

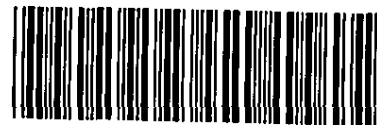
Company Registration No. 5245825

CapQuest Investments Limited

Abbreviated Financial Statements

31 March 2007

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CapQuest Investments Limited

Report and financial statements 2007

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CapQuest Investments Limited

Report and financial statements 2007

Officers and professional advisers

Directors

J A Dlutowski
M A Brunault
M Daniels
P McQuilkin

Secretary

P McQuilkin

Registered office

Fleet 27
Rye Close
Fleet
Hampshire
GU51 2QQ

Auditors

Deloitte & Touche LLP
Chartered Accountants
London

CapQuest Investments Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2007

Business review and principal activities

The company's principal activity is that of the purchase of distressed consumer debts. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely changes in the company's activities in the forthcoming year.

As shown in the company's profit and loss account on page 5, the company's turnover has increased by 129% over the prior year (2006 increase of 1,938%). The turnover relates largely to the recovery of monies owing as part of the portfolios of distressed consumer debts which the company owns, and the increase in turnover is attributable to increases in the underlying volume of distressed consumer debts which the company has purchased.

The company loss after tax was £2,575,847 in the year compared to losses after tax of £2,330,354 on turnover of £9,810,243 in the prior year.

The balance sheet on page 6 shows that the company's net liabilities have increased to £5,054,926 compared to £2,479,079 in the prior year, consistent with the year's loss after tax.

Principal risks and uncertainties

The company's level of activity is dependent upon its ability to purchase portfolios of distressed consumer debt at a price which enables it to achieve an acceptable level of return. This is in turn dependent on the market for such portfolios, together with the availability of funds in order to make purchases.

The company borrowing facilities are considered to be adequate to finance its anticipated purchasing activities and more debt will be required in the coming year to purchase additional portfolios.

Due to the levels of debt required to purchase portfolios the company has certain financial risks especially regarding interest rates. These risks are managed by using facilities such as derivatives.

Results

The profit and loss account is set out on page 7 and shows the loss for the year. No dividends have been paid in the current or previous year.

Directors and their interests

The directors of the company during the year were

J A Dlutowski
M A Brunault
M Daniels
P McQuilkin

No director had any direct interest in the share capital of the company.

The interest of the directors in the share capital of CapQuest Group Limited, the ultimate holding company, are shown in that company's financial statements.

CapQuest Investments Limited

Directors' report

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

These accounts have been prepared in accordance with the special provisions relating to medium sized companies under 246A of the Companies Act 1985 with respect to the delivery of individual account

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

This information is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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



P McQuilkin
Secretary

6th July 2007

Independent auditors' report to CapQuest Investments Limited pursuant to section 247B of the Companies Act 1985

We have examined the abbreviated accounts consisting of the profit and loss account, the balance sheet, the cash flow statement and related notes 1 to 16, together with the financial statements of CapQuest Investments Limited for the year ended 31 March 2007 prepared under section 226 of the Companies Act 1985

This report is made solely to the company in accordance with section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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 for our work, for this report, or for the opinions we have formed

Respective responsibilities of the directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with those provisions and to report our opinion to you

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with those provisions

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
London

30 July 2007

CapQuest Investments Limited

Profit and loss account Year ended 31 March 2007

	Notes	2007 £	2006 £
Gross profit		3,458,287	(59 699)
Administrative expenses		(851,102)	(763 368)
Operating profit/(loss)	2	2,632 185	(823,067)
Interest receivable and similar income		100,358	46,475
Interest payable and similar charges	3	(5,232,811)	(2,183 127)
Loss on ordinary activities before taxation		(2,500,268)	(2 959,719)
Tax credit on loss on ordinary activities before taxation	4	(75,579)	629,365
Loss on ordinary activities after taxation and retained loss for the financial period		<u>(2,575,847)</u>	<u>(2,330,354)</u>

All amounts relate to continuing activities

There are no recognised gains or losses other than the loss for the year and the preceding year. Accordingly, no statement of total recognised gains and losses has been presented.

The accompanying notes are an integral part of these financial statements.

CapQuest Investments Limited

Balance sheet 31 March 2007

	Notes	2007 £	2006 £
Current assets			
Stocks – carrying value of portfolios	5	39,970,294	21,134,228
Debtors	6	1,358,678	1,281,421
Cash at bank and in hand		5,263,177	1,697,042
		<u>46,592,149</u>	<u>24,112,691</u>
Creditors: amounts falling due within one year	7	(26,757,616)	(13,791,550)
Total assets less current liabilities		<u>19,834,533</u>	<u>10,321,141</u>
Creditors: amounts falling due after more than one year	8	(24,889,459)	(12,800,220)
Net liabilities		<u>(5,054,926)</u>	<u>(2,479,079)</u>
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account		(5,054,927)	(2,479,080)
Equity shareholders' deficit	10	<u>(5,054,926)</u>	<u>(2,479,079)</u>

These financial statements were approved by the Board of Directors on 6th July 2007

Signed on behalf of the Board of Directors



M A Brunault
Director

CapQuest Investments Limited

Cash flow statement Year ended 31 March 2007

	Notes	2007 £	2006 £
Net cash outflow from operating activities	14	<u>(15,084,957)</u>	<u>(16,851,652)</u>
Returns on investments and servicing of finance			
Interest received		100,358	46,475
Interest paid		<u>(3,787,547)</u>	<u>(1,499,366)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(3,687,189)</u>	<u>(1,452,891)</u>
Financing			
Issue of ordinary share capital		-	-
New loans and drawdowns		32,859,573	28,188,139
Repayment of loans		<u>(10,521,292)</u>	<u>(10,055,045)</u>
Net cash inflow from financing	15, 16	<u>22,338,281</u>	<u>18,133,094</u>
(Decrease)/increase in cash and cash equivalents		<u><u>3,566,135</u></u>	<u><u>(171,449)</u></u>

CapQuest Investments Limited

Notes to the accounts Year ended 31 March 2007

1. Accounting policies

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents monies received from purchased debts.

Stocks

Stock represents the carrying values of portfolios of bought debt. The debt is stated at cost and is released to cost of sales as collections are received to reflect the expected yield over the life of the portfolio. If at any time an individual debt portfolio is not considered to be capable of sustaining its carrying value, it is written down to the extent that a loss is foreseeable.

Finance costs

Finance costs are charged to profit over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Taxation

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Derivatives

The company uses a hedging facility to spread the risk of interest rate increases on our senior loan facility. The facility matures on 31st October 2008 and was activated on 29th November 2006. The facility covers £25,000,000 and the notional amount due to CapQuest Investments Limited as at 31st March 2007 is 30,571 Euros.

2. Operating profit/(loss)

	2007 £	2006 £
This is arrived at after charging		
Auditors remuneration		
- Fees payable to company's auditors for the audit of the company's annual accounts	17,000	19,025
- Other services relating to taxation	15,707	12,623

The company has no employees; services are provided by CapQuest Debt Recovery Limited.

The directors are remunerated for their services to the company by another group company, CapQuest Debt Recovery Limited. CapQuest Debt Recovery Limited charged a management fee for administrative services to the company of £697,370 (2006 - £566,177). It is not practicable to allocate directors' remuneration between group companies.

CapQuest Investments Limited

Notes to the accounts Year ended 31 March 2007

3. Interest payable and similar charges

	2007 £	2006 £
Bank loans and overdrafts	4,122,518	1,827,579
Loans from group companies	1,110,293	355,548
Finance costs	-	-
	<u>5,232,811</u>	<u>2,183,127</u>

4. Tax on loss on ordinary activities

	2007 £	2006 £
The taxation credit is made up as follows		
Current UK corporation tax		
Current year	-	-
Deferred tax		
Deferred tax on losses	-	591,869
Adjustments to deferred tax assets arising in previous periods	(75,579)	37,496
	<u>(75,579)</u>	<u>629,365</u>

The tax assessed for the year is different to the standard rate of corporation tax in the UK applied to the loss on ordinary activities before tax. The differences are explained below:

	2007 £	2006 £
Loss on ordinary activities before tax	<u>(2,500,268)</u>	<u>(2,959,719)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006: 30%)	(750,080)	(887,915)
Effect of		
Losses carried forward	-	601,344
Group relief	750,080	286,571
Current tax charge for the year	<u>-</u>	<u>-</u>

CapQuest Investments Limited

Notes to the accounts Year ended 31 March 2007

5. Stocks – carrying value of debt portfolios

	2007 £	2006 £
Purchased debt portfolios	39,970,294	21,134,228

6. Debtors

	2007 £	2006 £
Deferred tax asset	553,786	629,365
Other debtors	804,892	652,056
	<u>1,358,678</u>	<u>1,281,421</u>

7. Creditors: amounts falling due within one year

	2007 £	2006 £
Bank loans (secured)	22,731,876	11,372,544
Amounts owed to group undertakings	3,487,019	1,988,375
Other creditors	538,721	430,631
	<u>26,757,616</u>	<u>13,791,550</u>

Bank loans are secured by way of a fixed and floating charge over the assets of certain group companies and carry a floating rate of interest

8. Creditors: amounts falling due after more than one year

	2007 £	2006 £
Loans from group undertakings	5,515,204	3,091,353
Other loans	19,374,255	9,708,867
	<u>24,889,459</u>	<u>12,800,220</u>
 Maturity of debt		
In one year or less or on demand	22,731,876	11,372,544
In more than one year but not more than two years	5,515,204	3,091,353
In more than two years but not more than five years	19,374,255	9,708,867
	<u>47,621,335</u>	<u>24,172,764</u>

Other loans are secured by way of a fixed and floating charge over the assets of another group company, CapQuest Asset Management Limited, and by way of a fixed charge over certain group companies' assets

CapQuest Investments Limited

Notes to the accounts

Year ended 31 March 2007

9. Called up share capital

	2007 £	2006 £
<i>Equity share capital</i>		
Authorised:		
100 ordinary shares of £1 each	100	100
Called up, allotted and fully paid:		
1 ordinary share of £1	1	1

10 Reconciliation of movements in shareholders' deficit

	2007 £	2006 £
Loss for the year	(2,575,847)	(2,330,354)
Issue of shares	-	-
Opening equity shareholders' deficit	(2,479,079)	(148,725)
Closing shareholders' deficit	(5,054,926)	(2,479,079)

11. Contingent liabilities

The company entered into a joint and several guarantee on 11 February 2005 with certain fellow group companies in relation to amounts owed to Barclays Bank plc and on 19 May 2005 in relation to amounts owed to Dresdner Anschutz Mezzinvest S A R L and E C Investments S A R L

On 24 November 2006 E C Investments S A R L were added as syndicated lenders together with Barclays Bank plc

12. Related party disclosures

Controlling party

The company's ultimate controlling party is the Blue Sky Trust. The Bahamian trust owns the entire share capital of the ultimate parent undertaking Blue Ocean Holdings Limited.

Related party transactions and balances

Included in creditors is an amount of £5,515,204 (2006 - £3,091,353) due to CapQuest Asset Management Limited, and £3,487,019 (2006 - £1,988,375) due to CapQuest Debt Recovery Limited. The companies are fellow subsidiary undertakings in the group headed by Blue Ocean Holdings Limited.

13 Ultimate parent company and parent undertaking of larger group

The immediate parent company is CapQuest Group Limited. The ultimate parent undertaking is Blue Ocean Holdings Limited, a company incorporated in The Bahamas. No company in the group prepares consolidated accounts.

CapQuest Investments Limited

Notes to the accounts

Year ended 31 March 2007

14. Reconciliation of operating profit to net cash outflow from operating activities

	2007 £	2006 £
Operating profit/(loss)	2,632,185	(823,067)
Increase in stocks	(18,836,066)	(16,774,269)
Increase in debtors	(152,836)	(631,673)
Increase in creditors	1,271,760	1,377,357
Net cash outflow from operating activities	<u>(15,084,957)</u>	<u>(16,851,652)</u>

15. Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
Increase/(Decrease) in cash	3,566,135	(171,449)
Cash outflow from changes in debt	<u>(22,338,281)</u>	<u>(18,133,094)</u>
Movement in net debt resulting from cash flows	(18,772,146)	(18,304,543)
Other non cash movements	<u>(1,110,293)</u>	<u>(355,548)</u>
Movement in net debt	(19,882,439)	(18,660,091)
Opening net debt	<u>(22,475,722)</u>	<u>(3,815,631)</u>
Closing net debt	<u>(42,358,161)</u>	<u>(22,475,722)</u>

16. Reconciliation of net cash flow to movement in net debt

	1 April 2006 £	Cash Flow £	Other non cash movements £	31 March 2007 £
Cash at bank and in hand	1,697,042	3,566,135	-	5,263,177
Debt due within one year	(11,372,544)	(11,359,332)	-	(22,731,876)
Debt due after one year	<u>(12,800,220)</u>	<u>(10,978,949)</u>	<u>(1,110,293)</u>	<u>(24,889,462)</u>
Closing net debt	<u>(22,475,722)</u>	<u>(18,772,146)</u>	<u>(1,110,293)</u>	<u>(42,358,161)</u>