

## **Friendly Loans Limited**

### **Directors' report and financial statements**

Year ended 31 January 2006  
Registered number 4291279



## **Contents**

Directors' report	1
Statement of directors' responsibilities	2
Report of the independent auditors to the members of Friendly Loans Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

## Directors' report

The directors present the annual report and the audited financial statements for the year ended 31 January 2006.

### Principal activities

The company's principal activity is the arrangement of consumer credit and the provision of associated financial services.

### Business review

The results for the year are in line with directors' expectations.

The company's profit for the year is £100,036 (2005: £631,540).

### Proposed dividend

The directors paid a final dividend of £300,000 (2005: £Nil).

### Directors and directors' interests

The directors who held office during the period were as follows:

S Kay

S Stylianou

S Kay and S Stylianou are directors of the ultimate parent company Think Money Group Limited and their interests in the shares of Think Money Group Limited are disclosed in the financial statements of that company. The directors have no further interests required to be disclosed under schedule 7 of the Companies Act 1985. Details of directors' emoluments are set out in note 3 to the accounts.

### Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

S Kay

Secretary

  
20 June '06

Friendly House  
Carolina Way  
South Langworthy Road  
Salford Quays  
M50 2ZY

## Statement of directors' responsibilities

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 UK Accounting Standards.

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; 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a Directors' Report that complies with that law.

kpmg

St James' Square  
Manchester  
M2 6DS  
United Kingdom

## Independent auditors' Report to the members of Friendly Loans Limited

We have audited the financial statements of Friendly Loans Limited for the year ended 31 January 2006 which comprise the Profit and Loss Account, the Balance Sheets and the related notes. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

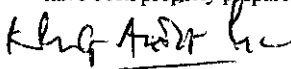
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 January 2006 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

26 June 2006

**Profit and loss account**  
*for the year ended 31 January 2006*

	<i>Note</i>	Year ended 31 January 2006 £	Year ended 31 January 2005 £
<b>Turnover</b>	<i>1</i>	<b>4,173,702</b>	3,360,979
Cost of sales		<b>(1,573,723)</b>	(932,201)
<b>Gross profit</b>		<b>2,599,979</b>	2,428,778
Administrative expenses		<b>(2,454,239)</b>	(1,539,032)
<b>Operating profit</b>	<i>2</i>	<b>145,740</b>	889,746
Interest receivable and similar income	<i>5</i>	<b>3,344</b>	1,427
Interest payable and similar charges	<i>5</i>	<b>(576)</b>	(67)
<b>Profit on ordinary activities before taxation</b>		<b>148,508</b>	891,106
Tax on profit on ordinary activities	<i>6</i>	<b>(48,472)</b>	(259,566)
<b>Profit on ordinary activities after taxation</b>		<b>100,036</b>	631,540

All activity has arisen from continuing operations.

The company has no recognised gains or losses other than the profit for the financial year.

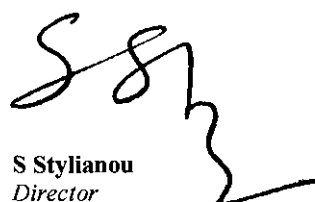
The notes on pages 6 to 13 form part of these financial statements.

**Balance sheet**  
*at 31 January 2006*

	<i>Note</i>	31 January 2006 £	31 January 2005 £
<b>Fixed assets</b>			
Tangible assets	8	355,848	31,747
<b>Current assets</b>			
Debtors	9	1,505,829	1,828,452
Cash at bank and in hand		54,638	75,997
		1,560,467	1,904,449
<b>Creditors: amounts falling due within one year</b>	10	(1,322,559)	(1,144,565)
<b>Net current assets</b>		237,908	759,884
<b>Total assets less current liabilities</b>		593,756	791,631
<b>Provisions for liabilities and charges</b>	11	(2,491)	(402)
<b>Net assets</b>		591,265	791,229
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Profit and loss account	13	591,264	791,228
<b>Total equity shareholders' funds</b>		591,265	791,229

The notes on pages 6 to 13 form part of these financial statements.

These financial statements were approved by the board of directors on 20 June 2006 and signed on its behalf by:

  
**S Stylianou**  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently in dealing with items that are considered material in relation to the company's financial statements.

#### *Basis of preparation*

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

#### *Turnover*

Turnover represents commissions receivable from the arrangement of consumer credit and fees derived from the introduction of clients to other financial service providers. Turnover is stated net of VAT and trade discounts and consists of services provided in the United Kingdom.

#### *Cash flow statement*

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### *Related parties*

As the company is a wholly owned subsidiary of the ultimate parent undertaking, Think Money Group Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by the straight-line method over their estimated useful economic lives as follows:

Furniture and equipment	-	4 years
Leasehold improvements	-	10 years

#### *Pension costs*

The company does not contribute into a defined benefit or defined contribution scheme.

#### *Leases*

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair values and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments due under them are charged to the profit and loss account on a straight-line basis over the lease term.

#### *Taxation*

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19.



## Notes (continued)

### 2 Operating profit

	Year ended 31 January 2006 £	Year ended 31 January 2005 £
Operating profit is stated after charging:		
<i>Auditors' remuneration:</i>		
Audit	2,775	-
<i>Operating lease rentals:</i>		
Hire of land and buildings	132,202	11,561
<i>Depreciation and other amounts written off tangible fixed assets:</i>		
Owned	34,581	3,971
Loss on disposal of fixed assets	-	995

The audit fee for the year ending 31 January 2005 was paid by the parent company, Gregory Pennington Limited.

### 3 Remuneration of directors

The directors who served during the year are paid by the parent company, Gregory Pennington Limited, and therefore their emoluments are not disclosed above.

## Notes (continued)

### 4 Staff numbers and costs

The average monthly number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Year ended 31 January 2006	Year ended 31 January 2005
Sales	39	27
Administration	3	1
	<hr/> 42 <hr/>	<hr/> 28 <hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 January 2006 £	Year ended 31 January 2005 £
Wages and salaries	1,368,604	1,084,467
Social security costs	151,283	122,586
	<hr/> 1,519,887 <hr/>	<hr/> 1,207,053 <hr/>

### 5 Interest and similar income

	Year ended 31 January 2006 £	Year ended 31 January 2005 £
<b>Interest receivable</b>		
Interest receivable on bank balances	3,344	1,427
	<hr/>	<hr/>
	£	£
<b>Interest payable</b>		
Interest payable on bank loans and overdrafts	576	-
Interest payable on overdue taxes and social security	-	67
	<hr/> 576 <hr/>	<hr/> 67 <hr/>

**Notes** *(continued)*

**6 Taxation**

a) Analysis of charge in the year at 30% (2005: 30%)

	Year ended 31 January 2006 £	Year ended 31 January 2005 £
<i>Current tax</i>		
UK corporation tax at 30% on profit for the year (2005: 30%)	44,841	267,166
Under/(over) provision of tax in prior year	1,542	(8,251)
<b>Total current tax</b>	<b>46,383</b>	<b>258,915</b>
<i>Deferred tax</i>		
Origination of timing differences	2,125	651
Adjustment in respect of prior years	(36)	-
<b>Total deferred tax</b>	<b>2,089</b>	<b>651</b>
<b>Tax on profit on ordinary activities</b>	<b>48,472</b>	<b>259,566</b>

b) Factors affecting current tax charge in year

The current tax charge for the year is higher (2005: lower) than the standard rate of corporation tax in the UK 30% (2005: 30%). The differences are explained below:

	Year ended 31 January 2006 £	Year ended 31 January 2005 £
Profit on ordinary activities before tax	148,508	891,106
Tax on profit on ordinary activities at UK standard rate of 30% (2005: 30%)	44,553	267,332
<i>Effects of:</i>		
Accelerated Capital Allowances	(2,125)	(651)
Expenses not deductible for tax purposes	7,127	485
Adjustment in respect of prior year	1,542	(8,251)
Small companies rate	(4,714)	-
<b>Current tax charge for the year (see above)</b>	<b>46,383</b>	<b>258,915</b>

## Notes (continued)

### 7 Dividends

	Year ended 31 January 2006	Year ended 31 January 2005
	£	£
Equity dividends:		
Ordinary dividends paid – final	300,000	-
	<u>300,000</u>	<u>-</u>

### 8 Tangible fixed assets

	Furniture and equipment £	Leasehold improvements £	Total £
<b>Cost</b>			
At 1 February 2005	25,416	10,132	35,548
Additions	68,664	290,018	358,682
<b>At 31 January 2006</b>	<b>94,080</b>	<b>300,150</b>	<b>394,230</b>
<b>Depreciation</b>			
At 1 February 2005	3,547	254	3,801
Charge for period	14,647	19,934	34,581
<b>At 31 January 2006</b>	<b>18,194</b>	<b>20,188</b>	<b>38,382</b>
<b>Net book value</b>			
<b>At 31 January 2006</b>	<b>75,886</b>	<b>279,962</b>	<b>355,848</b>
At 31 January 2005	21,869	9,878	31,747

The company held no assets under hire purchase or finance lease agreements during the year (2005: none).

### 9 Debtors: amounts falling due within one year

	31 January 2006 £	31 January 2005 £
Prepayments and accrued income	610,315	580,933
Amounts owing from group undertakings	809,197	1,247,519
Corporation tax	80,150	-
Other debtors	6,167	-
	<u>1,505,829</u>	<u>1,828,452</u>

**Notes** *(continued)*

**10 Creditors: amounts falling due within one year**

	31 January 2006 £	31 January 2005 £
Bank overdraft	-	2,548
Amounts owed to group undertakings	653,675	97,452
Group tax payable to group undertakings	36,699	-
Trade creditors	210,796	295,845
Corporation tax	-	346,402
Other taxation and social security	36,884	33,465
Other creditors	-	47,173
Accruals and deferred income	384,505	321,680
	<u>1,322,559</u>	<u>1,144,565</u>

**11 Provisions for liabilities and charges**

The movements in deferred taxation during the period are as follows:

	31 January 2006 £	31 January 2005 £
At 1 February 2005	402	(249)
Movement in the period (see note 6)	2,089	651
	<u>2,491</u>	<u>402</u>
At 31 January 2006	<u>2,491</u>	<u>402</u>

Deferred taxation provided for in the financial statements is calculated using a tax rate of 30% (2005: 30%). There is no deferred taxation unprovided in these financial statements.

	Amount provided 31 January 2006 £	Amount provided 31 January 2005 £
Accelerated capital allowances	<u>2,491</u>	<u>402</u>

**Notes** *(continued)*

**12 Share capital**

	31 January 2006 £	31 January 2005 £
<b>Authorised</b>		
Equity: 1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
Equity: 1 ordinary share of £1	1	1
	<hr/>	<hr/>

**13 Reserves**

	31 January 2006 £	31 January 2005 £
Opening balance	791,228	159,688
Profit for the year	100,036	631,540
Dividends	(300,000)	-
	<hr/>	<hr/>
<b>Closing balance</b>	591,264	791,228
	<hr/>	<hr/>

**14 Reconciliation of movements in shareholders' equity**

	31 January 2006 £	31 January 2005 £
<b>Profit for the year</b>	100,036	631,540
Dividends	(300,000)	-
	<hr/>	<hr/>
<b>Net (decrease)/increase in shareholders' equity</b>	(199,964)	631,540
Opening shareholders' funds	791,229	159,689
	<hr/>	<hr/>
<b>Closing shareholders' equity</b>	591,265	791,229
	<hr/>	<hr/>

**Notes** *(continued)*

**15 Operating lease commitments**

At 31 January 2006, the company had annual commitments under non-cancellable operating leases which expire as set out below:

	<b>Land and Buildings</b>	
	<b>2006</b>	2005
	<b>£</b>	<b>£</b>
Within one year	-	-
Between two to five years	-	-
After five years	<b>158,676</b>	159,736
	<hr/>	<hr/>
	<b>158,676</b>	159,736
	<hr/>	<hr/>

**16 Contingent liabilities**

The company has guaranteed the bank loans of its intermediate parent company, Think Money Holdings Limited and its ultimate parent company, Think Money Group Limited; the amounts outstanding at the year end were £6.7m and £13.3m respectively.

**17 Ultimate Parent Company**

The company is a subsidiary undertaking of Friendly Group Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Think Money Group Limited incorporated in the UK. The consolidated accounts of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.