



Financial statements Financial Processing UK Limited

For the Year Ended 31 March 2011



Company No. 4841153

Company information

Company registration number	4841153
Registered office	Walton House 56-58 Richmond Hill Bournemouth Dorset BH2 6EX
Directors	J Benamor M J Biles M Malki M Robins S Wells
Secretary	J A Bean
Bankers	Royal Bank of Scotland plc Barclays Bank Plc
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor No 1 Dorset Street Southampton Hampshire SO15 2DP

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2011

Principal activities and business review

The principal activity of the company is to lend to customers with impaired credit ratings trading as FLM

Overview

The company's market is the alternative credit market in the UK, which comprises individuals typically denied access to mainstream credit

The company's customer proposition is to offer access to unsecured credit of up to £5,000 through its own products

Performance highlights

- Turnover from continuing operations up 37% to £37.5m
- Operating profit up 26% to £24.0m
- Loan book up by 43% to £103.4m
- Profit for the year, after taxation, amounted to £15.6m

Business review

The company's robust business model and strong credit management has ensured that its businesses have continued to expand and to trade, once again, at record levels

The performance of the FLM loan book has continued to be strong, with arrears being closely controlled and impairment provisions contained at satisfactory levels

Corporate and social responsibility

As part of the Richmond Group the company is part of the development of sound corporate social responsibility programmes. A number of key projects have been developed during recent years some of which are locally focused and others that seek to invest in projects working in the communities in which the company has a large concentration of customers

Results and dividends

The profit for the year, after taxation, amounted to £15,617,195. The directors have not recommended a dividend.

Financial risk management objectives and policies

The principal risks, which could adversely affect the performance of the company and the controls and procedures put in place to mitigate these risks, are as follows

Credit risk

The company has solid experience of controlling credit risk, while growing the customer base, and uses a bespoke, well-documented customer acceptance process. The use of automated collection systems and a proactive approach towards managing arrears has contributed to the very low level of impairment.

Operational risk

The company has dedicated and experienced IT teams, with back up systems that are tested on a regular basis. Significant time and expenditure is invested in ensuring staff are health and safety conscious.

Liquidity and interest rate risk

The Company has a revolving credit facility from its bankers, to meet the demand from customers. Because interest costs represent a relatively small part of the Company's cost base, hedging is not undertaken.

Business risk

A clear company strategy is in place, with new products and processes thoroughly tested before rollout. The company has comprehensive monthly management accounts and an annual budgeting process.

Reputational and regulatory risk

A central in-house team manages compliance, monitors legislative changes and has a constructive dialogue with regulators. Regular customer satisfaction surveys are undertaken. The company invests in a coordinated programme of community involvement.

Directors

The directors who served the company during the year were as follows

J Benamor	
M J Biles	
S Wells	
M Malki	(Appointed 31 January 2011)
M Robins	(Appointed 11 March 2011)
A J Vickery	(Resigned 21 July 2010)

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 United Kingdom Accounting Standards (United Kingdom 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 those 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, 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 the financial statements comply with the Companies Act 2006. 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD



J Benamor
Director
28 July 2011



Independent auditor's report to the member of Financial Processing UK Limited

We have audited the financial statements of Financial Processing UK Limited for the year ended 31 March 2011 which comprise the accounting policies, profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's member, 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 member 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 member 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 pages 4 to 5, 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 and express an opinion on 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 website at www.frc.org.uk/apb/scope/private.cfm.

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 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom 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 report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the member of Financial Processing UK Limited (continued)

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

Grant Thornton UK LLP

STEPHEN MILLS (Senior Statutory Auditor)

For and on behalf of

GRANT THORNTON UK LLP

STATUTORY AUDITOR

CHARTERED ACCOUNTANTS

Southampton

29 July 2011

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements have been prepared on a going concern basis under the historical cost convention. In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of the company's accounting policies. The company's principal accounting policies, which have been consistently applied to all the years presented unless otherwise stated, are set out below

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

Turnover from continuing operations comprises interest income and charges earned. Turnover on customer receivables consists of interest calculated on a daily basis. Penalty charges and other fees are recognised at the time the charges are made to customers

Pensions

The company does not operate any pension schemes

Taxation

The tax charge represents current tax, calculated based on taxable profit for the year using tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Borrowings

Borrowings are classified as current liabilities unless the group or company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Finance costs

Finance costs comprise the interest on bank borrowings.

Amounts receivable from customers

All customer receivables are initially recognised at the amount loaned to the customer plus directly attributable issue costs. After initial recognition, customer receivables are subsequently measured at amortised cost, which is the amount of the customer receivable at initial recognition less customer repayments, plus revenue earned calculated using the effective interest rate, less any deduction for impairment.

The directors assess whether there is objective evidence that customer receivables have been impaired at each balance sheet date. The principal criteria for determining whether there is objective evidence of impairment is arrears in contractual payments, and is based on the payment performance of loans in the previous month, as this is considered to be the most appropriate indicator of credit quality in the loans business. Loans are deemed to be impaired when one or more contractual monthly payments are in arrears at the month end. The amount of impairment loss is calculated on a portfolio basis by reference to arrears stages ranging from an initial 25% provision up to a full 100%. Subsequent cash flows are regularly compared to estimated cash flows to ensure that the estimates are sufficiently accurate for impairment provisioning purposes. Impairment charges are charged to the profit and loss account as part of operating costs.

Profit and loss account

	Note	2011 £	2010 £
Turnover			
Continuing operations		37,499,461	27,327,093
Discontinued operations		—	8,937,308
		<u>37,499,461</u>	<u>36,264,401</u>
Other operating income	1	19,110	24,270
		<u>37,518,571</u>	<u>36,288,671</u>
Operating costs	2	(13,524,788)	(17,273,283)
Operating profit.	3		
Continuing operations		23,993,783	16,122,055
Discontinued operations		—	2,893,333
		<u>23,993,783</u>	<u>19,015,388</u>
Interest receivable	6	133,477	21,219
Interest payable and similar charges	7	(2,551,519)	(1,825,200)
Profit on ordinary activities before taxation		<u>21,575,741</u>	<u>17,211,407</u>
Tax on profit on ordinary activities	8	(5,958,546)	(4,821,357)
Profit for the financial year	17	<u>15,617,195</u>	<u>12,390,050</u>

All of the activities of the company are classed as continuing

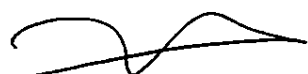
The company has no recognised gains or losses other than the results for the year as set out above

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2011 £	2010 £
Fixed assets			
Investments	10	<u>4</u>	<u>6</u>
Current assets			
Debtors due within one year	11	19,864,270	44,268,999
Debtors due after one year	11	86,081,524	41,533,638
Cash at bank and in hand		7,957,731	2,365,265
		<u>113,903,525</u>	<u>88,167,902</u>
Creditors: amounts falling due within one year	12	8,386,692	64,614,429
		<u>105,516,833</u>	<u>23,553,473</u>
Net current assets			
Total assets less current liabilities		<u>105,516,837</u>	<u>23,553,479</u>
Creditors: amounts falling due after more than one year	13	57,500,000	—
		<u>48,016,837</u>	<u>23,553,479</u>
Capital and reserves			
Called-up equity share capital	16	100	100
Profit and loss account	17	48,016,737	23,553,379
		<u>48,016,837</u>	<u>23,553,479</u>
Shareholder's funds	18		

These financial statements were approved by the directors and authorised for issue on 28 July 2011, and are signed on their behalf by



J Benamor
Director

Company Registration Number 4841153

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Other operating income

	2011 £	2010 £
Continuing operations	<u>19,110</u>	<u>24,270</u>

2 Analysis of operating costs

	Continuing operations £	Discontinued operations £	Total £
Year ended 31 March 2011			
Staff costs	-	-	-
Other operating charges	13,524,788	-	13,524,788
Operating profit	<u>13,524,788</u>	<u>-</u>	<u>13,524,788</u>
Year ended 31 March 2010			
Staff costs	-	2,307,134	2,307,134
Other operating charges	11,329,308	3,736,843	14,966,151
Operating profit	<u>11,229,308</u>	<u>6,043,977</u>	<u>17,273,285</u>

3 Operating profit

Operating profit is stated after charging

	2011 £	2010 £
Auditor's remuneration		
Audit fees	<u>3,000</u>	<u>8,666</u>

Fees paid to the company's auditor for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of the parent company Richmond Group Limited are required to disclose non-audit fees on a consolidated basis

4 Particulars of employees

The aggregate payroll costs of the above were

	2011 £	2010 £
Wages and salaries	–	2,106,531
Social security costs	–	200,603
	<u>–</u>	<u>2,307,134</u>

The company does not have any direct employees, but is a party to an originating agreement and a servicing agreement with other group companies which provide administrative and sales services in relation to the company's business and bear the costs. In the prior year the costs in relation to such employees were recharged and are shown above.

5 Directors

Remuneration in respect of directors was as follows

	2011 £	2010 £
Remuneration receivable	<u>104,566</u>	<u>–</u>

6 Interest receivable

	2011 £	2010 £
Interest from group undertakings	<u>133,477</u>	<u>21,219</u>

7 Interest payable and similar charges

	2011	2010
	£	£
Interest payable on bank borrowing	1,832,093	1,221,124
Interest payable to group undertakings	719,426	604,076
	<u>2,551,519</u>	<u>1,825,200</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2011	2010
	£	£
Current tax		
UK Corporation tax based on the results for the year at 28% (2010 - 28%)	5,958,546	4,821,357
Total current tax	<u>5,958,546</u>	<u>4,821,357</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2010 - 28%)

	2011	2010
	£	£
Profit on ordinary activities before taxation	<u>21,575,741</u>	<u>17,211,407</u>
Profit on ordinary activities by rate of tax	6,041,207	4,819,194
Expenses not deductible for tax purposes	-	2,163
Group relief	(82,661)	-
Total current tax (note 8(a))	<u>5,958,546</u>	<u>4,821,357</u>

9 Dividends

Dividends on shares classed as equity

	2011	2010
	£	£
Paid during the year		
Dividends on equity shares	<u>-</u>	<u>1,500,000</u>

10 Investments

Subsidiary undertakings

	£
Cost	
At 1 April 2010	6
Disposals	(2)
At 31 March 2011	<u>4</u>
Net book value	
At 31 March 2011	<u>4</u>
At 31 March 2010	<u>6</u>

The company transferred its investment in RG Debt Management Services Limited to its parent company, Richmond Group Limited on 1 May 2010

At 31 March 2011 the company owned 100% of the issued ordinary share capital of the companies listed below, both of which were dormant throughout the year

FLM Management Services Limited (formerly FLM001 Limited)
FLM002 Limited

11 Debtors

	2011	2010
	£	£
Amounts receivable from customers	103,434,378	79,496,919
Amounts owed by group undertakings	747,831	6,295,253
Other debtors	173,585	941
Prepayments and accrued income	1,590,000	9,524
	<u>105,945,794</u>	<u>85,802,637</u>

Included in Amounts receivable from customers is an amount of £86,081,524 which is due after more than one year (2010 - £41,533,638)

12 Creditors: amounts falling due within one year

	2011	2010
	£	£
Bank loans	–	43,000,000
Trade creditors	8,890	44,499
Amounts owed to group undertakings	1,816,696	19,975,461
Corporation tax	5,958,547	–
Other taxation and social security	253	253
Other creditors	–	667,840
Directors current accounts	562,943	816,758
Accruals and deferred income	39,363	109,618
	<u>8,386,692</u>	<u>64,614,429</u>

At the end of the prior year the company held client funds, which included amounts received from Debt Management Plan clients which were in the process of being distributed to their respective creditors in accordance with the repayment plan. The amounts held in client accounts and the corresponding amounts included in other creditors amounted to £574,163.

13 Creditors: amounts falling due after more than one year

	2011	2010
	£	£
Bank loans	<u>57,500,000</u>	<u>–</u>

The bank facility runs until September 2013 when it is due for full repayment. The bank facility is secured by a charge over the company's trade debtors and a cross guarantee given by other group companies.

14 Borrowings

Creditors include finance capital which is due for repayment as follows:

	2011	2010
	£	£
Amounts repayable		
In one year or less or on demand	–	43,000,000
In more than one year but not more than two years	57,500,000	–
	<u>57,500,000</u>	<u>43,000,000</u>

15 Related party transactions

As a wholly owned subsidiary of Richmond Group Limited the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by that company, whose consolidated financial statements are publicly available at Companies House.

16 Share capital

Allotted, called up and fully paid

	2011		2010	
	No	£	No	£
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

17 Profit and loss account

	2011	2010
	£	£
Balance brought forward	23,553,379	12,663,329
Profit for the financial year	15,617,195	12,390,050
Equity dividends	–	(1,500,000)
Capital contribution from parent company	8,846,163	–
Balance carried forward	<u>48,016,737</u>	<u>23,553,379</u>

18 Reconciliation of movements in shareholder's funds

	2011	2010
	£	£
Profit for the financial year	15,617,195	12,390,050
Equity dividends	–	(1,500,000)
Capital contribution from parent company	8,846,163	–
Net addition to shareholder's funds	<u>24,463,358</u>	<u>10,890,050</u>
Opening shareholder's funds	<u>23,553,479</u>	<u>12,663,429</u>
Closing shareholder's funds	<u>48,016,837</u>	<u>23,553,479</u>

19 Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking is Richmond Group Limited. The controlling party is Mr J Benamor by virtue of his 100% shareholding in Richmond Group Limited.

Group accounts are prepared by Richmond Group Limited and a copy of the group accounts can be obtained from the registered office, Walton House, 56-58 Richmond Hill, Bournemouth, Dorset BH2 6EX.