

**Think Loans and Mortgages Limited  
(formerly Friendly Loans Limited)**

**Directors' report and financial statements**

Year ended 31 January 2009  
Registered number 4291279

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## Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the independent auditors to the members of Think Loans and Mortgages Limited	4
Profit and loss account	5
Balance sheet	6
Notes	7

## Directors' report

The directors present the annual report and the audited financial statements for the year ended 31 January 2009.

### Principal activities

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

The Company changed its name to Think Loans and Mortgages Limited on 22 December 2008.

### Business review

The Company's profit after tax for the year is £315,635 (2008: £1,952,109).

The Company has had a difficult year and has been directly impacted by the credit crunch and specifically the reduced availability of loan and re-mortgage products in the market. Turnover fell by 53% to £4.0m (2008: 23% increase) whilst operating profits fell by 83% to £455k as a result (2008: 57% increase). The Company scaled back its operations and made changes to both its product offerings and business processes during the second half of the year, in response to the prevailing market conditions.

Management review 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 declining year on year as follows;

- re-mortgages down 55% by number and 57% in total value
- secured loans down 31% by number and 27% in total value

The Company is suitably positioned to deal with the difficult market conditions that will continue to 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 third year running.

Management continuously review the key risks facing the business. Demand for the Company's services over the next 12 months will be 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.

### 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 2009

## 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.



St James' Square  
Manchester  
M2 6DS  
United Kingdom

## Independent auditors' 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 2009 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 2009 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 2009

**Profit and loss account**  
*for the year ended 31 January 2009*

	<i>Note</i>	<b>Year ended 31 January 2009 £</b>	<b>Year ended 31 January 2008 £</b>
Turnover	1	3,974,493	8,419,425
Cost of sales		(987,593)	(1,654,431)
<b>Gross profit</b>		<b>2,986,900</b>	<b>6,764,994</b>
Administrative expenses		(2,531,740)	(3,970,449)
<b>Operating profit</b>	2	<b>455,160</b>	<b>2,794,545</b>
Interest receivable and similar income	5	559	-
Interest payable and similar charges	5	(182)	-
<b>Profit on ordinary activities before taxation</b>		<b>455,537</b>	<b>2,794,545</b>
Tax on profit on ordinary activities	6	(139,902)	(842,436)
<b>Profit on ordinary activities after taxation</b>		<b>315,635</b>	<b>1,952,109</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 2009*

	<i>Note</i>	<b>31 January 2009</b> £	<b>31 January 2008</b> £
<b>Fixed assets</b>			
Tangible assets	7	243,213	293,129
<b>Current assets</b>			
Debtors	8	5,188,475	4,803,019
Cash at bank and in hand		90,656	150,983
		5,279,131	4,954,002
<b>Creditors: amounts falling due within one year</b>	9	(2,172,209)	(2,195,240)
<b>Net current assets</b>		3,106,922	2,758,762
<b>Total assets less current liabilities</b>		3,350,135	3,051,891
<b>Provisions for liabilities and charges</b>	10	(1,798)	(19,189)
<b>Net assets</b>		3,348,337	3,032,702
<b>Capital and reserves</b>			
Called up share capital	11	1	1
Profit and loss account	12	3,348,336	3,032,701
<b>Total equity shareholders' funds</b>		3,348,337	3,032,702

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 2009 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 2009 £	Year ended 31 January 2008 £
Operating profit is stated after charging:		
<i>Auditors' remuneration:</i>		
Audit of these financial statements	2,933	2,879
Taxation services	2,030	3,085
<i>Operating lease rentals:</i>		
Hire of land and buildings	134,086	132,370
Hire of plant and equipment	2,039	247
<i>Depreciation and other amounts written off tangible fixed assets:</i>		
Owned	69,030	64,968
Loss on disposal of fixed assets	390	-

### 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 2009	Year ended 31 January 2008
Sales	42	60
Administration	6	8
	<u>48</u>	<u>68</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Wages and salaries	1,605,060	2,590,662
Social security costs	169,122	306,935
	<u>1,774,182</u>	<u>2,897,597</u>

### 5 Interest and similar income and charges

	Year ended 31 January 2009 £	Year ended 31 January 2008 £
<b>Interest receivable and similar income</b>		
Interest receivable on overpaid taxes and social security	<u>559</u>	<u>-</u>
<b>Interest payable and similar charges</b>		
Bank interest payable	<u>182</u>	<u>-</u>

**Notes (continued)**

**6 Taxation**

a) Analysis of charge in the year at 28.33% (2008: 30%)

	Year ended 31 January 2009 £	Year ended 31 January 2008 £
<i>Current tax</i>		
UK corporation tax at 28.33% on profit for the year (2008: 30%)	140,009	843,592
Under / (over) provision of tax in prior years	17,284	(492)
<b>Total current tax</b>	<b>157,293</b>	<b>843,100</b>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(3,391)	(1,216)
Adjustment in respect of prior years	(14,000)	552
<b>Total deferred tax</b>	<b>(17,391)</b>	<b>(664)</b>
<b>Tax on profit on ordinary activities</b>	<b>139,902</b>	<b>842,436</b>

b) Factors affecting current tax charge in year

The current tax charge for the year is higher (2008: higher) than the standard rate of corporation tax in the UK 28.33% (2008: 30%). The differences are explained below:

	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Profit on ordinary activities before tax	455,537	2,794,545
Tax on profit on ordinary activities at UK standard rate of 28.33% (2008: 30%)	129,045	838,363
<i>Effects of:</i>		
Accelerated Capital Allowances	3,391	1,216
Expenses not deductible for tax purposes	7,533	7,728
Adjustment in respect of prior year	17,284	(492)
Small companies rate	-	(3,715)
Impact of rate change on deferred tax movements	40	-
<b>Current tax charge for the year (see above)</b>	<b>157,293</b>	<b>843,100</b>

**Notes** *(continued)*

**7 Tangible fixed assets**

	<b>Furniture and equipment £</b>	<b>Leasehold improvements £</b>	<b>Total £</b>
<i>Cost</i>			
At 1 February 2008	154,378	307,656	462,034
Additions	19,159	546	19,705
Disposals	(1,575)	-	(1,575)
<b>At 31 January 2009</b>	<b>171,962</b>	<b>308,202</b>	<b>480,164</b>
<i>Depreciation</i>			
At 1 February 2008	88,617	80,288	168,905
Charge for period	38,212	30,818	69,030
Disposals	(984)	-	(984)
<b>At 31 January 2009</b>	<b>125,845</b>	<b>111,106</b>	<b>236,951</b>
<i>Net book value</i>			
<b>At 31 January 2009</b>	<b>46,117</b>	<b>197,096</b>	<b>243,213</b>
At 31 January 2008	65,761	227,368	293,129

The Company held no assets under hire purchase or finance lease agreements during the year (2008: none).

**8 Debtors: amounts falling due within one year**

	<b>31 January 2009 £</b>	<b>31 January 2008 £</b>
Prepayments and accrued income	272,901	565,888
Amounts owing from Group undertakings	4,915,574	3,999,874
Corporation tax	-	236,422
Other debtors	-	835
	<b>5,188,475</b>	<b>4,803,019</b>

**Notes (continued)**

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

	31 January 2009 £	31 January 2008 £
Amounts owed to Group undertakings	1,632,382	683,593
Group tax payable to Group undertakings	144,949	838,522
Trade creditors	135,347	191,406
Other taxation and social security	19,639	60,461
Accruals and deferred income	237,892	421,258
Corporation tax	2,000	-
	<u>2,172,209</u>	<u>2,195,240</u>

**10 Provisions for liabilities and charges**

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

	31 January 2009 £	31 January 2008 £
At 1 February 2008	19,189	19,853
Movement in the period (see note 6)	(17,391)	(664)
	<u>1,798</u>	<u>19,189</u>
At 31 January 2009		

Deferred taxation provided for in the financial statements is calculated using a tax rate of 28% (2008: 28%). There is no deferred taxation unprovided in these financial statements.

	Amount provided 31 January 2009 £	Amount provided 31 January 2008 £
Accelerated capital allowances	15,798	19,189
Other timing differences	(14,000)	-
	<u>1,798</u>	<u>19,189</u>

**Notes** *(continued)*

**11 Share capital**

	31 January 2009 £	31 January 2008 £
<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/>

**12 Reserves**

	31 January 2009 £	31 January 2008 £
Opening balance	3,032,701	1,080,592
Profit for the year	315,635	1,952,109
	<hr/>	<hr/>
Closing balance	3,348,336	3,032,701
	<hr/>	<hr/>

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

	31 January 2009 £	31 January 2008 £
Profit for the year	315,635	1,952,109
	<hr/>	<hr/>
Net increase in shareholders' equity	315,635	1,952,109
Opening shareholders' funds	3,032,702	1,080,593
	<hr/>	<hr/>
Closing shareholders' equity	3,348,337	3,032,702
	<hr/>	<hr/>

## Notes (continued)

### 14 Operating lease commitments

At 31 January 2009, the Company had annual commitments under non-cancellable operating leases which expire as set out below:

	Plant and equipment		Land and buildings	
	2009 £	2008 £	2009 £	2008 £
Within one year	-	-	-	-
Between two to five years	1,563	1,480	-	-
After five years	-	-	159,636	158,676
	<u>1,563</u>	<u>1,480</u>	<u>159,636</u>	<u>158,676</u>

### 15 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 £52.5m (2008: £61.5m).

### 16 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.