

First Capital Cashflow Plc

FINANCIAL STATEMENTS

for the year ended

31 December 2003



First Capital Cashflow Plc

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C Broadbent
C J Hughes-Hunt
D A Marsden
J C McGuire
M J Morrin

SECRETARY

H L Secretaries Limited

REGISTERED OFFICE

Baker Tilly
Brazennose House
Brazennose Street
Manchester
M2 5BL

AUDITORS

Baker Tilly
Chartered Accountants
Brazennose House
Lincoln Square
Manchester
M2 5BL

First Capital Cashflow Plc

DIRECTORS' REPORT

The directors submit their report and financial statements of First Capital Cashflow Plc for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of provision of credit management services.

REVIEW OF THE BUSINESS

The business continued with the development of its Direct Debit Origination and Collection service together with an Outsourced Sales Ledger Management service. As its on-line system (TrackIt) is web based, both security and reliability are vital to the success of the business and both of these areas have proven to be very robust. Work commenced on adding a paperless Direct Debit option to the existing service and this should be available during the first half of 2004. This development is seen as key to further expanding the client base as it will make the sign up process more efficient and the inbuilt checks will enhance security. Whilst the target market for these services are the SME sector, the paperless option will be equally as attractive to large Corporate Businesses. Whilst the business continued to make losses in 2003, these were broadly in line with budget and it is expected to be profitable in 2004.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

| | Ordinary Shares of £1 each | |
|--|----------------------------|----------------------|
| | At 31 December 2003 | At 1 January 2003 |
| C Broadbent (Appointed 26 February 2004) | - | - |
| C J Hughes-Hunt | 110,000 | 110,000 |
| D A Marsden | - | - |
| J C McGuire | - | - |
| M J Morrin | <u>242,100</u> | <u>242,100</u> |

POLICY ON THE PAYMENT OF CREDITORS

Creditors are paid to agreed credit terms unless invoices in respect of goods or services are under query or disputed. The average time taken to pay creditors during the year was 109 days.

First Capital Cashflow Plc

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

On behalf of the board



Martin Morrin

Director

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First Capital Cashflow Plc

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIRST CAPITAL CASHFLOW PLC (continued)

We have audited the financial statements on pages 6 to 14.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's 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 company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. 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.

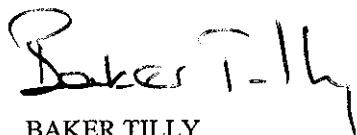
Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

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



BAKER TILLY

Registered Auditor
Chartered Accountants
Brazennose House
Lincoln Square
Manchester
M2 5BL

30.7.04

First Capital Cashflow Plc

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2003

| | Notes | Year to 31 Dec 03 £ | Period from 1 Mar 02 to 31 Dec 02 £ |
|---|-------|---------------------------|--|
| TURNOVER | 1 | 263,959 | 79,522 |
| Cost of sales | | 94,073 | 79,084 |
| Gross profit | | 169,886 | 438 |
| Sales and marketing costs | | 97,955 | 382,964 |
| Administrative expenses | | 278,124 | 385,050 |
| Other operating income | 2 | — | (100,000) |
| OPERATING LOSS | 3 | (206,193) | (667,576) |
| Interest payable | 6 | 2,412 | — |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (208,605) | (667,576) |
| Taxation | | — | — |
| LOSS FOR THE FINANCIAL YEAR | | (208,605) | (667,576) |

The operating loss for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

First Capital Cashflow Plc

BALANCE SHEET

31 December 2003

| | Notes | 2003 £ | 2002 £ |
|--|-------|-----------|-----------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 137,761 | 176,926 |
| CURRENT ASSETS | | | |
| Debtors | 8 | 36,664 | 48,284 |
| Cash at bank and in hand | | 8,747 | 12,272 |
| | | 45,411 | 60,556 |
| CREDITORS | | | |
| Amounts falling due within one year | 9 | 120,618 | 78,534 |
| NET CURRENT LIABILITIES | | | |
| | | (75,207) | (17,978) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| | | 62,554 | 158,948 |
| CREDITORS | | | |
| Amounts falling due after more than one year | | | |
| Directors loans | 10 | 13,090 | 12,979 |
| | | 49,464 | 145,969 |
| FINANCED BY | | | |
| CREDITORS | | | |
| Amounts falling due after more than one year | | | |
| Shareholder Loans | 10 | 118,000 | 76,000 |
| Directors Loans | 10 | 105,545 | 35,445 |
| CAPITAL AND RESERVES | | | |
| Called up equity share capital | 14 | 440,100 | 440,100 |
| Share premium account | | 262,000 | 262,000 |
| Profit and loss account | 15 | (876,181) | (667,576) |
| (DEFICIENCY)/SHAREHOLDERS' FUNDS | | | |
| | 16 | (174,081) | 34,524 |
| | | 49,464 | 145,969 |

These financial statements were approved by the directors on the 30.7.04 and are signed on their behalf by:



Martin Morrin
Director

First Capital Cashflow Plc

CASH FLOW STATEMENT

for the year ended 31 December 2003

| | | Year to 31 Dec 03 £ | Period from 1 Mar 02 to 31 Dec 02 £ |
|--|-------|---------------------------|--|
| | Notes | | |
| Net cash flow from operating activities | 17 | (105,835) | (507,232) |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest paid | | (2,412) | — |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | (2,412) | — |
| CAPITAL EXPENDITURE | | | |
| Payments to acquire tangible fixed assets | | (7,489) | (237,020) |
| NET CASH OUTFLOW FROM CAPITAL EXPENDITURE | | (7,489) | (237,020) |
| CASH OUTFLOW BEFORE FINANCING | | (115,736) | (744,252) |
| FINANCING | | | |
| Issue of equity share capital | | — | 370,100 |
| Share premium on issue of equity share capital | | — | 262,000 |
| Net inflow from other long-term creditors | | 112,211 | 124,424 |
| NET CASH INFLOW FROM FINANCING | | 112,211 | 756,524 |
| (DECREASE)/INCREASE IN CASH IN THE PERIOD | 17 | (3,525) | 12,272 |

First Capital Cashflow Plc

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention.

TURNOVER

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

FIXED ASSETS

All fixed assets are initially recorded at cost.

DEPRECIATION

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---------------------|---|-------------------|
| Plant & Machinery | - | 20% on cost |
| Fixtures & Fittings | - | 20% on cost |
| Equipment | - | 20% - 25% on cost |

OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

PENSION COSTS

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from the company. The annual contributions payable are charged to the profit and loss account.

GOVERNMENT GRANTS

Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred

GOING CONCERN

The company has net current liabilities of £75,207. The directors have prepared forecasts for the year ending 31 December 2004 and these anticipate a return to profitability. As the shareholders and directors have agreed to the deferral of repayment of their loans for at least 12 months from the signing of these accounts, the directors consider it appropriate to prepare the accounts on a going concern basis.

DEFERRED TAX

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 tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured on a non-discounted basis. A deferred tax asset of £161,804 has not been recognised in these financial statements and will only be recognised when there is enough certainty over future trading profits.

First Capital Cashflow Plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

1 TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company, wholly undertaken in the United Kingdom

2 OTHER OPERATING INCOME

| | Year to 31 Dec 03 | Period from 1 Mar 02 to 31 Dec 02 |
|-----------------------|----------------------|---|
| | £ | £ |
| Grant income received | — | 100,000 |

3 OPERATING LOSS

Operating loss is stated after charging:

| | Year to 31 Dec 03 | Period from 1 Mar 02 to 31 Dec 02 |
|------------------------------------|----------------------|---|
| | £ | £ |
| Depreciation of owned fixed assets | 46,654 | 60,094 |
| Auditors' remuneration | | |
| - as auditors | 3,250 | 3,250 |

4 PARTICULARS OF EMPLOYEES

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

| | Year to 31 Dec 03 | Period from 1 Mar 02 to 31 Dec 02 |
|---------------------|----------------------|---|
| | No | No |
| Operations | 4 | 2 |
| Sales and marketing | 1 | 3 |
| Administration | 1 | 2 |
| Management | 2 | 2 |
| | 8 | 9 |

The aggregate payroll costs of the above were:

| | Year to 31 Dec 03 | Period from 1 Mar 02 to 31 Dec 02 |
|-----------------------|----------------------|---|
| | £ | £ |
| Wages and salaries | 176,785 | 316,003 |
| Social security costs | 16,886 | 34,994 |
| Other pension costs | 4,535 | 8,103 |
| | 198,206 | 359,100 |

First Capital Cashflow Plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

5 DIRECTORS' EMOLUMENTS

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

| | Year to 31 Dec 03 | Period from 1 Mar 02 to 31 Dec 02 |
|--|----------------------|---|
| | £ | £ |
| Emoluments receivable | – | 43,612 |
| Value of company pension contributions to money purchase schemes | – | 1,479 |
| | <u>–</u> | <u>45,091</u> |

6 INTEREST PAYABLE

| | Year to 31 Dec 03 | Period from 1 Mar 02 to 31 Dec 02 |
|------------------------------------|----------------------|---|
| | £ | £ |
| Interest payable on bank borrowing | <u>2,412</u> | <u>–</u> |

7 TANGIBLE FIXED ASSETS

| | Leasehold Property £ | Plant & Machinery £ | Fixtures & Fittings £ | Equipment £ | Total £ |
|-----------------------|----------------------------|---------------------------|-----------------------------|----------------|----------------|
| Cost | | | | | |
| At 1 January 2003 | 2,780 | 41,848 | 14,837 | 177,554 | 237,019 |
| Additions | – | – | – | 7,489 | 7,489 |
| At 31 December 2003 | <u>2,780</u> | <u>41,848</u> | <u>14,837</u> | <u>185,043</u> | <u>244,508</u> |
| Depreciation | | | | | |
| At 1 January 2003 | – | 10,462 | 3,709 | 45,922 | 60,093 |
| Charge for the year | – | 8,362 | 2,964 | 35,328 | 46,654 |
| At 31 December 2003 | <u>–</u> | <u>18,824</u> | <u>6,673</u> | <u>81,250</u> | <u>106,747</u> |
| Net book value | | | | | |
| At 31 December 2003 | <u>2,780</u> | <u>23,024</u> | <u>8,164</u> | <u>103,793</u> | <u>137,761</u> |
| At 31 December 2002 | <u>2,780</u> | <u>31,386</u> | <u>11,128</u> | <u>131,632</u> | <u>176,926</u> |

8 DEBTORS

| | 2003 £ | 2002 £ |
|--------------------------------|---------------|---------------|
| Trade debtors | 26,449 | 21,955 |
| Other debtors | 1,890 | 18,204 |
| Prepayments and accrued income | 8,325 | 8,125 |
| | <u>36,664</u> | <u>48,284</u> |

First Capital Cashflow Plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

9 CREDITORS: Amounts falling due within one year

| | 2003 | 2002 |
|------------------------------------|----------------|---------------|
| | £ | £ |
| Trade creditors | 91,268 | 50,829 |
| Other taxation and social security | 8,890 | 10,250 |
| Other creditors | — | 10,384 |
| Accruals and deferred income | 20,460 | 7,071 |
| | <u>120,618</u> | <u>78,534</u> |

10 CREDITORS: Amounts falling due after more than one year

| | 2003 | 2002 |
|-------------------------|----------------|----------------|
| | £ | £ |
| Other creditors | 118,000 | 76,000 |
| Directors loan accounts | 118,635 | 48,424 |
| | <u>236,635</u> | <u>124,424</u> |

11 PENSIONS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £8,103.

12 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

| | 2003 | | 2002 | |
|--------------------------------|--------------------|--------------|--------------------|--------------|
| | Land and buildings | Other | Land and buildings | Other |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| Within 1 year | — | — | — | 160 |
| Within 2 to 5 years | 32,600 | 1,120 | 32,500 | 888 |
| | <u>32,600</u> | <u>1,120</u> | <u>32,500</u> | <u>1,048</u> |

13 RELATED PARTY TRANSACTIONS

David Marsden, a director of the company, is also the director and Chairman of RDM Factors Limited. During the year RDM Factors Limited made loans totalling £118,000 to the company and this amount remained outstanding at the year end. No interest has currently been charged on the loan, which is not repayable before 12 months from the date of approval of these financial statements.

First Capital Cashflow Plc
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2003

14 SHARE CAPITAL

| | 2003 £ | 2002 £ |
|--|------------------|------------------|
| Authorised: | | |
| 1,000,000 Ordinary shares of £1 each | <u>1,000,000</u> | <u>1,000,000</u> |
| Allotted, called up and fully paid: | | |
| 440,100 Ordinary shares of £1 each | <u>440,100</u> | <u>440,100</u> |

15 PROFIT AND LOSS ACCOUNT

| | Year to 31 Dec 03 £ | Period from 1 Mar 02 to 31 Dec 02 £ |
|---|---------------------------|--|
| At 1 January 2003 | (667,576) | — |
| Accumulated loss for the financial year | (208,605) | (667,576) |
| At 31 December 2003 | <u>(876,181)</u> | <u>(667,576)</u> |

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2003 £ | 2002 £ |
|--|------------------|----------------|
| Loss for the financial year | (208,605) | (667,576) |
| New equity share capital subscribed | — | 370,100 |
| Premium on new share capital subscribed | — | 262,000 |
| | <u>—</u> | <u>632,100</u> |
| Net reduction to funds | (208,605) | (35,476) |
| Opening shareholders' equity funds | 34,524 | 70,000 |
| Closing shareholders' equity (deficit)/funds | <u>(174,081)</u> | <u>34,524</u> |

17 CASH FLOWS

a Reconciliation of operating loss to net cash outflow from operating activities

| | Year to 31 Dec 03 £ | Period from 1 Mar 02 to 31 Dec 02 £ |
|--|---------------------------|--|
| Operating loss | (206,193) | (667,576) |
| Depreciation | 46,654 | 60,094 |
| Decrease in debtors | 11,620 | 21,716 |
| Increase in creditors | 42,084 | 78,534 |
| Net cash outflow from operating activities | <u>(105,835)</u> | <u>(507,232)</u> |

First Capital Cashflow Plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2003

17 CASH FLOWS *(continued)*

b RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2003 | 2002 |
|--|------------------|------------------|
| | £ | £ |
| (Decrease)/increase in cash in the period | (3,525) | 12,272 |
| Net cash (inflow) from other long-term creditors | (112,211) | (124,424) |
| CHANGE IN NET DEBT | (115,736) | (112,152) |
| NET DEBT AT 1 JANUARY 2003 | (112,152) | — |
| NET DEBT AT 31 DECEMBER 2003 | <u>(227,888)</u> | <u>(112,152)</u> |

c Analysis of net debt

| | At 1 Jan 2003 | Cash flows | At 31 Dec 2003 |
|--------------------------|------------------|------------------|-------------------|
| | £ | £ | £ |
| Cash in hand and at bank | 12,272 | (3,525) | 8,747 |
| Debt due after 1 year | (124,424) | (112,211) | (236,635) |
| Total | <u>(112,152)</u> | <u>(115,736)</u> | <u>(227,888)</u> |

18 CONTROL

The company was under the control of the directors during the year.