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Company Number: 3910588

**THE 4LESS GROUP PLC**

**ANNUAL REPORT**

**YEAR ENDED 31 MARCH 2003**



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COMPANIES HOUSE

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# THE 4LESS GROUP PLC

## COMPANY INFORMATION

<b>Directors</b>	Charles McLeod Bertrand Picot Timothy Sullivan James Corsellis
<b>Secretary</b>	Graham Urquhart
<b>Company Number</b>	3910588
<b>Registered Office</b>	Bakery Place Altenburg Gardens London SW11 1JQ
<b>Auditors</b>	PKF New Garden House 78 Hatton Garden London EC1N 8JA
<b>Solicitors</b>	Mischon de Reya 12 Red Lion Square London WC1R 4QD
<b>Bankers</b>	Bank of Ireland St Michaels Road Croydon CR9 3SA

# THE 4LESS GROUP PLC

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**THE 4LESS GROUP PLC**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 MARCH 2003**

The directors submit their report and the consolidated financial statements for the year ended 31 March 2003.

**Results and dividends**

The profit of the group for the year, after taxation, amounted to **£75,879** (2002 - £126,359).

The directors do not recommend payment of a dividend (2002 - £Nil).

**Principal activity and review of the business**

The principal activity of the group during the year was the provision of foreign currency services and related finance products.

On the 26 June 2002 the company converted to a plc and floated on Ofex.

The directors are pleased to announce significant progress for the company in this, its first year, as a public company.

The year has been successful across many fronts including the listing of the company's shares on the OFEX facility and the business achieving revenue growth of 98% with turnover rising to £272 million and the gross margin percentage decreasing only slightly. Since the flotation the company has continued to recruit additional sales and back office personnel and to invest in supporting back and middle office systems to provide an enhanced infrastructure for the future. In addition the business has invested in further non-currency business areas and has, in the Directors' opinion, experienced some considerable success in these markets building valuable relationships with many of the sector's leading financial institutions and service providers.

Whilst, as a direct result of this investment, the group's profit has been reduced in the last year we expect the benefits to be realised in the forthcoming period.

**Directors**

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year were:

	<b><u>Ordinary shares of £0.01 each</u></b>	
	<b>2003</b>	<b>2002</b>
Charles McLeod	<b>3,827,002*</b>	800,000*
Bertrand Picot	<b>257,500</b>	50,000
Timothy Sullivan	<b>25,000</b>	-
James Corsellis (appointed 30 April 2002)	-	-

\* including 461,340 ordinary shares held on a non-beneficial basis.

James Corsellis holds 155,713 warrants which may be converted for 60p per share until 26 June 2007. Marwyn Investments Limited, a company of which he is a director, also holds 311,427 warrants which may be converted at 27p per share until 26 June 2007.

**THE 4LESS GROUP PLC**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 MARCH 2003**

On 1st October 2003 Mr G Begley was appointed to the Board as Chief Operations Officer and Mr N Paul, FCA, was appointed to the Board as Chief Financial Officer.

**Substantial shareholders**

As at 31 March 2003, the following substantial shareholdings have been notified to the company:

	<b>Number of <u>shares</u></b>	<b>% of issued <u>share capital</u></b>
Charles McLeod	3,827,002	74.4
Bertrand Picot	257,500	5.0
HSBC Global Custody Nominee (UK) Limited (BH01) A/c 744560	325,000	6.3
Ringwood Investments Limited	250,000	4.9

Other than the interests noted above the directors are not aware that any person has an interest in more than 3% of the issued share capital.

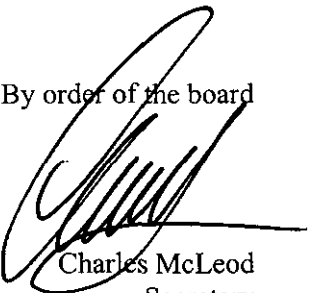
**Creditor payment policy**

The group seeks to negotiate payment terms on an individual basis. On average the company pays its trade creditors within 24 days.

**Auditors**

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board



Charles McLeod  
Secretary  
9<sup>th</sup> October 2003

## **THE 4LESS GROUP PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE 4LESS GROUP PLC**

We have audited the financial statements of The 4Less Group PLC for the year ended 31 March 2003 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement 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 United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group'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.

## INDEPENDENT AUDITORS' REPORT (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and group's affairs as at 31 March 2003 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK

10 October 2003



PKF

Registered Auditors



**THE 4LESS GROUP PLC**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 MARCH 2003**

	<u>Notes</u>	<u>2003</u> £	<u>2002</u> £
<b>TURNOVER</b>	2	<b>271,862,416</b>	137,231,634
Cost of sales		<b>(269,987,866)</b>	(136,224,313)
<b>GROSS PROFIT</b>		<b>1,874,550</b>	1,007,321
Administrative expenses		<b>(1,860,202)</b>	(885,216)
<b>OPERATING PROFIT</b>	3	<b>14,348</b>	122,105
Interest receivable and similar income	6	<b>95,395</b>	58,341
Interest payable and similar charges	7	<b>(2,117)</b>	(5,087)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>107,626</b>	175,359
<b>TAXATION</b>	8	<b>(31,747)</b>	(49,000)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	18	<b>75,879</b>	126,359
Earnings per share	9	<b>1.483p</b>	2.511p
Fully diluted earnings per share	9	<b>1.361p</b>	2.511p

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

**THE 4LESS GROUP PLC**  
**CONSOLIDATED BALANCE SHEET**  
**31 MARCH 2003**

	<u>Notes</u>	<u>£</u>	<u>2003</u>	<u>£</u>	<u>2002</u>	<u>£</u>
<b>FIXED ASSETS</b>						
Tangible	10		87,871		137,026	
Investments	11		-		-	
			<hr/>		<hr/>	
			87,871		137,026	
<b>CURRENT ASSETS</b>						
Debtors	12	13,525,955		8,315,896		
Cash at bank and in hand		4,669,598		1,500,870		
		<hr/>		<hr/>		
		18,195,553		9,816,766		
<b>CREDITORS: amounts falling due within one year</b>						
	13	(17,811,598)		(9,461,763)		
		<hr/>		<hr/>		
<b>NET CURRENT ASSETS</b>			383,955		355,003	
			<hr/>		<hr/>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			471,826		492,029	
<b>CREDITORS: amounts falling due after more than one year</b>						
	14		-		(14,810)	
			<hr/>		<hr/>	
<b>NET ASSETS</b>			471,826		477,219	
			<hr/>		<hr/>	
<b>CAPITAL AND RESERVES</b>						
Called up share capital	17		51,427		10,065	
Share premium account	18		160,805		283,439	
Profit and loss account	18		259,594		183,715	
			<hr/>		<hr/>	
<b>EQUITY SHAREHOLDERS' FUNDS</b>	19		471,826		477,219	
			<hr/>		<hr/>	

The financial statements were approved by the board on 9<sup>th</sup> October 2003

Signed on behalf of the board of directors

Charles McLeod

Director

**THE 4LESS GROUP PLC**  
**COMPANY BALANCE SHEET**  
**31 MARCH 2003**

	<u>Notes</u>	<u>2003</u>	<u>2002</u>
		£	£
<b>FIXED ASSETS</b>			
Tangible	10	82,247	111,922
Investments	11	6	6
		<hr/>	<hr/>
		82,253	111,928
<b>CURRENT ASSETS</b>			
Debtors	12	13,568,554	8,372,460
Cash at bank and in hand		4,665,129	1,462,816
		<hr/>	<hr/>
		18,233,683	9,835,276
<b>CREDITORS: amounts falling due within one year</b>	13	(17,795,391)	(9,437,870)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		438,292	397,406
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		520,545	509,334
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	51,427	10,065
Share premium account	18	160,805	283,439
Profit and loss account	18	308,313	215,830
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' FUNDS</b>		520,545	509,334
		<hr/>	<hr/>

The financial statements were approved by the board on 9<sup>th</sup> October 2003

Signed on behalf of the board of directors

Charles McLeod  Director

**THE 4LESS GROUP PLC**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**YEAR ENDED 31 MARCH 2003**

	<u>2003</u> £	<u>2002</u> £
<b>Reconciliation of operating profit to net cash inflow/(outflow) from operating activities</b>		
Operating profit	14,348	122,105
Depreciation of tangible fixed assets	62,400	54,528
Increase in debtors	(5,205,350)	(5,318,467)
Increase in creditors	8,383,443	4,740,053
	<hr/>	<hr/>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>3,254,841</b>	<b>(401,781)</b>
	<hr/>	<hr/>
<b>CASH FLOW STATEMENT (note 20)</b>		
Net cash inflow/(outflow) from operating activities	3,254,841	(401,781)
Returns on investments and servicing of finance	88,132	53,254
Taxation	(60,589)	-
Capital expenditure	(32,384)	(83,477)
	<hr/>	<hr/>
<b>Cash inflow/(outflow) before financing</b>	<b>3,250,000</b>	<b>(432,004)</b>
Financing	(81,272)	19,881
	<hr/>	<hr/>
<b>Increase/(decrease) in cash in the year</b>	<b>3,168,728</b>	<b>(412,123)</b>
	<hr/>	<hr/>
<b>Reconciliation of net cash flow to movement in net funds (note 21)</b>		
Increase/(decrease) in cash in the year	3,168,728	(412,123)
Finance lease	19,576	(19,576)
	<hr/>	<hr/>
<b>Change in net funds</b>	<b>3,188,304</b>	<b>(431,699)</b>
Net funds at 1 April 2002	1,481,294	1,912,993
	<hr/>	<hr/>
<b>Net funds at 31 March 2003</b>	<b>4,669,598</b>	<b>1,481,294</b>
	<hr/>	<hr/>

**THE 4LESS GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 31 March 2003. The results of subsidiaries acquired are consolidated from the date on which control passed. Acquisitions are accounted for under the acquisition method.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230 of the Companies Act 1985. The profit for the financial year of the parent company was **£92,483** (2002 - £172,474).

**(b) Turnover**

Turnover represents amounts receivable for sales made by the group, net of value added tax. Turnover is recognised when binding contracts have been entered into by customers and the profit is fixed and determinable.

**(c) Tangible fixed assets**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	33%
Office equipment	33%

**(d) Finance leases**

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

**(e) Investments**

Investments are stated at cost less provision for impairment.

**(f) Financial instruments**

The only financial instruments utilised by the group are spot and open forward exchange contracts to match customers' specific requirements. The group does not enter into speculative contracts on its own account.

**(g) Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or, if matched, at the forward contract rate. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction or, if matched, at the forward contract rate. Exchange differences are taken into account in arriving at the operating profit.

**THE 4LESS GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**1 ACCOUNTING POLICIES (continued)**

**(h) Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is calculated at tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or sub enacted at the balance sheet date.

**2 SEGMENTAL REPORTING**

An analysis of turnover by class of business is given below:

	<u>2003</u> £	<u>2002</u> £
Provision of foreign currency	271,516,883	137,115,499
Arranging car finance	262,734	115,723
Arranging property finance	82,799	412
	<hr/> 271,862,416	<hr/> 137,231,634

All turnover arose within the United Kingdom.

**3 OPERATING PROFIT**

The operating profit is stated after charging:

	<u>2003</u> £	<u>2002</u> £
Depreciation of tangible fixed assets:		
- owned by the company	62,400	47,167
- held under finance lease or hire purchase contracts	-	7,361
Auditor's remuneration - audit services	20,000	16,850
- non audit services	37,115	-

**THE 4LESS GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**4 DIRECTORS' EMOLUMENTS**

	<u>2003</u> £	<u>2002</u> £
Directors' emoluments	266,375	105,972

No pension contributions were made on behalf of any of the directors (2002: £Nil).

The highest paid director received emoluments and benefits as follows:

	<u>2003</u> £	<u>2002</u> £
Emoluments and benefits under long term incentive schemes	85,000	-

**5 STAFF COSTS**

Staff costs, including directors' emoluments, were as follows:

	<u>2003</u> £	<u>2002</u> £
Wages and salaries	951,557	237,447
Social security costs	96,790	17,799
	<u>1,048,347</u>	<u>255,246</u>

The average monthly number of employees, including executive directors, during the year was:

	No.	No.
Sales and administration	<u>22</u>	<u>9</u>

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<u>2003</u> £	<u>2002</u> £
Other interest receivable	<u>95,395</u>	<u>58,341</u>

**THE 4LESS GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>2003</u> £	<u>2002</u> £
Bank loans and overdrafts	1,680	3,637
Finance charges under finance lease and hire purchase contracts	437	1,450
	<hr/> 2,117	<hr/> 5,087
	<hr/> <hr/>	<hr/> <hr/>

**8 TAXATION**

	<u>2003</u> £	<u>2002</u> £
<b>a) Analysis of charge in period</b>		
Current tax:		
UK corporation tax on profits of the period	30,618	49,204
Adjustment in respect of previous periods	1,129	(431)
Rounding	-	227
	<hr/> 31,747	<hr/> 49,000
<b>Total current tax (note b)</b>	<hr/> <hr/>	<hr/> <hr/>

	<u>2003</u> £	<u>2002</u> £
<b>b) Factors affecting tax charge for period</b>		
Profit on ordinary activities before tax	107,626	175,359
	<hr/>	<hr/>
Expected tax @ 30.00%	32,288	52,608
Expenses not deductible for tax purposes	2,267	472
Depreciation in excess of capital allowances	6,778	3,878
Taxation of profits at marginal 20% rate	(10,715)	(7,527)
Adjustments to tax charge in respect of prior period	1,129	(431)
	<hr/>	<hr/>
<b>Actual tax charges</b>	<hr/> 31,747	<hr/> 49,000
	<hr/> <hr/>	<hr/> <hr/>



**THE 4LESS GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**9 EARNING PER SHARE**

The calculations of earnings per share and fully diluted earnings per share are based on a profit of £75,879 (2002: profit of £126,359) and a weighted average of 5,116,738 (2002: 5,032,300 (as recalculated for the bonus issue in note 17)) shares in issue.

**10 TANGIBLE FIXED ASSETS**  
**Group**

	<u>Motor vehicles</u> £	<u>Office equipment</u> £	<u>Total</u> £
<b>Cost</b>			
At 1 April 2002	26,500	173,476	199,976
Additions	-	32,384	32,384
Disposals	(26,500)	-	(26,500)
At 31 March 2003	-	205,860	205,860
<b>Depreciation</b>			
At 1 April 2002	7,361	55,589	62,950
Charge for year	-	62,400	62,400
Written back on disposal	(7,361)	-	(7,361)
At 31 March 2003	-	117,989	117,989
<b>Net book amount</b>			
At 31 March 2003	-	87,871	87,871
At 31 March 2002	19,139	117,887	137,026
<b>Company</b>		<u>Office equipment</u> £	<u>Total</u> £
<b>Cost</b>			
At 1 April 2002		166,682	166,682
Additions		30,449	30,449
Disposals		-	-
At 31 March 2003		197,131	197,131
<b>Depreciation</b>			
At 1 April 2002		54,760	54,760
Charge for year		60,124	60,124
Disposals		-	-
At 31 March 2003		114,884	114,884
<b>Net book amount</b>			
At 31 March 2003		82,247	82,247
At 31 March 2002		111,922	111,922

**THE 4LESS GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**10 TANGIBLE FIXED ASSETS (continued)**

In both the group and the company, office equipment includes web-site development costs with a cost of £35,000, depreciation for the year of £11,611 and a net book value of £8,750. The net book amount under motor vehicles above includes £Nil (2002: £19,139) in respect of assets held under finance leases or hire purchase contracts.

**11 FIXED ASSET INVESTMENTS**

**Company**

**Shares in  
subsidiary  
undertakings**  
£

**Cost**

At 1 April 2002 and 31 March 2003

6

The company holds 100% of the ordinary share capital of www.car-finance4less.com Limited, which is an arranger of car finance, www.propertyfinance4less.com Limited, which is an arranger of property finance and www.fx4less.com Limited which is dormant.

**12 DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	£	£	£	£
<b>Due within one year</b>				
Trade debtors	13,465,918	8,314,463	13,402,307	8,303,393
Amounts due from group undertakings	-	-	110,482	67,636
Other debtors	2,109	1,433	-	1,431
Prepayments and accrued income	57,928	-	55,765	-
	<u>13,525,955</u>	<u>8,315,896</u>	<u>13,568,554</u>	<u>8,372,460</u>

**13 CREDITORS**

	<b>Group</b>		<b>Company</b>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	£	£	£	£
<b>Amounts falling due within one year</b>				
Trade creditors	17,648,430	9,211,958	17,641,846	9,209,947
Corporation tax	31,062	59,904	31,062	59,904
Other tax and social security	42,693	11,623	42,693	11,623
Net obligations under finance lease and hire purchase	-	4,766	-	-
Other creditors	32,531	139,152	23,408	122,036
Accruals and deferred income	56,882	34,360	56,382	34,360
	<u>17,811,598</u>	<u>9,461,763</u>	<u>17,795,391</u>	<u>9,437,870</u>

**THE 4LESS GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**14 CREDITORS**

	<b>Group</b>		<b>Company</b>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	£	£	£	£
<b>Amounts falling due after one year</b>				
Net obligations under finance lease and hire purchase contracts (note 15)	-	14,810	-	-

**15 FINANCE LEASES**

Net obligations under finance lease and hire purchase agreements fall due as follows:

	<b>Group</b>		<b>Company</b>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	£	£	£	£
Less than one year	-	4,766	-	-
Between two and five years	-	14,810	-	-

Finance lease and hire purchase creditors are secured on the assets concerned.

**16 FINANCIAL INSTRUMENTS**

Treasury activities take place under procedures and policies and are monitored by the Board. They are designed to minimise the financial risks faced by the Group which primarily arise from interest rate, currency and liquidity risks.

**Interest rate risks**

The group has financed its operations primarily through the issue of equity shares, and has no assets or liabilities that are subject to interest rate fluctuations.

**Liquidity risk**

The Group's treasury management policies are designed to ensure the continuity of funding. Currently the operations are strongly cash generating and the Group has significant surplus cash at the year end.

**Foreign currency risk**

The Group does not have any foreign currency exposure as all foreign currency is acquired to fulfil contracts with customers.

**Interest rate and currency profile of financial assets and liabilities**

All financial assets and liabilities are denominated in sterling. As permitted by Financial Reporting Standard 13 no further details are set out in respect of short term debtors and creditors.

**Borrowing facilities**

The Group does not currently require any borrowing facilities.

**THE 4LESS GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**17 SHARE CAPITAL**

	<u>No. Authorised</u>		<u>Allotted, called up and fully paid</u>	
		£	No.	£
At 1 April 2002				
Ordinary shares of 1p each	1,250,000	12,500	1,006,460	10,065
Movement in year:				
Ordinary shares of 1p each	8,750,000	87,500	4,136,210	41,362
At 31 March 2003	10,000,000	100,000	5,142,670	51,427

On 27 May 2002 the authorised share capital of the company was increased from £12,500 to £100,000 by the creation of 8,750,000 ordinary shares of 1p each, and 4,026,660 ordinary shares were issued and fully paid by way of a bonus issue from its share premium account to the holders of ordinary shares pro rata to their existing holding. On 26 June 2002 109,550 ordinary shares with an aggregate value of £1,095 were issued for cash at 60p per share in connection with the admission of the company to the Ofex trading facility. On 26 June the company issued 311,427 warrants which can be issued at 27p and 467,140 warrants which can be issued at 60p within 5 years of the issue date.

**18 RESERVES**

	<u>Group</u>	<u>Company</u>
	£	£
Share premium		
At 1 April 2002	283,439	283,439
Premium on shares issued during the year	64,634	64,634
Nominal value of issue of 4,026,660 bonus shares	(40,266)	(40,266)
Costs incurred in respect of Ofex flotation	(147,002)	(147,002)
At 31 March 2003	160,805	160,805
Profit and loss account		
At 1 April 2002	183,715	215,830
Profit for the year	75,879	92,483
At 31 March 2003	259,594	308,313

**THE 4LESS GROUP PLC**  
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**19 SHAREHOLDERS' FUNDS**

<b>Group</b>	<u><b>2003</b></u> <b>£</b>	<u><b>2002</b></u> <b>£</b>
Shareholders' funds at 1 April 2002	477,219	330,979
Profit for the year	75,879	126,359
New shares issued	65,730	19,881
Costs incurred in respect Ofex flotation	(147,002)	-
	<hr/>	<hr/>
At 31 March 2003	471,826	477,219
	<hr/>	<hr/>

**20 GROSS CASH FLOWS**

	<u><b>2003</b></u> <b>£</b>	<u><b>2002</b></u> <b>£</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	90,686	58,341
Interest paid	(2,554)	(3,637)
Interest element of finance lease rentals	-	(1,450)
	<hr/>	<hr/>
	88,132	53,254
	<hr/>	<hr/>
<b>Capital expenditure</b>		
Payments to acquire intangible fixed assets	(32,384)	(83,477)
	<hr/>	<hr/>
<b>Financing</b>		
Issue of share capital	65,730	19,881
Expenses paid in connection with share issues	(147,002)	-
	<hr/>	<hr/>
	(81,272)	19,881
	<hr/>	<hr/>

**21 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 April <u>2002</u> <b>£</b>	<b>Cash flows</b> <b>£</b>	<b>Other changes</b> <b>£</b>	At 31 March <u>2003</u> <b>£</b>
Cash at bank and in hand	1,500,870	3,168,728	-	4,669,598
Finance leases	(19,576)	-	19,576	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	1,481,294	3,168,728	19,576	4,669,598
	<hr/>	<hr/>	<hr/>	<hr/>

**THE 4LESS GROUP PLC**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED 31 MARCH 2003**

**22 TRANSACTIONS WITH RELATED PARTIES**

As permitted by Financial Reporting Standard 8, "Related Party Transactions", the financial statements do not disclose transactions between the parent company and its subsidiaries to the extent that the transactions have been eliminated on consolidation.

**23 CONTROLLING PARTY**

The company is controlled by Charles McLeod.