

POTENTIAL FINANCE GROUP PLC  
Report and Financial Statements  
30 September

2007



# POTENTIAL FINANCE

SINCE 2003, POTENTIAL HAS BEEN PROVIDING HIRE PURCHASE AND LEASING FACILITIES FOR SMALL AND GROWING BUSINESSES, PREDOMINANTLY FOR WHEELED ASSETS.

IN 2007, THE GROUP'S ACTIVITIES WERE DIVERSIFIED INTO FLEXIBLE VEHICLE HIRE, OFFERING THE SAME HIGH QUALITY AND PERSONAL SERVICE LEVELS TO A DIFFERENT MARKET SECTOR, OFTEN 'BLUE CHIP' OPERATORS OF SUBSTANTIAL VEHICLE FLEETS.

TOGETHER, THESE RELATED AREAS OF BUSINESS CAN PROVIDE THE VEHICLE MANAGEMENT SOLUTION FOR VIRTUALLY ANY COMPANY OPERATING IN THE UK.

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## HIGHLIGHTS

- Successful creation of new vehicle hire subsidiary, with over £12m funding lines negotiated at competitive rates.
- Fleet of over 700 vehicles after one year, with further rapid growth anticipated and profits generated since October 2007.
- Asset finance portfolio growth to £14.5m gross receivables at year end.
- Rapid expansion of asset finance broker unit, in order to exploit the opportunities arising from the continued consolidation in the banking sector. This area has the potential for unlimited growth.

## CHAIRMAN'S STATEMENT

We are pleased to report that the overall broadening of the group's activities continues to gather momentum, and although our reported result for the year does not appear to reflect this, we feel that much has been achieved in the last 12 months relating to the continued restructuring and future growth strategy of our group.

We have, this year end, been required to adopt FRS20 for the first time in the preparation of our accounts. This standard requires a calculation intended to represent the cost of granting share options to staff and the charge arrived at is shown as a deduction from profits; you will see the charge in the profit and loss accounts and details of the options and calculation in note 17.

Although this notional charge affects our reported profit (turning it into a loss), it is credited back to a reserve held in the balance sheet alongside the profit and loss account, so that our overall reserves remain the same and there is no cashflow implication.

If the impact of the disclosure is excluded, the group made a small profit before tax of £14,000. Whilst this is effectively a break-even position, one major step forward is that Potential is once again a trading group; Potential Asset Finance Limited (PAF) has been a solid bedrock, producing reliable results each year, despite the financial burden of carrying the group overhead structure following the disposal of the majority of the factoring portfolio of Potential Finance Limited, in 2005.

As reported in our interim statement, we created a new subsidiary in February 2007, Potential Vehicle Hire Limited (PVH), which has had an extremely positive and encouraging start.

Its main activity is providing vehicles to a wide range of business users on a flexible basis, which typically includes full maintenance and back up facilities.

Our positive predictions at the time of the interim announcement have proved realistic and PVH did, as anticipated make a small profit in the second half. Even more encouraging is the month on month profit PVH has contributed since the year end. From a standing start in February 2007, we have, at the present time, a fleet of over 700 cars and vans spread over a client base of some 90 U.K. businesses and average fleet utilisation since inception has been over 95%.

Our positive outlook for this new venture is based partly on our possibly not unique, but certainly unusual, approach to the sale of ex-rental vehicles. Working in tandem with fellow-subsiary PAF, PVH has the benefit of an extensive database of end-users, and a finance provider for prospective purchasers, whether on its own portfolio or via a network of external funders. This means that we are in a position to retail vehicles rather than selling to

trade customers or disposing through vehicle auctions, the more common routes within the vehicle hire industry. Our website, potentialvansales.com will be fully operational by the end of April and we plan to explore the possibility of establishing an additional outlet in the south east, which will incorporate a customised retail facility for vehicles which have become available for disposal.

With a proportion of group capital reallocated to PVH, we have also reviewed our future strategy for PAF.

Two years ago, we set up a 'broker division' specifically to place business with other funders, rather than adding to our own portfolio. This, along with a target to increase general fee income, reduces our dependence on capital and exposure to movements in interest rates.

This has proved a successful diversification, enabling us to provide funding for accounts which we consider inappropriate for our own book, perhaps due to the size of proposed debt, or narrow margin available, and to generate income at inception, rather than over the life of an agreement. As a result, we have taken the decision to build upon this business model, expanding the broker unit, currently to a sales team of 12 strategically located throughout the UK, and all benefiting from a sales support team based in the Brentwood head office.

This development of our brokerage activity during the first few months of the 2007-8 year has involved a substantial investment in recruitment and systems, but early indications are extremely positive and we expect rapid growth during the remainder of the year.

The diversification that this trading division brings will, we believe, provide a much more secure basis for growth, with the broader range of services and funding options giving a degree of protection against the impact of the 'credit crunch', which provides so many headlines at the present time.

We are keen to maximise the benefit of this reshaping of the group structure and to take advantage of the opportunities arising from the changes we have implemented. We believe our business model moving forward can produce exciting results, with a significantly improved return on capital, but in order to keep gearing at a prudent level, the plan will ideally be underpinned by an injection of new capital.

The board therefore aims to explore the possibility of raising further capital over the next few months, and will continue to focus on identifying a strategic investment partner in order to take advantage of the opportunity for growth over the next three years.

**Peter Cordrey**  
Chairman

# DIRECTORS AND ADVISERS

## DIRECTORS

### Chairman (non-executive)

Peter Cordrey is a Chartered Accountant and a Fellow of the Chartered Institute of Management. He is Chairman of London and Scottish Bank plc and was Chairman of Hampshire Trust Plc from 1996 to 2006 having 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.

### Managing Director

Colin Swanston 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 is a Chartered Certified Accountant, who, having worked in both the accountancy profession and commercial environments, has many years experience in management accounting, auditing and strategic planning.

### Non-Executive Director

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.

## SECRETARY

Vivien Ware FCCA

## REGISTERED OFFICE

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## NOMINATED ADVISER AND BROKER

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## AUDITOR

Baker Tilly UK Audit LLP  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

## REGISTRARS

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BX3 2BB

## DIRECTORS' REPORT

The directors submit their report and the audited financial statements of Potential Finance Group PLC for the year ended 30 September 2007.

### PRINCIPAL ACTIVITIES

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

The principal activity of Potential Finance Limited throughout the year was working on the recovery of factoring assets still outstanding.

Potential Asset Finance Limited provided asset finance through finance leases and hire purchase agreements and also sourced and sold vehicles.

Potential Vehicle Hire Limited commenced trading early in 2007, providing flexible vehicle rental, predominantly to fleet customers.

### REVIEW OF THE BUSINESS

During the period under review, the nature of the group has changed significantly with the commencement of trading by Potential Vehicle Hire Limited (PVH). This subsidiary has benefited from the group infrastructure in terms of planning and support, which has enabled rapid growth from a standing start. Finance for the business is by means of hire purchase loans, and lines were in place by the year end with twelve major funders.

Fleet size by the end of September was ahead of target and with increasing credibility in the marketplace, sales margins continued to improve, with the result that profits were made during the second half of the year.

Potential Asset Finance Limited (PAF) continued to trade profitably, with a year end portfolio totalling £12.5 million receivables, spread over 900 accounts and based largely on wheeled assets. The broker unit which was created in January 2006 continued to grow during 2007, becoming a significant profit centre by the year end.

This consistent performance resulted in the decision to expand this area of activity to ensure that Potential can arrange suitable funding for a wide range of customers, even where the proposal is unsuitable for our own portfolio, thus protecting the relationship.

### FUTURE DEVELOPMENTS

Further expansion of the PVH fleet is planned, and, as vehicles become available for sale a retailing process will be undertaken, using the internet and trade magazines for advertising and making use of the extensive database already built up by PAF.

PAF's broker unit will become a more significant area of its business, with extensive recruitment undertaken since the year end and a positive growth in activity already evident.

The group hopes to identify premises during this financial year, close to the existing Brentwood head office in order to provide larger office accommodation for the PAF sales and group administration teams, and to provide a site for vehicle retail and rental. It is believed that the complementary nature of the group businesses will be of significant benefit in terms of the planned growth in each.

### 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 3.

The directors' interests in the shares of the company were as follows:-

	Ordinary shares of 25p each	
	30 September 2007 No.	1 October 2006 No.
Peter Cordrey	25,000	-
Anthony Jacobs (resigned 26.01.07)	-	1,545,000
Frank Lafford	2,139,100	2,139,100
Vivien Ware	36,700	36,700
Colin Swanston	45,000	20,000

Details of Share Options granted to the directors are set out in the Remuneration Report on pages 8 and 9.

## SUBSTANTIAL SHAREHOLDINGS

Other than the directors' holdings as detailed above, the company is aware 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	2,552,500	24.37
Mark Abbott	315,994	3.02
Hugh Craen	338,400	3.23
Paula Craen	341,400	3.25
Anthony Jacobs	1,545,000	14.75

## 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 2007 were 23 days (2006: 12 days).

## POLITICAL AND CHARITABLE DONATIONS

During the year, the group companies made no political or charitable donations.

## PRINCIPAL RISKS AND UNCERTAINTIES

A detailed review of the group's principal risk areas is incorporated in note 27, Financial Instruments.

## KEY PERFORMANCE INDICATORS

	2007 £000	2006 Restated £000
Turnover	<b>4,082</b>	2,822
(Loss)/profit on ordinary activities before taxation	<b>(88)</b>	76
Current liabilities as a % of current assets	<b>99%</b>	52%
Return on capital employed*	<b>(0.02)</b>	0.03

\*pre tax profit/shareholders' funds

The increase in turnover and current liabilities reflects the growth in the Group's new subsidiary, Potential Vehicle Hire (PVH). This company has grown rapidly, and its substantial fleet is financed almost exclusively by hire purchase funding. Return on capital employed is suppressed in both years by the cost relating to share-based payments, see note 17. More segmental detail on capital employed is provided in note 1.

## 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 June 2006. 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 6 and 7.

## 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.

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

## AUDITORS

A resolution to re-appoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditors will be put to members at the Annual General Meeting.

By order of the board

**Vivien Ware**

Secretary

## CORPORATE GOVERNANCE

The group is supportive of the principles embodied in the revised Combined Code on Corporate Governance published by the Financial Reporting Council in June 2006 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 two non-executive directors. The senior non-executive director is Peter Cordrey, who is the chairman.

The non-executive directors bring strong independent judgement and knowledge to the board deliberations

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 that are terminable by the group on 12 months' notice.

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

### COMMITTEES

An audit committee has been established comprising the managing director, Colin Swanston, the finance director, Vivien Ware, and a non-executive director, Peter Cordrey 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 group 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 Peter Cordrey. The other member of the committee is Frank Lafford. 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 group.

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 3.

### INTERNAL CONTROL

The board is responsible for the group'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 group are as follows:

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

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 group'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 group undertakes an extensive review of the financial profile of the prospective customer, often 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.

## 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.

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.

### COMMITTEE COMPOSITION AND POLICY

The remuneration committee meets as necessary and at least once annually. No committee member participates in decisions concerning his own remuneration.

### SUMMARY OF DIRECTORS' EMOLUMENTS

The emoluments of each director during the year to 30 September 2007 were as follows:

	Salaries and fees £000	Benefits in kind £000	Total remuneration £000	Pension contributions £000	<b>Total emoluments £000</b>
<b>Executive directors</b>					
Colin Swanston	99	2	101	9	<b>110</b>
Vivien Ware	89	1	90	13	<b>103</b>
	188	3	191	22	<b>213</b>
<b>Non-executive directors</b>					
Peter Cordrey	30	–	30	–	<b>30</b>
Frank Lafford	25	–	25	–	<b>25</b>
Anthony Jacobs	6	–	6	–	<b>6</b>
	61	–	61	–	<b>61</b>
Total	249	3	252	22	<b>274</b>

The emoluments of each director during the year ended 30 September 2006 was as follows:

	Salaries and fees £000	Benefits in kind £000	Total remuneration £000	Pension contributions £000	Total emoluments £000
<b>Executive directors</b>					
Colin Swanston	98	4	102	10	112
Vivien Ware	89	1	90	13	103
	187	5	192	23	215
<b>Non-executive directors</b>					
Peter Cordrey	13	–	13	–	13
Frank Lafford	25	–	25	–	25
Adrian Rapazzini	15	–	15	–	15
Anthony Jacobs	15	–	15	–	15
	68	–	68	–	68
Total	255	5	260	23	283

#### 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 directors as at 30 September 2007 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
	17 November 2005	600,000	47.0p	17 November 2008 to 17 November 2015
Vivien Ware	19 July 2002	50,000	59.0p	19 July 2005 to 19 July 2012
	17 November 2005	100,000	47.0p	17 November 2008 to 17 November 2015
Peter Cordrey	9 September 2006	580,000	46.5p	9 September 2009 to 9 September 2016

No directors exercised share options during the year.

During the year to 30 September 2007 the company's shares have traded at between 32.5p and 43.5p. At 30 September 2007 the share price was 33p (2006: 46.5p).

#### 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 the company upon twelve months' written notice.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group 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 UK 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 company and the group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and 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 12 to 31.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

We read 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, the Corporate Governance Statement and the Chairman's Statement. We consider the implications of 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 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 group's and 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 group's and parent company's affairs as at 30 September 2007 and of the group's loss for the year then ended and 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.

BAKER TILLY UK AUDIT LLP  
Registered Auditors  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

# GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 £000	2006 Restated £000
<b>Turnover</b>	1	<b>4,082</b>	2,822
Cost of sales	2	<b>(2,517)</b>	(1,785)
<b>Gross Profit</b>		<b>1,565</b>	1,037
Administrative expenses		<b>(1,578)</b>	(1,115)
Share-based payments (notional cost)		<b>(102)</b>	(56)
		<b>(115)</b>	(134)
Other operating income	3	-	112
<b>Operating loss</b>		<b>(115)</b>	(22)
Exceptional items	4	-	110
		<b>(115)</b>	88
Interest receivable		<b>27</b>	23
		<b>(88)</b>	111
Interest payable	5	-	(35)
<b>(Loss)/profit on ordinary activities before taxation</b>	6	<b>(88)</b>	76
Taxation	8	<b>(24)</b>	(34)
<b>(Loss)/profit on ordinary activities after taxation</b>		<b>(112)</b>	42
<b>Earnings per share</b>			
Basic total	25	<b>(1.07)p</b>	0.40p
Fully diluted total	25	<b>(1.07)p</b>	0.40p

# STATEMENT OF RECOGNISED GAINS AND LOSSES AND NOTE OF HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## STATEMENT OF RECOGNISED GAINS AND LOSSES

	<b>2007</b>	2006 Restated €000
	<b>€000</b>	
(Loss)/profit on ordinary activities after taxation	<b>(112)</b>	42
Prior year adjustment (note 17)	<b>(62)</b>	
<b>Total gains and losses recognised since the last annual report</b>	<b>(174)</b>	

## HISTORICAL COST PROFITS AND LOSSES

	<b>2007</b>	2006 Restated €000
	<b>€000</b>	
(Loss)/profit on ordinary activities before taxation	<b>(88)</b>	76
Realisation of property revaluation gains of previous years	-	338
Historical cost (loss)/profit on ordinary activities before taxation	<b>(88)</b>	414
<b>Historical cost (loss)/profit for the year retained after taxation</b>	<b>(112)</b>	380

# GROUP BALANCE SHEET

30 SEPTEMBER 2007

	Notes	2007 £000	2006 Restated £000
<b>Fixed assets</b>			
Tangible assets	10	<b>6,600</b>	238
<b>Current assets</b>			
Stocks – vehicles for resale		<b>63</b>	63
Debtors	12	<b>2,845</b>	2,143
Investment in finance leases and hire purchase contracts	13	<b>4,480</b>	3,577
Cash at bank and in hand		<b>304</b>	495
		<b>7,692</b>	6,278
<b>Debtors:</b> Amount falling due after more than one year			
Investment in finance leases and hire purchase contracts	13	<b>8,064</b>	5,829
		<b>15,756</b>	12,107
<b>Creditors:</b> Amounts falling due within one year	14	<b>(7,649)</b>	(3,239)
<b>Net current assets</b>		<b>8,107</b>	8,868
<b>Total assets less current liabilities</b>		<b>14,707</b>	9,106
<b>Creditors:</b> Amounts falling due after more than one year	15	<b>(9,870)</b>	(4,259)
<b>Net assets</b>		<b>4,837</b>	4,847
<b>Capital and reserves</b>			
Called up share capital	16	<b>2,618</b>	2,618
Share premium account	18	<b>3,329</b>	3,329
Merger reserve	19	<b>(51)</b>	(51)
Share-based payment reserve	21	<b>164</b>	62
Profit and loss account	22	<b>(1,223)</b>	(1,111)
<b>Shareholders' funds</b>	23	<b>4,837</b>	4,847

Approved and authorised for issue by the board on 17 March 2008.

Colin Swanston                      Director

Vivien Ware                         Director

# COMPANY BALANCE SHEET

30 SEPTEMBER 2007

	Notes	2007 £000	Restated 2006 £000
<b>Fixed assets</b>			
Investments	11	427	52
<b>Current assets</b>			
Debtors: Amounts falling due after more than one year	12	4,032	4,565
<b>Net assets</b>		<b>4,459</b>	4,617
<b>Capital and reserves</b>			
Called up share capital	16	2,618	2,618
Share premium account	18	3,329	3,329
Share-based payment reserve	21	164	62
Profit and loss account	22	(1,652)	(1,392)
<b>Shareholders' funds</b>	23	<b>4,459</b>	4,617

Approved and authorised for issue by the board on 17 March 2008.

Colin Swanston                      Director

Vivien Ware                          Director

# GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER 2007

	Notes	2007 £000	2006 £000
Cash flow from operating activities	24a	<b>(2,229)</b>	(4,410)
Returns on investments and servicing of finance	24b	<b>27</b>	(12)
Taxation		<b>(84)</b>	(260)
Capital expenditure and financial investment	24b	<b>(792)</b>	1,964
<b>Cash outflow before financing</b>		<b>(3,078)</b>	(2,718)
Financing	24b	<b>2,887</b>	2,714
<b>Decrease in cash in the period</b>		<b>(191)</b>	(4)

## RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN DEBT

		2007 £000	2006 £000
Decrease in cash in the period	24c	<b>(191)</b>	(4)
Cash outflow from increase in debt and lease financing	24c	<b>(2,887)</b>	(2,714)
Non-cash changes	24c	<b>(6,234)</b>	-
Changes in net debt resulting from cash flows		<b>(9,312)</b>	(2,718)
Opening net debt		<b>(6,661)</b>	(3,943)
<b>Net debt at 30 September 2007</b>	24c	<b>(15,973)</b>	(6,661)

## 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. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting issues in the asset finance and leasing industry" published in April 2000 and applicable accounting standards.

### 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 2007.

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 and daily rental fleet	over 4 years
Operating lease/contract hire fleet	cost less residual value over 12 months
Flexible rental fleet	cost less residual value over 36 months

### STOCK

Stock in hand at the balance sheet date is valued at the lower of cost and net realisable value.

### 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.

### 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.

### 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.

### 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.

#### **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.

#### **SHARE-BASED PAYMENTS**

The company has applied the requirements of FRS20 which requires the fair value of share-based payments to be recognised as an expense.

Certain employees receive remuneration in the form of share options and the standard has been applied to these options. The fair value of the equity instruments granted is measured on the date at which they are granted by using the Black-Scholes model, and is expensed to the profit and loss account over the appropriate vesting period, usually three years.

#### **TURNOVER**

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

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 1 TURNOVER

Turnover was contributed as follows:

	2007 £000	2006 £000
United Kingdom	<b>4,082</b>	2,822

The turnover of the group during the year derived from fees and interest on recovery accounts, from interest and charges arising on the provision of asset finance, either under lease or hire purchase agreements, from the sourcing and sale of vehicles and from flexible vehicle hire.

A segmental analysis of the group's activities is as follows:

	2007					2006 Restated			
	Debt factoring £000	Asset finance £000	Vehicle hire £000	Holding company £000	Total £000	Debt factoring £000	Asset finance £000	Holding company £000	Total £000
Turnover	<b>102</b>	<b>2,658</b>	<b>1,322</b>	<b>-</b>	<b>4,082</b>	133	2,689	-	2,822
Profit/(loss) before taxation	<b>(158)</b>	<b>213</b>	<b>(41)</b>	<b>(102)</b>	<b>(88)</b>	(71)	203	(56)	76
Fixed assets	<b>-</b>	<b>149</b>	<b>6,451</b>	<b>-</b>	<b>6,600</b>	-	238	-	238
Current assets and lease/HP debtors over 1 year	<b>1,549</b>	<b>13,232</b>	<b>975</b>	<b>-</b>	<b>15,756</b>	1,615	10,492	-	12,107
Current liabilities	<b>(78)</b>	<b>(4,734)</b>	<b>(2,837)</b>	<b>-</b>	<b>(7,649)</b>	(82)	(3,157)	-	(3,239)
	<b>1,471</b>	<b>8,498</b>	<b>(1,862)</b>	<b>-</b>	<b>8,107</b>	1,533	7,335	-	8,868
Creditors due after one year	<b>-</b>	<b>(5,831)</b>	<b>(4,039)</b>	<b>-</b>	<b>(9,870)</b>	-	(4,259)	-	(4,259)
Group capital employed	<b>1,471</b>	<b>2,816</b>	<b>550</b>	<b>-</b>	<b>4,837</b>	1,533	3,314	-	4,847
Return on capital employed	<b>(11)%</b>	<b>8%</b>	<b>(7)%</b>	<b>-</b>	<b>(2)%</b>	(5)%	6%	-	2%

## 2 COST OF SALES

	2007 £000	2006 £000
Hire fleet depreciation	<b>622</b>	-
Vehicle hire	<b>45</b>	-
Interest payable:		
Block discount loan and hire purchase	<b>829</b>	346
Vehicle purchases	<b>855</b>	1,439
Other direct costs	<b>166</b>	-
	<b>2,517</b>	1,785

## 3 OTHER OPERATING INCOME

	2007 £000	2006 £000
Rents receivable	-	112

## 4 EXCEPTIONAL ITEMS

	2007 £000	2006 £000
Profit on sale of property	-	110

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 5 INTEREST PAYABLE

	2007 £000	2006 £000
Bank loans and overdrafts	-	35

## 6 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2007 £000	2006 £000
(Loss)/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	33	45
leased assets	639	-
Directors' emoluments	274	283
Auditors' remuneration - audit services	44	33
Rentals receivable in relation to finance leases and hire purchase contracts	(1,442)	(979)
Rentals receivable in relation to operating lease contracts	(18)	(5)
Operating lease rentals: land and buildings	36	2

## 7 EMPLOYEES

	2007 No.	2006 No.
The average monthly number of persons (including directors) employed by the company during the period was:		
Management	5	5
Sales and administration	15	6
	20	11

	2007 £000	2006 Restated £000
Staff costs for the above persons:		
Wages and salaries	447	419
Social security costs	45	41
Other pension costs	28	29
Share-based payments	102	56
	622	545

Full details of directors' emoluments and their service contracts are given in the Directors' Remuneration Report on pages 8 and 9.

Details of share-based payments are shown in note 17

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 8 TAXATION

	2007 £000	2006 £000
Current tax:		
UK corporation tax on profits of the period	63	64
Underprovision in earlier years	-	1
Deferred taxation:		
Origination and reversal of timing differences	(39)	(31)
Tax on profit on ordinary activities	24	34

Factors affecting the tax charge for the period:

	2007 £000	2006 Restated £000
The tax assessed for the period differs from the standard rate of corporation tax in the UK (30%). The differences are explained below:		
(Loss)/profit on ordinary activities before tax	(88)	76
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	(26)	23
Effects of:		
Share-based payments	30	17
Expenses not deductible for tax purposes	2	1
Depreciation (less than)/in excess of capital allowances	(673)	24
Adjustment for gain on freehold property sale	-	21
Other timing differences	14	(8)
(Utilisation)/deferral of tax losses	723	-
Small companies rate adjustment	(7)	(14)
Current tax charge for period	63	64

## 9 RESULT OF THE PARENT COMPANY

The parent company's loss for the year to 30 September 2007 amounted to £260,000 (2006: £1,330,000).

## 10 TANGIBLE FIXED ASSETS

GROUP	Leasehold improvement £000	Fixtures, fittings and equipment £000	Daily rental fleet £000	Vehicle hire fleet £000	Motor vehicles £000	Total £000
Cost or valuation						
1 October 2006	-	32	109	94	25	260
Additions	4	29	39	7,050	23	7,145
Disposals	-	-	(66)	(40)	(18)	(124)
<b>30 September 2007</b>	<b>4</b>	<b>61</b>	<b>82</b>	<b>7,104</b>	<b>30</b>	<b>7,281</b>
Depreciation						
1 October 2006	-	12	5	4	1	22
Charged in the year	1	11	13	639	8	672
Disposals	-	-	(5)	(5)	(3)	(13)
<b>30 September 2007</b>	<b>1</b>	<b>23</b>	<b>13</b>	<b>638</b>	<b>6</b>	<b>681</b>
Net book value						
<b>30 September 2007</b>	<b>3</b>	<b>38</b>	<b>69</b>	<b>6,466</b>	<b>24</b>	<b>6,600</b>
30 September 2006	-	20	104	90	24	238

The net book value of £6,600,000 includes £6,466,000 (2006: £Nil) in respect of assets held under hire purchase contracts.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 11 FIXED ASSET INVESTMENTS

<b>COMPANY</b>	Subsidiary undertakings £000
1 October 2006	52
Subscription for equity shares	375
<b>30 September 2007</b>	<b>427</b>

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%	Collection of debt factoring facilities
Potential Asset Finance Limited	250,000 Ordinary shares of £1 each	100%	Provision of asset finance through finance leases and hire purchase contracts
Potential Vehicle Hire Limited	125,000 Ordinary shares of £1 each	100%	Provision of van and car hire services

All subsidiary companies are incorporated in the United Kingdom.

Potential Vehicle Hire Limited was incorporated on 2 October 2006.

## 12 DEBTORS

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Due within one year:				
Factoring assets recoverable	<b>1,426</b>	1,435	-	-
Trade debtors	<b>512</b>	78	-	-
Other debtors	<b>412</b>	347	-	-
Prepayments	<b>182</b>	85	-	-
	<b>2,532</b>	1,945	-	-
Due after more than one year:				
Amounts owed by group undertakings	-	-	<b>4,032</b>	4,565
Other	<b>100</b>	24	-	-
Deferred tax asset	<b>213</b>	174	-	-
	<b>2,845</b>	2,143	<b>4,032</b>	4,565

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 12 DEBTORS (continued)

	Group	
	2007 £000	2006 £000
Deferred tax is as follows:		
At 1 October 2006	174	143
Credited to the profit and loss account (note 8)	39	31
<b>Deferred tax asset at 30 September 2007</b>	<b>213</b>	174
The deferred tax asset recognised at 30 September 2007 is made up as follows:		
Depreciation in excess of capital allowances	(510)	174
Unrelieved tax losses	723	-
<b>Total deferred tax asset</b>	<b>213</b>	174

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

## 13 INVESTMENT IN FINANCE LEASES AND HIRE PURCHASE CONTRACTS

GROUP	2007 £000	2006 £000
Amounts falling due within one year:		
Finance leases	2,760	2,034
Hire purchase contracts	1,720	1,543
	<b>4,480</b>	3,577
Amounts falling due after more than one year:		
Finance leases	5,312	3,495
Hire purchase contracts	2,752	2,334
	<b>8,064</b>	5,829
<b>Net investment in finance lease and hire purchase contracts</b>	<b>12,544</b>	9,406
Cost of assets acquired during the year for use in finance lease and hire purchase contracts	9,822	9,510

	2007 £	2006 £
<b>Maturity Analysis</b>		
Net investment on finance lease and hire purchase contracts are receivable by instalments as follows:		
Within one year	4,480	3,577
In more than one year but not more than two years	3,917	2,713
In more than two years but not more than five years	4,041	2,749
In five years or more	106	367
	<b>12,544</b>	9,406

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).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 14 CREDITORS:

Amounts falling due within one year

<b>GROUP</b>	<b>2007 £000</b>	2006 £000
Block discount loans	<b>4,403</b>	2,897
Trade creditors	<b>281</b>	91
Hire purchase and finance lease obligations	<b>2,004</b>	-
Corporation tax	<b>63</b>	83
Other taxation and social security costs	<b>24</b>	14
Other creditors	<b>674</b>	15
Accruals	<b>200</b>	139
	<b>7,649</b>	3,239

## 15 CREDITORS:

Amounts falling due after more than one year

<b>GROUP</b>	<b>2007 £000</b>	2006 £000
Hire purchase and finance lease obligations	<b>4,039</b>	-
Block discount loans	<b>5,431</b>	3,859
Other loans	<b>400</b>	400
	<b>9,870</b>	4,259

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.

Obligations under HP and finance leases are secured on related assets.

Hire purchase loans are repayable by instalments as follows:

	<b>2007 £000</b>	2006 £000
Within one year	<b>2,004</b>	-
In more than one year but not more than two years	<b>1,738</b>	-
In more than two years but not more than five years	<b>2,301</b>	-
	<b>6,043</b>	-

Block discount loans are repayable by instalments as follows:

	<b>2007 £000</b>	2006 £000
Within one year	<b>4,403</b>	2,897
In more than one year but not more than two years	<b>3,454</b>	2,379
In more than two years but not more than five years	<b>1,977</b>	1,480
	<b>9,834</b>	6,756

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 26.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 16 SHARE CAPITAL

	2007 £000	2006 £000
Authorised: 40,000,000 ordinary shares of 25p each	<b>10,000</b>	10,000
Allotted, issued and fully paid: 10,473,600 ordinary shares of 25p each	<b>2,618</b>	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 2007:

Date of options	Number of shares	% of company's issued share capital	First exercisable	Expiry Date	Exercise price
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
17 November 2005	750,000	7.2%	17 November 2008	17 November 2015	47.0p
6 September 2006	580,000	5.5%	6 September 2009	6 September 2016	46.5p

### Share price:

During the year to 30 September 2007 the company's shares have traded at between 32.5p and 43.5p. At 30 September 2007 the share price was 33p (2006: 47.5p).

## 17 SHARE-BASED PAYMENTS

### Executive share option scheme

Certain employees have been granted options over shares in the group. The grant price is determined by reference to the mid-market price of the company's shares on the date of grant. The vesting period is three years with an expiry date of ten years from date of grant and options are forfeited if the employee leaves the group before the options are exercised.

The company uses a Black-Scholes model to calculate the fair value of share options. Details of the share options granted are given in note 16 and the key inputs to the model are as follows:

	2007	2006
Average share price at date of grant	<b>45.4p</b>	44.8p
Average exercise price	<b>45.4p</b>	44.8p
Expected volatility	<b>42.0%</b>	42.8%
Risk free rate	<b>4.5%</b>	4.0%
Dividend yield	-	-

Expected volatility was determined by calculating the volatility of the company's share price over the period from flotation in August 2000 to the date of grant.

The effect of share-based payment is to create a charge to the profit and loss account of £102,000 in the year to September 2007 (2006: £56,000; prior to 2005: £6,000).

There is no effect on the balance sheet as at 30 September 2007 or any other date.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 18 SHARE PREMIUM

	2007 £000	2006 £000
1 October 2006 and 30 September 2007	<b>3,329</b>	3,329

## 19 MERGER RESERVE

	2007 £000	2006 £000
Reserve on acquisition of subsidiary	<b>(51)</b>	(51)

## 20 REVALUATION RESERVE

<b>GROUP</b>	2007 £000	2006 £000
1 October 2006	-	338
Depreciation on revalued element of freehold land and buildings	-	-
Realised on sale of freehold land and buildings	-	(338)
<b>30 September 2007</b>	-	-

## 21 SHARE-BASED PAYMENT RESERVE

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
1 October 2006 – as previously stated	-	-	-	-
Prior year adjustment (note 17)	<b>62</b>	6	<b>62</b>	6
1 October 2006 – as restated	<b>62</b>	6	<b>62</b>	6
Share based payment charge	<b>102</b>	56	<b>102</b>	56
<b>30 September 2007</b>	<b>164</b>	62	<b>164</b>	62

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 22 PROFIT AND LOSS ACCOUNT

	Group		Company	
	2007 £000	2006 Restated £000	2007 £000	2006 Restated £000
<b>GROUP</b>				
1 October 2006 – as previously stated	<b>(1,049)</b>	(1,485)	<b>(1,330)</b>	-
Prior year adjustment for share-based payments	<b>(62)</b>	(6)	<b>(62)</b>	(6)
1 October 2006 – as restated	<b>(1,111)</b>	(1,491)	<b>(1,392)</b>	(6)
(Loss)/profit for the year	<b>(112)</b>	42	<b>(260)</b>	(1,386)
Transfer from revaluation reserve	-	338	-	-
<b>30 September 2007</b>	<b>(1,223)</b>	(1,111)	<b>(1,652)</b>	(1,392)

The company loss for the year includes the write-down of an element of the intercompany loan to subsidiary Potential Finance Limited, in line with losses for the year. The consolidated results are unaffected by this charge of £158,000.

The 2006 result has been restated to reflect the impact of the application of FRS20, share based payments.

## 23 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group		Company	
	2007 £000	2006 Restated £000	2007 £000	2006 Restated £000
1 October 2006 – as previously stated	<b>4,847</b>	4,749	<b>4,617</b>	5,947
Prior year adjustment for share-based payments	<b>(62)</b>	(6)	<b>(62)</b>	(6)
	<b>4,785</b>	4,743	<b>4,555</b>	5,941
(Loss)/profit for the year	<b>(112)</b>	42	<b>(260)</b>	(1,386)
Share based payments (note 17)	<b>164</b>	62	<b>164</b>	62
<b>30 September 2007</b>	<b>4,837</b>	4,847	<b>4,459</b>	4,617

## 24 CASH FLOWS

a Reconciliation of operating profit to net cash inflow from operating activities

	2007 £000	2006 Restated £000
Operating loss	<b>(115)</b>	(22)
Depreciation	<b>664</b>	45
Share-based payment	<b>102</b>	56
Increase in stock	-	(63)
Increase in debtors	<b>(663)</b>	(296)
Increase/(decrease) in creditors	<b>921</b>	(22)
Increase in finance lease balances receivable	<b>(3,138)</b>	(4,108)
Net cash flow from operating activities	<b>(2,229)</b>	(4,410)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 24 CASH FLOWS (continued)

b Analysis of cash flows for headings netted in the cash flow

	2007 £000	2006 £000
<b>Returns on investments and servicing of finance</b>		
Interest received	27	23
Interest paid	-	(35)
<b>Net cash outflow for returns on investment and servicing of finance</b>	<b>27</b>	<b>(12)</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(792)	(248)
Proceeds from sale of freehold and investment property	-	2,212
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(792)</b>	<b>1,964</b>
<b>Financing</b>		
Cash inflow from new loans	-	1,000
Cash inflow from block discount loans	6,909	5,251
Capital element of hire purchase repayments	(191)	-
Capital element of loan repayments	-	(1,300)
Capital element of block discount loan repayments	(3,831)	(2,237)
<b>Net cash inflow from financing</b>	<b>2,887</b>	<b>2,714</b>

c Analysis of net debt

	1 October 2006 £000	Cash flow £000	Non cash movement £000	30 September 2007 £000
Year to 30 September 2007				
Cash in hand	495	(191)	-	<b>304</b>
Overdrafts	-	-	-	-
	495	(191)	-	<b>304</b>
Debt due within 1 year	(2,897)	(1,315)	(2,195)	<b>(6,407)</b>
Debt due after 1 year	(4,259)	(1,572)	(4,039)	<b>(9,870)</b>
	(7,156)	(2,887)	(6,234)	<b>(16,277)</b>
<b>Net debt at 30 September 2007</b>	<b>(6,661)</b>	<b>(3,078)</b>	<b>(6,234)</b>	<b>(15,973)</b>

## 25 EARNINGS PER SHARE

Basic earnings per share for the year to 30 September 2007 has been calculated on a loss on ordinary activities after taxation of £112,000 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 2007 has been calculated on a loss on ordinary activities after taxation of £112,000 and on a weighted average of 10,535,600 ordinary shares 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 2006 has been calculated on a profit on ordinary activities after taxation as restated of £42,000 and on a weighted average of 10,473,600 ordinary shares in issue during the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 25 EARNINGS PER SHARE (continued)

The fully diluted earnings per share for the year to 30 September 2006 has been calculated on a profit on ordinary activities after taxation as restated of £42,000 and on a weighted average of 10,528,600 ordinary shares 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.

## 26 RELATED PARTY TRANSACTIONS

During 2005 a group company 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 2007 amounted to £40,000 (2006: £40,000).

## 27 FINANCIAL INSTRUMENTS

The group's financial instruments comprise investments in finance leases and hire purchase contracts, 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.

### 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, block discount, hire purchase and other loans.

### 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.

### Credit risk

All new accounts taken on are credit assessed by the group underwriting department, whether for asset finance or for vehicle hire accounts. Use is made of data from credit reference agencies in addition to specific accounting detail from prospective customers. The significant areas of risk are from business failure of debtors and fraud. Thorough checking is undertaken using asset databases and site visits. Account performance is monitored daily by credit controllers and at regular intervals by the board. Provision is made against doubtful debts on a specific basis and reviewed quarterly.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 27 FINANCIAL INSTRUMENTS (continued)

### Interest rate and maturity profiles

The interest rate profile of the financial assets of the group at 30 September 2007 was:

	2007		2006	
	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	<b>12,545</b>	<b>9.02%</b>	9,406	9.10%

The interest rate profile of the financial liabilities of the group at 30 September 2007 was:

	Total £000	Fixed rate financial liabilities £000	Weighted average interest rate
Block discount loans	9,834	9,834	7.55%
Hire purchase loans	6,043	1,771	5.92%
Other loans	400	400	10.00%
	<b>16,277</b>	<b>12,005</b>	<b>7.39%</b>

The interest rate profile of the financial liabilities of the group at 30 September 2006 was:

	Total £000	Fixed rate financial liabilities £000	Weighted average interest rate
Block discount loans	6,756	6,756	7.28%
Other loans	400	400	10.00%
	<b>7,156</b>	<b>7,156</b>	<b>7.43%</b>

The maturity profile of the group's financial assets was:

	2007 £000	2006 £000
In one year or less	<b>4,480</b>	3,577
In more than one year, but not more than two years	<b>3,917</b>	2,713
In more than two years, but not more than five years	<b>4,041</b>	2,974
In five years or more	<b>106</b>	142
	<b>12,544</b>	9,406

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2007

## 27 FINANCIAL INSTRUMENTS (continued)

The maturity profile of the group's financial liabilities was:

	2007 £000	2006 £000
In one year or less, or on demand	6,407	2,897
In more than one year, but not more than two years	5,592	2,779
In more than two years, but not more than five years	4,278	1,480
	<b>16,277</b>	7,156

### Borrowing facilities

The group had undrawn borrowing facilities under block discount arrangements at 30 September 2007 amounting to £ 1,545,000. 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 2007 was 7.2% (2006: 7.3%).

The group had undrawn borrowing facilities under hire purchase arrangements at 30 September 2007 amounting to £ 8,452,000. The weighted average interest rate paid during the period to 30 September 2007 was 6.9%

### Fair value of financial assets and liabilities

There are no material differences between the fair value and book value of the financial assets and liabilities disclosed in the balance sheet.

## 28 OPERATING LEASE COMMITMENTS

At 30 September 2007, the group had annual commitments under non-cancellable operating leases as follows:

	2007 £	2006 £
Land and buildings		
Expiring between two to five years	<b>28,000</b>	28,000

The above operating leases are subject to a break clause in February 2009.

## 29 CAPITAL COMMITMENTS

At 30 September 2007 the group had capital commitments of £2,189,933 in respect of vehicle purchase contracts.

# NOTES



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