

Companies House

Registered number: 08219094

KFGH LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 JULY 2013

WEDNESDAY



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COMPANIES HOUSE

KFGH LIMITED

COMPANY INFORMATION

Directors	P E Dutton (appointed 18 September 2012) D Fuher (appointed 18 September 2012) P S Wood (appointed 18 September 2012) A Gannon (appointed 18 September 2012 & resigned 9 August 2013) A Parker (appointed 18 September 2012 & resigned 9 August 2013)
Company secretary	P E Dutton
Registered number	08219094
Registered office	Atria Spa Road Bolton BL1 4AG
Independent auditors	PKF Cooper Parry Group Limited Chartered Accountants & Statutory Auditor 1 Colton Square Leicester LE1 1QH

KFGH LIMITED

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KFGH LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 JULY 2013

The directors present their report and the financial statements for the period ended 31 July 2013

Directors' responsibilities statement

The directors are responsible for preparing the Directors' 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). 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 judgments and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activity of the company during the period was that of a holding company.

The principal activity of the group during the period was that of a claims processing centre.

The company was incorporated on 18 September 2012 and purchased the entire share capital of its subsidiary undertakings on 15 November 2012.

Business review

The group trades in the claims management market (CMC) predominantly in the mass selling of payment protection insurance products. It trades as an outsourced third party processor of introduced business.

The group's revenue for the period ended 31 July 2013 was £22.2M, and resulted in a trading profit of £0.1M before goodwill amortisation and exceptional costs (note 7) of £0.4M and £0.5M respectively. During the period, the group generated cash from operating activities of £1.4M.

The group is funded by a reducing short term loan, and is therefore subject to interest rate and cashflow risk. Following the year end the group was acquired by FCT Financial Limited, and successfully restructured the repayment of this loan to extend the loan term to November 2014.

Business environment

The group is regulated by the Ministry of Justice, whose annual input has moulded out terms and conditions and set out controls for trade.

The group is seen as one of the largest CMC in the UK based on lender volume statistics. The market has grown dramatically in the last year and is expected to reach saturation within the next 2 years.

Estimates of the size of the market vary but conservatively are in the region of £15bn to £20bn. It is estimated that half of the potential claims have been completed per statistics published by the FCA in May 2012.

KFGH LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 JULY 2013

Strategy - outlook

The group has positioned itself to maximise CMC business over the next 2 years and continues to seek new sources of introducers of trade to maximise this potential

Principal risks

The principal risk is considered to be changes to the Ministry of Justice rules, both directly or under the influence of the FCA. Any reactions to changes in rules by lenders may present delays in successfully completing business. Senior management have continued to co-operate with all external regulatory bodies and strive to maintain a close and open working relationship with lenders.

KPIs

As an outsourced processing centre, the group strives to ensure that any introduced business it undertakes has a valid claim from which the Lender will positively respond to.

Results

The loss for the period, after taxation, amounted to £981,463

Directors

The directors who served during the period were

P E Dutton (appointed 18 September 2012)

D Fuher (appointed 18 September 2012)

P S Wood (appointed 18 September 2012)

A Gannon (appointed 18 September 2012 & resigned 9 August 2013)

A Parker (appointed 18 September 2012 & resigned 9 August 2013)

Disclosure of information to auditors

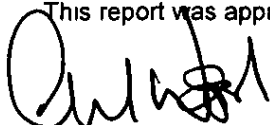
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditors are aware of that information

Auditors

The auditors, PKF Cooper Parry Group Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006

This report was approved by the board and signed on its behalf



P S Wood
Director

Date 16 January 2014

KFGH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KFGH LIMITED

We have audited the financial statements of KFGH Limited for the period ended 31 July 2013, set out on pages 5 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement, 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 Directors' 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 July 2013 and of the group's loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- 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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

KFGH LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KFGH LIMITED

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

A handwritten signature in black ink that reads "PKF Cooper Parry Group Limited". The signature is written in a cursive, slightly stylized font.

Kevin Harris (Senior statutory auditor)

for and on behalf of
PKF Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Leicester

16 January 2014

KFGH LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 JULY 2013**

	Note	Period ended 31 July 2013 £
Turnover	1,2	22,148,398
Cost of sales		(17,348,232)
Gross profit		4,800,166
Administrative expenses		(5,505,015)
Trading profit		128,412
Goodwill amortisation		(353,389)
Exceptional costs	7	(479,872)
Operating loss	3	(704,849)
Interest receivable and similar income		36
Interest payable and similar charges	6	(276,191)
Loss on ordinary activities before taxation		(981,004)
Tax on loss on ordinary activities	8	(459)
Loss for the financial period	18	(981,463)

All amounts relate to continuing operations

There were no recognised gains and losses for 2013 other than those included in the Profit and loss account

The notes on pages 9 to 25 form part of these financial statements

KFGH LIMITED
REGISTERED NUMBER: 08219094
CONSOLIDATED BALANCE SHEET
AS AT 31 JULY 2013

	Note	£	2013 £
Fixed assets			
Intangible assets	9		1,496,706
Tangible assets	10		899,738
			<u>2,396,444</u>
Current assets			
Debtors	13	5,554,059	
Cash at bank and in hand		23,262	
		<u>5,577,321</u>	
Creditors amounts falling due within one year	14	<u>(8,956,268)</u>	
Net current liabilities			<u>(3,378,947)</u>
Total assets less current liabilities			<u>(982,503)</u>
Creditors: amounts falling due after more than one year	15		(37,919)
Provisions for liabilities			
Deferred tax	16		(18,541)
Net liabilities			<u><u>(1,038,963)</u></u>
Capital and reserves			
Called up share capital	17		10,000
Profit and loss account	18		(1,048,963)
Shareholders' deficit	19		<u><u>(1,038,963)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 January 2014



P E Dutton
 Director

The notes on pages 9 to 25 form part of these financial statements

KFGH LIMITED
REGISTERED NUMBER: 08219094

COMPANY BALANCE SHEET
AS AT 31 JULY 2013

	Note	£	2013 £
Fixed assets			
Investments	11		3,598,100
Current assets			
Debtors		1,071,472	
Creditors: amounts falling due within one year	14	(4,650,566)	
Net current liabilities			(3,579,094)
Net assets			19,006
Capital and Reserves			
Called up share capital	17		10,000
Profit and loss account	18		9,006
Shareholders' funds	19		19,006

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 January 2014



P E Dutton
 Director

The notes on pages 9 to 25 form part of these financial statements

KFGH LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 31 JULY 2013**

	Note	Period ended 31 July 2013 £
Net cash flow from operating activities	22	1,415,868
Returns on investments and servicing of finance	23	(485,127)
Taxation		(287,806)
Capital expenditure and financial investment	23	26,253
Acquisitions and disposals	23	(2,652,236)
Equity dividends paid		(67,500)
Cash outflow before financing		<u>(2,050,548)</u>
Financing	23	2,073,810
Increase in cash in the period		<u><u>23,262</u></u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE PERIOD ENDED 31 JULY 2013**

	Period ended 31 July 2013 £
Increase in cash in the period	23,262
Cash inflow from increase in debt and lease financing	(2,073,810)
Change in net debt resulting from cash flows	<u>(2,050,548)</u>
Other non-cash changes	(620,000)
Debt acquired with subsidiary undertakings	(67,368)
Movement in net debt in the period	<u>(2,737,916)</u>
Net debt at 31 July 2013	<u><u>(2,737,916)</u></u>

The notes on pages 9 to 25 form part of these financial statements

KFGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2013

1. Accounting Policies

1.1 Basis of preparation of financial statements

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

1.2 Going concern

In preparing these financial statements the Directors have considered the applicability of the going concern basis. At the year end the group had a deficit on shareholders' funds of £1,038,963. The group is reliant on trading relationships with a related party, Carrington Carr Holdings Limited and subsidiary undertakings. The deficit is funded by working capital funding provided by the Carrington Carr Holdings Limited Group. This working capital funding will not be recalled for repayment until the group is in a financial position to do so. Furthermore, the directors have prepared detailed financial forecasts for the next 12 months which indicate that the group will have adequate cash resources to meet their obligations as they fall due. The Directors are satisfied that the group will be able to operate within their agreed facilities, and on this basis have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation

The financial statements consolidate the accounts of KFGH Limited and all of its subsidiary undertakings ('subsidiaries').

The acquisition method of accounting has been used. Under this method, the results of subsidiaries acquired during the period are included from the effective date of acquisition.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of fees and commissions receivable for services provided exclusive of Value Added Tax. Refunds due on any fees are recognised as and when they become known.

1.5 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life. The estimated useful economic life is considered by reference to each acquisition.

Amortisation is provided at the following rates:

Goodwill	-	over 45 months
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Goodwill is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may be impaired.

When a subsidiary is subsequently sold or closed, any goodwill arising that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

KFGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2013

1 Accounting Policies (continued)

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Furniture, fittings and equipment - 20% and 33% straight line

1.7 Investments

- (i) **Subsidiary undertakings**
Investments in subsidiaries are valued at cost less provision for impairment
- (ii) **Other investments**
Investments held as fixed assets are shown at cost less provision for impairment

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

KFGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2013

1 Accounting Policies (continued)

1.11 Interest bearing loans and borrowings

All interest bearing loans and borrowings are initially recognised at net proceeds. After initial recognition, debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of debts of the period.

Finance costs of debt are allocated over the term of the debt in the profit and loss account, within interest payable, as amortised debt costs.

2 Turnover

The whole of the turnover is attributable to the principal activities of the group.

All turnover arose within the United Kingdom.

3 Operating loss

The operating loss is stated after charging

	Period ended 31 July 2013 £
Amortisation - intangible fixed assets	353,389
Depreciation of tangible fixed assets	
- owned by the group	259,094
- held under finance leases	15,000
Auditors' remuneration	16,400
Auditors' remuneration - non-audit	13,600
Operating lease rentals	
- other operating leases	295,422

Auditors fees for the company were £2,200

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

4 Staff costs

Staff costs, including directors' remuneration, were as follows

	Period ended 31 July 2013 £
Wages and salaries	2,397,108
Social security costs	199,149
	<hr/>
	2,596,257
	<hr/> <hr/>

The average monthly number of employees, including the directors, during the period was as follows

	Period ended 31 July 2013 No
Directors	1
Admin	12
Sales	13
Processing	190
	<hr/>
	216
	<hr/> <hr/>

5 Directors' remuneration

	Period ended 31 July 2013 £
Remuneration	55,545
	<hr/> <hr/>

6 Interest payable

	Period ended 31 July 2013 £
On bank loans and overdrafts	133,760
Amortised debt costs	135,382
On finance leases and hire purchase contracts	7,049
	<hr/>
	276,191
	<hr/> <hr/>

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

7. Exceptional items

Exceptional costs included within administrative expenses relating to continuing operations include

	Period ended 31 July 2013 £
Property lease settlement	267,750
Restructuring costs	68,122
Financing consultancy fees	144,000
	<hr/>
	479,872
	<hr/> <hr/>

8. Taxation

	Period ended 31 July 2013 £
Analysis of tax charge in the period	
Current tax (see note below)	
UK corporation tax charge on loss for the period	22,972
Adjustments in respect of prior periods	(438)
	<hr/>
Total current tax	22,534
	<hr/>
Deferred tax (see note 16)	
Origination and reversal of timing differences	(22,075)
	<hr/>
Tax on loss on ordinary activities	459
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KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

8 Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 20%. The differences are explained below

	Period ended 31 July 2013 £
Loss on ordinary activities before tax	(981,004)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20%	(196,201)
Effects of	
Expenses not deductible for tax purposes	6,953
Difference between capital allowances and depreciation	27,552
Goodwill amortisation	70,678
Adjustments to tax charge in respect of prior periods	(438)
Pre-acquisition results	113,990
Current tax charge for the period (see note above)	22,534

Factors that may affect future tax charges

There were no factors that may affect future tax charges

9 Intangible fixed assets

	Goodwill £
Group	
Cost	
Additions (note 21)	1,850,095
At 31 July 2013	1,850,095
Amortisation	
At 18 September 2012	-
Charge for the period	353,389
At 31 July 2013	353,389
Net book value	
At 31 July 2013	1,496,706

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

10 Tangible fixed assets

	Furniture, Fixtures and Equipment £
Group	
Cost	
Additions	12,967
Disposals	(93,672)
On acquisition of subsidiaries (note 21)	1,200,322
	1,119,617
Depreciation	
Charge for the period	274,094
On disposals	(54,215)
	219,879
Net book value	
At 31 July 2013	899,738

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2013
Group	£
Furniture, fittings and equipment	68,333
	68,333

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

11. Fixed asset investments

	Unlisted investments £
Group	
Cost or valuation	
At 18 September 2012 and 31 July 2013	650,000
Impairment	
At 18 September 2012 and 31 July 2013	650,000
Net book value	
At 31 July 2013	-

Other fixed asset investments represents investments in Integrated Planning Opportunities No 10 LLP and Integrated Planning Opportunities No 12 LLP, property development partnerships. Given the significant uncertainty over the extent of any future returns, full provision has been made against the carrying value of this investment.

	Investments in subsidiary companies £
Company	
Cost or valuation	
Additions (note 21)	3,598,100
At 31 July 2013	3,598,100
Net book value	
At 31 July 2013	3,598,100

Details of the principal subsidiaries can be found under note number 12

12 Principal subsidiaries

Company name	Country	Percentage Shareholding	Description
KF Group (Holdings) Limited	England & Wales	100%	Intermediary holding company
Key Financial Claims Limited	England & Wales	100%	Claims processing centre
Simms Carmichael Limited	England & Wales	100%	Claims processing centre
Consumer Claims Management Limited	England & Wales	100%	Claims processing centre
Key Financial Claims Limited	England & Wales	100%	Claims processing centre

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

13 Debtors

	Group	Company
	2013	2013
	£	£
Trade debtors	345,266	-
Other debtors	1,597,558	1,071,472
Prepayments and accrued income	3,611,235	-
	5,554,059	1,071,472
	5,554,059	1,071,472

14 Creditors
Amounts falling due within one year

	Group	Company
	2013	2013
	£	£
Deferred consideration	316,664	316,664
Bank loans and overdrafts	2,389,753	-
Net obligations under finance leases and hire purchase contracts	16,842	-
Trade creditors	2,985,045	-
Amounts owed to group undertakings	-	4,323,898
Corporation tax	22,536	10,004
Other taxation and social security	280,635	-
Accruals and deferred income	2,944,793	-
	8,956,268	4,650,566
	8,956,268	4,650,566

Net obligations due under finance leases and hire purchase contracts are secured on the assets to which they relate

The bank loan is secured by way of a fixed and floating charge on the assets on the company. In addition, there are personal guarantees on the bank loan of £750,000 each for A S Gannon and A D A Parker

Following the year end the group was acquired and successfully restructured the repayment of the loan to its term date, 30 November 2014

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

15 Creditors
Amounts falling due after more than one year

	Group	Company
	2013	2013
	£	£
Net obligations under finance leases and hire purchase contracts	37,919	-
	<u>37,919</u>	<u>-</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	Group	Company
	2013	2013
	£	£
Between one and five years	37,919	-
	<u>37,919</u>	<u>-</u>

Net obligations due under finance leases and hire purchase contracts are secured on the assets to which they relate

16 Deferred taxation

	Group	Company
	2013	2013
	£	£
At beginning of period	-	-
Released during the period (P&L)	(22,075)	-
Acquired with subsidiary undertakings (note 21)	40,616	-
	<u>18,541</u>	<u>-</u>
At end of period	<u>18,541</u>	<u>-</u>

The provision for deferred taxation is made up as follows

	Group	Company
	2013	2013
	£	£
Accelerated capital allowances	18,541	-
	<u>18,541</u>	<u>-</u>

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

17. Share capital

	2013 £
Allotted, called up and fully paid	
7,600 Ordinary A shares of £1 each	7,600
2,400 Ordinary B shares of £1 each	2,400
	10,000
	10,000

During the period, the company issued 10,000 ordinary shares for a consideration of £10,000. All shares rank pari passu.

18 Reserves

	Profit and loss account £
Group	
Loss for the financial period	(981,463)
Dividends Equity capital	(67,500)
	(1,048,963)
At 31 July 2013	(1,048,963)
Company	
Profit for the financial period	76,506
Dividends Equity capital	(67,500)
	9,006
At 31 July 2013	9,006

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

19 Reconciliation of movement in shareholders' deficit

	2013
	£
Group	
Opening shareholders' funds	-
Loss for the financial period	(981,463)
Dividends (Note 20)	(67,500)
Shares issued during the period	10,000
	<hr/>
Closing shareholders' deficit	(1,038,963)
	<hr/> <hr/>

	2013
	£
Company	
Opening shareholders' funds	-
Profit for the financial period	76,506
Dividends (Note 20)	(67,500)
Shares issued during the period	10,000
	<hr/>
Closing shareholders' funds	19,006
	<hr/> <hr/>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and loss account

The profit for the period dealt with in the accounts of the company was £76,506

20. Dividends

	Period ended
	31 July
	2013
	£
Dividends paid	67,500
	<hr/> <hr/>

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

21 Acquisitions and Disposals

On 15 November 2012, the company acquired 100% of the issued equity share capital of K F Group (Holdings) Limited and its subsidiary undertakings. The net book values and provisional assessment of fair values of the assets and liabilities acquired are noted below.

Acquisitions

	Netbook value £	Fair value to the group £
Assets and liabilities acquired		
Tangible fixed assets	1,200,322	1,200,322
Debtors	5,912,384	5,912,384
Cash at bank	315,864	315,864
Creditors	(5,284,773)	(5,284,773)
Corporation tax	(287,808)	(287,808)
Deferred tax	(40,616)	(40,616)
Finance leases	(67,368)	(67,368)
Net assets acquired	1,748,005	1,748,005
Satisfied by		
Consideration		
Cash		2,968,100
Shares issued		10,000
Deferred consideration		620,000
		3,598,100
Goodwill arising on consolidation (see note 9)		1,850,095

Of the deferred consideration, £303,336 has been paid as at 31 July 2013.

The summarised profit and loss account for KF Group (Holdings) Limited for the period from 18 September 2012 to the date of acquisition was as follows:

Turnover		4,988,381
Operating profit		110,437
Profit before tax		103,958
Taxation		(12,877)
Profit after tax		91,081

The profit after tax for KF Group (Holdings) Limited for the year ended 31 July 2012 was £4,674,883.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JULY 2013**

22 Net cash flow from operating activities

Period ended 31 July 2013 £	
Operating loss	(704,849)
Amortisation of intangible fixed assets	353,389
Depreciation of tangible fixed assets	274,094
Loss on disposal of tangible fixed assets	237
Decrease in debtors	567,297
Increase in creditors	925,700
Net cash inflow from operating activities	1,415,868

23 Analysis of cash flows for headings netted in cash flow statement

Period ended 31 July 2013 £	
Returns on investments and servicing of finance	
Interest received	36
Interest paid	(133,760)
Amortised debt costs	(344,354)
Hire purchase interest	(7,049)
Net cash outflow from returns on investments and servicing of finance	(485,127)

Period ended 31 July 2013 £
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Capital expenditure and financial investment

Purchase of tangible fixed assets	(12,967)
Sale of tangible fixed assets	39,220
Net cash inflow from capital expenditure	26,253

Period ended 31 July 2013 £
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Acquisitions and disposals

Purchase of fixed asset investments	(2,968,100)
Cash acquired with subsidiary undertakings (note 21)	315,864
Net cash outflow from acquisitions and disposals	(2,652,236)

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**NOTES TO THE FINANCIAL STATEMENTS
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23 Analysis of cash flows for headings netted in cash flow statement (continued)

	Period ended 31 July 2013 £
Financing	
New secured loans	3,500,000
Repayment of loans	(1,110,247)
Repayment of deferred consideration (note 21)	(303,336)
Repayment of finance leases	(12,607)
	2,073,810
Net cash inflow from financing	2,073,810

24 Analysis of changes in net funds

	18 September 2012 £	Cash flow £	Acquisition £	Other non-cash changes £	31 July 2013 £
Cash at bank and in hand	-	23,262	-	-	23,262
Debt					
Finance leases	-	12,607	(67,368)	-	(54,761)
Debts due within one year	-	(2,389,753)	-	-	(2,389,753)
Deferred consideration	-	303,336	-	(620,000)	(316,664)
	-	(2,050,548)	(67,368)	(620,000)	(2,737,916)
Net funds	-	(2,050,548)	(67,368)	(620,000)	(2,737,916)

25 Major non-cash transactions

Other non-cash changes relate to deferred consideration in respect of acquisitions (note 21)

26 Operating lease commitments

At 31 July 2013 the group had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2013 £	Other 2013 £
Group		
Expiry date		
Between 2 and 5 years	288,216	22,090
	288,216	22,090

KFGH LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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27. Related party transactions

At the period end the group owed amounts from directors of the company which are included within other debtors. The amounts outstanding at the period end and the maximum outstanding balances are as follows

	Acquired with subsidiary undertaking £	Repayments £	Advanced and debtor at 31 July 2013 £	Maximum outstanding during the year £
A D A Parker	30,000	(30,000)	428,915	458,915
A S Gannon	37,500	(37,500)	433,585	471,085
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

No interest is to be paid on the balances, and all balances have been repaid since the year end

During the period, dividends of £30,000 and £37,500 were paid to A D A Parker, and A S Gannon respectively

The following debtors were acquired with subsidiary undertakings during the period (note 20), and at the period end amounts are owed to the following entities and are included within debtors

	2013 £
Matlock Limited	250,000
Severn Iron Properties Limited	<u>200,000</u>

Matlock Limited is incorporated in Gibraltar and is controlled by A D A Parker

Severn Iron Properties is incorporated in Gibraltar and is controlled by A S Gannon

No interest is to be paid on the balances. The balances have been repaid since the period end

During the period, the company incurred the following expenses from MHP Finance Limited, a company in which P E Dutton is a director and shareholder

	2013 £
MHP Finance Limited	<u>33,200</u>

KFGH LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JULY 2013

27 Related party transactions (continued)

During the period the group paid commissions to the following companies of which amounts were outstanding at the period end and included within creditors

	2013 Commissions payable £	2013 Creditors £
Matlock Limited	6,484	-
Consumer Money Matters Limited	12,492,188	2,607,939
Complaint Handling Services Limited	2,701,970	141,686
Alpha Claims	<u>186,195</u>	<u>988</u>

D Fuher is a director of Consumer Money Matters Limited and Complaint Handling Services Limited

Alpha Claims (trading as A Parker) is an unincorporated business controlled by director, A D A Parker

During the period, the company acquired 24% of the 49% shares held in K F Group (Holdings) Limited by Carrington Carr Holdings Limited, a company in which D Fuher and A Crossman are directors, for £3,250,000. At 31 July 2013, £250,000 is owed by the company to Carrington Carr Holdings Limited in this respect and is included within creditors

Advantage has been taken of the exemption provided by FRS 8 not to disclose transactions with group companies, as consolidated accounts are prepared by the ultimate parent company

28 Post balance sheet events

Post year end, 76% of the issued equity share capital of the company was purchased by FCT Financial Limited

29 Controlling party

The directors consider there to be no controlling party