



Half yearly report

For the period ended 31st December 2009

Chairman's Statement

Company information and advisers

Auditors

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Ultimate is a provider of finance services for small and medium sized companies, with the main services provided being factoring and confidential invoice discounting. It is a leading independent provider supported by a sophisticated IT infrastructure and financed with a £25,000,000 back to back financing arrangement with Lloyds TSB Commercial Finance, which is in place until July 2012. The main reason for Ultimate's success has been that it has concentrated on its core business and has taken a relatively risk averse attitude. This has not prevented its ability to grow as is demonstrated by the results for the period ended 31 December 2009.

Results

I am pleased to report that for the half year ended 31 December 2009 Ultimate made a profit before taxation of £191,000 (31 December 2008: £140,000). Turnover for the half year was £2,854,000 (restated 31 December 2008: £2,232,000) and client turnover financed in the half year rose 50% to £148,500,000 (31 December 2008: £99,100,000). Basic earnings per share amounted to £0.69p (31 December 2008: £0.51p). In the economic and trading environment which existed in the period, I believe that this is a very strong performance and reflects the efforts which have been made to grow the business whilst taking account of the increased risks of the current situation. The Ultimate client base grew during the period, with a substantial number of new clients being gained in the period.

Dividend

The company paid its maiden dividend of 0.25p per share in December 2009 as a final dividend for the year ended 30 June 2009. I am pleased to announce that the company is proposing to pay an interim dividend of 0.30p per share to be paid on 15 April 2010 to shareholders on the register at the close of business on 26 March 2010.

The company will maintain a progressive dividend policy going forward and the board has resolved that they intend to distribute to shareholders by way of dividend 50% of retained profits in each financial year.

Funding

The company currently enjoys a strong relationship with Lloyds TSB Commercial Finance and has significant headroom within its current facility to fund the growth of the business.

At 31 December 2009 the group had utilised £19,900,000 (31 December 2009: £11,600,000) of the £25,000,000 back-to-back receivable financing arrangement with Lloyds TSB Commercial Finance.

Risk Management

Risk management is crucial to the success of the Ultimate business and Ultimate maintains high standards of underwriting and management of risk. Its credit control staff are experienced in both client and risk management. With the UK economy only

just beginning to emerge from recession there has inevitably been a marked increase in the number of business failures. As a result of this, Ultimate has had to be increasingly careful in guarding against the risk of fraud and financial failure. It is selective in growing its client numbers and it continually keeps its underwriting procedures under review. We remain robust in our strict underwriting procedures and risk management during these challenging times for the UK economy. In the longer term the market for factoring, invoice discounting and complementary products continues to present real growth opportunities and the recession has increased the level and quality of enquiries and reduced the pressure on margins. Our clients continue to represent an appropriate spread of risk in terms of size of investment, industry type and geographical location. The single largest investment at 31 December 2009 was £909,000 (31 December 2008: £828,000), which constituted 4% (31 December 2008: 5%) of total funds advanced.

People

Our senior management have performed well during the period and we continue to attract new recruits with a proven track record in the industry. The importance of a well trained and dedicated workforce cannot be underestimated and the success of Ultimate is entirely attributable to its committed team. I would like to thank all my co directors and staff for their efforts in what have been difficult economic conditions.

Outlook

Our strategy is to continue to provide the services to our clients that they require to support their businesses.

Whilst the economic climate remains tough, demand for our services is growing and we will continue to take the necessary steps to build solid sustainable shareholder value from the opportunities that present themselves. We therefore look forward to the future with confidence.

Clive R Garston

Chairman

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

*BDO LLP
Chartered Accountants and Registered Auditors
Bristol
United Kingdom
16th March 2010*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Chief Executive's Review

INDEPENDENT REVIEW REPORT TO ULTIMATE FINANCE GROUP PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2009 which comprises of the consolidated statement of comprehensive income, the consolidated statement of financial position, the statement of changes in equity and the consolidated statement of cash flows.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In the period under review, we continued to strengthen our nationwide sales team and now have staff in nine locations across England and Wales. We have recruited excellent people, who are already having a positive impact on inquiry and new business levels.

In the same period our Northern office relocated to its new base in central Manchester. This move not only demonstrates our commitment to the region but puts us right at the heart of the North West business community. As a result, we have seen an upturn in inquiries from across the North of England. I am delighted that we have recently recruited highly-experienced Austin Thorp as our new Commercial Director (North). His appointment further strengthens our North of England team.

In the South East, we are about to move into larger offices in Tunbridge Wells. This is a reflection of the success of the region under Managing Director (South East) David Wright. The region has achieved significant growth since we opened there last year.

Despite the challenging prevailing market conditions, enquiries increased by 21 per cent compared to the corresponding period of the previous year. Further, our conversion rate has also improved and during the period we witnessed a 40 per cent increase in new client numbers over the previous equivalent period – this is significant as during that same half-year in 2008 we enjoyed a number of record months for new business.

The prolonged economic downturn is continuing to impact on our core SME market. However, we believe that the specialist help we provide brings major benefits to that sector in such conditions.

Our approach, in both developing and executing our strategy, has enabled us to achieve growth in a difficult economic climate in which others have encountered significant problems.

Richard Pepler

Chief Executive

Consolidated Statement of Comprehensive Income (unaudited)
For the six months ended 31 Dec 2009

	<i>Note</i>	Six months ended 31 Dec 2009 £000	Six months ended (restated) 31 Dec 2008 £000	Year ended 30 June 2009 £000
Revenue		2,854	2,232	4,757
Cost of Sales		(248)	(363)	(492)
Gross profit		<u>2,606</u>	<u>1,869</u>	<u>4,265</u>
Administrative expenses		(2,415)	(1,728)	(3,861)
Operating profit		191	141	404
Finance income		-	2	2
Finance expenses		-	(3)	-
Profit before tax		191	140	406
Tax Expense	3	(54)	(39)	(86)
Total comprehensive income and profit for the period attributable to owners of the parent		137	101	320
Earnings per share				
Basic (pence)	4	0.69	0.51	1.60
Diluted (pence)	4	0.68	0.51	1.60

There were no recognised income and expense items (2008: nil) other than those reflected in the above income statement.

Comparatives for the 6 months ended 31 December 08 have been restated to reflect the change in presentation of disbursements adopted in the year ended 30 June 2009 statutory accounts.

5 Dividends

Ordinary Shares	2009 £000	2008 £000
Final dividend paid for the prior year of 0.25p per share	50	-
Proposed interim dividend of 0.30p per share	60	-

The proposed interim dividend has not been accrued as the dividend was declared after the balance sheet date.

6 Half Yearly Report

Copies of this report are available to shareholders. Additional copies may be obtained from the Ultimate Finance Group plc registered office: Bradley Pavilions, Pear Tree Road, Bradley Stoke, Bristol BS32 0BQ or on the company's website at www.ultimatefinance.co.uk.

Notes to the half yearly report

1. Preparation of half yearly report

The financial information in the half yearly report has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the half yearly report are those the group expects to apply in its financial statements for the year ending 30 June 2010 and are with the exception of the adoption of IAS1 (Revised) and IFRS8 unchanged from those disclosed in the group's Director's report and consolidated financial statements for the year ended 30 June 2009. The financial information for the year ended 30 June 2009 does not constitute the group's statutory financial statements for that period. It has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) and (3) of the Companies Act 2006. While the financial figures included in this half-yearly report have been computed in accordance with IFRSs applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

2 Going Concern

As noted in the prior year financial statements the Board is pleased to report that the back-to-back receivable financing arrangement with Lloyds TSB Commercial Finance has been renewed and enhanced until July 2012, this provides the opportunity for future growth. In the longer term, the market for factoring and invoice discounting products continues to present real growth opportunities, and the recession has increased the level and quality of enquiries. We continue, however, to remain robust in our strict underwriting procedures and risk management during these challenging times for the UK economy.

The backing of Lloyds TSB Commercial Finance in the short to medium term supports the directors in their opinion that the going concern basis of preparation is appropriate. At 31 December 2009 the group had utilised £19.9m of the £25m facility.

3 Taxation

Taxation has been provided for at 28% (2008: 28%).

4 Earnings per share

The basic earnings per share of 0.69p (31 Dec 2008: 0.51p) has been calculated from the profit after taxation of £137,000 and on the weighted average number of shares in issue during the reporting period. The fully diluted earnings per share of 0.68p (31 Dec 2008: 0.51p), has been calculated from the profit after taxation of £137,000 and on the weighted average number of the shares in issue during the period adjusted for all dilutive potential ordinary shares.

Consolidated Statement of Financial Position (unaudited) at 31 Dec 2009

	31 Dec 2009	31 Dec 2008	30 June 2009
	£000	£000	£000
Non-current assets			
Property, plant and equipment	110	72	72
Deferred tax asset	12	127	12
	122	199	84
Current assets			
Loans and other receivables	22,767	14,176	19,020
Cash and cash equivalents	405	329	237
	23,172	14,505	19,257
Total assets	23,294	14,704	19,341
Current liabilities			
Bank overdraft	(19,866)	(11,605)	(16,008)
Tax payable	(190)	(196)	(123)
Trade and other payables	(241)	(221)	(303)
	(20,297)	(12,022)	(16,434)
Total liabilities	(20,297)	(12,022)	(16,434)
Net assets	2,997	2,682	2,907
Issued capital and reserves attributable to owners of the parent			
Share capital	1,000	1,000	1,000
Share premium	1,949	1,949	1,949
Retained earnings	48	(267)	(42)
	2,997	2,682	2,907
Total equity	2,997	2,682	2,907

Statement of Changes in Equity

	Share Capital	Share Premium	Retained Earnings	Total
	£000	£000	£000	£000
Balance at 30 June 2008	1,000	1,949	(374)	2,575
Total comprehensive income	-	-	101	101
Equity-settled share based payment transactions	-	-	6	6
Balance at 31 Dec 2008	1,000	1,949	(267)	2,682
Total comprehensive income	-	-	219	219
Equity-settled share based payment transactions	-	-	6	6
Balance at 30 June 2009	1,000	1,949	(42)	2,907
Total comprehensive income	-	-	137	137
Equity-settled share based payment transactions	-	-	3	3
Dividend Paid relating to prior year	-	-	(50)	(50)
Balance at 31 Dec 2009	1,000	1,949	48	2,997

Consolidated Statement of Cash Flows (unaudited)
for the six months ended 31 Dec 2009

	Six months ended 31 Dec 2009	Six months ended (restated) 31 Dec 2008	Year ended 30 June 2009
	£000	£000	£000
Cash flows from operating activities			
Profit for the period before taxation	191	140	406
<i>Adjustments for:</i>			
Depreciation	32	37	70
Financial Income	-	(2)	(2)
Financial Expense	-	3	-
Equity settled share-based payment expenses	3	6	12
	226	184	486
(Increase)/decrease in loans and other receivables	(3,747)	(308)	(5,113)
Increase/(decrease) in trade and other payables	(52)	(30)	15
Tax Paid	3	-	(7)
Net cash from operating activities	(3,570)	(154)	(4,619)
Cash flows from investing activities			
Purchase of property, plant and equipment	(70)	(5)	(38)
Cash flows from financing activities			
Financial Income	-	2	2
Financial Expense	-	(3)	-
Dividends Paid	(50)	-	-
Net increase/(decrease) in cash and cash equivalents	(3,690)	(160)	(4,655)
Cash and cash equivalents at beginning of period	(15,771)	(11,116)	(11,116)
Cash and cash equivalents at end of period	(19,461)	(11,276)	(15,771)

Comparatives for the 6 months ended 31 December 08 have been restated to reflect the change in presentation of the consolidated cash flow statement adopted in the year ended 30 June 2009 statutory accounts.