

Company Registration No 05418233 (England and Wales)

CLODE FUNDING LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

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CLODE FUNDING LIMITED

COMPANY INFORMATION

Directors	N J Davies	
	D J Mills	
	J Morris	(Appointed 1 October 2007)
Secretary	J Morris	
Company number	05418233	
Registered office	Units 19 - 20 Neptune Court Vanguard Way Cardiff CF24 5PJ	
Auditors	Brett Adams Chartered Accountants 25 Manchester Square London W1U 3PY	
Bankers	Barclays Bank Plc One Churchill Place London E14 5HP	

CLODE FUNDING LIMITED

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CLODE FUNDING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2007

The directors present their report and financial statements for the year ended 31 March 2007

Principal activities and review of the business

The principal activity of the company is that of provision of revolving credit and fixed rate finance

The volume growth in loan business generated in this year by Clode Funding Ltd has been achieved through the acquisition of new group companies, namely V-12 Finance Ltd, within the Clode Holdings Group. This growth in new business has incurred additional overheads in the first year of operation as the new business lines are integrated into the Clode Group. This growth in business will increase future revenues and there should also be a reduced growth in overheads.

The key financial highlights are

2007 Turnover £2,942,461, Profit before tax £34,212

2006 Turnover £ 1,066,790, Profit before tax £53,927

The company aims to increase market share by focussing on existing markets and diversifying into emerging markets such as e-commerce. We expect the proportion of business to increase as new products are launched. The company also will continue to tighten its credit policy and improve collections.

We also plan to streamline costs and use the current assets more efficiently and be more competitive in the finance sector.

Results and dividends

The results for the year are set out on page 5

An interim ordinary dividend was paid amounting to £53,996. The directors do not recommend payment of a final dividend.

Principal risks and uncertainties

The company faces a number of business risks mainly due to external factors as detailed below

Financial risk management

The company uses various financial instruments which include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The group's activities expose it to a variety of financial risks that include credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before advances are made. The company seeks to manage its customer credit risk by utilising bureau information, scores and automated decision strategies which have been developed over many years.

Liquidity risk

The company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. All cash balances are immediately accessible. All liabilities are due within the year. In addition, the Company has utilised the Convertible Loans to assist with its working capital requirements.

Interest rate risk

The company finances its operations through a mixture of loans, bank borrowings and equity. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of floating facilities and fixed interest loans. The group does not use derivative financial instruments to manage interest rate costs and as such

CLODE FUNDING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

Key performance indicators

The company's strategy is to continue to grow its market share and this can be measured by the key performance indicators set out below

	2007 £'000	2006 £'000	Comments
Outstanding loan balances (after provisions)	39,049	12,953	The loan book has grown in challenging trading conditions. The company continually strives to attract, retain and maximise customer relationships.
Provision against advances to customers	515	487	Insolvency and bankruptcy filings have risen during the year. The company continuously monitors collection procedures to establish best practice.
Net interest income (interest receivable less interest payable)	1,378	645	The increase in net interest income has resulted from successful growth during the year.
Earnings before tax	34	54	During the year the company introduced new financial products, increased its borrowing requirements and increased its trade through a new business integrated into the group. This resulted in an increase in overheads.

Directors

The following directors have held office since 1 April 2006

N J Davies

D J Mills

J Morris

(Appointed 1 October 2007)

Directors' interests

The directors' interests in the shares of the company were as stated below

	Ordinary shares of £1 each	
	31 March 2007	1 April 2006
N J Davies	-	-
D J Mills	-	-

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Brett Adams, will be deemed to be reappointed for each succeeding financial year.

CLODE FUNDING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2007

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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

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

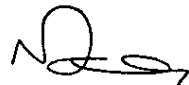
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

Statement of disclosure to auditor

In so far as the directors are aware

- (a) there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board



N J Davies

Director

30/1/08

CLODE FUNDING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CLODE FUNDING LIMITED

We have audited the financial statements of Clode Funding Limited for the year ended 31 March 2007 set out on pages 6 to 12. 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 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

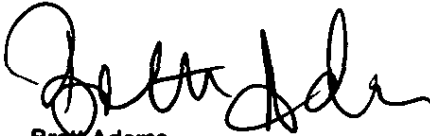
CLODE FUNDING LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF CLODE FUNDING LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



Brett Adams
Chartered Accountants
Registered Auditor

30 January 2008

25 Manchester Square
London W1U 3PY

CLODE FUNDING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2007

		Year ended 31 March 2007 £	Period ended 31 March 2006 £
	Notes		
Turnover		2,942,461	1,066,790
Administrative expenses		(1,343,428)	(591,036)
Operating profit		1,599,033	475,754
Interest payable and similar charges		(1,564,821)	(421,827)
Profit on ordinary activities before taxation		34,212	53,927
Tax on profit on ordinary activities	2	(5,554)	(16,178)
Profit for the year	7	28,658	37,749

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

CLODE FUNDING LIMITED

BALANCE SHEET AS AT 31 MARCH 2007

	Notes	2007 £	£	2006 £	£
Current assets					
Debtors amounts falling due within one year	4	9,091,137		4,036,263	
Debtors amounts falling due after more than one year	4	31,136,644		9,291,611	
Cash at bank and in hand		194,977		432,901	
		<u>40,422,758</u>		<u>13,760,775</u>	
Creditors, amounts falling due within one year	5	(40,410,346)		(13,723,025)	
Net current assets			<u>12,412</u>		<u>37,750</u>
Total assets less current liabilities			<u>12,412</u>		<u>37,750</u>
Capital and reserves					
Called up share capital	6		1		1
Profit and loss account	7		12,411		37,749
Shareholders' funds	8		<u>12,412</u>		<u>37,750</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

Approved by the Board and authorised for issue on

30/1/08



N J Davies
Director

CLODE FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company

1.2 Turnover

Turnover represents interest receivable on credit instalment and fixed rate finance agreements with the exception of products with a buy now pay later or interest free period

In respect of credit instalment and fixed rate finance agreements, sufficient finance charge income is recognised at the inception of each financing agreement to cover the company's estimated acquisition costs of that agreement. The remaining finance charge income, less amounts payable in respect of fees, commissions and rebates, is classified as unearned finance charge and is earned in the balance sheet as a deduction from trade debtors. Unearned finance charges are recognised as income over the term of the agreement in proportion to the capital amount outstanding.

In respect of buy now pay later products or interest free period products, where the balance is anticipated to remain unpaid at the end of the interest free period, interest anticipated over the total product term is spread over its life including the interest free period to present an effective return on a level yield basis.

Subsidies earned on interest finance agreements are credited to the profit and loss account as the agreements are written. A provision is then established for the financing costs of the interest free agreement over the term of the agreement to recognise the costs in line with the subsidy.

1.3 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

CLODE FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

2	Taxation	2007	2006
		£	£
	Domestic current year tax		
	U K corporation tax	-	16,178
	Adjustment for prior years	(4,710)	-
	Payment in respect of group relief	10,264	-
		<u>5,554</u>	<u>16,178</u>
	Current tax charge	<u>5,554</u>	<u>16,178</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>34,212</u>	<u>53,927</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2006 - 30.00%)	<u>10,264</u>	<u>16,178</u>
	Effects of		
	Tax losses utilised	(10,264)	-
	Other tax adjustments	5,554	-
		<u>(4,710)</u>	<u>-</u>
	Current tax charge	<u>5,554</u>	<u>16,178</u>

During the year, the company received excess losses of £10,264 (2006 £Nil) from its fellow subsidiaries. These losses have been utilised by the company during the year.

3	Dividends	2007	2006
		£	£
	Ordinary interim paid	<u>53,996</u>	<u>-</u>

CLODE FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

4 Debtors	2007	2006
	£	£
Trade debtors	39,049,372	12,953,168
Amounts owed by group undertakings and undertakings in which the company has a participating interest	1,021,005	1
Other debtors	157,404	374,705
	<u>40,227,781</u>	<u>13,327,874</u>

Amounts falling due after more than one year and included in the debtors above are

	2007	2006
	£	£
Trade debtors	<u>31,136,644</u>	<u>9,291,611</u>

Unearned finance charges of £19,265,121 (2005 £98,750) are netted off against trade debtors

5 Creditors amounts falling due within one year	2007	2006
	£	£
Bank loans and overdrafts	35,054,522	10,763,408
Trade creditors	283	-
Amounts owed to group undertakings and undertakings in which the company has a participating interest	5,290,867	2,860,995
Taxation and social security	-	16,178
Other creditors	64,674	82,444
	<u>40,410,346</u>	<u>13,723,025</u>

The bank loan and overdraft is secured by a security agreement between the company and other group companies over all the assets of the company. The lender is also the beneficiary of a keyman insurance policy in respect of N Davies.

6 Share capital	2007	2006
	£	£
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

CLODE FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

7 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2006	37,749
Profit for the period	28,658
Dividends paid	(53,996)
Balance at 31 March 2007	<u>12,411</u>

8 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	28,658	37,749
Dividends	(53,996)	-
	<u>(25,338)</u>	<u>37,749</u>
Proceeds from issue of shares	-	1
Net (depletion in)/addition to shareholders' funds	(25,338)	37,750
Opening shareholders' funds	37,750	-
Closing shareholders' funds	<u>12,412</u>	<u>37,750</u>

CLODE FUNDING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2007

9 Financial instruments

The company's principal financial instruments comprise trade debtors, bank balances, bank overdrafts, trade creditors and loans to the company

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is as shown below

Trade debtors are managed in respect of credit and cashflow risk by policies concerning credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at the floating rates of interest. The company makes use of money market facilities where funds are available

In respect of loans, these comprise of loans from financial institutions. The interest rate on the loans from financial institutions is variable. The company manages the liquidity risk by ensuring that there are sufficient funds to meet these repayments. The directors are aware of the company's required finance and continually monitor the financial requirement of the company

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

Fair value of financial assets and liabilities

The disclosure below excludes short term debtors and creditors

	Book value and fair value	
	2007	2006
	£	£
Assets		
Cash at bank	194,978	432,901
Debtors due after more than one year	31,136,644	9,291,611
Current liabilities		
Bank overdrafts	(35,054,522)	(10,763,408)
	<u>(3,722,900)</u>	<u>(1,038,896)</u>

10 Control

The immediate controlling party is Clode Holdings Limited, a company registered in England and Wales. The ultimate controlling party is D Mills by virtue of his shareholding in Clode Holdings Limited

Clode Holdings Limited prepares group financial statements and copies can be obtained from Units 19 - 20 Neptune Court, Vanguard Way, Cardiff CF24 5PJ

11 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company