

1 PM PLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MAY 2007

**1 PM PLC**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 MAY 2007**

**COMPANY INFORMATION**

**DIRECTORS**

R O Channon  
M R Johnson  
A F Williams

**COMPANY SECRETARY**

R O Channon

**REGISTERED OFFICE**

12 George Street  
Bath  
Avon  
BA1 2EH

**REGISTERED NUMBER**

05845866

**AUDITORS**

Moore Stephens  
Chartered Accountants  
30 Gay Street  
Bath  
BA1 2PA

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CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MAY 2007

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# 1 PM PLC

## THE CHAIRMAN'S STATEMENT

### FOR THE PERIOD ENDED 31 MAY 2007

It is a pleasure to present my first report as Chairman of 1pm Group.

I was appointed Chairman on 9 February 2007.

#### Overview

Whilst it is disappointing to report a loss for the period to 31 May 2007 I can categorically state that your board looks forward to the future with optimism as a result of the decisive action taken to restructure the group.

The focus of the business from inception in 1998 through to February 2007 was directed predominantly at the sub prime market, i.e. customers with historic credit difficulties.

Following the AIM flotation during August 2006 the group found itself experiencing escalating levels of delinquencies which demanded a detailed evaluation of the underwriting and collection process together with the provisioning policy and recovery potential.

Through this process it became clear that the underwriting criteria and the credit control procedures required an extensive revision if the performance of the Company was to improve.

The board has conducted a comprehensive case by case review.

The results of this review are reflected in a bad debt write off of £482,518, which contributed to the posted loss for the period ending 31 May 2007 of £330,907.

After careful consideration the decision was taken to withdraw from offering Sub prime finance and reposition into the traditional small ticket leasing market specialising in providing funding for small and emerging businesses that have a proven payment history and are professionally controlled by experienced owner managers who have a vested interest in success of the business.

It is essential that the company is an "open book" and we are not carrying forward year upon year aged delinquencies that will continue to adversely impact on the balance sheet.

#### Current trading and future prospects

We have created a "clean" and operationally slick vehicle expertly positioned in a thriving £5bn market that the new management team have successfully performed in for many years.

The key factors that are fundamental to maximising this opportunity are:

- Structured withdrawal from the Sub Prime market
- Definitive new underwriting policy implemented and designed specifically to exclude any form of adverse credit.
- All Sub Prime brokers terminated.
- Thirty new brokers all known personally by the new management team appointed.
- Two new funding lines now in place.
- New finance director appointed with proven leasing background
- Robust consistent collection policy implemented including the appointment of two proven specialist legal collections firm of lawyers.

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**THE CHAIRMAN'S STATEMENT**

**FOR THE PERIOD ENDED 31 MAY 2007**

- Recoveries February to June of £145,000
- Recoveries June to October anticipated to achieve £170,000
- Provisioning policy of 3% "across the board " immediately implemented

I am delighted to report that there is now the opportunity for a "new start" based on the sound foundations we have established that are now commencing to generate strong income margins in their own right and the added advantage of the recent restructuring already beginning to contribute positively to the bottom line.


The group is also now able to aggressively promote our "Simple Finance for Smart Business" philosophy based exclusively on the success of the repositioning programme and comfortable in the knowledge we are operating from a proven, consistent and most importantly a secure administrative and operational platform.

**Board and Employees**

On behalf of the board, I would like to express my sincere thanks to our loyal and brilliant staff for their amazing support, confidence and dedication during the recent difficult months for the group.

The appointment of Rod Channon as Finance Director of the group is an important factor in strengthening a key area of the board as a result of his significant experience in the leasing industry.

Finally I have agreed to continue as Chairman to spearhead the restructuring programme the new Board has put in place and I am sure that my many years experience in this market will have an ongoing positive impact on future performance and most importantly the financial success of the group.

  
.....  
Chairman

## 1 PM PLC

### THE DIRECTORS' REPORT

#### FOR THE PERIOD ENDED 31 MAY 2007

The directors present their report and the consolidated financial statements for the period ended 31 May 2007.

#### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company was incorporated on 14 June 2006. The principal activity of the company during the period was that of providing equipment lease rental finance to UK businesses.

The trading results for the period, and the Group's financial position as the end of the period are shown in the attached financial statements. No dividends are proposed for the period, see the detail in note 6 to the financial statements.

Although the investment in 1pm (UK) Limited was not acquired until 3 July 2006 the results for the year ended 31 May 2007 are shown in the consolidated profit and loss account. The results for the period 1 June 2006 to 3 July 2006 were sales of £73,302, expenses of £74,906 resulting in a loss for the period of £1,604.

A detailed review of the Group's activities during the period and its prospects are contained in the chairman's report on pages 1 and 2. The key performance indicators are covered in these reports.

#### THE DIRECTORS AND THEIR INTERESTS IN THE SHARES OF THE COMPANY

The directors during the period under review and the shares in the company in which they were beneficially interested at the beginning and end of the period were:

##### Ordinary Shares of £0.0006818p each 31 May 2007

R O Channon (appointed 17/5/07)	-
M R Johnson (appointed 9/2/07)	-
A F Williams (appointed 3/7/06)	36,666,667
J F Benson (appointed 3/7/06, resigned 19/3/07)	-
S M Grey (appointed 3/7/06, resigned 19/3/07)	-
JDG Stickley (appointed 3/7/06, resigned 31/5/07)	36,666,667
IMCO Director Limited (appointed 14/6/06, resigned 3/7/06)	-
IMCO Secretary Limited (appointed 14/6/06, resigned 3/7/06)	-

#### DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 year.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 10 and 11 and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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 Companies Act 1985. The directors 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.

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**THE DIRECTORS' REPORT**

**FOR THE PERIOD ENDED 31 MAY 2007**

In so far as the directors are aware:

there is no relevant audit information of which the company's auditors are unaware; and

the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**SUBSTANTIAL SHAREHOLDINGS**

On 31 August 2007, the company has been notified that the following were, interested in 3% or more of the issued share capital of the Company:

Name	Number of Shares	% of Issued Share Capital
A F Williams	36,666,667	25.0%
JDG Stickley	36,666,667	25.0%
Perhingkeen Nominees Limited	11,425,000	7.8%
SVS(Nominees )Limited	15,162,681	10.3%
TD Waterhouse Nominees (Europe) Limited	8,750,000	6.1%

**CREDITORS PAYMENT POLICY**

Suppliers are made aware of payment terms and how disputes are to be settled and payment is made in accordance with those terms.

At 31 May 2007 the company has an average of 23 days purchases outstanding in trade creditors.

**FINANCIAL RISK**

The Group and company's exposure to financial risk is disclosed in note 24.

Registered office:  
12 George Street  
Bath  
Avon  
BA1 2EH

Signed by order of the directors

  
MR P.O. CHANNON  
Company Secretary

Approved by the directors on 5 September 2007

**1 PM PLC  
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF 1 PM PLC  
PERIOD ENDED 31 MAY 2007**

We have audited the financial statements of 1 PM PLC for the period ended 31 May 2007 on pages 6 to 21 which have been prepared on the basis of the accounting policies set out on pages 10 and 11.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 other transactions 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 and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company and group's affairs as at 31 May 2007 and of the group's loss for the period 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 period ended 31 May 2007.

MOORE STEPHENS  
Chartered Accountants  
& Registered Auditors  
30 Gay Street  
Bath BA1 2PA

  
6th September 2007



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CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 MAY 2007

	Note	2007 £
<b>TURNOVER</b>		871,965
Cost of sales		<u>792,711</u>
<b>GROSS PROFIT</b>		79,254
Administrative expenses		<u>403,760</u>
<b>OPERATING LOSS</b>	2	(324,506)
Interest payable and similar charges		(12,372)
Interest receivable		<u>5,971</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(330,907)
Tax on profit on ordinary activities	5	<u>83,238</u>
<b>LOSS FOR THE FINANCIAL PERIOD</b>		<u>(247,669)</u>
Earnings per share – Basic	7	<u>(0.19p)</u>
- Diluted	7	<u>(0.19p)</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the period as set out above.

No profit or loss has been recognised in the individual accounts of 1pm plc

The notes on pages 10 to 21 form part of these financial statements.


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CONSOLIDATED BALANCE SHEET

31 MAY 2007

	Note	2007	
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	8		42,512
Intangible assets	9		<u>(107,200)</u>
			(64,688)
<b>CURRENT ASSETS</b>			
Debtors	10	2,826,951	
Cash at bank and in hand		<u>6,104</u>	
		2,833,055	
<b>CREDITORS: Amounts falling due within one year</b>	11	<u>(1,382,366)</u>	
<b>NET CURRENT ASSETS</b>			<u>1,450,689</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,386,001</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	12		<u>(662,376)</u>
			723,625
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	13		<u>-</u>
			<u>723,625</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	16		99,925
Share premium account	16		871,369
Profit and loss account	17		<u>(247,669)</u>
<b>SHAREHOLDERS' FUNDS</b>	18		<u>723,625</u>

These financial statements were approved by the directors on the 5<sup>th</sup> Sept 2007 and are signed on their behalf by:

  
M R JOHNSON  
Director

The notes on pages 10 to 21 form part of these financial statements.

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COMPANY BALANCE SHEET

31 MAY 2007

	Note	£	2007 £
<b>FIXED ASSETS</b>			
Investments	19		50,000
<b>CURRENT ASSETS</b>			
Debtors	20	915,335	
Bank		<u>5,959</u>	
		921,294	
<b>CREDITORS: amounts falling due within one year</b>		<u>-</u>	
<b>NET CURRENT ASSETS</b>			<u>921,294</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			971,294
<b>CREDITORS: amounts falling due after more than one year</b>			<u>-</u>
			<u>971,294</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16		99,925
Share premium	16		871,369
Profit and loss account			<u>-</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>971,294</u>

These financial statements were approved by the directors on the <sup>5<sup>th</sup></sup> Sept 2007 and are signed on their behalf by:

  
.....  
M.R. JOHNSON  
Director

The notes on pages 10 to 21 form part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

PERIOD ENDED 31 MAY 2007

	Note	2007 £
Net cash inflow / (outflow) from operating activities	21	(430,653)
Returns on investments and servicing of finance	21	(6,401)
Taxation	21	(54,783)
Capital expenditure and financial investment	21	(34,756)
Equality dividends paid		-
Cash inflow before financing		(526,593)
Financing	21	<u>689,925</u>
Increase / (decrease) in cash	21	<u>163,332</u>

The notes on pages 10 to 21 form part of these financial statements.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

### 1. ACCOUNTING POLICIES

#### Basis of accounting

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

The consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 31 May 2007.

The separate net assets of subsidiary undertakings acquired and accounted for under acquisition accounting are included in the group financial statements at their fair values to the group at the date of acquisition.

A separate profit and loss account for the parent company has not been prepared as permitted in Section 230(2) of the Companies Act 1985.

#### Leased assets and turnover

Assets leased to customers on finance leases are excluded from the fixed assets of the company, and are reported as a debtor in the Balance Sheet. Receipts from finance lease contracts contain a capital element which reduces the debtor and an interest charge which is credited to revenue using the "rule of 78". In addition 5% of total interest charges are credited to revenue in the year of inception of each lease to cover initial administration costs.

All turnover arose within the UK.

#### Funding creditors and cost of sales - interest

Finance received from funding providers is classified as creditors in the Balance Sheet. Payments to the funding providers contain a capital element which reduces the creditor and an interest charge is debited to the cost of sales using the "rule of 78".

#### Fixed assets

All fixed assets are recorded at cost on acquisition.

#### 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:

Fixtures & fittings - 25% on cost

#### Assets held under finance leases and hire purchase contracts

Fixed assets held under hire purchase contracts, and those financed by leasing agreements which give rights approximating to ownership (i.e. finance leases) are treated in accordance with Statement of Standard Accounting Practice No 21 as if purchased outright. The corresponding obligations are included in creditors.

Depreciation is provided, depending on the type of fixed asset, by the rates and methods set out above.

#### 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 those of the company. The annual contributions payable are charged to the profit and loss account.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

### ACCOUNTING POLICIES *(continued)*

#### 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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax:

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 measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### Provision for doubtful debts

Provision is made for contracts in arrears after taking into account expected recovery proceeds. All outstanding amounts on contracts passed to collection agents are written off in full, less expected subsequent recovery proceeds. During the period the company's provisioning policies were reconsidered and additional provisions made as required.

#### Intangible Assets - Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off on a straight line basis over its useful economic life.

Negative Goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods in which it is acquired. Non-monetary assets are recovered through depreciation or sale.

Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to the profit and loss account in the period expected to benefit.

#### Investments

Fixed asset investments are shown at cost less impairment.

For investments in subsidiaries acquired for consideration by the issue of shares and where the requirements of 131 of the Companies Act 1985 have been satisfied, the group has utilised the merger relief provisions available and the issue of shares have been recorded at the nominal value, any difference being taken to a merger reserve.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

2. OPERATING (LOSS)

Operating (loss) is stated after charging:

	2007 £
Amortisation of negative goodwill	(107,200)
Depreciation of owned fixed assets	10,644
Auditor's fees	9,087
Operating lease costs:	
Other	<u>15,000</u>

3. PARTICULARS OF EMPLOYEES

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

	2007 No
Number of administrative staff	5
Number of management staff	<u>4</u>
	<u>9</u>

The aggregate payroll costs of the above were:

	2007 £
Wages and salaries	313,869
Social security costs	24,755
Other pension costs	<u>31,792</u>
	<u>370,416</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

## 4. DIRECTORS' EMOLUMENTS

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

	2007
	£
Aggregate emoluments	186,559
Value of company pension contributions to money purchase schemes	<u>31,792</u>
	<u>218,351</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	2007
	No
Money purchase schemes	<u>2</u>

Emoluments disclosed above include the following amounts paid to the highest paid director:

	£
Emoluments for qualifying services	77,754
Company pension contributions to money purchase schemes	<u>-</u>

## 5. TAXATION ON ORDINARY ACTIVITIES

## (a) Analysis of charge in the period

	2007
	£
Current tax:	
In respect of the period:	
UK Corporation tax based on the results for the period at 19% (2006 - 19%)	<u>(3,683)</u>
Total current tax	(3,683)
Deferred tax:	
Origination and reversal of timing differences (note 12)	
Other	<u>(79,555)</u>
Tax on profit on ordinary activities	<u>(83,238)</u>

## (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 19% (2006 - 19%).

	2007
	£
Loss on ordinary activities before taxation	<u>(330,907)</u>
Loss on ordinary activities by rate of tax	(62,872)
Capital allowances for period in excess of depreciation	(1,864)
Operating income non-taxable	(20,366)
Unrelieved losses	61,499
Other short term timing differences	<u>19,920</u>
Total current tax (note 5(a))	<u>(3,683)</u>



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

6. DIVIDENDS

Dividends on equity shares

Paid  
Equity dividends paid on ordinary shares

2007  
£

-

7. EARNING PER SHARE

The calculations of earning per share are calculated by dividing the earnings attributable to ordinary shares by the weighted average number of shares in issue during the period. For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

Loss for the period

Weighted average number of shares

2007  
£  
(247,669)

133,082,373

8. TANGIBLE FIXED ASSETS (Group only)

	Fixtures & fittings £
<b>COST</b>	
At acquisition of subsidiary	31,873
Additions	<u>34,756</u>
<b>At 31 May 2007</b>	<b><u>66,629</u></b>
<b>DEPRECIATION</b>	
At acquisition of subsidiary	13,473
Charge for the period	<u>10,644</u>
<b>At 31 May 2007</b>	<b><u>24,117</u></b>
<b>NET BOOK VALUE</b>	
<b>At 31 May 2007</b>	<b><u>42,512</u></b>

Assets held under finance leases and hire purchase contracts, included in the relevant heading in the above table are;

	Cost	Accumulated Depreciation	Charge for the Period
<b>At 31 May 2007</b>	<u>5,475</u>	<u>570</u>	<u>570</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

9. INTANGIBLE FIXED ASSETS (Group only)

	Goodwill £
<b>COST</b>	
Additions	(214,400)
<b>At 31 May 2007</b>	<u>(214,400)</u>
<b>AMORTISATION</b>	
Credited during the period	107,200
<b>At 31 May 2007</b>	<u>107,200</u>
<b>NET BOOK VALUE</b>	
<b>At 31 May 2007</b>	<u>(107,200)</u>

10. DEBTORS (Group only)

	2007 £
Trade debtors	2,625,960
VAT recoverable	36,580
Other debtors	68,983
Prepayments and accrued income	16,567
Deferred tax	<u>78,861</u>
	<u>2,826,951</u>

Included in trade debtors is an amount of £1,787,923, which is due after more than one year (2006 - £1,401,771).

Trade debtors wholly represent finance lease debtors.

The cost of assets acquired for the purpose of letting under finance leases were as follows; 2007: £1,886,398 (2006: £2,101,420).

11. CREDITORS: Amounts falling due within one year (Group only)

	2007 £
Bank loans and overdrafts	106,731
Trade creditors	1,184,607
Corporation tax	3,542
Other taxation and social security	9,086
Other creditors	7,330
Accruals and deferred income	<u>71,070</u>
	<u>1,382,366</u>

Trade creditors wholly represent funding creditors, which are secured on the value of finance leases written during the financial period.

The trade creditors figure is made up of numerous funding blocks that are repaid by monthly instalments. The length of the repayment term varies from 24 to 36 months and interest rates from 6.1% to 10.66%.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

12. CREDITORS: Amounts falling due after more than one year (Group only)

	2007 £
Bank loans and overdrafts	-
Trade creditors	<u>662,376</u>
	<u>662,376</u>

Trade creditors are secured as noted above, with the same repayment and interest rates (note 11).

13. DEFERRED TAXATION (Group only)

The deferred tax included in the Balance sheet is as follows:

	2007 £
Included in debtors (note 10)	78,861
Included in provisions	<u>-</u>

The movement in the deferred taxation account during the period was:

	2007 £
At acquisition of subsidiary	694
Profit and loss account movement arising during the period	<u>(79,555)</u>
<b>Balance carried forward</b>	<b><u>(78,861)</u></b>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2007 £
Other timing differences	<u>(78,861)</u>

14. COMMITMENTS UNDER OPERATING LEASES (Group only)

At 31 May 2007 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings 2007 £
Operating leases which expire: After more than 5 years	<u>15,000</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

15. RELATED PARTY TRANSACTIONS

A director Mr A F Williams and a former director Mr J D G Stickley have given personal guarantees of £160,000 each to Barclays Bank plc, which are supported by second charges over their personal domestic properties limited to £160,000 each. Also Mr J D G Stickley and Mr A F Williams have each given personal guarantees of £70,000 to Barclays Bank plc, which are unsupported.

Mr J D G Stickley is a director of and shareholder in Online Leasing Limited. During the period 1 pm (UK) Limited incurred the following commission charges; 2007: £415 (2006: £1,743). There were no balances due at the year ends.

Included within other creditors (Note 9) are amounts owed to directors being, Mr J Stickley of £nil (2006: £29,788) and Mr A Williams of £Nil (2006: £29,788).

During the period the following directors invoiced the company for services rendered:

J Benson invoiced the company for £25,233.  
 S Grey invoiced the company for £2,250.  
 M Johnson invoiced the company for £20,779.  
 R Channon invoiced the company for £4,278.

16. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal Value:	2007 £
440,011,734	Ordinary	0.0006818	<u>300,000</u>
			2007 £
Allotted and fully paid: Number:	Class:	Nominal Value:	
146,561,469	Ordinary	0.0006818p	<u>99,925</u>

The company was incorporated on 14 June 2006 with an authorised share capital of £300,000 divided into 1,000,000,000 ordinary shares of £0.0003p each of which 6,664 shares were issued.

On 3 July 2006 ordinary shares of £0.0003p were consolidated into ordinary £1 shares, and the authorised share capital was increased to £300,000 ordinary £1 shares.

On 3 July 2006 49,998 ordinary £1 shares were issued to acquire the entire share capital of 1pm plc (UK) Limited, trading company.

On 4 July 2006, the authorised and issued share capital was converted from ordinary shares of £1 each to ordinary shares of £0.0006818p each. Authorised share capital increased to 440,011,734 ordinary shares.

On 4 July 2006, the company issued 8,228,135 ordinary shares at a price of £0.0006818 per share.

On 2 August 2006, a further 65,000,000 ordinary shares were issued at a price of 2p per share in order to raise £1.3M proceeds. The funds raised less costs resulted in £915,335 which was transferred to 1pm (UK) Limited (1pm plc owns 100% of the share capital in 1pm (UK) Limited).

The funds raised were used in 1pm (UK) Limited to finance continuing operations.

1 PM PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

16. CALLED UP SHARE CAPITAL (CONT)  
SHARE PREMIUM

	2007
	£
Premium on shares issued	1,256,717
Expenses on shares issued	<u>(385,348)</u>
As at 31 May 2007	<u>871,369</u>

17. PROFIT AND LOSS ACCOUNT

	2007
	£
(Loss) for the financial period	(247,669)
Equity dividends (note 6)	<u>-</u>
Balance carried forward	<u>(247,669)</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (Group only)

	2007
	£
(Loss) for the financial period	(247,669)
Share capital issued	99,925
Share premium	<u>871,369</u>
Net addition to shareholders' funds	723,625
Opening shareholders' funds	<u>-</u>
Closing shareholders' funds	<u>723,625</u>

1 PM PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

19 FIXED ASSET INVESTMENTS

	2007 £
<b>COST</b>	
At 31 May 2007	<u>50,000</u>
<b>NET BOOK VALUE</b>	
At 31 May 2007	<u>50,000</u>
	2007 £
<b>Unlisted investments</b>	<u>50,000</u>

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

**1PM (UK) LIMITED**

Nature of business: Provision of equipment lease rental finance to UK businesses

	%
Class of shares	holding
Ordinary	100.00

	2007 £
Aggregate capital and reserves	(90,469)
Loss for the period	<u>(354,869)</u>
<b>20. DEBTORS (Company only)</b>	
	2007 £
Inter-company loan accounts	<u>915,335</u>

21. NOTES TO THE STATEMENT OF CASH FLOW (Group only)

RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2007 £
Operating (loss)	(324,506)
Depreciation	10,644
Amortisation of goodwill	(107,200)
Increase in debtors	75,364
Increase in creditors	(5,400)
Movement in deferred tax provision	<u>(79,555)</u>
Net cash inflow / (outflow) from operating activities	<u>(430,653)</u>

1 PM PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2007
	£
Interest paid	(12,372)
Interest received	5,971
Net cash outflow from returns on investments and servicing of finance	<u>(6,401)</u>

TAXATION

	2007
	£
Taxation	<u>(54,783)</u>

CAPITAL EXPENDITURE

	2007
	£
Payments to acquire tangible fixed assets	<u>(34,756)</u>
Net cash outflow from capital expenditure	<u>(34,756)</u>

FINANCING

	2007
	£
Repayment of bank loans	(55,265)
Proceeds from issue of ordinary shares	1,306,640
Expenses in connection with issue of share capital	(385,346)
Net outflow from short-term creditors	150,945
Net inflow from long-term trade creditors	<u>(327,049)</u>
Net cash inflow from financing	<u>689,925</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007
	£
Increase / (decrease) in cash in the period	163,332
Net cash inflow from bank loans	55,265
Net cash inflow / (outflow) from long-term trade creditors	<u>327,049</u>
Change in net debt	545,646
Net debt at acquisition of subsidiary	<u>(1,308,648)</u>
Net debt at 31 May 2007	<u>(763,002)</u>

ANALYSIS OF CHANGES IN NET DEBT

	At acquisition of subsidiary £	Cashflows £	At 31 May 2007 £
<b>Net cash:</b>			
Cash in hand and at bank		5,162	6,104
Overdrafts	<u>(214,242)</u>	<u>158,170</u>	<u>(56,072)</u>
	(213,300)	163,332	(49,968)
<b>Debt:</b>			
Debt due within 1 year	(55,264)	-	(55,264)
Debt due after 1 year	<u>(1,040,084)</u>	<u>382,314</u>	<u>(657,770)</u>
Net debt	<u>(1,308,648)</u>	<u>545,646</u>	<u>(763,002)</u>

## 1 PM PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

PERIOD ENDED 31 MAY 2007

#### 22. SUBSIDIARY UNDERTAKINGS

Details of subsidiary undertakings at the balance sheet date are as follows:

Name of company	% Holding	Nature of company
1 PM (UK) Limited	100% Ordinary	Provision of equipment lease/rental finance.

On 3 July 2006 1 PM Plc acquired the whole of the issued share capital of 1 PM (UK) Limited for a consideration of £50,000.

	£
Fixed assets	18,400
Current assets	2,741,159
Liabilities	<u>(2,495,159)</u>
Net assets	264,400
Purchase cost	<u>(50,000)</u>
Negative goodwill	<u>214,400</u>

#### 23. FINANCIAL INSTRUMENTS

The groups' financial instruments comprise cash and liquid resources that arise directly from operations. The main purpose of the financial instruments is to fund the groups operations. As a matter of policy the Group does not trade in financial instruments, nor does it enter into any derivative transactions

The operations of the group have principally been financed to date through the funds raised on the placing of its shares. The group has an overdraft facility in place with the group's bankers, and an overdraft facility totalling £106,731 as at 31 May 2007.

The main risks to the group, and the policies adopted by the directors to minimise the efforts on the group are as follows:

**Credit Risk** – The directors believe that credit risk is limited due to debts being spread over a large number of debtors. No individual debtor poses a significant risk.

**Interest rate and liquidity risk** – All of the groups cash balances and short term deposits are held in such a way that enables the correct balance of access to working capital and a competitive rate of interest is achieved. Working capital requirements are constantly monitored.

The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on page 5.



1 PM PLC

CONSOLIDATED DETAILED PROFIT AND LOSS ACCOUNT

PERIOD ENDED 31 MAY 2007

	2007
	£
<b>TURNOVER</b>	871,965
<b>COST OF SALES</b>	
Funding interest-finance leases	174,367
Bad debts	482,518
Debt management	52,442
Broker commissions	<u>83,384</u>
	<u>792,711</u>
<b>GROSS PROFIT</b>	79,254
<b>OVERHEADS</b>	
Administrative expenses	<u>(403,760)</u>
<b>OPERATING PROFIT</b>	<u>(324,506)</u>
Interest payable and similar charges	<u>(6,401)</u>
<b>(LOSS) ON ORDINARY ACTIVITIES</b>	<u>(330,907)</u>

## 1 PM PLC

## NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

PERIOD ENDED 31 MAY 2007

	2007	
	£	£
<b>ADMINISTRATIVE EXPENSES</b>		
<b>Personnel costs</b>		
Directors' salaries	174,404	
Employers national insurance contributions	12,155	
Directors' pension contributions	31,792	
Administrative staff salaries	122,308	
Temporary staff & recruitment costs	17,153	
Employers national insurance contributions	<u>12,604</u>	
		370,416
<b>Establishment expenses</b>		
Rent	15,000	
Insurance	<u>5,842</u>	
		20,842
<b>General expenses</b>		
Motor expenses	9,279	
Travel and subsistence	8,100	
Telephone	6,045	
Office expenses	3,891	
Computer consumables	7,199	
Arrangement fees	4,989	
Subscriptions	1,113	
Printing, stationery and postage	7,949	
Other staff related expenses	14,913	
Sundry expenses	532	
Donations	10	
Advertising	-	
Legal and professional fees	-	
Bookkeeping	445	
Accountancy fees	13,664	
Auditors remuneration	9,087	
Depreciation	10,644	
Amortisation	<u>(107,200)</u>	
		(9,340)
<b>Financial costs</b>		
Bank charges		<u>21,842</u>
		<u>403,760</u>
<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Bank interest payable		12,124
Interest receivable		(5,971)
Other similar charges		<u>248</u>
		<u>6,401</u>