

# **Friendly Loans Limited**

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

Year ended 31 January 2008  
Registered number 4291279

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## Directors' report

The directors present the annual report and the audited financial statements for the year ended 31 January 2008

### Principal activities

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

### Business review

The Company's profit after tax for the year is £1,952,109 (2007: £1,239,328)

The Company has made good progress in all areas in the last year. Turnover grew by 23% to £8.4m with operating profits increasing 57% to £2.8m

Management reviews key performance indicators for the Company on a monthly basis. The Company provided advice on and fulfilment for re-mortgages, secured loans and associated insurance products during the year with volumes of completions increasing year on year as follows.

- re-mortgages up 18% by number and up 23% in total value
- secured loans up 59% by number and up 81% in total value

The Company is suitably positioned to deal with the difficult market conditions that will be experienced over the coming year and has invested strongly in its infrastructure, systems and staff alike. The Group has recently been recognised in the Sunday Times Top 100 Medium Sized Companies to work for for the second year running.

Management continuously reviews the key risks facing the business. Demand for the Company's services over the next 12 months will be affected to a large degree by macroeconomic factors such as the strength of the UK economy, UK house prices, the ongoing availability of loan and re-mortgage products and prevailing interest rates.

### Dividends

The directors paid a final dividend of £Nil (2007: £750,000)

### 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 Milan Topco Limited and their interests in the shares of Milan Topco 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.

## **Directors' report** *(continued)*

### **Auditors**

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

In accordance with section 384 of the Companies Act 1985 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*

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

**30 April 2008**

## 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 2008 which comprise the Profit and Loss Account, the Balance Sheet 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 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 2008 and of its 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.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

30 April 2008

**Profit and loss account**  
*for the year ended 31 January 2008*

	<i>Note</i>	<b>Year ended 31 January 2008 £</b>	<b>Year ended 31 January 2007 £</b>
<b>Turnover</b>	<i>1</i>	<b>8,419,425</b>	<b>6 816 262</b>
Cost of sales		<b>(1,654,431)</b>	<b>(1,785 116)</b>
<b>Gross profit</b>		<b>6,764,994</b>	<b>5 031 146</b>
Administrative expenses		<b>(3,970,449)</b>	<b>(3 252 450)</b>
<b>Operating profit</b>	<i>2</i>	<b>2,794,545</b>	<b>1 778 696</b>
Interest receivable and similar income	<i>5</i>	<b>-</b>	<b>569</b>
<b>Profit on ordinary activities before taxation</b>		<b>2,794,545</b>	<b>1 779,265</b>
Tax on profit on ordinary activities	<i>6</i>	<b>(842,436)</b>	<b>(539,937)</b>
<b>Profit on ordinary activities after taxation</b>		<b>1,952,109</b>	<b>1 239,328</b>

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 7 to 14 form part of these financial statements

**Balance sheet**  
*at 31 January 2008*

	<i>Note</i>	<b>31 January 2008</b> £	<b>31 January 2007</b> £
<b>Fixed assets</b>			
Tangible assets	8	293,129	349,488
<b>Current assets</b>			
Debtors	9	4,803,019	1,923,591
Cash at bank and in hand		150,983	385,258
		4,954,002	2,308,849
<b>Creditors' amounts falling due within one year</b>	10	(2,195,240)	(1,557,891)
<b>Net current assets</b>		2,758,762	750,958
<b>Total assets less current liabilities</b>		3,051,891	1,100,446
<b>Provisions for liabilities and charges</b>	11	(19,189)	(19,853)
<b>Net assets</b>		3,032,702	1,080,593
<b>Capital and reserves</b>			
Called up share capital	12	1	1
Profit and loss account	13	3,032,701	1,080,592
<b>Total equity shareholders' funds</b>		3,032,702	1,080,593

The notes on pages 7 to 14 form part of these financial statements

These financial statements were approved by the board of directors on 30 April 2008 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 UK Generally Accepted Accounting Principles 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 recognised on confirmation of a completed transaction and 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, Milan Topco 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

#### *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.

#### *Pension costs*

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

#### *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 2008 £	Year ended 31 January 2007 £
Operating profit is stated after charging		
<i>Auditors' remuneration</i>		
Audit	2,879	2,310
Taxation services	3,085	1,000
<i>Operating lease rentals</i>		
Hire of land and buildings	132,370	131,395
Hire of plant and equipment	247	-
<i>Depreciation and other amounts written off tangible fixed assets</i>		
Owned	64,968	65,555

### 3 Remuneration of directors

The directors who served during the year are paid by another Group subsidiary 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 2008	Year ended 31 January 2007
Sales	60	51
Administration	8	4
	<u>68</u>	<u>55</u>

The aggregate payroll costs of these persons were as follows

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Wages and salaries	2,590,662	1 942 954
Social security costs	306,935	219 344
	<u>2,897,597</u>	<u>2 162 298</u>

### 5 Interest and similar income and charges

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
<b>Interest receivable</b>		
Interest receivable on bank balances	-	569
	<u>-</u>	<u>569</u>

## Notes (continued)

### 6 Taxation

#### a) Analysis of charge in the year at 30% (2007 30%)

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
<i>Current tax</i>		
UK corporation tax at 30% on profit for the year (2007 30%)	843,592	533,540
Over provision of tax in prior years	(492)	(10,965)
Total current tax	<u>843,100</u>	<u>522,575</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(1,216)	6,397
Adjustment in respect of prior years	552	10,965
Total deferred tax	<u>(664)</u>	<u>17,362</u>
<b>Tax on profit on ordinary activities</b>	<u><b>842,436</b></u>	<u><b>539,937</b></u>

#### b) Factors affecting current tax charge in year

The current tax charge for the year is higher (2007 higher) than the standard rate of corporation tax in the UK 30% (2007 30%). The differences are explained below:

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Profit on ordinary activities before tax	2,794,545	1,779,265
Tax on profit on ordinary activities at UK standard rate of 30% (2007 30%)	838,363	533,780
<i>Effects of</i>		
Accelerated Capital Allowances	1,216	(6,397)
Expenses not deductible for tax purposes	7,728	10,282
Adjustment in respect of prior year	(492)	(10,965)
Small companies rate	(3,715)	(4,125)
<b>Current tax charge for the year (see above)</b>	<u><b>843,100</b></u>	<u><b>522,575</b></u>

**Notes (continued)**

**7 Dividends**

	Year ended 31 January 2008	Year ended 31 January 2007
	£	£
Equity dividends		
Ordinary dividends paid – final	-	750 000
	<u>-</u>	<u>750 000</u>

**8 Tangible fixed assets**

	Furniture and equipment £	Leasehold improvements £	Total £
<b>Cost</b>			
At 1 February 2007	145 769	307 656	453 425
Additions	8 609	-	8 609
	<u>154,378</u>	<u>307,656</u>	<u>462,034</u>
<b>At 31 January 2008</b>			
<b>Depreciation</b>			
At 1 February 2007	51 965	51 972	103 937
Charge for period	36 652	28 316	64 968
	<u>88,617</u>	<u>80,288</u>	<u>168,905</u>
<b>At 31 January 2008</b>			
<b>Net book value</b>			
At 31 January 2008	<u>65,761</u>	<u>227,368</u>	<u>293,129</u>
At 31 January 2007	<u>93 804</u>	<u>255 684</u>	<u>349,488</u>

The Company held no assets under hire purchase or finance lease agreements during the year (2007: none)

**9 Debtors – amounts falling due within one year**

	31 January 2008 £	31 January 2007 £
Prepayments and accrued income	565,888	901 066
Amounts owing from Group undertakings	3,999,874	941 121
Corporation tax	236,422	80 875
Other debtors	835	529
	<u>4,803,019</u>	<u>1 923 591</u>

## Notes (continued)

### 10 Creditors amounts falling due within one year

	31 January 2008 £	31 January 2007 £
Amounts owed to Group undertakings	683,593	234 428
Group tax payable to Group undertakings	838,522	515 450
Trade creditors	191,406	333 022
Other taxation and social security	60,461	55 572
Accruals and deferred income	421,258	419 419
	<u>2,195,240</u>	<u>1 557,891</u>

### 11 Provisions for liabilities and charges

The movements in deferred taxation during the period are as follows

	31 January 2008 £	31 January 2007 £
At 1 February 2007	19,853	2 491
Movement in the period (see note 6)	(664)	17 362
	<u>19,189</u>	<u>19 853</u>
At 31 January 2008	<u>19,189</u>	<u>19 853</u>

Deferred taxation provided for in the financial statements is calculated using a tax rate of 28% (2007 30%) There is no deferred taxation unprovided in these financial statements

	Amount provided 31 January 2008 £	Amount provided 31 January 2007 £
Accelerated capital allowances	<u>19,189</u>	<u>19 853</u>

## Notes (continued)

### 12 Share capital

	31 January 2008 £	31 January 2007 £
<b>Authorised</b>		
Equity 1 000,000 ordinary shares of £1 each	1,000,000	1 000 000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid</b>		
Equity 1 ordinary share of £1	1	1
	<u>          </u>	<u>          </u>

### 13 Reserves

	31 January 2008 £	31 January 2007 £
Opening balance	1,080,592	591 264
Profit for the year	1,952,109	1 239 328
Dividends	-	(750 000)
	<u>          </u>	<u>          </u>
<b>Closing balance</b>	<b>3,032,701</b>	<b>1 080 592</b>
	<u>          </u>	<u>          </u>

### 14 Reconciliation of movements in shareholders' equity

	31 January 2008 £	31 January 2007 £
<b>Profit for the year</b>	<b>1,952,109</b>	<b>1 239 328</b>
Dividends	-	(750 000)
	<u>          </u>	<u>          </u>
<b>Net increase in shareholders' equity</b>	<b>1,952,109</b>	<b>489 328</b>
Opening shareholders' funds	1,080,593	591 265
	<u>          </u>	<u>          </u>
<b>Closing shareholders' equity</b>	<b>3,032,702</b>	<b>1,080 593</b>
	<u>          </u>	<u>          </u>

## Notes (continued)

### 15 Operating lease commitments

At 31 January 2008 the Company had annual commitments under non-cancellable operating leases which expire as set out below

	Plant and equipment		Land and buildings	
	2008 £	2007 £	2008 £	2007 £
Within one year	-	-	-	-
Between two to five years	1,480	-	-	-
After five years	-	-	158,676	158 676
	<u>1,480</u>	<u>-</u>	<u>158,676</u>	<u>158 676</u>

### 16 Contingent liabilities

The Company has guaranteed the bank loans of its intermediate parent company Milan Bidco Limited the total value of bank loans guaranteed by the Company at the year end was £61.5m (2007 £45.0m)

### 17 Ultimate Parent Company

The Company is a subsidiary undertaking of Friendly Group Limited a company incorporated and registered in England and Wales

The entire issued share capital of this company is indirectly owned by Milan Topco Limited a company incorporated and registered in Jersey. The consolidated Group accounts of Milan Topco Limited are filed with the accounts of the intermediate Group company Milan Swapco Limited and are available to the public from Companies House Crown Way, Cardiff

61.1% of the issued share capital of Milan Topco Limited is held by Alchemy Partners Nominees Limited on behalf of investors in the Alchemy Investment Plan. The Alchemy Investment Plan is managed by Alchemy Partners (Guernsey) Limited