

## Ultimate Finance Group plc

### Interim results

Ultimate Finance Group plc, the AIM-quoted factoring, invoice discounting and financial solutions provider to the SME sector, announces its Interim results for the six months to 31 December 2007.

#### Highlights

- Significant increase in business towards end of 2007.
- Turnover increased 6% to £2,056,000 (31 Dec 2006: £1,939,000)
- Pre-tax loss of £335 after restructuring and severance costs of £133,000 (31 Dec 2006 pre-tax profit: £132,000)
- Continuation of strict cost control aimed at maximising returns
- Client turnover financed ahead 19% to £87.2m (31 Dec 2006: £73.3m)
- £6.1 million of £18 million banking facility remains available to grow client base
- Richard Pepler appointed as Chief Executive to lead planned growth
- Sales force expanded to target key areas including South-east England

Clive Garston, Chairman, said: "Although, trading conditions remain challenging, there was a significant recovery in the second half of the period. Your board are confident about the future of the business and continue to take all necessary steps to build sustainable shareholder value. Therefore notwithstanding current economic conditions the board looks forward to the future with some confidence."

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## **Chairman's Statement**

### **Results**

The period under review has seen continuing development which has been impacted by restructuring and severance costs as a result of changes we made during the period.

For the six month period ended 31 December 2007 Ultimate made a loss before taxation of £335 (after restructuring and severance costs of £133,000, which included £120,000 paid to former chief executive Brian Sumner). Revenue for the period increased from £1,939,000 to £2,056,000. The restructuring and severance costs were incurred as a result of the departure of the former chief executive Brian Sumner. Without this charge profit before tax would have amounted to £133,000 compared with £132,000 for the six month period ended 31 December 2006. Earnings per share amounted to 0.00p against 0.47p in 2006.

Client turnover financed in the period rose 19% to £87.2m (31 December 2006: £73.3m) and total debtors under management rose 16% to £28.9m (31 December 2006: £25m). Aggregate advances across the portfolio at the end of the period reached £14.8m (31 December 2006: £12.9m).

Ultimate's cost base continues to be contained with the sole justification for any increase being to meet the necessary demands of a growing portfolio and expanding business.

These are the Group's first set of interim 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.

### **People**

As was announced in October 2007 Brian Sumner left the company to pursue other interests. I would like to thank him for his contribution to the group since its inception and to wish him well in the future. Following Brian's departure Richard Pepler was appointed as acting chief executive and the board decided to undertake a search in order to identify the most appropriate candidate to take over as chief executive officer of Ultimate. A number of candidates were interviewed and following that process the board have decided that Richard Pepler is the most suitable and capable candidate for the post. Richard has shown great determination and aptitude in assuming responsibility for the group as acting chief executive. I am delighted to inform you that he has accepted the position.

The importance of a well trained and dedicated work force cannot be underestimated and I believe that the success of Ultimate Finance is entirely attributable to its committed team. I would like to thank all my co-directors and staff for their efforts and continued commitment to Ultimate in what has been a difficult period.

Since Richard Pepler took over as acting chief executive in October the Ultimate sales force has been expanded from three to seven. In addition a new regional managing director has been recruited for the southeast. This expansion will enable our salesforce to be more effective in the regions in which we operate and enable us to open a new office in the southeast before the end of the current financial year. The southeast of England is an area of importance to Ultimate as there is a very high concentration of SME activity which I believe we will now be able to access.

### **Risk management**

With high standards of underwriting, experience in client management and credit control staff, risk management continues to be the primary focus for controlling the business. Our clients continue to offer an appropriate spread of risk in terms of size of investment, industry type and geographical location.

The single largest investment at the end of December 2007 was £938,000 which constituted only 6% of total funds advanced.

## **Outlook**

Although, trading conditions remain challenging, there was a significant recovery in the second half of the period. Your board are confident about the future of the business and continue to take all necessary steps to build sustainable shareholder value.

Therefore notwithstanding current economic conditions the board looks forward to the future with some confidence.

Clive R Garston  
**Chairman**

## **Chief Executive's review**

### **Introduction**

Ultimate Finance Group plc was formed to provide bespoke invoice discounting and factoring facilities to the SME market. Its hallmarks are high levels of personal support and regular contact from experienced staff with clients at all levels of the Company. Our invoice discounting and factoring products, which also provide for sales ledger credit management and our AIG-backed 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 and gives them full access to the decision makers.

Since my appointment as acting Chief Executive in October of last year, there have been a number of exciting changes and developments for the company. I have sought to inject a new energy and enthusiasm into the team giving them a greater sense of ambition in which we all share.

I am looking forward to taking a fresh approach to the company's direction, implementing a range of new initiatives and developing opportunities that we have not previously explored. One of which is our first white labelled product where we have teamed up with the UK's largest specialist factoring broker. This partnership approach, with leading organisations in their respective fields, is something we will be developing throughout this financial year and thereafter.

Another exciting progression for us will be our expansion into international factoring. This new offering will be managed from our South East office, which will open in the second half of the financial year.

This new office will be staffed initially by the regional managing director Maria Dunne, previously with Barclays Bank, and the regional director Tim Chaplin, who has previously worked for GE Capital and Bank of Ireland. Our business in the South East of England continues to expand and the opening of this new centre underlines our strategy to provide high-quality and responsive local service to clients both current and new.

We will also be relocating our Northern-based operation from Wilmslow, Cheshire to the centre of Manchester in March 2008. This is an important move for the company, positioning ourselves at the centre of the region's business community and ensuring that we are closer 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 a positive period of growth.

### **Strategy**

Our main target is the SME sector, taking in clients ranging from good quality, well founded start-ups to established and mature medium-sized businesses. I believe the overall quality of our client portfolio has never been better.

The SME marketplace has seen an increasing number of business failures since July 2007, which has made us more selective in increasing client numbers. However, longer-term, the market for factoring and invoice discounting products presents growth opportunities and we fully expect to rise to these challenges.

The products which Ultimate offers are now seen as mainstream and I believe that this market will continue to grow at the expense of the traditional bank overdraft. In the light of developments in our market and our unrivalled understanding of the needs of SMEs, the company is currently exploring a number of other opportunities for growth, including partnerships with leading brokers and white labelled products.

We shall continue to build the national sales team to take advantage of the increasing opportunities becoming available in a fast-growing marketplace. In the last few months the sales team has doubled, positioning us strongly to gain more business in our sector.

With a market growing at more than 11% per year (source; ABFA), a determined and highly experienced management team focused on expanding our portfolio and profits, robust risk management and high levels of service, I am confident in the prospects for this business.

### **Performance**

In the current period, our margins have come under some pressure in what has been a very competitive market for rates. As a result, Ultimate is not currently seeing significant profit growth, although we are optimistic that our new strategy will provide margin improvement.

It has been the previous experience of the industry 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:

1. A wealth of experience applied to risk management and underwriting;
2. A strong service ethic enabling us to differentiate Ultimate;
3. A recognition that only the best staff, developed to the full through training and guidance, can deliver an accessible, fast, flexible and friendly service; and
4. A sound and secure product range, adaptable to the practical needs of clients throughout the business cycle.

### **The Ultimate Finance Group team**

Our staff are our greatest asset and we are fortunate to have a team of experienced and skilled professionals, each of whom plays a key role in our business strategy and continued success. We have strengthened the team again in 2008 and are committed to recruiting and developing the best talent in the industry.

I would particularly like to thank the operations group, sales and finance teams for their excellent contribution and delivery of personal service levels which our major competitors are unable to match.

I also thank our new business introducers such as specialist brokers, accountants and business consultants for their very important ongoing support.

### **Client Management**

Client Management continues to form a core element of our business. High standards of recruitment selection, combined with continuous training, underpin our strategy and this applies to new business staff as well as operations staff. The quality of our staff and strength of our underwriting procedures continue to provide a diverse and stable portfolio.

Ongoing development of our core infrastructure and systems enables us successfully to cope with the increasing demands made upon them. Meanwhile we continue to look for opportunities to ensure the service and product offerings we give to clients are of the highest standard.

### **Conclusion**

The half year under review has been a period of development for Ultimate Finance, consolidating its position as a provider of flexible finance solutions to small and medium-sized business across England and Wales. The Company is now particularly well placed to meet the opportunities and challenges of the next period with a renewed sense of energy and enthusiasm and I look forward to leading them.

Richard Pepler  
**Chief Executive**

**Consolidated Income Statement (unaudited)**  
**For half year ended 31 Dec 2007**

	<i>Note</i>	<b>31 Dec 2007 £000</b>	31 Dec 2006 £000	30 June 2007 £000
<b>Revenue</b>	<i>1</i>	<b>2,056</b>	1,939	4,027
Administrative expenses	<i>4</i>	<b><u>(1,623)</u></b>	<b><u>(1,463)</u></b>	<b><u>(3,011)</u></b>
Operating profit		<b>433</b>	476	1,016
Financial income		<b>3</b>	2	4
Financial expenses		<b>(436)</b>	(346)	(718)
<b>Net financing expense</b>		<b>(433)</b>	(344)	(714)
<b>Profit before tax</b>		<b>0</b>	132	302
Taxation	<i>5</i>	<b>0</b>	(38)	(84)
<b>Profit for the period attributable to equity holders of the parent</b>		<b>0</b>	94	218

All items dealt with in arriving at profit attributable to equity holders of the parent relate to continuing operations.

**Consolidated Statement of Recognised Income and Expense (unaudited)**  
*for half year ended 31 Dec 2007*

	<i>Note</i>	<b>31 Dec 2007 £000</b>	31 Dec 2006 £000	30 June 2007 £000
<b>Profit for the period</b>		<b>0</b>	94	218
<b>Total recognised income and expense for the period attributable to equity holders of the parent</b>		<b>0</b>	94	218

**Consolidated Balance Sheet (unaudited)**  
*at 31 Dec 2007*

	<i>Note</i>	<b>31 Dec 2007 £000</b>	31 Dec 2006 £000	30 June 2007 £000
<b>Non-current assets</b>				
Intangible assets		9	26	12
Property, plant and equipment		117	152	129
Deferred tax asset		128	145	128
<b>Current assets</b>				
Loans and other receivables		28,990	25,060	28,144
Cash and cash equivalents		1	1	1
<b>Total assets</b>		<b>29,245</b>	25,384	28,414
<b>Current liabilities</b>				
Borrowings		(11,906)	(10,269)	(11,788)
Current tax liabilities		(29)	-	(29)
Trade and other payables		(14,633)	(12,574)	(13,925)
<b>Total liabilities</b>		<b>(26,568)</b>	(22,843)	(25,742)
<b>Net assets</b>		<b>2,677</b>	2,541	2,672
<b>Equity attributable to equity holders of the parent</b>				
Share capital		1,000	1,000	1,000
Share premium		1,949	1,949	1,949
Retained earnings		(272)	(408)	(277)
<b>Total equity</b>		<b>2,677</b>	2,541	2,672

These financial statements were approved by the board of directors on 11 March 2008 and were signed on its behalf by:

**Richard Pepler**  
*Director*

**Consolidated Cash Flow Statement (unaudited)**  
*for the period ended 31 Dec 2007*

	<i>Note</i>	<b>31 Dec</b>	31 Dec	30 June
		<b>2007</b>	2006	2007
		<b>£000</b>	£000	£000
<b>Cash flows from operating activities</b>				
Profit for the period before taxation		<b>0</b>	132	302
<i>Adjustments for:</i>				
Depreciation		<b>40</b>	35	72
Equity settled share-based payment expenses		<b>5</b>	6	12
Increase in loans and other receivables		<b>(846)</b>	(2,316)	(5,400)
Decrease in balance carried forward in respect of amounts paid to third parties in connection with the acquisition of customer relationships		<b>3</b>	21	36
Increase/(decrease) in trade and other payables		<b>708</b>	1,164	2,515
<b>Net cash from operating activities</b>		<b>(90)</b>	(958)	(2,463)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		<b>(28)</b>	(70)	(84)
<b>Cash flows from financing activities</b>				
Loan facility drawn down		<b>118</b>	1,028	2,547
Net increase/(decrease) in cash and cash equivalents		<b>-</b>	-	-
Cash and cash equivalents at beginning of period		<b>1</b>	1	1
<b>Cash and cash equivalents at end of period</b>		<b>1</b>	1	1

## **Notes to the interim report**

### **1. Preparation of interim accounts**

The interim financial statements of Group for the period ended 31 December 2007 are unaudited and do not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985.

Under the AIM rules, the Group is required to prepare its next set of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union ('adopted IFRSs'). This interim financial report has been prepared on the basis of the recognition and measurement requirements of adopted IFRSs as at 1 July 2007 that are effective (or available for early adoption) at 30 June 2008, the Group's first annual reporting date at which it is required to apply adopted IFRSs.

Based on these adopted IFRSs, the directors have applied the accounting policies set out below which they expect to apply when the first annual financial statements are prepared in accordance with adopted IFRSs for the year ended 30 June 2008. However, the IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that will be applicable as at 30 June 2008, including those that will be applicable on an optional basis, are not yet known with certainty at the time of preparing this report. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 30 June 2008.

Prior to 2007, the Group prepared its audited financial statements and unaudited interim financial statements under UK Generally Accepted Accounting Principles ("UK GAAP"). From 1 July 2007, the Group is required to prepare its annual consolidated financial statements in accordance with adopted IFRSs. The date of transition to IFRS for the Group was 1 July 2006 and the Group has prepared its opening IFRS balance sheet as at that date.

Reconciliations and descriptions of the effect of the transition from UK GAAP to adopted IFRSs on the Group's balance sheet and its income statement are provided at the back of this Interim Report. These are unaudited.

The interim financial report has been prepared under the historical cost convention. In addition, this interim financial report does not comply with IAS 34 "Interim Financial Reporting", which is not currently required to be applied under AIM rules.

The comparative figures for the financial year ended 30 June 2007 are not the Company's statutory accounts for that financial year. Those statutory accounts, which were prepared under UK GAAP, have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

### **2. Accounting policies**

The Group's key accounting policies are set out below. These policies have been prepared on the basis of the recognition and measurement requirements of IFRS standards in effect that apply to accounting periods beginning on or after 1 July 2007.

## **Basis of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and the results of the Company and of its subsidiary undertakings. Subsidiary undertakings are those entities in which the Group directly or indirectly has the power to govern the financial and operating policies in order to gain benefits from their activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company income, expenses, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation.

## **Business combinations**

The Group uses the purchase method to account for the acquisition of subsidiaries. The cost of the acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributed to acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

## **Foreign currencies**

Foreign currency transactions are translated into sterling, the Groups' functional and presentational currency, using exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are reflected in trade receivables.

## **Intangible assets**

The initial amounts paid to third parties in connection with the acquisition of customer relationships ("introducer fees") are classified as a separate category of intangible fixed assets, to the extent that it is probable that the expected future economic benefits that are attributable to such fees will flow to the group. The intangible asset is recognised at cost and amortised on a straight line basis over the minimum contracted period. The intangible asset is regularly reviewed for impairment. Impairment is measured as the excess of carrying amount over the recoverable amount of the intangible asset and is recognised in the Income Statement.

## **Property, Plant and Equipment**

Property, plant and equipment is stated at cost net of accumulated depreciation and any provision for impairment. Cost comprises purchase cost together with any incidental costs of acquisition.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives. The assets residual values and useful economic lives are reviewed, and adjusted as appropriate, at each balance sheet date. The following rates are applied

Office equipment including network equipment	-	2-5 years
Computer equipment excluding network equipments	-	3 years

The carrying values of property plant and equipment are reviewed for impairment if events or change in circumstances indicate that the carrying value may not be recoverable.

Any impairment in the value of property plant and equipment is dealt with in the income statement in the period in which it arises

### **Financial instruments**

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are de-recognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to the income statement. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

### **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, and re-evaluates this designation at each reporting date.

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 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.

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.

### **Trade and other payables**

Trade and other payables are initially recognised at fair value and subsequently at amortised cost using effective interest rate method.

## **Offsetting**

Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the group has a legal right to set off the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

## **Revenue**

Revenue comprises fees, net excluding Value Added Tax, and discount income. Fees are recognised when the service is provided and discount income is recognised in the income statement for all financial assets measured at amortised cost using the effective interest rate method

## **Operating leases**

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 31 December 2007, at 30 June 2007 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.

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 following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and the 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**

The group operates a defined contribution scheme.

The defined contribution scheme is a pension scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employment in the current or prior periods. The pension expense for defined contribution schemes represents contributions payable in the year.

## **Share based payments**

The group issues equity settled share options to certain employees which must be measured at fair value and recognised as an expense in the income statement with a corresponding increase in equity. The fair values of these payments are measured at the dates of grant using option pricing models, taking into account the terms and conditions upon which the awards are granted. The fair value is recognised over the period during which employees become unconditionally entitled to the awards subject to the Group's estimate of the number of awards which will lapse, either due to employees leaving the Group prior to vesting or due to non-market based performance conditions not being met.

Proceeds received on the exercise of share options are credited to share capital and share premium.

## **Finance cost**

Interest income and interest payable is recognised in income statement as it accrues, using the effective interest method.

## **Impairment of assets**

The carrying amounts of the Group's assets which are not carried at fair value are reviewed at each balance sheet date to determine whether there is any indication of impairment. 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. Such losses are reversed only to the extent that these assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation where applicable, if no impairment loss had been recognized.

## **Borrowings**

Borrowings are recognised initially at fair value, less transaction costs and are subsequently stated at amortised cost. The difference between the carrying value on initial recognition and the redemption value is recognised in the income statement over the borrowing period on an effective interest rate basis.

## **Dividends**

Dividend distributions to the company's shareholders are recognised as liabilities in the period in which the dividends are paid, and, for the final dividend, when approved by the Company's shareholders at the annual general meeting.

## **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held on call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

## **Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments, as consideration for the acquisition of a business, are included in the cost of acquisition.

## **Segmental reporting**

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

### **3. Use of estimates and assumptions**

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. Actual results could differ from these estimates. Information about such judgments and estimation is contained in individual accounting policies.

Key sources of estimation uncertainty that could cause an adjustment to be required to the carrying amount of asset or liabilities are

- Recoverability of loans and other receivables;
- Fair values of share options granted under employees schemes

There are regular reviews of the recoverability of loans and other receivables and appropriate allowances for irrecoverable amounts are recognized in the income statement where recoverability is doubted. The fair values of share options granted are measured at the dates of grant using option pricing models, taking into account the terms and conditions upon which the awards are granted.

### **4. Administration costs**

Included in the administration costs for the current period are severance and restructure costs of £133,000, of which £120,000 were incurred as a result of the departure of the former chief executive.

## **5 Taxation**

A deferred tax asset has been valued at £128,209 at 31st Dec 2007 (Dec 2006 £145,297), as the directors believe it is more probable than not that it will be recovered in the future. The deferred tax asset was recognised in full, using the liability method, on tax losses carried forward and on share based payments at 30 June 2007.

## **6 Earnings per share**

The basic earnings per share of nil pence (31 Dec 2006: 0.47p) has been calculated from the loss after taxation of £335 and on the ordinary shares in issue at 31 December 2007. The fully diluted earnings per share of nil pence (31 Dec 2006: 0.47p), has been calculated from the loss after taxation of £335 and on the ordinary shares being the weighted average of the shares in issue during the period adjusted for all dilutive potential ordinary shares.

## **7 Interim Report**

Copies of this report are being sent to shareholders. Additional copies may be obtained from the Ultimate Finance Group plc registered office: Bradley Pavilions, Pear Tree Road, Bradley Stoke, Bristol BS32 0BQ.

## **Independent Review Report to the Ultimate Finance Group plc**

### **Introduction**

We have been engaged by the Ultimate Finance Group plc to review the condensed set of financial statements in the half-yearly report for the six months ended 31 December 2007 which comprises the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with IFRSs as adopted by the EU.

The accounting policies that have been adopted in preparing the condensed set of financial statements are consistent with those that the directors currently intend to use in the next annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRSs as adopted by the EU.

### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 31 December 2007 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

KPMG Audit Plc  
Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

Date: 11 March 2008

## **IFRS Restatement report (unaudited)**

### **Ultimate Finance Group plc transition to IFRS**

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 (collectively referred to as "adopted IFRS's" throughout this document) as adopted by the European Union ("EU") 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 six month period ending 31 December 2006 and for the year ended 30 June 2007 and a reconciliation of total equity as at 1 July 2006, 31 December 2006 and 1 July 2007.

### **Transitional arrangements- Application of IFRS 1**

The Group's financial statements for the year ending 30 June 2008 will be 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 interim results for the period ended 31 December 2007 have been prepared in accordance with accounting policies under adopted IFRS's. The Group's revised accounting policies under IFRS are included in note 2 to the interim financial statements.

### **Reconciliation of income statement from UK GAAP to adopted IFRS's (unaudited)**

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 (unaudited)**

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 six months ended 31 December 2006 and 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 (unaudited)**

There is no adjustment to retained earnings from UK GAAP to adopted IFRS's.

### **Reconciliation of balance sheet from UK GAAP to adopted IFRS's (unaudited)**

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

- Recognition of an intangibles asset in respect of introducer fees incurred that relate to future periods (1 July 2006: £48,000; 31 Dec 2006: £26,000; 30 June 2007: £12,000);
- Deferred tax asset and corporation tax liabilities are shown separately on face of balance sheet (Deferred tax: 1 July 2006: £183,000; 31 Dec 2006: £145,000; 30 June 2007: £128,000 and corporation tax: 1 July 2006: £Nil; 31 Dec 2006: £Nil; 30 June 2007: £29,000);
- Borrowings are shown separately on the face of the balance sheet (1 July 2006: £9,241,000; 31 Dec 2006: £10,269,000; 30 June 2007: £11,788,000)
- Grossing up of trade payables and receivables for amounts owed to clients previously netted off debtors (1 July 2006: £10,816,000; 31 Dec 2006: £12,084,000; 30 June 2007: £13,380,000), and;
- 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; 31 Dec 2006: £200,000; 30 June 2007: £153,000).

	UK GAAP as at 1 July 2006	IFRS transition adjustments	IFRS as at 1 July 2006	UK GAAP as at 31 Dec 2006	IFRS transition adjustments	IFRS as at 31 Dec 2006	UK GAAP as at 30 June 2007	IFRS transition adjustments	IFRS as at 30 June 2007
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Non-current assets</b>									
Property, plant and equipment	117	-	117	152	-	152	129	-	129
Intangible assets	-	48	48	-	26	26	-	12	12
Deferred tax assets	-	183	183	-	145	145	-	128	128
<b>Current assets</b>									
Tax receivable									
Loans and other receivables	11,906	10,838	22,744	12,947	12,113	25,060	14,751	13,393	28,144
Cash and cash equivalents	1	-	1	1	-	1	1	-	1
<b>Total assets</b>	<b>12,024</b>		<b>23,093</b>	<b>13,100</b>		<b>25,384</b>	<b>14,881</b>		<b>28,414</b>
Current liabilities									
Bank overdraft	-	(9,241)	(9,241)	-	(10,269)	(10,269)	-	(11,788)	(11,788)
Trade and other payables	(9,582)	(1,828)	(11,410)	(10,559)	(2,015)	(12,574)	(12,209)	(1,716)	(13,925)
Tax payable	-		-		-	-	0	(29)	(29)
<b>Total liabilities</b>	<b>(9,582)</b>		<b>(20,651)</b>	<b>(10,559)</b>	<b>-</b>	<b>(22,843)</b>	<b>(12,209)</b>	<b>-</b>	<b>(25,742)</b>
<b>Net assets</b>	<b>2,442</b>		<b>2,442</b>	<b>2,541</b>		<b>2,541</b>	<b>2,672</b>		<b>2,672</b>
<b>Equity attributable to equity holders of the parent</b>									
Share capital	1,000	-	1,000	1,000	-	1,000	1,000	-	1,000
Share premium	1,949	-	1,949	1,949	-	1,949	1,949	-	1,949
Retained earnings	(507)	-	(507)	(408)	-	(408)	(277)		(277)
Total equity	<b>2,442</b>		<b>2,442</b>	<b>2,541</b>		<b>2,541</b>	<b>2,672</b>		<b>2,672</b>