Potential Finance Group PLC

Report and Financial Statements
30 September 2005

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Chairman's Statement

I am pleased to report a group pre-tax profit for the year to 30 September 2005 of £591,000, following the sale of part of the group's factoring portfolio, announced in July 2005.

Subsequent to the changes in activity of Potential Finance Limited (PFL), the accounting rules for deferred taxation in respect of unused losses mean that our group post-tax profit figure, which would have been £411,000, will now be £78,000. This has no effect on the group's cash flow position.

The sale of the majority of the business of PFL has significantly reduced the group's risk exposure. This has also provided additional capital providing the opportunity for healthy growth in the portfolio of Potential Asset Finance Limited (PAF). The accounts remaining with PFL currently employ £1.4 million of the group's cash resources; however the Board believes that these accounts will generate at least this amount in the longer term. PAF has continued to expand its operations with growth in the value of its portfolio exceeding 70% in the year to September 2005. Since the year end, the net investment in lease and hire purchase contracts has increased to £7 million, with over 500 live accounts. Funding lines are provided by Hitachi Capital Business Finance, The Funding Corporation Limited, Alliance and Leicester Commercial Bank, ING Lease and Bank of Scotland and more recently an additional back-to-back funding line has been negotiated with Black Horse Vehicle Finance.

The core area of activity remains the provision of finance for owner-managed businesses and generally for wheeled assets. Great care is taken in assessing the value of assets to be financed and expert knowledge is available from a range of contacts. In addition we have been expanding the brokerage element of business and this is becoming an increasingly significant income stream.

We have started to expand our activities in our Stirling based vehicle sourcing and contract hire business using a 'franchise' formula to recruit additional finance professionals. Computer links have been established to allow all administration to be carried out in our Brentwood head office.

The restructuring of the group's activities has meant increased central overhead for PAF over recent months, and with the investment in new office premises and staff recruitment it may take a number of months to regain our momentum in terms of net operating profit.

As part of our strategy for future growth, I am delighted to inform you that with effect from 1 May 2006, Mr. Peter Cordrey will be joining the Board and taking over from me as non-executive Chairman. Peter is a Chartered Accountant, holds a Masters degree in Business Administration and is a Fellow of the Chartered Institute of Management. He has been Chairman of Hampshire Trust PLC since January 1997. He previously spent 25 years with the merchant bank Singer & Friedlander Limited, the final 12 years as a director and head of banking. Peter has extensive experience in all areas of banking and finance and will play a significant part in the group's expansion plans.

Although I will be stepping down as Chairman, the Board has invited me to remain as a non-executive director, and I have accepted with pleasure.

Mr Adrian Rapazzini will be retiring from the board on 30 April 2006, and I would like to thank him for all of his valuable assistance in his role as a non-executive director.

It has been a year of major change for the group, but in PAF we believe we have the foundation for a stable business, which has the ability to grow significantly, and positive discussions continue with a number of parties providing exciting opportunities for the group.

Our staff have as always worked hard to maintain a high standard of service during this period of transition and I would like personally to thank them for their loyalty and commitment.

Frank Lafford
Chairman

24 March 2006

Directors' Report

The directors submit their report and the audited financial statements of Potential Finance Group PLC for the year ended 30 September 2005.

Principal activities

The company is a non-trading parent company, with two trading subsidiaries, Potential Finance Limited and Potential Asset Finance Limited.

The principal activities of Potential Finance Limited throughout the year were the provision of invoice discounting and debt financing services, while Potential Asset Finance Limited provided asset finance through finance leases and hire purchase agreements.

Review of the business

Potential Asset Finance has continued to grow strongly, with the development of vehicle sourcing activities as well as financing, and a concentration of effort in expanding broking lines to give greater flexibility in terms of the size and structure of agreements we can provide. Office premises have been taken on in Stirling to house the vehicle sourcing sales staff, while all administration and treasury management continues to be based in the Brentwood head office. Asset finance sales staff are based both in Stirling and in Brentwood.

At the end of July 2005, Potential Finance Limited sold a large section of its factoring book in order to reinvest the proceeds in the asset finance sector and to be in a position to consider acquisition opportunities.

Since that time, activity in Potential Finance Limited has been focused on managing the remaining factoring accounts and the property, which has a number of commercial tenants.

Future developments

Within our existing operations, Potential Asset Finance has developed a notable presence in the asset finance arena, satisfying the needs of borrowers in specific niche areas. We believe that there is room for considerable growth both within our own portfolio and in terms of brokerage (which means we can place larger asset finance transactions and factoring opportunities). We are currently establishing a franchising type operation, providing a template and support to finance professionals wishing to extend the services they offer to include vehicle sourcing, asset finance and invoice finance.

In addition, the board continues to consider opportunities which will complement our existing activities and is in discussion with a number of parties at the present time.

Dividends

In view of the group's current and future requirements the directors do not recommend the payment of a dividend. The directors intend to pursue a future dividend policy when it becomes commercially prudent to do so, subject to the availability of sufficient distributable profits.

Directors and their interests

The directors of the company are listed on page 5.

The directors' interests in the shares of the company, including family interests as required by the Companies Act 1985, were as follows:

	Ordinary shares of 25p each	
	30 September 2005 No.	30 September 2004 No.
Frank Lafford	**1,750,400**	1,667,400
Anthony Jacobs	**1,545,000**	1,545,000
Vivien Ware	**36,700**	36,700
Colin Swanston	–	–
Adrian Rapazzini	–	–
Hugh Craen (resigned 31 August 2005)	–	685,800

Details of Share Options granted to the directors are set out in the Remuneration Report on pages 9 and 10.

Directors' Report (continued)

Substantial shareholdings

Other than the directors' holdings as detailed above, the company has been notified of the following substantial interests in the company's share capital at the date of this report:

	Number of ordinary shares of 25p each	Percentage of issued share capital
Aberdeen Holdings Limited	2,177,500	20.79

Payment of creditors

The group does not follow any formal code or standard on payment practice. It is the group's policy to negotiate payment terms with its major suppliers, and to ensure that they know the terms on which payment will be made, when the business is agreed. It is the directors' policy to abide by these terms.

Trade creditor days based on creditors at 30 September 2005 were 18 days (2004: 14 days).

Market value of land and buildings

Freehold land and buildings were re-valued in September 2003, following a professional valuation undertaken by FPD Savills in May 2003. The directors are of the opinion that there has been no material change in value since that date.

Corporate governance

The company is supportive of the principles embodied in the revised Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003. Although not required to, the directors have decided to provide corporate governance disclosures. Details concerning the group's arrangements in relation to corporate governance and internal controls are given in the Corporate Governance Report on pages 7 and 8.

Going concern

The directors believe, after making appropriate enquiries that the group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing financial statements.

Auditors

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

By order of the board

Vivien Ware
Secretary

24 March 2006

Directors

Chairman (non-executive)

Frank Lafford brings extensive business experience to the board. Having been divisional managing director of The Meyer International Group PLC, he started his own business in the timber import and distribution industry, in the late 1970s. He has extended his interests over the past 20 years to include the founding and control of several distribution companies operating in varied fields.

Mr Lafford holds a number of directorships, including Forest Boards Limited and Hipkin Holdings Limited.

Managing Director

Colin Swanston, managing director of Potential Asset Finance Limited, was appointed to the board on 19 October 2004 and became group managing director on 31 August 2005. He has over 25 years' experience in the asset finance business and was formerly a director of Singer and Friedlander Commercial Finance Limited.

Finance Director

Vivien Ware, having worked in both the accountancy profession and commercial environments, has many years experience in management accounting, auditing and strategic planning.

Non-Executive Director

Anthony Jacobs has over 30 years' experience of small to medium sized companies. He is currently a director of Glenwood Productions Limited, Novus Concepts Limited, Sharpmark Limited, Highturn Limited and Inverforth House Management Company Limited.

Non-Executive Director

Adrian Rapazzini, a Fellow of the Institute of Chartered Accountants, has specialised in corporate finance for 30 years. His extensive experience includes Initial Public Offerings, acquisitions, Management Buy-Outs, disposals, fundraising and restructuring, in a very wide variety of business sectors.

Secretary

Vivien Ware FCCA

Registered office

Potential House
149-157 Kings Road
Brentwood
Essex CM14 4EG

Advisers

Nominated adviser and broker

Charles Stanley & Company Securities
25 Luke Street
London EC2A 4AR

Solicitors

Bermans
City Wharf
New Bailey Street
Manchester M3 5ER

Paul Davidson Taylor
Chancery Court
Queen Street
Horsham
West Sussex RH17 5AD

Auditors

Baker Tilly
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

Registrars

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Bankers

Bank of Scotland plc
Level 8
123 St Vincent Street
Glasgow G2 5EA

Corporate Governance

The company is supportive of the principles embodied in the revised Combined Code on Corporate Governance published by the Financial Reporting Council in July 2003 and the directors have developed and continue to develop appropriate measures to comply so far as it is practicable with these principles.

The board of directors

The board comprises two executive and three non-executive directors. The senior non-executive director is Frank Lafford, who is the chairman.

The non-executive directors bring strong independent judgement and knowledge to the board deliberations. The interests of the non-executive directors in the shares of the company are set out on page 3, but they do not participate in the company's share option schemes or any other incentive schemes.

There are twelve regular board meetings a year. All directors receive written reports prior to each meeting, and the board has a formal schedule of matters specifically reserved to it for decisions including overall group strategy, major acquisitions, disposals and capital expenditure and determining financing matters and treasury policy.

Under the company's Articles of Association, one third of the company's directors must retire by rotation at each annual general meeting. All directors are subject to this Article and have entered into service agreements with the company that are terminable on 12 months notice.

Individual directors may seek independent professional advice in any matter concerning them in the furtherance of the duties at the expense of the company.

Committees

An audit committee has been established comprising the managing director, Colin Swanston, the finance director, Vivien Ware, and a non-executive director, Anthony Jacobs who chairs the committee. The committee operates within clearly defined terms of reference and provides a forum through which the group's external auditors report to the board.

All directors have a right to attend audit committee meetings and the minutes of these meetings are circulated to all directors.

The audit committee also undertakes an assessment of the auditors' independence each year which includes a review of non-audit services provided to the group and related fees, discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence and obtaining written confirmation from the auditors that, in their professional judgment, they are independent.

A remuneration committee has also been established under the chairmanship of Frank Lafford. The other members of the committee are Adrian Rapazzini and Anthony Jacobs. Members of the remuneration committee review the performance of executive directors and recommend the scale and structure of their remuneration and review the basis of their service agreements with due regard to the interests of shareholders. No committee member participates in decisions concerning his own remuneration.

New appointments are regarded as a subject for the whole board to monitor and consider and a separate nomination committee has not therefore been established.

Relations with shareholders

Communication with shareholders is given a high priority by the board, and all directors are available to enter into dialogue with shareholders. All shareholders are encouraged to attend and vote at the Annual General Meeting, during which the directors are available to discuss issues affecting the company.

Any shareholders who would like to lodge questions in advance of the AGM are invited to do so either on the reverse of the proxy form or in writing to the company secretary at the address detailed on page 5. The company always responds to letters from individual shareholders.

Corporate Governance (continued)

Internal control
The board is responsible for the company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk of failure to achieve the business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The system of internal financial control is comprised of those controls established in order to provide reasonable assurance of:

i the safeguarding of assets against unauthorised use or disposal and

ii the maintenance of proper accounting records and the reliability of financial information used within the business and for publication.

Whilst acknowledging their responsibility for the system of internal financial control, the board are aware that such a system cannot provide an absolute assurance against material misstatement or loss.

The key procedures of internal financial control of the company are as follows:

- The board reviews and approves budgets and monitors the company performance against those budgets on a monthly basis. Variances from the expected outcome are fully investigated.
- The company has clearly defined reporting and authorisation procedures relating to the key financial areas.

The directors are continuing to develop appropriate measures to implement the principles embodied in the Combined Code regarding wider aspects of internal control and to enable them to extend their review to cover not just internal financial controls but all controls including operations, compliance and risk management.

The board has identified the major risks inherent in the company's business including risks relating to customer default and information technology systems. The key procedures and controls adopted to manage these risks include:

- On receipt of a satisfactory new business proposal, the company undertakes an extensive review of the financial profile of the prospective customer, generally combined with a site visit. For assets to be financed, an independent valuation is obtained using motor industry sources, or, where this is inappropriate an expert opinion is sought.
- All factoring customers are expected to provide a fixed charge over their book debts or over all of their assets, if this is felt to be appropriate. In addition, all debts are assigned under a standard factoring agreement and personal and/or corporate guarantees and/or warranties are obtained in certain circumstances.
- All asset finance transactions are secured on the relevant assets, supported by customers' personal guarantees where appropriate.
- Industry specific software is used, which provides detailed real-time reporting to assist the directors with analytical review and portfolio management.
- The portfolio is under constant review by the administration department and executive directors and is regularly audited by the providers of the asset finance block discount lines.

Directors' Remuneration Report

Strategy

The remuneration committee makes recommendations to the board concerning the company's policy on executive remuneration and the remuneration package for each executive director.

The remuneration of non-executive directors is determined by the full board.

Committee composition and policy

The remuneration committee meets as necessary under the chairmanship of Frank Lafford and comprises Mr Lafford, Mr Rapazzini and Mr Jacobs.

No committee member participates in decisions concerning his own remuneration.

The committee's principal objective is to ensure that the executive directors receive salary and benefit packages which reflect their levels of responsibility and the effectiveness of their performance. These packages are designed to ensure that the company can attract, motivate and retain directors of the right calibre and qualification to meet its requirement.

Summary of directors' emoluments

The emoluments of each director during the year to 30 September 2005 was as follows:

	Salaries and fees £'000	Benefits in kind £'000	Total remuneration £'000	Pension contributions £'000	**Total emoluments £'000**
Executive directors					
Hugh Craen	138	18	156	13	**169**
Colin Swanston	100	3	103	8	**111**
Vivien Ware	89	2	91	13	**104**
	327	23	350	34	**384**
Non-executive directors					
Frank Lafford	23	–	23	–	**23**
Adrian Rapazzini	25	–	25	–	**25**
Anthony Jacobs	13	–	13	–	**13**
	61	–	61	–	**61**
Total	388	23	411	34	**445**

Directors' Remuneration Report (continued)

The emoluments of each director during the year ended 30 September 2004 was as follows:

	Salaries and fees £'000	Benefits in kind £'000	Total remuneration £'000	Pension contributions £'000	**Total emoluments £'000**
Executive directors					
Hugh Craen	85	17	102	15	**117**
Laurence Rutter	100	2	102	9	**111**
Vivien Ware	89	2	91	13	**104**
	274	21	295	37	**332**
Non-executive directors					
Frank Lafford	15	–	15	–	**15**
Adrian Rapazzini	25	–	25	–	**25**
Anthony Jacobs	13	–	13	–	**13**
	53	–	53	–	**53**
Total	327	21	348	37	**385**

Share option schemes

The company believes that share ownership by executive directors and executives of the group is important and it links the personal interests of the executives with those of the shareholders.

Details of share options granted to executive directors as at 30 September 2005 are as follows:

Director	Date of grant	Options granted	Exercise price	Exercise dates
Colin Swanston	30 March 2004	75,000	25.5p	30 March 2007 to 30 March 2014
	31 March 2005	25,000	30.0p	31 March 2008 to 31 March 2015
Vivien Ware	26 June 2000	51,968	125.0p	26 June 2003 to 26 June 2010
	19 July 2002	50,000	59.0p	19 July 2005 to 19 July 2012

During the year to 30 September 2005 the company's shares have traded at between 31.5p and 50.5p. At 30 September 2005 the share price was 47.5p (2004: 36.0p)

Service contracts

The company has entered into service contracts with its executive directors, and letters of appointment with its non-executive directors, which are terminable by either party upon twelve months' written notice.

Directors' Responsibilities in the Preparation of Financial Statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the group and of the company and of the profit or loss of the group 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 state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

d 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 group and 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Potential Finance Group PLC

We have audited the financial statements on pages 13 to 32.

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 opinion 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 report of the directors 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 and other members of the group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Directors' Report, the Corporate Governance Statement and the Directors' Remuneration 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, are consistently applied and are 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 affairs of the company and the group as at 30 September 2005 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

24 March 2006

Group Profit and Loss Account

For the year ended 30 September 2005

	Notes	Continuing Operations £'000	Discontinued Operations £'000	2005 £'000	2004 £'000
Turnover	1	711	2,338	3,049	2,825
Cost of sales	2	(198)	(526)	(724)	(643)
Gross Profit		513	1,812	2,325	2,182
Administrative expenses		(550)	(1,746)	(2,296)	(1,997)
		(37)	66	29	185
Other operating income	3	78	–	78	81
Operating profit		41	66	107	266
Exceptional items	4			528	–
				635	266
Interest receivable				24	12
				659	278
Interest payable	5			(68)	(57)
Profit on ordinary activities before taxation	6			591	221
Taxation	8			(513)	(52)
Profit on ordinary activities after taxation				78	169
Earnings per share					
Basic	23			0.74p	1.61p
Fully diluted	23			0.74p	1.61p

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.

Note of Historical Cost Profits and Losses

For the year ended 30 September 2005

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation	**591**	221
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**8**	7
Historical cost profit on ordinary activities before taxation	**599**	228
Historical cost profit for the year retained after taxation and dividends	**86**	176

Group Balance Sheet

30 September 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	10	**1,513**	1,565
Current assets			
Investments: property for resale		**679**	679
Debtors	12	**1,742**	10,046
Investment in finance leases and hire purchase contracts	13	**5,298**	3,075
Cash at bank and in hand		**499**	311
		8,218	14,111
Creditors: Amounts falling due within one year	14	**(2,499)**	(8,765)
Net current assets		**5,719**	5,346
Total assets less current liabilities		**7,232**	6,911
Creditors: Amounts falling due after more than one year	15	**(2,483)**	(2,240)
		4,749	4,671
Capital and reserves			
Called up share capital	16	**2,618**	2,618
Share premium account	17	**3,329**	3,329
Merger reserve	18	**(51)**	(51)
Revaluation reserve	19	**338**	346
Profit and loss account	20	**(1,485)**	(1,571)
Shareholders' funds (all equity)	21	**4,749**	4,671

Approved by the board on 24 March 2006

Colin Swanston
Director

Vivien Ware
Director

Company Balance Sheet
30 September 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Investments	11	**52**	52
Current assets			
Debtors: Amounts falling due after more than one year	12	**5,895**	5,895
Total assets less current liabilities		**5,947**	5,947
Capital and reserves			
Called up share capital	16	**2,618**	2,618
Share premium account	17	**3,329**	3,329
Shareholders' funds (all equity)	21	**5,947**	5,947

Approved by the board on 24 March 2006

Colin Swanston
Director

Vivien Ware
Director

Group Cash Flow Statement

For the year ended 30 September 2005

	Notes	2005 £'000	2004 £'000
Cash flow from operating activities	22a	**6,689**	(26)
Returns on investments and servicing of finance	22b	**(44)**	(45)
Taxation		**(86)**	–
Capital expenditure and financial investment	22b	**(56)**	(23)
Cash inflow/(outflow) before financing		**6,503**	(94)
Financing	22b	**1,271**	2,508
Increase in cash in the period		**7,774**	2,414
Reconciliation of net cash flow to movement in debt			
Increase in cash in the period		**7,774**	2,414
Cash inflow from increase in debt and lease financing		**(1,271)**	(2,508)
Changes in net debt resulting from cash flows		**6,503**	(94)
Opening net debt		**(10,446)**	(10,352)
Net debt at 30 September 2005		**(3,943)**	(10,446)

Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting
The financial statements have been prepared under the historical cost convention with the exception of freehold land and buildings carried at valuation.

Basis of consolidation
The group financial statements consolidate the financial statements of Potential Finance Group PLC and all of its subsidiary companies made up to 30 September 2005.

The acquisition of Potential Finance Limited on 21 June 2000 was treated as a merger in accordance with Financial Reporting Standard No. 6 and these financial statements have been prepared on a basis which assumes that the group has existed in its current form since the incorporation of Potential Finance Limited.

No profit and loss account is presented for Potential Finance Group PLC as provided by Section 230 (3) of the Companies Act 1985.

Fixed assets
Fixed assets are stated at historical cost with the exception of freehold land and buildings carried at valuation.

Depreciation and amortisation is provided on all fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Freehold buildings	over 50 years
Fixtures, fittings and equipment	between 2 and 4 years
Motor vehicles	over 4 years

Leased assets and obligations
Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Investment in finance leases and hire purchase contracts
Finance leases and hire purchase contracts transfer substantially all of the risks and rewards of ownership of an asset to the customer. All other forms of lease are defined as operating leases.

The investment in finance leases and hire purchase contracts is the future instalments receivable from the customer net of finance charge allocated to future periods.

The total gross earnings under a finance lease or hire purchase contract are allocated to accounting periods to give a constant periodic rate of return on the net investment in the lease in each period.

Accounting Policies (continued)

Block discount loans
Amounts received in respect of the sale of future receivables from the group's investment in finance lease and hire purchase contracts under block discount arrangements are treated as loans, which are repaid over the lives of the finance lease and hire purchase contracts.

The total amounts repayable under block discount arrangements are allocated to accounting periods to give a constant periodic rate of interest charge on the amount of the loan in each period.

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 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 group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that the assets will be recovered.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions. All differences are taken to the profit and loss account.

Investments
Fixed asset investments are stated at cost, less any provision for diminution in value.

Current asset investments are stated at the lower of cost and net realisable value.

Pension contributions
A subsidiary company operates a defined contribution pension scheme for certain employees. The costs of the contributions are charged to the profit and loss account as incurred.

Turnover
Turnover represents gross earnings under finance leases and hire purchase contracts and amounts receivable in respect of the provision of invoice discounting and debt factoring services net of Value Added Tax.

Notes to the financial statements

For the year ended 30 September 2005

1 **Turnover**	**2005 £'000**	2004 £'000
Turnover was contributed as follows:		
United Kingdom	**3,049**	2,825

The turnover of the group during the period derives from the provision of invoice discounting and debt factoring services, and from interest and charges arising on the provision of asset finance, either under lease or hire purchase agreements. Turnover derived from continuing operations includes fees and interest on recovery accounts. A segmental analysis of the group's activities is as follows:

	2005			2004		
	Invoice discounting and debt factoring £'000	**Asset finance £'000**	**Total £'000**	Invoice discounting and debt factoring £'000	Asset finance £'000	Total £'000
Turnover	**2,338**	**711**	**3,049**	2,511	314	2,825
Profit/(loss) before taxation	**415**	**176**	**591**	187	34	221
Net assets	**4,624**	**125**	**4,749**	4,665	6	4,671

2 **Cost of sales**	**2005 £'000**	2004 £'000
Interest payable		
Bank loans and overdrafts	**526**	594
Block discount loans	**198**	49
	724	643

3 **Other operating income**	**2005 £'000**	2004 £'000
Rents receivable	**78**	81

4 **Exceptional items**	**2005 £'000**	2004 £'000
Surplus on sale of part of factoring portfolio	**785**	–
Professional fees, redundancy costs, finance termination fees	**(257)**	–
	528	–

Notes to the financial statements (continued)
For the year ended 30 September 2005

5 Interest payable

	2005 £'000	2004 £'000
Bank loans and overdrafts	**67**	55
Finance leases	**1**	2
	68	57

6 Profit on ordinary activities before taxation

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets:		
Charge for the period:		
Owned assets	**90**	98
Leased assets	**18**	11
Amortisation of intangible fixed assets	**–**	1
Directors' emoluments	**445**	385
Auditors' remuneration – audit services	**37**	24
Rentals receivable in relation to finance leases and hire purchase contracts	**(544)**	(243)

7 Employees

	2005 No.	2004 No.
The average monthly number of persons (including directors) employed by the company during the period was:		
Management	**5**	5
Sales and administration	**12**	14
	17	19

	2005 £'000	2004 £'000
Staff costs for the above persons:		
Wages and salaries	**732**	715
Social security costs	**68**	74
Other pension costs	**60**	72
	860	861

Full details of directors' emoluments and their service contracts are given in the Directors' Remuneration Report on pages 9 and 10.

Notes to the financial statements (continued)
For the year ended 30 September 2005

8 **Taxation**	**2005 £'000**	2004 £'000
Current tax:		
UK corporation tax on profits of the period	**259**	86
Deferred taxation:		
Origination and reversal of timing differences	**254**	(34)
Tax on profit on ordinary activities	**513**	52

Factors affecting tax charge for period:		
The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit on ordinary activities before tax	**591**	221
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	**177**	66
Effects of:		
Expenses not deductible for tax purposes	**8**	14
Depreciation in excess of/(less than) capital allowances	**88**	76
Other timing differences	**3**	3
(Utilisation)/deferral of tax losses	**–**	(48)
Small companies relief	**(17)**	(25)
Current tax charge for period	**259**	86

Factors that may affect future tax charges:

Freehold land and buildings are stated at valuation. No provision has been made for the taxation liabilities which might become payable if the freehold properties were to be sold at these revalued amounts.
The deferred tax liability on the revaluation surplus is estimated at £70,000 (2004: £70,000).

9 Result of the parent company

The parent company's profit for the year to 30 September 2005 amounted to £Nil (2004: £Nil)

Notes to the financial statements (continued)
For the year ended 30 September 2005

10 Tangible fixed assets	Freehold land and buildings £'000	Fixtures fittings and equipment £'000	Motor vehicles £'000	**Total £'000**
Group				
Cost or valuation				
1 October 2004	1,531	401	46	**1,978**
Additions	–	56	–	**56**
30 September 2005	1,531	457	46	**2,034**
Depreciation				
1 October 2004	55	336	22	**413**
Charged in the year	21	69	18	**108**
30 September 2005	76	405	40	**521**
Net book value				
30 September 2005	1,455	52	6	**1,513**
30 September 2004	1,476	65	24	**1,565**

The freehold land and buildings were valued on 13 May 2003, by external valuers, FPD Savills Limited, Chartered Surveyors. The valuation is at market value on an existing use basis in accordance with the RICS Appraisal and Valuation Standards. In the opinion of the directors the market value of land and buildings at 30 September 2005 is not materially different from their balance sheet values.

Included in freehold land and buildings is land valued at £535,000 (2004: £535,000), which is not depreciated. The historical cost of freehold land and buildings is £1,180,000 and the net book value at 30 September 2005 on this basis was £1,117,000.

The net book value includes £6,000 (2004: £24,000) in respect of assets held under finance leases.

11 Fixed asset investments	Subsidiary undertakings £'000
Company	
1 October 2004 and 30 September 2005	52

The Group holds more than 20% of the equity of the following companies:

Name of company	Holding	Proportion held	Nature of business
Potential Finance Limited	4,328 Ordinary shares of 25p each	100%	Provision of invoice discounting and debt factoring services
Potential Asset Finance Limited	2 ordinary shares of £1 each	100%	Provision of asset finance through finance leases and hire purchase contracts

Both subsidiary companies are incorporated in the United Kingdom.

Notes to the financial statements (continued)
For the year ended 30 September 2005

12 Debtors

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Due within one year:				
Gross factored debts receivable	**1,425**	21,495	**–**	–
Due to clients on collection	**–**	(11,970)	**–**	–
Gross client advances	**1,425**	9,525	**–**	–
Trade debtors	**4**	1	**–**	–
Other debtors	**112**	70	**–**	–
Prepayments	**55**	46	**–**	–
	1,596	9,642	**–**	–
Due after more than one year:				
Amounts owed by group undertakings	**–**	–	**5,895**	5,895
Other	**3**	7	**–**	–
Deferred tax asset	**143**	397	**–**	–
	1,742	10,046	**5,895**	5,895

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Deferred tax is as follows:				
At 1 October 2004	**397**	363	**–**	–
(Released)/credited to the profit and loss account (note 8)	**(254)**	34	**–**	–
Deferred tax asset at 30 September 2005	**143**	397	**–**	–
The deferred tax asset recognised at 30 September 2005 is made up as follows:				
Deccelerated capital allowances	**134**	60	**–**	–
Other timing differences	**9**	4	**–**	–
Unrelieved tax losses	**–**	333	**–**	–
Total deferred tax asset	**143**	397	**–**	–

In accordance with Financial Reporting Standard 19, deferred tax assets are recognised to the extent that they are regarded as recoverable.

Notes to the financial statements (continued)
For the year ended 30 September 2005

13 Investment in finance leases and hire purchase contracts	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Amounts falling due within one year:				
Finance leases	**1,128**	592	**–**	–
Hire purchase contracts	**831**	391	**–**	–
	1,959	983	**–**	–
Amounts falling due after more than one year:				
Finance leases	**1,966**	1,287	**–**	–
Hire purchase contracts	**1,373**	805	**–**	–
	3,339	2,092	**–**	–
Net investment in finance lease and hire purchase contracts	**5,298**	3,075	**–**	–
Cost of assets acquired during the year for use in finance lease and hire purchase contracts	**5,100**	3,977	**–**	–

The group's investment in finance lease and hire purchase contracts includes amounts receivable under contracts that have been assigned to financiers under block discount arrangements (see Note 15).

14 Creditors	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Amounts falling due within one year:				
Bank loans and overdrafts	**–**	7,685	**–**	–
Block discount loans	**1,659**	823	**–**	–
Finance lease obligations	**–**	9	**–**	–
Trade creditors	**101**	28	**–**	–
Corporation tax	**259**	86	**–**	–
Other taxation and social security costs	**56**	56	**–**	–
Other creditors	**304**	–	**–**	–
Accruals	**120**	78	**–**	–
	2,499	8,765	**–**	–

At 30 September 2004 bank loans and overdrafts amounting to £7,586,000 were secured by a fixed and floating charge over all the assets of the group. The security formed part of a back to back factoring agreement in respect of the gross factored debts receivable set out in Note 12.

Bank loans at 30 September 2004 included a mortgage of £99,000. Full details of the security in respect of this mortgage are given in Note 15.

Finance lease obligations are secured on the related assets acquired.

Notes to the financial statements (continued)
For the year ended 30 September 2005

15 Creditors

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Amounts falling due after more than one year:				
Bank mortgage	**–**	1,065	**–**	–
Block discount loans	**2,083**	1,175	**–**	–
Other loans	**400**	–	**–**	–
	2,483	2,240	**–**	–

The bank mortgage above and in Note 14 was secured by a fixed charge over the company's freehold property. It was repaid in full in July 2005.

Block discount loans above and in Note 14 represent amounts received from financiers as proceeds for the sale of future receivables from the group's investment in certain finance lease and hire purchase contracts. These receipts are treated as loans that are effectively secured on both future receivables and the underlying assets.

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
The bank mortgage and block discount loans are repayable by instalments as follows:				
Within one year	**1,659**	922	**–**	–
In more than one year but not more than two years	**1,283**	891	**–**	–
In more than two years but not more than five years	**800**	680	**–**	–
In five years or more	**–**	669	**–**	–
	3,742	3,162	**–**	–

Other loans represent amounts received from a director for the sale of future receivables from the group's investment in certain finance lease and hire purchase contracts that is treated as a loan that is effectively secured on both future receivables and the underlying assets. Further details of this loan are given in Note 24.

Notes to the financial statements (continued)
For the year ended 30 September 2005

16 **Share capital**	**2005 £'000**	2004 £'000
Authorised: 40,000,000 ordinary shares of 25p each	**10,000**	10,000
Allotted, issued and fully paid: 10,473,600 ordinary shares of 25p each	**2,618**	2,618

Share options
The following options to subscribe for the company's shares have been granted to directors and eligible employees and have not lapsed at 30 September 2005:

Date of options	Number of shares	Percentage of Company's issued share capital	First exercisable	Expiry date	Exercise price
26 June 2000	96,968	0.9%	26 June 2004	26 June 2010	125.0p
19 July 2002	50,000	0.5%	19 July 2005	19 July 2012	59.0p
30 March 2004	75,000	0.7%	30 March 2007	30 March 2014	25.5p
31 March 2005	25,000	0.2%	31 March 2008	31 March 2015	35.0p

Share price
During the year to September 2005 the company's shares have traded at between 31.5p and 50.5p.
At 30 September 2005 the share price was 47.5p (2004: 36.0p).

17 **Share premium**	**2005 £'000**	2004 £'000
1 October 2004 and 30 September 2005	**3,329**	3,329

18 **Merger reserve**	**2005 £'000**	2004 £'000
Reserve on acquisition of subsidiary	**(51)**	(51)

19 **Revaluation reserve**	Group **2005 £'000**	Group 2004 £'000	Company **2005 £'000**	Company 2004 £'000
1 October 2004	**346**	353	**–**	–
Depreciation on revalued element of freehold land and buildings	**(8)**	(7)	**–**	–
30 September 2005	**338**	346	**–**	–

Notes to the financial statements (continued)

For the year ended 30 September 2005

20 Profit and loss account	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
1 October 2004	**(1,571)**	(1,747)	**–**	–
Profit for the year	**78**	169	**–**	–
Depreciation on revalued element of freehold land and buildings	**8**	7	**–**	–
30 September 2005	**(1,485)**	(1,571)	**–**	–

21 Reconciliation of movement in shareholders' funds	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
1 October 2004	**4,671**	4,502	**5,947**	5,947
Profit for the financial period	**78**	169	**–**	–
30 September 2005	**4,749**	4,671	**5,947**	5,947

22 Cash flows	2005 £'000	2004 £'000
a Reconciliation of operating profit to net cash inflow from operating activities:		
Operating profit	**107**	266
Depreciation	**108**	109
Amortisation	**–**	1
Surplus on sale of part of factoring portfolio	**528**	–
Decrease in debtors	**8,050**	2,485
Increase/(decrease) in creditors	**119**	(202)
Increase in finance lease balances receivable	**(2,223)**	(2,685)
Net cash flow from operating activities	**6,689**	(26)

Notes to the financial statements (continued)
For the year ended 30 September 2005

		2005 £'000	2004 £'000
22	**Cash flows** (continued)		
b	Analysis of cash flows for headings netted in the cash flow		
	Returns on investments and servicing of finance		
	Interest received	**24**	12
	Interest paid	**(68)**	(57)
	Net cash outflow for returns on investment and servicing of finance	**(44)**	(45)
	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	**(56)**	(23)
	Net cash outflow for capital expenditure and financial investment	**(56)**	(23)
	Financing		
	Cash inflow from new loans	**700**	598
	Cash inflow from block discount loans	**3,074**	2,269
	Capital element of finance lease repayments	**(9)**	(13)
	Capital element of loan repayments	**(1,164)**	(75)
	Capital element of block discount loan repayments	**(1,330)**	(271)
	Net cash inflow from financing	**1,271**	2,508

		1 October 2004 £'000	Cashflow £'000	Non-cash changes £'000	**30 September 2005 £'000**
22					
c	Analysis of net debt				
	Year to 30 September 2005				
	Cash in hand	311	188	–	**499**
	Overdrafts	(7,586)	7,586	–	**–**
		(7,275)	7,774	–	**499**
	Debt due within 1 year	(922)	(1,037)	–	**(1,959)**
	Debt due after 1 year	(2,240)	(243)	–	**(2,483)**
	Finance leases	(9)	9	–	**–**
		(3,171)	(1,271)	–	**(4,442)**
		(10,446)	6,503	–	**(3,943)**

Notes to the financial statements (continued)
For the year ended 30 September 2005

23 Earnings per share

Basic earnings per share for the year to 30 September 2005 has been calculated on a profit on ordinary activities after taxation of £78,000 and on a weighted average of 10,473,600 ordinary shares in issue during the year.

The fully diluted earnings per share for the year to 30 September 2005 has been calculated on a profit on ordinary activities after taxation of £78,000 and on a weighted average of 10,532,600 ordinary shares in issue during the year. These figures assume that options will be exercised if the exercise price is less than the average market price of the shares during the year. Where the option price exceeds the market price the options are considered not to have a diluting effect.

Basic earnings per share for the year to 30 September 2004 has been calculated on a profit on ordinary activities after taxation of £169,000 and on a weighted average of 10,473,600 ordinary shares in issue during the year.

The fully diluted earnings per share for the year to 30 September 2004 is shown at the same value as basic earnings per share, since the average market value of the company's shares during the period is below the average option price and the options are therefore considered not to have a diluting effect.

24 Related party transactions

During the year a group company received a loan of £300,000 from Forest Boards Limited, a company in which Frank Lafford, a director, has an interest. This loan is unsecured and is repayable on demand. Fees paid during the year to 30 September 2005 in respect of the loan amounted to £5,000 (2004: £Nil).

During the year a group company also received £400,000 from Frank Lafford for the sale of future receivables from the group's investment in certain finance lease and hire purchase contracts. This receipt is treated as a loan that is effectively secured on both future receivables and the underlying assets. The loan is automatically renewed after 364 days unless notice is given by the company or Mr Lafford. The loan is subject to a flat charge and the fees payable by the company in respect of the loan during the year to 30 September 2005 amounted to £39,000 (2004: £Nil).

During the year payroll processing and accounting services were provided to the group by Newlyn Ware, an accountancy practice in which Vivien Ware, a director of the company, is a partner. The total amount payable by the company for these services during the year to 30 September 2005 was £1,000 (2004: £1,000).

25 Financial instruments

The group's financial instruments comprise investments in finance leases and hire purchase contracts, bank borrowings and facilities, block discount arrangements, other loans, cash and short and medium term deposits. The group has various other financial instruments, including factored debts receivable, client advances, trade debtors and trade creditors, that arise directly from its operations which have not been included in the following disclosures.

The main risks arising from the group's financial instruments are interest rate risk and liquidity risk. The policies for managing these risks are regularly reviewed and agreed by the board. It is and has been throughout the period under review the group's policy that no trading in financial instruments shall be undertaken.

Notes to the financial statements (continued)

For the year ended 30 September 2005

25 **Financial instruments** (continued)

Interest rate risk

The group's investment in finance leases and hire purchase contracts comprises financial instruments at rates of interest that are fixed at the start of the contract. The board regularly reviews and monitors the interest rates applying to new contracts and the interest rates being charged by its lenders to ensure that the group's exposure to interest rate risk is kept at an acceptable level.

The group's debt represented by financial instruments comprises bank borrowings, block discount and other loans. Because of their nature, the bank liabilities are not capped.

Liquidity risk

It is the group's policy to finance its business by means of internally generated funds and equity share capital, supported by facilities from its bankers and other lenders. The facilities are regularly reviewed by the board.

Foreign currency risk

The principal country of operation of the company and all of its subsidiaries is the United Kingdom and substantially all of the group's financial assets and liabilities are denominated in Sterling so that foreign currency risk is therefore minimal.

The group has entered into contracts to provide factoring services in relation to debts denominated in US dollars and Euros but in view of the amounts involved the group does not currently hedge against the effects of movements in the exchange rates. The board monitors this matter on an ongoing basis.

Interest rate and maturity profiles

The interest rate profile of the financial assets of the group at 30 September 2005 was:

	2005		2004	
	Fixed rate financial assets £'000	**Weighted average interest rate %**	Fixed rate financial assets £'000	Weighted average interest rate %
Investment in finance leases and hire purchase contracts	**5,298**	**9.03**	3,075	8.49

The interest rate profile of the financial liabilities of the group at 30 September 2005 was:

	Total £'000	**Financial liabilities on which no interest is paid £'000**	**Fixed rate financial liabilities £'000**	**Weighted average interest rate %**
Block discount loans	**3,742**	**–**	**3,742**	**7.40**
Other loans	**700**	**300**	**400**	**10.00**
	4,442	**300**	**4,142**	

Notes to the financial statements (continued)
For the year ended 30 September 2005

25 **Financial instruments** (continued)

The interest rate profile of the financial liabilities of the group at 30 September 2004 was:

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Weighted average interest rate %
Bank loans and overdrafts	8,750	8,750	–	
Block discount loans	1,998	–	1,998	7.70
	10,748	8,750	1,998	

The maturity profile of the group's financial assets at 30 September 2005 was:

	2005 £'000	2004 £'000
In one year or less	**1,959**	983
In more than one year, but not more than two years	**1,705**	1,004
In more than two years, but not more than five years	**1,626**	1,088
In five years or more	**8**	–
	5,298	3,075

The maturity profile of the group's financial liabilities at 30 September 2005 was:

	2005 £'000	2004 £'000
In one year or less, or on demand	**1,959**	8,508
In more than one year, but not more than two years	**1,683**	891
In more than two years, but not more than five years	**800**	680
In five years or more	**–**	669
	4,442	10,748

Borrowing facilities
The group had undrawn borrowing facilities under block discount arrangements at 30 September 2005 amounting to £802,000. Funds drawn are secured by way of an assignment of contract rights over certain agreements and bear interest at varying rates, agreed at the time of drawing funds. The weighted average interest rate paid during the year to 30 September 2005 was 7.4% (2004: 7.7%).

Undrawn facilities at 30 September 2004 were £17,414,000, secured by a charge over the group's assets and bearing interest at 1½% over base rates.

Fair value of financial assets and liabilities
All financial assets and liabilities are disclosed in the balance sheet at fair value.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Potential House, 149-157 Kings Road, Brentwood, Essex, CM14 4EG on 4 May 2006 at 9.30am for the following purposes:

Ordinary resolutions

1 To receive the report of the directors and the audited financial statements year ended 30 September 2005.

2 To re-elect Tony Jacobs a director.

3 To re-elect Frank Lafford a director.

4 To reappoint Baker Tilly as Auditors and to authorise the directors to determine their remuneration.

By order of the board

Vivien Ware
Secretary

Registered Office
Potential House, 149-157 Kings Road, Brentwood, Essex CM14 4EG

Notes

1 In accordance with the articles of association of the company a member entitled to attend and vote at this Meeting is entitled to appoint another person (whether a member or not) as his proxy to attend and vote instead of him. The instrument appointing a proxy must be deposited at the company's registrars, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time appointed for the Meeting.

2 Members who hold shares in the company in uncertificated form must have been entered in the company's register of members at least 48 hours prior to the time of the above Meeting in order to be entitled to attend and vote at the Meeting. Such members may only vote at the Meeting in respect of ordinary shares in the company held at that time.

3 The register of directors' interests in the company maintained pursuant to Section 325 of the Companies Act 1985 and copies of the directors' service contracts are available for inspection at Potential House, 149-157 Kings Road, Brentwood, Essex CM14 4EG during normal business hours on any weekday (Saturdays and public holidays excepted) and will be available for inspection at the place of and during the continuance of the Annual General Meeting.

Notes

Proxy Form

BLOCK CAPITALS PLEASE

I/We, the undersigned

being a member/members of the above-named company, hereby appoint the Chairman of the Meeting/or

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at 9.30am at Potential House, 149-157 Kings Road, Brentwood, Essex, CM14 4EG, on 4 May 2006 and at any adjournment thereof.

Signature

Dated / /

Please indicate with an **X** in the spaces below how you wish your votes to be cast:

Ordinary resolutions		**For**	**Against**
Resolution 1	To receive the report of the directors and the audited financial statements for the year ended 30 September 2005.		
Resolution 2	To re-elect Tony Jacobs a director.		
Resolution 3	To re-elect Frank Lafford a director.		
Resolution 4	To reappoint Baker Tilly as Auditors and to authorise the directors to determine their remuneration.		

Notes

1 A member may appoint a proxy of his or her own choice. If such an appointment is made, delete the words ‘the Chairman of the Meeting’ and insert the name of the person appointed proxy in the space provided.

2 If the appointor is a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.

3 In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated.

4 If this form is returned without any indication as to how the person appointed proxy shall vote, the Chairman will exercise his discretion as to how he votes or whether he abstains from voting.

5 To be valid, this form must be completed and deposited at the office of the company’s Registrars not less than 48 hours before the time fixed for holding the Meeting or adjourned Meeting.

Please return this form directly to our Registrars at the following address:
Capita IRG PLC, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Potential Finance Group PLC

Potential House
149-157 Kings Road
Brentwood
Essex CM14 4EG