

Company Registration No. 5245825

CapQuest Investments Limited

Report and Financial Statements

31 March 2009

TUESDAY



LUJS3GS1

LD5

19/01/2010

55

COMPANIES HOUSE

CapQuest Investments Limited

Report and financial statements 2009

Contents	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	7
Balance sheet	8
Notes to the accounts	9

CapQuest Investments Limited

Report and financial statements 2009

Officers and professional advisers

Directors

J A Dlutowski
M A Brunault
M Daniels
P McQuilkin
K Cox

Secretary

P McQuilkin

Registered Office

Fleet 27
Rye Close
Fleet
Hampshire
GU51 2QQ

Auditors

Deloitte 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 2009.

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 7, the company's turnover has decreased by 5% over the prior year (2008: increase of 74%). 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 decrease in turnover is attributable to decreases in the underlying volume of distressed consumer debts which the company has purchased.

The company profit after tax was £1,464,110 on turnover of £37,283,365 in the year compared to losses after tax of £585,837 on turnover of £39,091,355 in the prior year.

The balance sheet on page 8 shows that the company's net liabilities have decreased to £3,004,980 compared to £4,469,089 in the prior year, consistent with the year's profit after tax.

The company refinanced borrowings facilities during the financial year, securing extended facility amounts and availability periods. The borrowings facilities are considered to be adequate to finance anticipated debt purchasing activities.

The directors consider the Company a going concern and disclosed information in respect of this in note 1

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 incurred in the coming year under the current borrowing facilities to purchase additional portfolios.

Due to the levels of debt required to purchase portfolios the company has certain financial risks, availability of finance and especially interest rate risk. The risk of interest rate movements are managed by using facilities such as derivatives. The fair value of these derivatives is disclosed in note 1.

Results

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

CapQuest Investments Limited

Directors' report (continued)

Directors and their interests

The directors of the company during the year were:

J A Dlutowski
M A Brunault
M Daniels
P McQuilkin
K Cox

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

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

Auditors

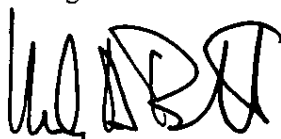
Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Each of the persons who are 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



M A Brunault
Director

26th June 2009

CapQuest Investments Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; 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 the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of CapQuest Investments Limited

We have audited the financial statements of CapQuest Investments Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. 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 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

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

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 judgements 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.

Independent auditors' report to the members of CapQuest Investments Limited (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been prepared in accordance with the companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom

29 June 2009

CapQuest Investments Limited

Profit and loss account Year ended 31 March 2009

	Notes	2009 £	2008 £
Turnover	2	37,283,365	39,091,355
Cost of sales		(26,509,740)	(29,716,757)
Gross profit		10,773,625	9,374,598
Administrative expenses		(1,101,765)	(852,718)
Operating profit	3	9,671,860	8,521,880
Interest receivable and similar income		209,342	291,300
Interest payable and similar charges	4	(8,216,992)	(7,863,657)
Profit on ordinary activities before taxation		1,664,210	949,523
Tax charge on profit on ordinary activities before taxation	5	(200,100)	(363,686)
Profit on ordinary activities after taxation and retained loss for the financial year		1,464,110	585,837

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 5245825

Balance sheet 31 March 2009

	Notes	2009 £	2008 £
Current assets			
Stocks – carrying value of portfolios	6	48,021,001	49,290,494
Debtors	7	311,909	761,051
Cash at bank and in hand		5,052,307	7,576,859
		<u>53,385,217</u>	<u>57,628,404</u>
Creditors: amounts falling due within one year	8	(23,811,652)	(28,458,969)
Net current assets		<u>29,573,565</u>	<u>29,169,435</u>
Creditors: amounts falling due after more than one year	9	(32,578,545)	(33,638,524)
Net liabilities		<u>(3,004,980)</u>	<u>(4,469,089)</u>
Capital and reserves			
Called up share capital	10	1	1
Profit and loss account		(3,004,981)	(4,469,090)
Shareholders' deficit	11	<u>(3,004,980)</u>	<u>(4,469,089)</u>

These financial statements were approved by the Board of Directors on 26th June 2009.

Signed on behalf of the Board of Directors



M A Brunault
Director

CapQuest Investments Limited

Notes to the accounts Year ended 31 March 2009

1. Accounting policies

The principal accounting policies adopted are summarised below and have been applied consistently in both years.

Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with applicable United Kingdom and accounting standards.

Going concern

After making enquiries the directors have a reasonable expectation that the Company and Group have adequate resources for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts. In concluding on the appropriateness of the going concern basis, the directors have considered the forecast trading cash requirements and covenant compliance of the Group in the current economic environment and have taken account of what they consider to be reasonable sensitivities in those forecasts. The key assumptions tested included the potential for lower collections as well as adjustments to the amount or timing of discretionary expenditure. The cash flow projections were prepared on a group basis on the basis that there are arrangements in place which would, if necessary, give subsidiaries the ability to obtain funding from the immediate parent company, CapQuest Group Limited.

Cash flow statement

The company is exempt under FRS1 from preparing a cash flow statement as its cash flows are included in the consolidated accounts of CapQuest Group Limited.

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 interest rate SWAP, CAP and FLOOR to manage the risk of interest rate increases on the loan facility. These facilities have a notional amount at £50,000,000 (2008: £25,000,000) and as at 31 March 2009 has a fair value liability of £921,200, with a fair value asset of £2,681 in 2008.

CapQuest Investments Limited

Notes to the accounts

Year ended 31 March 2009

2. Turnover

Turnover arises solely within the United Kingdom.

3. Operating profit

	2009 £	2008 £
This is arrived at after charging:		
Auditors remuneration:		
- Fees payable to company's auditors' for the audit of the company's annual accounts	21,650	16,096
- Other services relating to taxation	3,500	5,400

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 £822,300 (2008: £721,822). It is not practicable to allocate directors' remuneration between group companies.

4. Interest payable and similar charges

	2009 £	2008 £
Bank loans and overdrafts	8,093,415	6,949,074
Loans from group companies	123,577	914,583
	<u>8,216,992</u>	<u>7,863,657</u>

CapQuest Investments Limited

Notes to the accounts Year ended 31 March 2009

5. Tax credit on profit on ordinary activities

	2009 £	2008 £
The taxation credit is made up as follows:		
Current UK corporation tax:		
Current year	-	10,000
Deferred tax		
Origination and reversal of timing differences	199,219	339,306
Adjustments to deferred tax assets arising in previous periods	881	14,380
	<u>200,100</u>	<u>363,686</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:

	£	£
Profit on ordinary activities before tax	<u>1,664,210</u>	<u>949,523</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008: 30%)	465,979	284,857
Effect of:		
Permanent differences between expenditures charged	11,512	136,839
Utilised carried forward losses	(199,219)	(339,306)
Group relief	<u>(278,272)</u>	<u>(72,390)</u>
Current tax charge for the year	<u>-</u>	<u>10,000</u>

Reconciliation of deferred tax asset

		Deferred tax £
As at 1 April 2008		200,100
Utilised in the year		(200,100)
		<hr/>
At 31 March 2009		-
		<hr/> <hr/>
	2009 £	2008 £
Deferred tax		
Carried forward losses	-	200,100
	<hr/>	<hr/>
	-	200,100

CapQuest Investments Limited

Notes to the accounts Year ended 31 March 2009

6. Stocks – carrying value of debt portfolios

	2009 £	2008 £
Purchased debt portfolios	48,021,001	49,290,494

7. Debtors

	2009 £	2008 £
Deferred tax asset	-	200,100
Other debtors	311,909	560,951
	<u>311,909</u>	<u>761,051</u>

8. Creditors: amounts falling due within one year

	2009 £	2008 £
Bank loans	21,121,250	24,048,535
Amounts owed to group undertakings	2,383,721	3,620,323
Corporation Tax	-	10,000
Accruals	306,681	780,111
	<u>23,811,652</u>	<u>28,458,969</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. The loan is arranged at a market margin above LIBOR. The Company uses interest rate derivatives to hedge the floating rate as set out in note 1.

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

	2009 £	2008 £
Loans from group undertakings	-	2,494,215
Bank loans	32,578,545	31,144,309
	<u>32,578,545</u>	<u>33,638,524</u>
Maturity of debt:		
In one year or less or on demand	21,121,250	24,048,535
In more than one year but not more than two years	-	2,494,215
In more than two years but not more than five years	32,578,545	31,144,309
	<u>53,699,795</u>	<u>57,687,059</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. The loan is arranged at a market margin above LIBOR. The Company uses interest rate derivatives to hedge the floating rate as set out in note 1. The Company uses interest rate derivatives to hedge the floating rate as set out in note 1.

CapQuest Investments Limited

Notes to the accounts Year ended 31 March 2009

10. Called up share capital

	2009 £	2008 £
<i>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

11. Reconciliation of movements in shareholders' deficit

	2009 £	2008 £
Profit for the year	1,464,110	585,837
Opening shareholders' deficit	(4,469,090)	(5,054,928)
Closing shareholders' deficit	(3,004,980)	(4,469,091)

12. Contingent liabilities

The company entered into a joint and several guarantee on 17 November 2008 with certain fellow group companies in relation to amounts owed to RBS plc, this replaced the guarantee with Barclays Bank plc held since 11 February 2005, and on 19 May 2005 (amended 1 July 2008) in relation to amounts owed to Dresdner Anschutz Mezzinvest S.A.R.L. and NAC.

13. 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 £63,825 (2008: £2,494,215) due to CapQuest Asset Management Limited, and £2,319,896 (2008: £3,620,323) due to CapQuest Debt Recovery Limited. The companies are fellow subsidiary undertakings in the group headed by Blue Ocean Holdings Limited.

14. 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. The largest and smallest group accounts to which this company is consolidated is CapQuest Group Limited.