

**REPORT OF THE DIRECTORS AND
AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2012
FOR
1 PM PLC**



1 PM PLC

**CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012**

	Page
Company Information	1
Chief Executive Officer's Review	2
Report of the Directors	4
Report of the Independent Auditors	7
Consolidated Income Statement	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Financial Position	11
Company Statement of Financial Position	13
Consolidated Statement of Changes in Equity	14
Company Statement of Changes in Equity	15
Consolidated Statement of Cash Flows	16
Company Statement of Cash Flows	17
Notes to the Consolidated Financial Statements	18
Consolidated Income Statement Summaries	33

1 PM PLC

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MAY 2012**

DIRECTORS:	M R Johnson R O Channon M L Hampton H M Walker R Russell
SECRETARY:	R O Channon
REGISTERED OFFICE	15 St James's Parade Bath BA1 1UL
REGISTERED NUMBER:	05845866 (England and Wales)
AUDITORS:	Moore Stephens Chartered Accountants & Statutory Auditor 30 Gay Street Bath BA1 2PA
NOMAD & BROKER:	W H Ireland 4 Colston Avenue Bristol BS1 4ST

1 PM PLC

CHIEF EXECUTIVE OFFICER'S REVIEW FOR THE YEAR ENDED 31 MAY 2012

Financial Results

I am pleased to report that the Group has produced record results for the year ended 31 May 2012, achieving its highest ever levels of revenue and profit. The Group has continued to focus on controlling costs and maximising efficiencies and has delivered these results despite another challenging year for the global economy in general and also the financial markets.

Total revenue for the year rose 21 per cent to £2.31m (FY11 £1.91m) with profit before tax more than doubling to £436,000 (FY11 £202,000). 1pm has now made profit month-on-month since July 2010. Earnings per share also increased by more than double to 0.0100p (FY11 0.0048p).

The Group has again been able to fund a proportion of its new lending from its own receivables, which has helped to further strengthen the balance sheet with net assets at the year-end up to £3.96m (FY11 £3.53m), which is an increase of 233 per cent since the initial flotation in 2006.

The current lease portfolio which has increased by 8.9 per cent to £11.0m (FY11 £10.1m) has an average loan value of £6.9k (FY11 £7.3k) with no single customer representing more than 0.5 per cent of the total portfolio value.

Bad and written off debt fell again during the year and is down to £0.18m (FY11 £0.19m) or less than 1.7 per cent of the lease portfolio value at the year-end. 1pm now handles most of the recovery aspects of these defaulted debts in-house and this has reduced recovery costs by 26.6 per cent to £69k (FY11 £94k) over the past 12 months. The underwriting of customers and the collection of defaulted debt continues to be monitored very closely and is reviewed and amended where necessary on a regular basis.

Operations and Business Development

New business written during the year amounted to £4.96m (FY11 £6.1m). This reduction in new business compared to the previous year was in large part caused by a marked slowdown in the market between January and March of this year, coinciding as it did with increased uncertainty over the future of the Eurozone and concerns over the content of the March Budget. However, sales recovered strongly in the last two months of the year culminating in record new business in May of £700k.

This upturn in sales was helped by a number of new marketing initiatives introduced during the second half of the year. These included an increase in our maximum individual lend advance from £30,000 to £50,000, expanding the range of assets we are willing to finance and the promotion of the business to new leasing brokers in Northern Ireland. The Board believes that the positive trading momentum experienced in the last quarter can be maintained in the current year.

We continue to market to the whole of Great Britain and Northern Ireland and specifically target areas where our customer base is low. To this end, the Group has formed relationships with a further 15 new leasing brokers during the year. 1pm is now in partnership with over 50 leasing brokers and sees the development of these relationships as a key driver for growth. However, whilst the Board is seeking to accelerate sales over the next 12 months, it will not compromise the quality of the lease portfolio by taking on undue risk.

During the financial year, the Group moved to larger premises [in Bath] and should have sufficient capacity to manage its targeted growth. 1pm has also upgraded its website during the year (www.1pm.co.uk).

Staff

The Board would like to put on record their appreciation of the hard work and commitment exhibited by staff during the year.

Financing

Last year, the Board stated that one of its principal objectives for the coming year was to build a financially secure platform to enable the business to grow. I am pleased to report that this has been achieved with the Group having raised a further £4.1m of new funding (FY11 2.2m).

1 PM PLC

**CHIEF EXECUTIVE OFFICER'S REVIEW
FOR THE YEAR ENDED 31 MAY 2012**

Shareholders

The Board are very grateful to its shareholders for their on-going support and we will continue to strive to increase shareholder value

Outlook

In 2011, Project Merlin was launched by the Government in an attempt to stimulate UK banks into lending to SMEs, but to date the banks have failed to meet the targets set. Now, more than ever, Ipm has an important role in helping SMEs expand and grow, by offering access to funding which currently is not being provided by the mainstream banking sector.

The asset and leasing industry has stepped up to the plate and is starting to fill the funding gap that has evolved. We see this as a major opportunity for our business and we intend to take full advantage of all such opportunities as they occur.

The progress of the business this year has been unprecedented and the Board and staff look forward to another year of further significant growth.

Maria Hampton

Chief Executive Officer

1 PM PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2012

The directors present their report with the financial statements of the company and the group for the year ended 31 May 2012

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of providing equipment lease rental finance to UK businesses

REVIEW OF BUSINESS

Please refer to the Chief Executive Officer's review. The directors do not have any non-financial key performance indicators to assess the group

DIVIDENDS

No dividends have been declared

FUTURE DEVELOPMENTS

Please refer to the Chief Executive Officer's Statement for details of the group's future developments

DIRECTORS

The directors shown below have held office during the whole of the period from 1 June 2011 to the date of this report

M R Johnson
R O Channon
M L Hampton
H M Walker
R Russell

Given below are the director's interests in 1 PM Plc

	Ordinary shares of £0 0006818 each 2012	Ordinary shares of £0 0006818 each 2011
M R Johnson	40,000,000	40,000,000
R O Channon	40,000,000	40,000,000
M L Hampton	4,416,666	4,416,666
H M Walker	10,416,666	10,416,666
R Russell	993,323,335	882,609,050

GROUP'S POLICY ON PAYMENT OF CREDITORS

Suppliers are made aware of payment terms and how disputes are to be settled and payment is made in accordance with those terms. The group does not follow a standard payment practice for the payment of suppliers and the group's policy is to pay suppliers in accordance with their terms. At 31 May 2012 the group has an average of 19 days (2011: 20 days) and the company has an average of 0 days (2011: 0 days) purchases outstanding in trade payables

FINANCIAL INSTRUMENTS

The group's financial instruments comprise cash and liquid resources, including receivables and payables that are also financial instruments that arise directly from operations. The main purpose of the financial instruments is to fund the group's operations. As a matter of policy the group does not trade in financial instruments, nor does it enter into any derivative transactions. Further details on financial instruments is given in the Notes to these financial statements

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no political or charitable donations during the year (2011: £nil)

1 PM PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MAY 2012

PRINCIPAL RISKS AND UNCERTAINTIES

The group's exposure to risk is disclosed in the Financial Instruments Note to these Financial Statements

EMPLOYEES

The group has continued to give full and fair consideration to applications made by disabled persons, having regard to their respective aptitudes and abilities, and to ensure that they benefit from the training and the career development programmes in common with all employees

The group has continued its policy of employee involvement by making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions

SIGNIFICANT SHAREHOLDINGS

The following parties held greater than 3% of the issued share capital of 1 PM Plc as at 31 May 2012

	Number of shares	% of issued share capital
R Russell	993,323,335	29.25%
Fitel Nominees Ltd	150,565,230	4.43%
L R Nominees Ltd	154,500,127	4.55%
SVS (Nominees) Ltd	228,121,389	6.72%
Barclayshare Nominees Ltd	217,004,541	6.39%
Rock (Nominees) Ltd	129,596,227	3.82%
HSDL Nominees Ltd	259,476,049	7.64%
Hargreaves Lansdown (Nominees) Ltd	130,420,996	3.84%
Share Nominees Ltd	102,560,218	3.02%
TD Waterhouse Nominees Ltd	217,435,738	6.40%
Corporate Services (TD Waterhouse) Nominees Limited	154,275,502	4.54%

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 International Financial Reporting Standards as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare financial statements in accordance with IFRS's as adopted by the European Union, subject to material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

1 PM PLC

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MAY 2012**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information

AUDITORS

The auditors, Moore Stephens, will be proposed for re-appointment at the forthcoming Annual General Meeting

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

ON BEHALF OF THE BOARD:



M L Hampton - Director

Date

12/7/2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF 1 PM PLC

We have audited the financial statements of 1 PM Plc for the year ended 31 May 2012 on pages nine to thirty two. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 a Report of the Auditors 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

As explained more fully in the Statement of Directors' Responsibilities set out on page five, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2012 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
I PM PLC**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Report of the Directors



Mr A J Vince FCA (Senior Statutory Auditor)
for and on behalf of Moore Stephens
Chartered Accountants & Statutory Auditor
30 Gay Street
Bath
BA1 2PA

Date 12th July 2012

1 PM PLC

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2012**

	Notes	2012 £	2011 £
CONTINUING OPERATIONS			
Revenue	2	2,310,571	1,906,262
Cost of sales		<u>(1,275,253)</u>	<u>(1,122,283)</u>
GROSS PROFIT		1,035,318	783,979
Administrative expenses		<u>(576,542)</u>	<u>(555,357)</u>
OPERATING PROFIT		458,776	228,622
Finance costs	4	(22,749)	(26,444)
Finance income	4	<u>-</u>	<u>152</u>
PROFIT BEFORE INCOME TAX	5	436,027	202,330
Income tax	6	<u>(87,602)</u>	<u>(48,083)</u>
PROFIT FOR THE YEAR		<u>348,425</u>	<u>154,247</u>
Profit attributable to Owners of the parent		<u>348,425</u>	<u>154,247</u>
Earnings per share expressed in pence per share	8		
Basic		<u>0.010447</u>	0.00483
Diluted		<u>0.010447</u>	<u>0.00483</u>

The notes form part of these financial statements

I PM PLC

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2012**

	2012 £	2011 £
PROFIT FOR THE YEAR	348,425	154,247
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>348,425</u>	<u>154,247</u>
Total comprehensive income attributable to Owners of the parent	<u>348,425</u>	<u>154,247</u>

The notes form part of these financial statements

1 PM PLC

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MAY 2012**

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	38,621	30,253
Investments	10	-	-
Deferred tax	18	<u>24,278</u>	<u>111,881</u>
		<u>62,899</u>	<u>142,134</u>
CURRENT ASSETS			
Trade and other receivables	11	10,111,880	9,289,129
Cash and cash equivalents	12	<u>5,187</u>	<u>353</u>
		<u>10,117,067</u>	<u>9,289,482</u>
TOTAL ASSETS		<u><u>10,179,966</u></u>	<u><u>9,431,616</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	2,315,132	2,236,725
Share premium	14	1,569,340	1,567,249
Retained earnings	14	<u>76,289</u>	<u>(272,136)</u>
TOTAL EQUITY		<u><u>3,960,761</u></u>	<u><u>3,531,838</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Trade and other payables	15	3,125,473	2,889,474
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	<u>100,000</u>	<u>-</u>
		<u>3,225,473</u>	<u>2,889,474</u>
CURRENT LIABILITIES			
Trade and other payables	15	2,927,418	2,786,056
Financial liabilities - borrowings			
Bank overdrafts	16	66,314	94,248
Interest bearing loans and borrowings	16	<u>-</u>	<u>130,000</u>
		<u>2,993,732</u>	<u>3,010,304</u>
TOTAL LIABILITIES		<u><u>6,219,205</u></u>	<u><u>5,899,778</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>10,179,966</u></u>	<u><u>9,431,616</u></u>

The notes form part of these financial statements

I PM PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - continued
31 MAY 2012

The financial statements were approved and authorised for issue by the Board of Directors on
and were signed on its behalf by

12/7/2012



M L Hampton - Director

The notes form part of these financial statements

1 PM PLC

COMPANY STATEMENT OF FINANCIAL POSITION
31 MAY 2012

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	-
Investments	10	<u>50,000</u>	<u>50,000</u>
		<u>50,000</u>	<u>50,000</u>
CURRENT ASSETS			
Trade and other receivables	11	<u>3,829,285</u>	<u>3,883,621</u>
Cash and cash equivalents	12	<u>5,187</u>	<u>353</u>
		<u>3,834,472</u>	<u>3,883,974</u>
TOTAL ASSETS		<u><u>3,884,472</u></u>	<u><u>3,933,974</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	<u>2,315,132</u>	<u>2,236,725</u>
Share premium	14	<u>1,569,340</u>	<u>1,567,249</u>
TOTAL EQUITY		<u><u>3,884,472</u></u>	<u><u>3,803,974</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Financial liabilities - borrowings			
Interest bearing loans and borrowings	16	<u>-</u>	<u>130,000</u>
TOTAL LIABILITIES		<u>-</u>	<u>130,000</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,884,472</u></u>	<u><u>3,933,974</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 12/7/2012 and were signed on its behalf by



M L Hampton - Director

The notes form part of these financial statements

1 PM PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2012**

	Called up share capital £	Profit and loss account £	Share premium £	Total equity £
Balance at 1 June 2010	2,153,791	(426,383)	1,565,035	3,292,443
Changes in equity				
Issue of share capital	82,934	-	2,214	85,148
Total comprehensive income	<u>-</u>	<u>154,247</u>	<u>-</u>	<u>154,247</u>
Balance at 31 May 2011	<u>2,236,725</u>	<u>(272,136)</u>	<u>1,567,249</u>	<u>3,531,838</u>
Changes in equity				
Issue of share capital	78,407	-	2,091	80,498
Total comprehensive income	<u>-</u>	<u>348,425</u>	<u>-</u>	<u>348,425</u>
Balance at 31 May 2012	<u>2,315,132</u>	<u>76,289</u>	<u>1,569,340</u>	<u>3,960,761</u>

The notes form part of these financial statements

1 PM PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2012

	Called up share capital £	Profit and loss account £	Share premium £	Total equity £
Balance at 1 June 2010	2,153,791	-	1,565,035	3,718,826
Changes in equity				
Issue of share capital	82,934	-	2,214	85,148
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 May 2011	<u>2,236,725</u>	<u>-</u>	<u>1,567,249</u>	<u>3,803,974</u>
Changes in equity				
Issue of share capital	78,407	-	2,091	80,498
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 May 2012	<u>2,315,132</u>	<u>-</u>	<u>1,569,340</u>	<u>3,884,472</u>

The notes form part of these financial statements

I PM PLC

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2012**

	Notes	2012 £	2011 £
Cash flows from operating activities			
Cash generated from operations	21	3,308	(242,227)
Interest paid		<u>(22,749)</u>	<u>(26,444)</u>
Net cash from operating activities		<u>(19,441)</u>	<u>(268,671)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		<u>(28,289)</u>	<u>(15,411)</u>
Interest received		-	152
Net cash from investing activities		<u>(28,289)</u>	<u>(15,259)</u>
Cash flows from financing activities			
Loan repayments in year		-	(120,000)
Share issue		<u>80,498</u>	<u>85,148</u>
Net cash from financing activities		<u>80,498</u>	<u>(34,852)</u>
Increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year	22	<u>(93,895)</u>	<u>224,887</u>
Cash and cash equivalents at end of year	22	<u>(61,127)</u>	<u>(93,895)</u>

The notes form part of these financial statements

I PM PLC**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2012**

	Notes	2012 £	2011 £
Cash flows from operating activities			
Cash generated from operations	21	<u>(75,664)</u>	<u>(270,006)</u>
Net cash from operating activities		<u>(75,664)</u>	<u>(270,006)</u>
Cash flows from financing activities			
Loan repayments in year		-	(120,000)
Share issue		<u>80,498</u>	<u>85,148</u>
Net cash from financing activities		<u>80,498</u>	<u>(34,852)</u>
Increase/(decrease) in cash and cash equivalents		<u>4,834</u>	<u>(304,858)</u>
Cash and cash equivalents at beginning of year	22	<u>353</u>	<u>305,211</u>
Cash and cash equivalents at end of year	22	<u>5,187</u>	<u>353</u>

The notes form part of these financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012**

1 ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (as adopted by the European Union) and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

1 PM Plc is a UK domiciled public company.

In accordance with IAS 8 the group is required to disclose the potential effect of standards and interpretations in issue but not in force at the year end, disclosure has not been made where no effect is envisaged.

- There are no such cases to report.

The key judgements made by management in applying the group's accounting policies that have the most significant effect on these financial statements are in relation to the leased assets, specifically valuation and recognition. Management have selected suitable accounting policies for income recognition (see below) and have made specific provisions against bad debts.

Due to the nature of the group the directors do not have any concerns over the key assumptions concerning the future and do not consider there to be any key sources of estimation uncertainty. The directors are confident that the group will continue to operate as a going concern.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company (1 PM Plc) and entities controlled by the company (its subsidiaries) made up to May each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Principal activity and nature of operations

The principal activity in the year under review was that of providing equipment lease rental finance to UK businesses.

Revenue recognition and leased assets

Assets leased to customers on finance leases are recognised in the Statement of Financial Position at the amount of the group's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

Document fees and secondary rentals are accounted for when receivable.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Computer equipment - 25% on cost

All property, plant and equipment are shown at cost less subsequent depreciation and impairment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

1 ACCOUNTING POLICIES - continued

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the Statement of financial position date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of financial position date

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value

Hire purchase and leasing commitments

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classed as operating leases. Assets held under finance leases are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between charges and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged as a direct cost against revenue.

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

Funding payables and cost of sales

Finance received from funding providers is classified as payables in the Statement of Financial Position. Payments to the funding providers contain a capital element which reduces the payable and an interest charge is debited to the cost of sales using the sum of digits method. Due to the relatively short term of the funding payables the directors are satisfied that this method of apportioning interest is not materially different to the effective interest method.

Provision for specific debts

Provision is made for contract in arrears after taking into account expected recovery proceeds. All outstanding amounts on contracts passed to collection agents are written off in full, less expected subsequent recovery proceeds.

Financial instruments

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

2 SEGMENTAL REPORTING

The company has one business segment to which all revenue, expenditure, assets and liabilities relate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012

3 EMPLOYEES AND DIRECTORS

	2012	2011
	£	£
Wages and salaries	335,584	338,866
Social security costs	20,297	20,103
Other pension costs	<u>1,708</u>	<u>1,050</u>
	<u><u>357,589</u></u>	<u><u>360,019</u></u>

The average monthly number of employees during the year was as follows

	2012	2011
Management	<u>1</u>	<u>1</u>
Administrative	<u>7</u>	<u>7</u>
	<u><u>8</u></u>	<u><u>8</u></u>

	2012	2011
	£	£
Directors' remuneration	187,374	206,143
Directors' pension contributions to money purchase schemes	<u>1,050</u>	<u>1,050</u>

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

The directors' aggregate emoluments in respect of qualifying services were

	2012	2011
	£	£
M Johnson	43,742	65,000
M Hampton	70,000	70,000
H Walker	47,087	46,143
R Channon	16,168	15,000
R Russell	<u>10,377</u>	<u>10,000</u>
	<u><u>187,374</u></u>	<u><u>206,143</u></u>

4 NET FINANCE COSTS

	2012	2011
	£	£
Finance income	-	-
Bank account interest	<u>-</u>	<u>152</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

4	NET FINANCE COSTS - continued		
		2012	2011
		£	£
	Finance costs		
	Bank interest	11,535	7,540
	Bank loan interest	<u>11,214</u>	<u>18,904</u>
		<u>22,749</u>	<u>26,444</u>
	Net finance costs	<u>22,749</u>	<u>26,292</u>

5 PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging

		2012	2011
		£	£
	Other operating leases	20,924	19,800
	Depreciation - owned assets	19,921	21,636
	Auditors' remuneration	9,000	9,000
	Non audit services	<u>3,450</u>	<u>3,450</u>

6 INCOME TAX**Analysis of tax expense**

		2012	2011
		£	£
	Deferred tax	<u>87,602</u>	<u>48,083</u>
	Total tax expense in consolidated income statement	<u>87,602</u>	<u>48,083</u>

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

		2012	2011
		£	£
	Profit on ordinary activities before income tax	<u>436,027</u>	<u>202,330</u>
	Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2011 - 21%)	87,205	42,489
	Effects of		
	Capital allowances in excess of depreciation	(2,545)	(144)
	Unused trading losses	<u>2,942</u>	<u>5,738</u>
	Tax expense	<u>87,602</u>	<u>48,083</u>

Corporation tax is calculated at 20% (2011 - 21%) of estimated assessable profit for the year. The tax expense of £87,602 is then reduced to nil through the utilisation of the tax losses brought forward, the income statement charge being the utilisation of the tax loss (via the deferred tax)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

7 PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £0 (2011 - £0)

8 EARNINGS PER SHARE

The calculations of earnings per share are calculated by dividing the earnings attributable to ordinary shares by the weighted average number of shares in issue during the year. For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares. There are no dilutive ordinary shares.

	2012	2011
Profit/(Loss) attributable to equity shareholders	<u>£348,425</u>	<u>£154,247</u>
Weighted average number of shares	<u>3,335,162,802</u>	<u>3,195,491,908</u>
Basic and diluted earnings per share	<u>0.010447p</u>	<u>0.004827p</u>

9 PROPERTY, PLANT AND EQUIPMENT

Group

	Computer equipment £
COST	
At 1 June 2011	147,302
Additions	<u>28,289</u>
At 31 May 2012	<u>175,591</u>
DEPRECIATION	
At 1 June 2011	117,049
Charge for year	<u>19,921</u>
At 31 May 2012	<u>136,970</u>
NET BOOK VALUE	
At 31 May 2012	<u>38,621</u>
At 31 May 2011	<u>30,253</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012

9 PROPERTY, PLANT AND EQUIPMENT - continued

Group

	Computer equipment £
COST	
At 1 June 2010	131,891
Additions	<u>15,411</u>
At 31 May 2011	<u>147,302</u>
 DEPRECIATION	
At 1 June 2010	95,413
Charge for year	<u>21,636</u>
At 31 May 2011	<u>117,049</u>
 NET BOOK VALUE	
At 31 May 2011	<u><u>30,253</u></u>

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

	2012 £	2011 £
Cost at 1 June 2011 and 31 May 2012	<u><u>10,142</u></u>	<u><u>10,142</u></u>
Depreciation at 1 June	9,158	6,622
Charge	<u>984</u>	<u>2,536</u>
At 31 May	<u><u>10,142</u></u>	<u><u>9,158</u></u>
Net book value	<u><u>0</u></u>	<u><u>984</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

10 INVESTMENTS

Company	Shares in group undertakings £
COST	
At 1 June 2011 and 31 May 2012	<u>50,000</u>
NET BOOK VALUE	
At 31 May 2012	<u>50,000</u>
At 31 May 2011	<u>50,000</u>

The group or the company's investments at the statement of financial position date in the share capital of companies include the following

Subsidiary**1 PM (UK) Limited**

Nature of business Leasing

Class of shares	% holding	2012 £	2011 £
Ordinary	100.00		
Aggregate capital and reserves		126,289	(222,136)
Profit for the year		<u>348,425</u>	<u>154,247</u>

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Current				
Trade receivables	9,519,278	8,752,542	-	-
Amounts owed by group undertakings	-	-	3,829,285	3,883,621
Other receivables	498,697	478,936	-	-
VAT	57,475	25,807	-	-
Prepayments and accrued income	<u>36,430</u>	<u>31,844</u>	<u>-</u>	<u>-</u>
	<u>10,111,880</u>	<u>9,289,129</u>	<u>3,829,285</u>	<u>3,883,621</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

11 TRADE AND OTHER RECEIVABLES - continued

Trade receivables wholly represent finance lease receivables

	2012	2011
	£	£
Gross receivables from finance leases		
No later than 1 year	4,766,707	4,411,197
Later than 1 year and no later than 5 years	7,360,275	6,885,757
Later than 5 years	0	0
Unearned future finance income on finance leases	<u>(2,607,704)</u>	<u>(2,544,412)</u>
Net investment in finance leases	<u><u>9,519,278</u></u>	<u><u>8,752,542</u></u>
The net investment in finance leases are receivable as follows		
No later than 1 year	3,284,029	2,927,584
Later than 1 year and no later than 5 years	6,235,249	5,824,958
Later than 5 years	<u>0</u>	<u>0</u>
Total	<u><u>9,519,278</u></u>	<u><u>8,752,542</u></u>

The cost of assets acquired for the purpose of letting under finance leases was £4,958,694 (2011 £6,105,899)
Included within Trade receivables are the following receivables that are past due but not impaired as they are considered recoverable

	2012	2011
	£	£
Less than 3 months old	43,547	67,984
More than 3 months old	80,739	56,545

All amounts are secured on the asset to which they relate. No other assets are past due or impaired.

Included within Cost of Sales are impairment losses in the sum of £181,833 (2011 £188,131)

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank accounts	<u>5,187</u>	<u>353</u>	<u>5,187</u>	<u>353</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012

13 CALLED UP SHARE CAPITAL

The Articles of Association of the company state that there is an unlimited authorised share capital. Each share carries the entitlement to one vote.

The issued share capital of the company is as follows:

	Ordinary shares		Share Premium	Total £
	No of shares No	£	£	
At 1 June 2011	3,280,618,771	2,236,725	1,567,249	3,803,974
Movement	<u>114,999,998</u>	<u>78,407</u>	<u>2,091</u>	<u>80,498</u>
At 31 May 2012	<u>3,395,618,769</u>	<u>2,315,132</u>	<u>1,569,340</u>	<u>3,884,472</u>

Allotted and fully paid

	Nominal Value		Total £
	No of shares No	£	
Ordinary shares	3,395,618,769	0 0006818	2,315,132

During the year the company issued 114,999,998 ordinary shares with a nominal value of £0 0006818 at £0 0007 per share.

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

14 RESERVES**Group**

	Retained earnings £	Share premium £	Totals £
At 1 June 2011	(272,136)	1,567,249	1,295,113
Profit for the year	348,425		348,425
Issue of shares	-	<u>2,091</u>	<u>2,091</u>
At 31 May 2012	<u>76,289</u>	<u>1,569,340</u>	<u>1,645,629</u>

Company

	Retained earnings £	Share premium £	Totals £
At 1 June 2011	-	1,567,249	1,567,249
Profit for the year	-		-
Issue of shares	-	<u>2,091</u>	<u>2,091</u>
At 31 May 2012	<u>-</u>	<u>1,569,340</u>	<u>1,569,340</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012

15 TRADE AND OTHER PAYABLES

	Group	
	2012	2011
	£	£
Current		
Trade payables	2,778,978	2,669,208
Social security and other taxes	5,895	7,170
Other payables	<u>142,545</u>	<u>109,678</u>
	<u>2,927,418</u>	<u>2,786,056</u>
Non-current		
Trade payables	3,125,473	2,865,474
Accruals and deferred income	-	24,000
	<u>3,125,473</u>	<u>2,889,474</u>
Aggregate amounts	<u>6,052,891</u>	<u>5,675,530</u>

Trade payables wholly represent funding payables, which are secured on the value of the finance leases

The Trade payables figure is made up of numerous funding blocks that are repaid by monthly instalments. The length of the repayment term at inception varies from 24 to 48 months and interest rates from 6.99% to 11%.

The company's banking facilities are secured by a mortgage debenture, dated 7 December 2007 incorporating a fixed and floating charge over all current and future assets of the company.

16 FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Current				
Bank overdrafts	66,314	94,248	-	-
Other loans	<u>-</u>	<u>130,000</u>	<u>-</u>	<u>130,000</u>
	<u>66,314</u>	<u>224,248</u>	<u>-</u>	<u>130,000</u>
Non-current				
Other loans - 1-2 years	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

16 FINANCIAL LIABILITIES - BORROWINGS - continued

Terms and debt repayment schedule

Group

	1 year or less £	1-2 years £	Totals £
Bank overdrafts	66,314	-	66,314
Other loans	<u>-</u>	<u>100,000</u>	<u>100,000</u>
	<u>66,314</u>	<u>100,000</u>	<u>166,314</u>

Trade payables are secured as noted above, with the same repayment and interest rates

The following analysis shows the contractual undiscounted cash flows (which differ from the discounted cash flow totals shown in Current and Non-current payables above)

	2012 £	2011 £
Trade payables		
On demand or within one year	3,132,064	3,029,901
More than one year but less than two years	2,402,670	2,012,699
More than two years but less than five years	<u>917,007</u>	<u>1,067,111</u>
	<u>6,451,741</u>	<u>6,109,711</u>

Other loans constitute loans from H Walker and J Bower (H Walker's partner) who each loaned the company £50,000

17 LEASING AGREEMENTS

Group

	Non-cancellable operating leases	
	2012 £	2011 £
Within one year	87,000	83,550
Between one and five years	<u>69,250</u>	<u>90,000</u>
	<u>156,250</u>	<u>173,550</u>

The company leases offices under non-cancellable operating lease agreements. The lease term is five years with a break clause after three years and is renewable at the end of the lease period at market rate

Operating lease expenditure is disclosed in Note 5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012

17 LEASING AGREEMENTS - continued

The future aggregate minimum lease payments under non-cancellable finance leases are as follows

	2012 £	2011 £
Minimum lease payments		
No later than one year	0	643
Later than one year and no later than five years	0	0
Less future finance charges	<u>0</u>	<u>(113)</u>
Present value of minimum lease payments	<u>0</u>	<u>530</u>
Included in the financial statements as		
Other payables < 1 year	0	530
Trade payables > 1 year	<u>0</u>	<u>0</u>
	<u>0</u>	<u>530</u>

18 DEFERRED TAX

(Asset)/Liability

Group

	2012 £	2011 £
Balance at 1 June	(111,881)	(159,964)
Trading losses utilised	87,603	48,308
Fixed asset timing differences	<u>-</u>	<u>(225)</u>
Balance at 31 May	<u>(24,278)</u>	<u>(111,881)</u>

There are no deductible temporary difference, unused tax losses and unused tax credits for which no deferred tax asset has been recognised

The deferred tax asset arising from un-used tax losses has been recognised on the forecast future profits of the subsidiary

The deferred tax included within the statement of financial position is as follows

	2012 £	2011 £
Fixed asset timing differences	0	(1,621)
Unused trading losses	<u>24,278</u>	<u>113,502</u>
Included in non-current assets	<u>24,278</u>	<u>111,881</u>

1 PM PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012

19 TRANSACTIONS WITH DIRECTORS

Mr M R Johnson (Director) has given personal guarantees to Svenska Handelsbanken Plc of £100,000 (2011 £350,000), Hitachi Capital Limited of £1,000,000, Venture Finance of £500,000, and Close Asset Finance Limited of £750,000. Hitachi Capital Limited will not require a personal guarantee for any future block funding drawn down after June 12, the guarantee held on the existing loans will amortise over the life of the loans.

During the year the following transactions occurred

	2012 £	2011 £
M R Johnson (Director) - services rendered	42,928	65,000
M R Johnson (Director) - expenses reimbursed	814	1,511
R Channon (Director) - services rendered	15,000	15,000
R Channon (Director) - expenses reimbursed	1,168	1,283
H Walker (Director) - services rendered	47,087	46,143
R Russell (Director) - services rendered	10,000	10,000
R Russell (Director) - expenses reimbursed	377	1,298

At the year end, included within liabilities are balances due to

	2012 £	2011 £
M R Johnson (Director)	3,395	4,038
H Walker (Director)	4,712	3,703
R Channon (Director)	1,152	31
R Russell (Director)	0	17,638

R Russell loaned the company £800,000, interest is charged at 11%. The gross amount of £992,467 is repayable in forty eight monthly payments. The amount repayable in the year was £248,117 (net £174,509). The total amount outstanding at the year end was £661,645. Interest in the sum of £73,608 (2011 £31,546) accrued in the year. No amounts were written off during the year.

S Russell (R Russell's spouse) loaned the company £300,000, on which interest in the sum of £20,967 accrued in the year.

H Walker and J Bower (H Walker's partner) each loaned the company £50,000, on which interest in the sum of £2,479 and £2,125 respectively accrued in the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2012	2011
	£	£
Profit for the financial year	348,425	154,247
Proceeds from share issue	<u>80,498</u>	<u>85,148</u>
Net addition to shareholders' funds	428,923	239,395
Opening shareholders' funds	<u>3,531,838</u>	<u>3,292,443</u>
Closing shareholders' funds	<u>3,960,761</u>	<u>3,531,838</u>
 Company		
	2012	2011
	£	£
Profit for the financial year	-	-
Proceeds from share issue	<u>80,498</u>	<u>85,148</u>
Net addition to shareholders' funds	80,498	85,148
Opening shareholders' funds	<u>3,803,974</u>	<u>3,718,826</u>
Closing shareholders' funds	<u>3,884,472</u>	<u>3,803,974</u>

21 RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

Group	2012	2011
	£	£
Profit before income tax	436,027	202,330
Depreciation charges	19,922	21,635
Finance costs	22,749	26,444
Finance income	-	(152)
	<u>478,698</u>	<u>250,257</u>
Increase in trade and other receivables	(822,751)	(2,740,356)
Increase in trade and other payables	<u>347,361</u>	<u>2,247,872</u>
Cash generated from operations	<u>3,308</u>	<u>(242,227)</u>
 Company		
	2012	2011
	£	£
Profit before income tax	-	-
Increase in trade and other receivables	<u>(75,664)</u>	<u>(270,006)</u>
Cash generated from operations	<u>(75,664)</u>	<u>(270,006)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MAY 2012**

22 CASH AND CASH EQUIVALENTS

The amounts disclosed on the statements of cash flow in respect of cash and cash equivalents are in respect of these statement of financial position amounts

	Group		Company	
Year ended 31 May 2012	31.5.12	1.6.11	31.5.12	1.6.11
	£	£	£	£
Cash and cash equivalents	5,187	353	5,187	353
Bank overdrafts	<u>(66,314)</u>	<u>(94,248)</u>	<u>-</u>	<u>-</u>
	<u>(61,127)</u>	<u>(93,895)</u>	<u>5,187</u>	<u>353</u>
Year ended 31 May 2011	31.5.11	1.6.10	31.5.11	1.6.10
	£	£	£	£
Cash and cash equivalents	353	305,211	353	305,211
Bank overdrafts	<u>(94,248)</u>	<u>(80,324)</u>	<u>-</u>	<u>-</u>
	<u>(93,895)</u>	<u>224,887</u>	<u>353</u>	<u>305,211</u>

23 FINANCIAL INSTRUMENTS

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

The operations of the group have principally been financed to date through the funds raised on the placing of shares on the Alternative Investment Market and block funding payables. The group has an overdraft facility in place with the group's bankers and an overdraft facility totalling £350,000 (2011 £350,000).

The group's main objectives for the management of capital are, to ensure there is sufficient cash available to be able to provide finance to customers, and to be able to pay debts as they fall due. The forms of capital managed by the group are the block funding and bank overdraft facilities. The group is not subject to any externally imposed capital requirements from these finance providers.

Working capital requirements are constantly monitored including the interest rates from the key providers of block funding finance.

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

Credit Risk - The directors believe that credit risk is limited due to debts being spread over a large number of receivables. No individual receivable poses a significant risk. In recent years the group has reduced the average lease value as this reduces the group's exposure to significant, individual receivables and group debt collection procedures are continually assessed.

Interest rate and liquidity risk - All of the group's cash balances and short term deposits are held in such a way that enables the correct balance of access to working capital and a competitive rate of interest is achieved.