

MONARCH RECOVERIES LIMITED

Report and Financial Statements

Year ended 30 June 2008

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MONARCH RECOVERIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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MONARCH RECOVERIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H.N. Moser
S.P. Baker (appointed 2 July 2008)
G.D. Beckett
D.A. Chaplain
M.R. Goldberg
M.J. Ridley (appointed 27 July 2007)

SECRETARY

M.J. Ridley

REGISTERED OFFICE

Bracken House
Charles Street
Manchester
M1 7BD

PRINCIPAL BANKERS

Royal Bank of Scotland Plc
Spinningfields
Manchester
M3 3AP

AUDITORS

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
M60 2AT

MONARCH RECOVERIES LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2008.

PRINCIPAL ACTIVITY, REVIEW OF BUSINESS AND FUTURE PROSPECTS

The principal activity of the company continues to be that of debt collectors.

The directors consider the results for the year to be satisfactory and look forward to the future with confidence.

The company qualifies as small in accordance with the provisions of S246(4) of the Companies Act 1985 and it is therefore exempt from its requirement to prepare an enhanced business review.

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 30 June 2008 are set out on pages 6 to 12. The profit after tax for the year was £6,705,247 (2007: £3,304,690).

The directors do not recommend the payment of a dividend (2007: £nil).

STATEMENT OF GOING CONCERN

As set out in the Statement of Directors' Responsibilities, in preparing these financial statements the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors of the company have considered the group's forecast funding and liquidity facilities insofar as to the extent to which they might affect the preparation of the company's financial statements on a going concern basis.

Current group funding primarily consists of a £378m drawn syndicated loan facility (made between Royal Bank of Scotland plc, as Agent and Security Agent, and all of the trading and non trading group subsidiary companies as listed in Note 10 of the Jerrold Holdings Limited accounts) and a £435m drawn revolving securitisation facility (made between Charles Street Conduit Asset Backed Securitisation 1 Limited, as Purchaser, Royal Bank of Scotland plc as Facility Agent, Blemain Finance Limited, Bridging Finance Limited, Cheshire Mortgage Corporation Limited, Harpmanor Limited, Lancashire Mortgage Corporation Limited and Auction Finance Limited as Originators and Servicers).

The syndicated facility is not due for renewal until 9th November 2012. The securitised facility is supported by a revolving 364 day liquidity facility which is due for renewal on 11th November 2009. Based on recent successful renewal experience and the lack of receipt of any indication to the contrary from the relevant parties, the directors are of the opinion that the securitised facility will be renewed substantially in the same form as forecast.

On this basis the directors have a reasonable expectation that, despite the uncertainty in market conditions, the group will have sufficient funding and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the directors of the company have adopted the going concern basis in preparing financial statements.

DIRECTORS AND THEIR INTERESTS

The directors of the company are set out on page 1. All directors served throughout the year, except as noted on page 1.

MONARCH RECOVERIES LIMITED

DIRECTORS' REPORT (continued)

AUDIT INFORMATION

In the case of each of the persons who are directors of the company at the date when this report is approved:

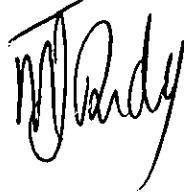
- as far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any audit information (as defined) and to establish that the company's auditors are aware of that information.

This statement is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act 1985.

AUDITORS

On 1 December 2008, the company's auditors changed their name from Deloitte & Touche LLP to Deloitte LLP. A resolution to re-appoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M.J. Ridley
Secretary

24th April 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONARCH RECOVERIES LIMITED

We have audited the financial statements of Monarch Recoveries Limited for the year ended 30 June 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

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

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

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

We read the other information contained in the annual report as set out in the contents page, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of the profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
M60 2AT

24 APRIL 2009

MONARCH RECOVERIES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2008

	Note	2008 £	2007 £
TURNOVER	2	9,309,004	4,714,125
Administrative expenses		(650,823)	(404,854)
Other operating loss		(700)	-
OPERATING PROFIT		<u>8,657,481</u>	<u>4,309,271</u>
Interest receivable	4	854,623	411,504
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>9,512,104</u>	<u>4,720,775</u>
Tax on profit on ordinary activities	6	(2,806,857)	(1,416,085)
RETAINED PROFIT FOR THE FINANCIAL YEAR	13	<u><u>6,705,247</u></u>	<u><u>3,304,690</u></u>

All activity has arisen from continuing operations.

There were no recognised gains or losses in either year other than the profit for that year then ended. Accordingly, a statement of total recognised gains and losses has not been presented.

MONARCH RECOVERIES LIMITED

BALANCE SHEET 30 June 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Tangible assets	7	28,244	39,822
CURRENT ASSETS			
Debtors			
- due within one year	8	17,371,298	9,018,208
- due after one year	8	2,075	54
Investments	9	94,200	94,899
Cash at bank and in hand		-	-
		<u>17,467,573</u>	<u>9,113,161</u>
CREDITORS: Amounts falling due within one year	10	<u>(3,363,356)</u>	<u>(1,725,769)</u>
NET CURRENT ASSETS		<u>14,104,217</u>	<u>7,387,392</u>
NET ASSETS		<u>14,132,461</u>	<u>7,427,214</u>
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	<u>14,132,361</u>	<u>7,427,114</u>
EQUITY SHAREHOLDER'S FUNDS	14	<u>14,132,461</u>	<u>7,427,214</u>

These financial statements were approved by the Board of Directors on 24th April 2009.

Signed on behalf of the Board of Directors

G.D. Beckett

Director

M.R. Goldberg

Director

MONARCH RECOVERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below. They have been applied consistently throughout the current year and prior year.

Accounting convention

The company prepares its accounts under the historic cost convention and on the going concern basis. The directors continue to adopt the going concern basis as disclosed in the Directors' Report - Statement of Going Concern.

Turnover

Turnover, which is wholly derived from within the UK, represents debt collection fees, management charges and other income receivable, excluding value added tax. Income is recognised on an accruals basis.

Tangible fixed assets

Fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rates used are:

Fixtures, fittings and equipment	20% straight-line on cost
Motor vehicles	25% on reducing balance

Investments

Listed investments are stated at market value. Other investments are stated at the lower of cost and estimated net realisable value.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, 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 is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

2. TURNOVER

Turnover is wholly-derived from within the UK and relates to the principal activity of the company.

3. STAFF COSTS

The company had no employees and paid no directors' emoluments during either year.

MONARCH RECOVERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 30 June 2008

4. INTEREST RECEIVABLE

	2008 £	2007 £
Other interest receivable on intragroup loans	854,623	411,504

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2008 £	2007 £
Profit on ordinary activities before taxation is stated after charging: Depreciation and amounts written off owned tangible fixed assets - owned assets	18,328	16,961

The audit fee of £500 (2007: £500) was borne by another group undertaking.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2008 £	2007 £
Current tax		
UK corporation tax	2,808,448	1,417,278
Adjustment in relation to prior period	430	-
Total current tax	2,808,878	1,417,278
Deferred tax		
Origination and reversal of timing differences (see note 11)	(2,021)	(1,193)
Total tax on profit on ordinary activities	2,806,857	1,416,085

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2008 £	2007 £
Profit on ordinary activities before tax	9,512,104	4,720,775
Tax on profit on ordinary activities at standard UK corporation tax rate of 29.5% (2007: 30%)	2,806,330	1,416,233
Effects of:		
Income not taxable	(11)	-
Expenses not deductible for tax purposes	-	(148)
Capital allowances in excess of depreciation	2,129	1,193
Adjustments to tax charge in respect of previous periods	430	-
Current tax charge for year	2,808,878	1,417,278

During 2007, the Government enacted a change in corporation tax reducing the rate from 30% to 28% with effect from April 2008. For the year ended 30 June 2008, the tax rate was pro rated using a tax rate of 30% for the period from 1 July 2007 to 5 April 2008 and a tax rate of 28% from 6 April 2008 to 30 June 2008. This resulted in an average rate of tax for the year of 29.5%. The impact of this change on the corporation tax charge is disclosed in the table above.

MONARCH RECOVERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 30 June 2008

7. TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation			
At 1 July 2007	73,132	13,101	86,233
Additions	6,750	-	6,750
At 30 June 2008	<u>79,882</u>	<u>13,101</u>	<u>92,983</u>
Depreciation			
At 1 July 2007	44,228	2,183	46,411
Charge for the year	15,053	3,275	18,328
At 30 June 2008	<u>59,281</u>	<u>5,458</u>	<u>64,739</u>
Net book value			
At 30 June 2008	<u>20,601</u>	<u>7,643</u>	<u>28,244</u>
At 30 June 2007	<u>28,904</u>	<u>10,918</u>	<u>39,822</u>

8. DEBTORS

	2008 £	2007 £
Amounts falling due within one year:		
Amounts owed by fellow group undertakings	17,370,743	9,014,683
Amounts owed by related companies	-	3,525
Other debtors	555	-
	<u>17,371,298</u>	<u>9,018,208</u>
Amounts due after more than one year:		
Deferred tax asset (see note 11)	2,075	54
	<u>17,373,373</u>	<u>9,018,262</u>

9. CURRENT ASSET INVESTMENTS

	2008 £	2007 £
Listed investments at market value	1,183	420
Other investments at lower of cost and estimated net relisable value	93,017	94,479
	<u>94,200</u>	<u>94,899</u>

MONARCH RECOVERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 June 2008

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Bank overdraft	3,422	8,615
Amounts owed to fellow group undertakings	1,404,818	15,000
Corporation tax	1,403,629	1,417,277
Other taxation and social security	-	284,877
Accruals and deferred income	551,487	-
	<u>3,363,356</u>	<u>1,725,769</u>

The bank overdraft is secured by way of a cross guarantee amongst all group companies.

11. DEFERRED TAXATION

	£
Balance at 1 July 2007	54
Credit to profit and loss account	2,021
Balance at 30 June 2008	<u>2,075</u>

The amounts provided comprising a full provision are as follows:

	2008 £	2007 £
Capital allowances in advance of depreciation	<u>2,075</u>	<u>54</u>

12. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised, allotted, called-up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

13. PROFIT AND LOSS ACCOUNT

	£
At 1 July 2007	7,427,114
Retained profit for the financial year	6,705,247
At 30 June 2008	<u>14,132,361</u>

MONARCH RECOVERIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 June 2008

14. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2008 £	2007 £
Opening equity shareholder's fund	7,427,214	4,122,524
Profit for the financial year	6,705,247	3,304,690
Closing equity shareholder's funds	14,132,461	7,427,214

15. CONTINGENT LIABILITY

The company's assets are subject to a fixed and floating charge in respect of £378 million of bank borrowings of the group (2007: £722.5 million).

16. CASH FLOW STATEMENT

As permitted by FRS 1 (Revised 1996) "Cash flow statements", the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Jerrold Holdings Ltd which has produced consolidated financial statements that are publicly available.

17. RELATED PARTY TRANSACTIONS

As a subsidiary undertaking of Jerrold Holdings Ltd, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Jerrold Holdings Ltd.

18. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary undertaking of Jerrold Holdings Ltd, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group of which Monarch Recoveries Limited is a member, and for which group financial statements are drawn up, is that headed by Jerrold Holdings Ltd, whose principal place of business is at Bracken House, Charles Street, Manchester, M1 7BD.