

## **Think Loans and Mortgages Limited**

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

Year ended 31 January 2011  
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 2011

### 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 loss after tax for the year is £888 510 (2010 £453 036)

The Company has struggled to generate sufficient income from the business it completed arranging mortgages, re-mortgages and secured loans during the year with all markets remaining significantly depressed. Turnover increased slightly to £0.9m (2010 £0.8m) with operating losses largely unchanged at £0.64m for the year (2010 £0.65m). In the last few months of the year the Company further reduced its staffing levels. The Company will concentrate solely on new business generated within the larger Group over the next 12 months.

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

- mortgages and re-mortgages increased 76% by number and 105% in total value
- secured loans fell 29% by number and 16% in total value

The Company is satisfactorily positioned to deal with the difficult ongoing market conditions and has invested strongly in its infrastructure, systems and staff alike.

Management continuously reviews the key risks facing the business. Demand for the Company's services over the next 12 months will continue to be affected to a substantial 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

No dividend has been proposed (2010 £Nil)

### Directors

The directors who held office during the period were as follows

S Kay

S Stylianou

Details of directors' emoluments are set out in note 3 to the accounts

### Employees and employment policies

The Company has implemented detailed policies in relation to all aspects of personnel matters and acts as an equal opportunities employer.

The Company is also committed to increasing employee involvement and believes that effective communication between the Company and its employees can only benefit the business.

It is the policy of the Company to give full and fair consideration to applications for employment by disabled people. For the purpose of training, career development and promotion, disabled employees are treated in the same way as other employees. If employees become disabled during their service with the Company, wherever practical, arrangements are made to continue their employment and training.

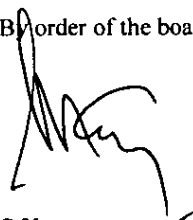
## **Directors' report** *(continued)*

### **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 487 of the Companies Act 2006, 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*

Carlton House  
Vere Street  
Salford  
M50 2GQ

**30 April 2011**

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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.

## KPMG Audit Plc

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

### Independent auditor's report to the members of Think Loans and Mortgages Limited

We have audited the financial statements of Think Loans and Mortgages Limited for the year ended 31 January 2011 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 set out on page 3, 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 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 (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with UK 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 year for which the financial statements are prepared is consistent with the financial statements.

### 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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.



Richard Gabbertas (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
30 April 2011

**Profit and loss account**  
*for the year ended 31 January 2011*

|  | <i>Note</i> | <b>Year ended<br/>31 January 2011<br/>£</b> | <b>Year ended<br/>31 January 2010<br/>£</b> |
|--|-------------|---|---|
| <b>Turnover</b>  | <i>1</i>    | <b>894,831</b>                              | 803,512                                     |
| Cost of sales  |             | <b>(185,100)</b>                            | (376,265)                                   |
| <b>Gross profit</b>                                    |             | <b>709,731</b>                              | 427,247                                     |
| Administrative expenses                                |             | <b>(1,346,634)</b>                          | (1,077,663)                                 |
| <b>Operating loss</b>                                  | <i>2</i>    | <b>(636,903)</b>                            | (650,416)                                   |
| Interest receivable and similar income                 | <i>5</i>    | <b>6,320</b>                                | 13,385                                      |
| Interest payable and similar charges                   | <i>5</i>    | <b>(475)</b>                                | (448)                                       |
| Provisions for liabilities and charges - dilapidations | <i>10</i>   | <b>(18,881)</b>                             | -   |
| Provisions for liabilities and charges – regulatory    | <i>10</i>   | <b>(570,000)</b>                            | -   |
| <b>Loss on ordinary activities before taxation</b>     |             | <b>(1,219,939)</b>                          | (637,479)                                   |
| Tax on loss on ordinary activities                     | <i>6</i>    | <b>331,429</b>                              | 184,443                                     |
| <b>Loss on ordinary activities after taxation</b>      |             | <b>(888,510)</b>                            | (453,036)                                   |

All activity has arisen from continuing operations

The Company has no recognised gains or losses other than the loss for the financial year

The notes on pages 7 to 15 form part of these financial statements

**Balance sheet**  
*at 31 January 2011*

|   | <i>Note</i> | <b>31 January 2011</b><br>£ | <b>31 January 2010</b><br>£ |
|---|-------------|-----------------------------|-----------------------------|
| <b>Fixed assets</b>                                   |             |                             |                             |
| Tangible assets                                       | 7           | <u>142,443</u>              | <u>182,513</u>              |
| <b>Current assets</b>                                 |             |                             |                             |
| Debtors   | 8           | 2,590,995                   | 2,900,755                   |
| Cash at bank and in hand                              |             | <u>40,501</u>               | <u>31,971</u>               |
|   |             | <b>2,631,496</b>            | <b>2,932,726</b>            |
| <b>Creditors: amounts falling due within one year</b> | 9           | <u>(177,130)</u>            | <u>(219,763)</u>            |
| <b>Net current assets</b>                             |             | <u><b>2,454,366</b></u>     | <u><b>2,712,963</b></u>     |
| <b>Total assets less current liabilities</b>          |             | <b>2,596,809</b>            | <b>2,895,476</b>            |
| <b>Provisions for liabilities and charges</b>         | 10          | <u>(588,881)</u>            | <u>-</u>                    |
| <b>Net assets</b>                                     |             | <u><b>2,007,928</b></u>     | <u><b>2,895,476</b></u>     |
| <b>Capital and reserves</b>                           |             |                             |                             |
| Called up share capital                               | 11          | 1                           | 1                           |
| Other reserves  | 15          | 1,137                       | 175                         |
| Profit and loss account                               | 12          | <u>2,006,790</u>            | <u>2,895,300</u>            |
| <b>Total equity shareholders' funds</b>               | 13          | <u><b>2,007,928</b></u>     | <u><b>2,895,476</b></u>     |

The notes on pages 7 to 15 form part of these financial statements

These financial statements were approved by the board of directors on 30 April 2011 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.

After making appropriate enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

#### *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 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 or to date of the first lease break, whichever is earlier |

#### *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.

#### *Provisions for liabilities and charges*

A dilapidations provision is made in respect of leased properties and is based on a best estimate of the expenditure required to settle the obligation due at the time properties are expected to be vacated. The provision is discounted and based upon market conditions at the balance sheet date.

#### *Pension costs*

The Company does not operate a defined benefit or defined contribution pension 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)

### 1 Accounting policies (continued)

#### Share based payments

Think Money Group Limited operates a share option scheme that allows certain group employees to acquire shares in the ultimate holding company, Milan Topco Limited. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity and is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using an option pricing model taking into account the terms and conditions upon which the options were granted.

### 2 Operating loss

|   | Year ended<br>31 January 2011<br>£ | Year ended<br>31 January 2010<br>£ |
|---|------------------------------------|------------------------------------|
| Operating loss is stated after charging                                     |                                    |                                    |
| <i>Auditors' remuneration</i>   |                                    |                                    |
| Audit of these financial statements   | 3,173                              | 2,990                              |
| Taxation services   | 1,363                              | 2,086                              |
| <i>Operating lease rentals</i>  |                                    |                                    |
| Hire of land and buildings  | 136,285                            | 133,293                            |
| Hire of plant and equipment   | 1,592                              | 1,563                              |
| <i>Depreciation and other amounts written<br/>off tangible fixed assets</i> |                                    |                                    |
| Owned   | 41,996                             | 56,302                             |
| Loss on disposal of fixed assets  | 955                                | 4,159                              |

### 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 during the year, analysed by category, was as follows

|                | Year ended<br>31 January 2011 | Year ended<br>31 January 2010 |
|----------------|-------------------------------|-------------------------------|
| Sales          | 15                            | 16                            |
| Administration | 4                             | 4                             |
|                | <u>19</u>                     | <u>20</u>                     |

The aggregate payroll costs of these persons were as follows

|                       | Year ended<br>31 January 2011<br>£ | Year ended<br>31 January 2010<br>£ |
|-----------------------|------------------------------------|------------------------------------|
| Wages and salaries    | 616,700                            | 537,255                            |
| Social security costs | 59,891                             | 54,798                             |
| Share based payments  | 962                                | 175                                |
|                       | <u>677,553</u>                     | <u>592,228</u>                     |

**5 Interest and similar income and charges**

|   | Year ended<br>31 January 2011<br>£ | Year ended<br>31 January 2010<br>£ |
|---|------------------------------------|------------------------------------|
| <b>Interest receivable and similar income</b>             |                                    |                                    |
| Interest receivable on overpaid taxes and social security | <u>6,320</u>                       | <u>13,385</u>                      |
| <b>Interest payable and similar charges</b>               |                                    |                                    |
| Bank interest payable                                     | <u>475</u>                         | <u>448</u>                         |

**Notes (continued)**

**6 Taxation**

a) Analysis of charge in the year at 28% (2010 28%)

|  | Year ended<br>31 January 2011<br>£ | Year ended<br>31 January 2010<br>£ |
|--|------------------------------------|------------------------------------|
| <i>Current tax</i>   |                                    |                                    |
| UK corporation tax at 28% on loss for the year<br>(2010 28%) | (329,760)                          | (168,143)                          |
| Adjustment in respect of prior years                         | (1,152)                            | (14,201)                           |
|  | <hr/>                              | <hr/>                              |
| Total current tax  | (330,912)                          | (182,344)                          |
|  | <hr/>                              | <hr/>                              |
| <i>Deferred tax</i>  |                                    |                                    |
| Origination and reversal of timing differences               | (1,700)                            | (5,843)                            |
| Adjustment in respect of prior years                         | 1,152                              | 3,744                              |
| Effect of change in tax rate                                 | 31                                 | -                                  |
|  | <hr/>                              | <hr/>                              |
| Total deferred tax   | (517)                              | (2,099)                            |
|  | <hr/>                              | <hr/>                              |
| <b>Tax on loss on ordinary activities</b>                    | <b>(331,429)</b>                   | <b>(184,443)</b>                   |
|  | <hr/>                              | <hr/>                              |

b) Factors affecting current tax charge in year

The current tax charge for the year is higher (2010 lower) than the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained below

|   | Year ended<br>31 January 2011<br>£ | Year ended<br>31 January 2010<br>£ |
|---|------------------------------------|------------------------------------|
| Loss on ordinary activities before tax                                      | (1,219,939)                        | (637,479)                          |
|   | <hr/>                              | <hr/>                              |
| Tax on loss on ordinary activities at UK standard rate of 28%<br>(2010 28%) | (341,583)                          | (178,494)                          |
|   | <hr/>                              | <hr/>                              |
| <i>Effects of</i>   |                                    |                                    |
| Accelerated Capital Allowances  | 1,700                              | 5,843                              |
| Expenses not deductible for tax purposes                                    | 10,123                             | 4,508                              |
| Adjustment in respect of prior year   | (1,152)                            | (14,201)                           |
|   | <hr/>                              | <hr/>                              |
| <b>Current tax charge for the year (see above)</b>                          | <b>(330,912)</b>                   | <b>(182,344)</b>                   |
|   | <hr/>                              | <hr/>                              |

The Company surrenders its losses and thereby provides Group relief to other subsidiaries in the Group

## Notes (continued)

### 7 Tangible fixed assets

|                              | <b>Furniture and<br/>equipment<br/>£</b> | <b>Leasehold<br/>improvements<br/>£</b> | <b>Total<br/>£</b> |
|------------------------------|--|---|--------------------|
| <i><b>Cost</b></i>           |  |   |                    |
| At 1 February 2010           | 140,545                                  | 310,266                                 | 450,811            |
| Additions                    | 4,561                                    | 250                                     | 4,811              |
| Disposals                    | (39,701)                                 | -                                       | (39,701)           |
| On transfer                  | (3,143)                                  | -                                       | (3,143)            |
| <b>At 31 January 2011</b>    | <b>102,262</b>                           | <b>310,516</b>                          | <b>412,778</b>     |
| <i><b>Depreciation</b></i>   |  |   |                    |
| At 1 February 2010           | 126,248                                  | 142,050                                 | 268,298            |
| Charge for period            | 8,610                                    | 33,386                                  | 41,996             |
| Disposals                    | (38,746)                                 | -                                       | (38,746)           |
| On transfer                  | (1,213)                                  | -                                       | (1,213)            |
| <b>At 31 January 2011</b>    | <b>94,899</b>                            | <b>175,436</b>                          | <b>270,335</b>     |
| <i><b>Net book value</b></i> |  |   |                    |
| <b>At 31 January 2011</b>    | <b>7,363</b>                             | <b>135,080</b>                          | <b>142,443</b>     |
| At 31 January 2010           | 14,297                                   | 168,216                                 | 182,513            |

The Company held no assets under hire purchase or finance lease agreements during the year (2010 none)

Assets transferred by the Company to other Group subsidiaries were transferred at net book value

### 8 Debtors

|  | <b>31 January 2011<br/>£</b> | <b>31 January 2010<br/>£</b> |
|--|------------------------------|------------------------------|
| Prepayments and accrued income           | 69,424                       | 123,035                      |
| Amounts owing from Group undertakings    | 2,189,841                    | 2,593,875                    |
| Group relief due from Group undertakings | 330,912                      | 182,344                      |
| Other debtors                            | -                            | 1,200                        |
| Deferred taxation (see note 10)          | 818                          | 301                          |
|  | <b>2,590,995</b>             | <b>2,900,755</b>             |

**Notes (continued)**

**9 Creditors' amounts falling due within one year**

|                                    | 31 January 2011<br>£ | 31 January 2010<br>£ |
|------------------------------------|----------------------|----------------------|
| Trade creditors                    | 26,237               | 26,894               |
| Other taxation and social security | 16,716               | 15,360               |
| Accruals and deferred income       | 134,177              | 177,509              |
|                                    | <u>177,130</u>       | <u>219,763</u>       |

**10 Provisions for liabilities and charges**

|  | Regulatory<br>£ | Dilapidations<br>£ | Deferred taxation<br>£ | Total<br>£     |
|--|-----------------|--------------------|------------------------|----------------|
| At 1 February 2010                               | -               | -                  | (301)                  | (301)          |
| Deferred tax movement in the period (see note 6) | -               | -                  | (517)                  | (517)          |
| Amount booked through profit and loss            | 570,000         | 18,881             | -                      | 588,881        |
|  | <u>570,000</u>  | <u>18,881</u>      | <u>(818)*</u>          | <u>588,063</u> |

The Company has considered the requirement to review its historic sales of payment protection insurance and has made provision for the expected cost of compensating customers and carrying out the review

The likely future cost of dilapidations is being provided for leased properties that are expected to be vacated in 2014

The deferred tax recognised by the company has been calculated at a rate of 27% (2010 28%) At the balance sheet date the legislation in place stated that there would be a reduction in the UK corporation tax rate from 28% to 27% effective from 1 April 2011 Since the balance sheet date, it has been announced that the UK corporation tax rate will reduce to 26% from 1 April 2011 with a further incremental decrease over the next three years until the rate reaches 23% This will reduce the company's future current tax charge accordingly If the rate change from 27% to 26% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the total deferred tax asset at that date by £30 It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

There is no deferred taxation unprovided for in these financial statements other than that disclosed in note 15

\*The net deferred taxation position in 2011 and 2010 gives rise to a deferred taxation asset This is recognised in the balance sheet and appears within debtors

The elements of deferred taxation are as follows

|                                | Amount provided<br>31 January 2011<br>£ | Amount provided<br>31 January 2010<br>£ |
|--------------------------------|---|---|
| Accelerated capital allowances | <u>(818)</u>                            | <u>(301)</u>                            |

**Notes (continued)**

**11 Share capital**

|   | 31 January 2011<br>£ | 31 January 2010<br>£ |
|---|----------------------|----------------------|
| <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>    |

**12 Reserves**

|                        | 31 January 2011<br>£ | 31 January 2010<br>£ |
|------------------------|----------------------|----------------------|
| Opening balance        | 2,895,300            | 3,348,336            |
| Loss for the year      | (888,510)            | (453,036)            |
|                        | <u>          </u>    | <u>          </u>    |
| <b>Closing balance</b> | <b>2,006,790</b>     | <b>2,895,300</b>     |
|                        | <u>          </u>    | <u>          </u>    |

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

|   | 31 January 2011<br>£ | 31 January 2010<br>£ |
|---|----------------------|----------------------|
| <b>Loss for the year</b>                    | <b>(888,510)</b>     | <b>(453,036)</b>     |
| Other reserves – share based payments       | 962                  | 175                  |
|   | <u>          </u>    | <u>          </u>    |
| <b>Net decrease in shareholders' equity</b> | <b>(887,548)</b>     | <b>(452,861)</b>     |
| Opening shareholders' funds                 | 2,895,476            | 3,348,337            |
|   | <u>          </u>    | <u>          </u>    |
| <b>Closing shareholders' equity</b>         | <b>2,007,928</b>     | <b>2,895,476</b>     |
|   | <u>          </u>    | <u>          </u>    |

## Notes (continued)

### 14 Operating lease commitments

At 31 January 2011, the Company had annual commitments under non-cancellable operating leases which expire as set out below

|                           | Plant and equipment |              | Land and buildings |                |
|---------------------------|---------------------|--------------|--------------------|----------------|
|                           | 2011<br>£           | 2010<br>£    | 2011<br>£          | 2010<br>£      |
| Within one year           | -                   | -            | -                  | -              |
| Between two to five years | 1,626               | 1,595        | 167,931            | 164,686        |
| After five years          | -                   | -            | -                  | -              |
|                           | <u>1,626</u>        | <u>1,595</u> | <u>167,931</u>     | <u>164,686</u> |

### 15 Share based payments

Think Money Group Limited has established an employee share option scheme that allows key employees of the group to acquire shares in the ultimate holding company, Milan Topco Limited, in the event that the business is sold

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. It is measured at grant date and spread over the period which is expected to pass before employees become unconditionally entitled to the shares.

The value is arrived at using an option pricing model taking into account the terms and conditions upon which the options were granted. No options have yet vested.

The terms and conditions of options granted are as follows:

| Grant Date                    | Employees | Granted By                | Accounting Method | Number of Options | Vesting Conditions              | Expiry Date                   |
|-------------------------------|-----------|---------------------------|-------------------|-------------------|---------------------------------|-------------------------------|
| 9 <sup>th</sup> December 2009 | Key Staff | Think Money Group Limited | Equity            | 1,000             | Sale or listing of the business | 7 <sup>th</sup> December 2019 |

The number and weighted average exercise price of share options is as follows:

|                         | Exercise Price |           | Number of Options |            |
|-------------------------|----------------|-----------|-------------------|------------|
|                         | 2011<br>£      | 2010<br>£ | 2011<br>No        | 2010<br>No |
| Brought forward         | 1              | -         | 1,000             | -          |
| Granted in year         | -              | 1         | -                 | 1,000      |
| Lapsed in year          | 1              | -         | 500               | -          |
| Outstanding at year end | 1              | 1         | 500               | 1,000      |
| Exercisable at year end | -              | -         | -                 | -          |

No options were exercised during the year. The options outstanding at the year end have an exercise price of £1 and a weighted average contractual life of 4 years.

The expense recognised for the year arising from equity settled share based payments is £962 (2010: £175). There is a potential deferred tax asset of £260 (2010: £49) arising from the share based payment expense in the year. This has not been recognised as the future economic benefit is uncertain.



## Notes (continued)

### 15 Share based payments (continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of the services received is measured using a Black-Scholes model. Measurement inputs and assumptions are as follows:

|                                  | 31 January 2011 | 31 January 2010 |
|----------------------------------|-----------------|-----------------|
| Exercise price                   | £1.00           | £1.00           |
| Expected volatility              | 50%             | 50%             |
| Expected dividend yield          | 0%              | 0%              |
| Risk free interest rate          | 2%              | 2%              |
| Expected option life to exercise | 4 Years         | 4 Years         |
| Fair value per option            | £8.40           | £8.40           |

The expected life of the options is based on the Directors' review of market conditions and their expectations regarding a future sale of the business. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may not be the case. The expected volatility used in calculations is the average of historical volatilities for a range of similar companies where data is available. As the Company is a private company and its shares are not quoted on any recognised Stock Exchange, no reference price exists for the share price at the date of exercise of the options.

### 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 £38.5m (2010: £47.0m).

### 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.