and prior year is not materially different from the fair value of the financial instruments.

12 Cash and cash equivalents/ bank overdrafts

	Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
Cash and cash equivalents per balance sheet	88	136	1	1
Bank overdrafts	(11,204)	(11,923)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents per cash flow statements	(11,116)	(11,787)	1	1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Cash denominated in currencies other than Pounds sterling comprise £250k (2007: £312k) denominated in euros and £114k denominated in US dollars (2007:£0k).

Notes (continued)

13 Trade and other payables

	Group 2008 £000	2007 £000	Company 2008 £000	2007 £000
Other trade payables	(13)	(208)	-	-
Non-trade payables and accrued expenses	(252)	(337)	(1)	(3)
	<u>(265)</u>	<u>(545)</u>	<u>(1)</u>	<u>(3)</u>

All of the trade and other payables for the Group and for the Company are expected to be settled within 12 months. There are no trade nor other payables denominated in currencies other than pounds sterling. (2007: £0).

Liquidity risk

The contractual maturity of the group's bank overdraft and undrawn client balances is shown below. The client balances represent the aggregate amount which is available to be drawn down by the clients.

Management of Liquidity risk

Liquidity risk is the risk to earnings or capital arising from an inability to meet obligations when they become due, without incurring unexpected or unacceptable losses. The group funds its business through its own capital and through a long standing relationship with a major UK bank which has recently been renewed until the end of September 2009.

The group's liabilities include trade and other payables, bank overdraft and client balances.

The client balance is the difference between the total of clients' gross debtors and the loans made to those clients. However, of the clients' gross debtors £9,849k were not approved at 30 June 2008 (2007: £9,259k), hence at 30 June 2008 the full client balance available was £3,487k (2007: £4,121k). Typically clients can borrow up to 80% of the client balance, hence approximately £2,790k (2007: £3,297k) was available for clients to borrow at 30th June 2008. The headroom in the group's banking facility is £6,796k at 30 June 2008 (2007: £6,077k).

The group has a long-standing and conservative approach to funding and liquidity. Existing and forecast group headroom levels are reviewed monthly by the executive management team.

Trade and other payables balances due from the company at the current and prior year end relate to accrued expenses payable within one month.

Notes (continued)

13 Trade and other payables (continued)

The maturity profile of the contractual cash flows associated with the Group's financial liabilities is shown below

2008 – Group	Within 1 month £000	1 - 3 months £000	Over 1 year £000
Other trade payables	13	-	-
Non-trade payables and accrued expenses	252	-	-
Bank overdraft	-	-	11,204
Client balance	-	3,487	-
	<u>265</u>	<u>3,487</u>	<u>11,204</u>
	<u><u>265</u></u>	<u><u>3,487</u></u>	<u><u>11,204</u></u>
2007 – Group	Within 1 month £000	1 - 3 months £000	Due over 1 year £000
Other trade payables	208	-	-
Non-trade payables and accrued expenses	337	-	-
Bank overdraft	-	-	11,923
Client balance	-	4,121	-
	<u>545</u>	<u>4,121</u>	<u>11,923</u>
	<u><u>545</u></u>	<u><u>4,121</u></u>	<u><u>11,923</u></u>

14 Employee benefits

The Group operates a defined contribution pension scheme. The pension cost charge for the period includes contributions payable by the group to the scheme and amounted to £65,257 (2007:£53,255).

Contributions amounting to £8,541 were unpaid at year end and are included in trade and other payables (2007:£5,213).

The group also paid into schemes outside of the group's defined contribution scheme for two directors during the year.

Share based payments

The total charge for the year relating to employee share-based payment schemes was £12,000 (30 June 2007: £12,000), all of which related to equity-settled share-based payment transactions made under the Company Share Option Plan.

Company Share Option Plan

Under the terms of the Company Share Option Plan, options over the company's shares may be issued on a discretionary basis to management staff within the group at not less than the prevailing market price. The maximum aggregate subscription price of all options granted to a member of staff in any 10 year period may not exceed £30,000. In addition, options may not be granted in total greater than 10% of the issued ordinary share capital of the company. No conditions apply to the exercise of the options currently held. Details of the amounts granted and vesting dates are shown in the remuneration report.

Notes (continued)

14 Employee benefits (continued)

Unapproved Employee Share Option Scheme

At 30 June 2008, options in respect of 300,000 shares (2007: 300,000) which were granted to certain of the group's employees under the Unapproved Employee Share Option Scheme remain outstanding. All these options were granted before 7 November 2002 and as such, do not fall within the scope of FRS 20 *Share-based Payments*. The group has therefore not attributed a fair value to these options. The options are exercisable subject to the group achieving pre-tax profits of not less than £1,000,000 as shown by the group's audited consolidated financial statements

Fair value of equity settled share-based payments

The fair value of all share-based payments arising from share awards granted under the Company Share Option Plan has been estimated using the Black-Scholes pricing model. The applicable grant dates and share prices are as follows:

Grant date	Vesting date	Share price at grant date, p	Exercise price, p	Exercise period
28 November 2003	28 November 2006	23.00	23.00	4 years
29 September 2004	29 September 2007	17.50	17.50	4 years
13 April 2005	13 April 2008	21.00	21.00	4 years
19 October 2005	19 October 2008	19.50	19.50	4 years
15 March 2006	15 March 2009	21.75	21.75	4 years
29 September 2006	29 September 2009	22.50	22.50	4 years
3 April 2007	3 April 2010	16.75	16.75	4 years
31 October 2007	31 October 2010	9.25	9.25	4 years
3 March 2008	3 March 2011	7.00	7.00	4 years

The assumptions used in the valuation of share options are described below.

Expected volatility in share price is based on historic volatility over an appropriate period, consistent with the expected life of the option during the period immediately preceding the date of the grant. The risk free rate of return represents the yield on UK Gilt Strip at the date of the grant of a term consistent with the life of the option.

The forfeiture rate is estimated at 5%, and expected life of each option is 5 years. The dividend yield is assumed to be nil.

The weighted average share price during the year was 8.3p (2007: 17.43p).

A reconciliation of the number of shares in respect of which awards have been made is set out below:

Option grant date	Number of options at 1 July 2007	Granted in year	Forfeited in year	Number of options at 30 June 2008
28 November 2003	100,000			100,000
29 September 2004	180,000		(5,000)	175,000
13 April 2005	75,000			75,000
19 October 2005	55,000		(45,000)	10,000
15 March 2006	75,000			75,000
29 September 2006	57,500		(12,500)	45,000
3 April 2007	25,000			25,000
19 June 2007	50,000		(50,000)	-
31 October 2007		125,000		125,000
3 March 2008		25,000		25,000

Notes (continued)

15 Capital and reserves

Reconciliation of movement in capital and reserves – Group

	Share capital £000	Share Premium £000	Retained earnings £000	Total Equity £000
Balance at 1 July 2006	1,000	1,949	(641)	2,308
Total recognised income and expense	-	-	218	218
Equity-settled share based payment transactions	-	-	12	12
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2007	1,000	1,949	(411)	2,538
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 1 July 2007	1,000	1,949	(411)	2,538
Total recognised income and expense	-	-	25	25
Equity-settled share based payment transactions	-	-	12	12
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2008	1,000	1,949	(374)	2,575
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movement in capital and reserves – Company

	Share capital £000	Share Premium £000	Retained earnings £000	Total parent equity £000
Balance at 1 July 2006	1,000	1,949	(37)	2,912
Total recognised income and expense	-	-	159	159
Capital contribution in respect of share options ¹	-	-	33	33
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 July 2007 (as re-stated, see note below)	1,000	1,949	155	3,104
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Balance at 1 July 2007	1,000	1,949	155	3,104
Total recognised income and expense	-	-	185	185
Capital contribution in respect of share options ¹	-	-	12	12
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2008	1,000	1,949	352	3,301
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

¹ The capital contribution reflects the increase in the cost of investment in the company's subsidiary equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements to date (see note 1).

Share capital

	2	2007
	£	£000
<i>Authorised</i>		
40,000,000 Ordinary shares of £0.05 each	2,	2,000
	<hr/> <hr/>	<hr/> <hr/>
<i>Allotted, called up and fully paid</i>		
19,997,018 Ordinary shares of £0.05 each	1,	1,000
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

15 Capital and reserves (continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land & Buildings	Other	Land & Buildings	Other
	2008	2008	2007	2007
	£000	£000	£000	£000
Less than one year	-	81	-	97
Between one and five years	95	22	67	37
More than five years	-	-	-	-
	<u>95</u>	<u>103</u>	<u>67</u>	<u>134</u>

17 Capital commitments

There were no capital commitments at the end of the financial period (2007: nil).

18 Contingencies

The group has a loan facility with Lloyds TSB Commercial Finance Ltd for an £18 million back-to-back receivables financing agreement the minimum period for which expires on 30 September 2009. The facility is used to finance loans provided to clients and is backed by the underlying debts of the clients.

The facility is secured against an all assets debenture given by Ultimate Finance Limited and a deed of guarantee and indemnity has been given by Ultimate Finance Group plc.

19 Earnings per share

The basic profit per share for the year to 30 June 2008 has been calculated from the profit on ordinary activities after taxation of £25,409 (2007: £217,835) and on the weighted average number of ordinary shares in issue during the year (19,997,018) (2007: 19,997,018).

The company has dilutive potential ordinary shares in respect of the 'Company Share Option Plan'. The diluted earnings per share amounts to 0.13p (2007: 1.09p as restated) and is based on profit on ordinary activities after taxation of £25,409 (2007: £217,835) and 20,000,934 ordinary shares being the weighted average of the shares in issue during the year adjusted to assume conversion of all dilutive potential ordinary shares (2007: 20,009,726).

Adjusted earnings per share figures have been calculated in addition to the basic and diluted figures since, in the opinion of the directors, these provide further information on the understanding of the group's performance.

	2008	2007
	Pence	Pence
Basic earnings per share	0.13	1.09
Basic earnings per share before restructuring/severance costs and taxation	1.52	1.51

Notes *(continued)*

20 Related parties

Parent undertaking

These accounts in which the results of the parent company and its subsidiaries are consolidated are available to the public and may be obtained from the company's registered office; Bradley Pavilions, Pear Tree Road, Bradley Stoke, Bristol, BS32 0BQ, or from the Ultimate Finance website, www.ultimatefinance.co.uk.

Related party transactions

The company entered into related party transactions with a subsidiary undertaking and other related parties as described below.

The company provided a loan to a subsidiary undertaking, for which a financing charge was levied each month. The receivable due from the subsidiary company is disclosed in note 11.

At the year end W. H. Ireland Group plc, of whom Richard Lee is an executive director, owned 23.2% of the company's issued share capital.

At the year end there were outstanding balances in respect of directors fees payable to Derek Ashford of £1,042 (2006: £7,292) and Richard Lee £1,042 (2006: £2,448).

During the period under review W. H. Ireland Limited, a subsidiary of W. H. Ireland Group plc, acted as broker to the company. The total amount payable by the group for these services during the year to 30 June 2008 was £10,000. Also £2,876 was paid to W H Ireland in relation to property rental.

During the period under review Halliwells LLP, of whom Clive Garston is a partner, acted as solicitors to the company. The total amount payable by the group for these services during the year to 30 June 2008 was £2,084.

Disclosure of the remuneration paid to key management is included in note 5.

21 Post balance sheet events

There have been no post balance sheet events.

Notes (continued)

22 Explanation of transition to Adopted IFRSs – Group

From 30 June 2007 Ultimate Finance Group plc (‘the Group’) is required to prepare its consolidated accounts under International Accounting Standards and International Financial Reporting Standards as adopted by the European Union (‘EU’), collectively referred to as ‘adopted IFRS’s’ throughout this document, having previously prepared its accounts under UK Generally accepted Accounting Principles (‘UK GAAP’). The transition date for the Group is 1 July 2006 and the following notes and accompanying transition table describe the UK GAAP to adopted IFRS reconciliation for profit for the year ended 30 June 2007 and a reconciliation of total equity as at 1 July 2006, and 1 July 2007.

Transitional arrangements- Application of IFRS 1

The Group’s financial statements for the year ending 30 June 2008 are the Group’s first annual financial statements in compliance with adopted IFRSs.

On transition to adopted IFRSs an entity is generally required to apply adopted IFRSs retrospectively, except where an exemption is available under IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’.

The key election from IFRS 1 that the Group elected to adopt was in relation to the valuation of property, plant and equipment by taking the UK GAAP FRS 15 revaluation as deemed cost.

International Financial Reporting Standards – Changes in accounting policies

The results for the year ended 30 June 2008 have been prepared in accordance with accounting policies under adopted IFRS’s. The Group’s revised accounting policies under IFRS are included in note 1.

Reconciliation of income statement from UK GAAP to adopted IFRS’s

There is no adjustment to the income statement from UK GAAP to adopted IFRS’s.

Reconciliation of cash flow statements from UK GAAP to adopted IFRS’s

With the exception of reclassifications, there were no material differences between cash flows presented under adopted IFRS’s and the cash flows presented under UK GAAP for the year ended 30 June 2007 as a result of the conversion to adopted IFRSs.

Reconciliation of retained earnings from UK GAAP to adopted IFRS’s

An adjustment to retained earnings under UK GAAP to adopted IFRS’s is explained below and relates to the recognition of deferred income and associated deferred tax asset.

Reconciliation of balance sheet from UK GAAP to adopted IFRS’s

The adjustments to the consolidated balance sheet from UK GAAP to adopted IFRS’s are described below:

- a) Deferred tax asset and corporation tax liabilities are shown separately on face of balance sheet (Deferred tax: 1 July 2006: £183,000; 30 June 2007: £128,000 and corporation tax: 1 July 2006: £Nil; 30 June 2007: £29,000);
- b) Borrowings are shown separately on the face of the balance sheet (1 July 2006: £9,241,000; 30 June 2007: £11,788,000)
- c) Grossing up trade receivables and trade payables for credit balances in respect of unallocated cash received previously included in trade debtors (1 July 2006: £253,000; 30 June 2007: £153,000).
- d) Service fee income deferred to future periods has been recognized in loans and receivables to reflect the period over which the ledger management service is provided (1 July 2006: £192,000; 30 June 2007: £192,000)
- e) Recognition of the deferred tax asset on the income adjustment noted in d above (1 July 2006: £58,000; 30 June 2007: £58,000)

Notes *(continued)*

22 Explanation of transition to Adopted IFRSs – Group

Of the adjustments noted above, items a to c relate to re-classifications of amounts in the balance sheet and do not effect the measurement or recognition of the balances involved.

There were no adjustments to the company balance sheet or profit or loss accounts as a result of adopting IFRS.

Notes (continued)

22 Explanation of transition to Adopted IFRSs – Group (continued)

Consolidated balance sheets

		1 July 06			30 June 07		
		UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs	UK GAAP	Effect of transition to Adopted IFRSs	Adopted IFRSs
	Note	£000	£000	£000	£000	£000	£000
Non-current assets							
Property, plant and equipment		117	-	117	129	-	129
Deferred tax assets	<i>a,e</i>	-	241	241	-	186	186
		<u>117</u>	<u>241</u>	<u>358</u>	<u>129</u>	<u>186</u>	<u>315</u>
Current assets							
Tax receivable							
Trade and other receivables	<i>a,c,d</i>	11,906	(122)	11,784	14,751	(167)	14,584
Cash and cash equivalents		1	-	1	136	-	136
		<u>11,907</u>	<u>(122)</u>	<u>11,785</u>	<u>14,887</u>	<u>(167)</u>	<u>14,720</u>
Total assets		<u>12,024</u>	<u>119</u>	<u>12,143</u>	<u>15,016</u>	<u>19</u>	<u>15,035</u>
Current liabilities							
Bank overdraft	<i>b,c</i>	-	(9,241)	(9,241)	-	(11,923)	(11,923)
Trade and other payables	<i>b</i>	(9,582)	8,988	(594)	(12,344)	11,799	(545)
Tax payable	<i>a</i>					(29)	(29)
Current liabilities		<u>(9,582)</u>	<u>(253)</u>	<u>(9,835)</u>	<u>(12,344)</u>	<u>(153)</u>	<u>(12,497)</u>
Total liabilities		<u>(9,582)</u>	<u>(253)</u>	<u>(9,835)</u>	<u>(12,344)</u>	<u>(153)</u>	<u>(12,497)</u>
Net assets		<u>2,442</u>	<u>(134)</u>	<u>(2,308)</u>	<u>2,672</u>	<u>(134)</u>	<u>2,538</u>
Equity attributable to equity holders of the parent							
Share capital		1,000	-	1,000	1,000	-	1,000
Share premium		1,949	-	1,949	1,949	-	1,949
Retained earnings	<i>d,e</i>	(507)	(134)	(641)	(277)	(134)	(411)
Total equity		<u>2,442</u>	<u>(134)</u>	<u>2,308</u>	<u>2,672</u>	<u>(134)</u>	<u>2,538</u>

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