

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

UNAUDITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

COMPANY INFORMATION

Director	M D Cunningham
Company secretary	Hazlitt Nominees Limited
Company number	4718090
Registered office	7 Bath Place
Accountants	PKF (UK) LLP Pannell House 6 Queen Street Leeds LS1 2TW

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

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INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2011

The director presents his report and the financial statements for the year ended 30 June 2011

Principal activities

The principal activity of the company during the year was that of a holding company. The group's principal activity during the year was the provision of finance to consumer through personal loans.

Business review

The company's business activities, together with factors likely to affect its future development, performance and position have been considered by the Director. The financial position of the company, its cash flows, liquidity position and borrowing facilities have been described in the notes to the accounts.

As set out in the notes the current economic environment is difficult and the group has reported a loss in the current year. The collection strategy since 2007 to run down the European receivables was predicated on continuing support from Barclays Bank plc ("Barclays") as senior funder to support the continued origination of consumer loans in the United Kingdom. Profits from this business segment and the building of equity in that receivables pool were a critical element to a successful repayment of the Barclays and Investec plc ("Investec") facilities. Effective 31 December 2010 at Barclays' request the group ceased origination in the UK and is now in a collection phase for all receivable pools. Given the costs of maintaining foreign subsidiaries in the Mediterranean region and the reducing account balances in the overall pool, the Director considers that the outlook presents significant challenges in terms of a profitable collection and recovery phase. Measures have been instituted to preserve cash and secure continued support from Barclays and Investec however these circumstances create material uncertainties over future trading and cash flows.

It has previously been noted that the Kirby Distributors in Italy and Spain broke contractual arrangements with the company causing loss in 2007. Litigation was undertaken in the Italian Courts. This action continues and if successful the claims are sufficient to repay liabilities to Barclays and Investec. The Italian legal system is however more challenging than other western judicial systems. Acknowledging this, a Market Place Settlement Agreement was negotiated and signed between the company, certain Kirby Distributors and The Kirby Company in Cleveland America. This agreement contracts to remit to the company €3.2 million, on account of the Distributors contract breach in 2007. The rate of payment under the Agreement was determined by the volume of purchases from the Kirby Factory in respect of the Italian market. The longer this payment takes, means the company suffers further loss in interest and facility charges relating to the amount outstanding.

The company continues to actively collect the remaining receivables and recovery book however it is not originating new loans. Accordingly it continues to preserve capital, reduce overhead and manage the run down to maximise the result for the funding banks. In essence the company no longer trades, it simply collects its assets on balance sheet. Providing continued support is forthcoming from Barclays and Investec this activity will be maintained until collection is complete.

The Director has concluded that the combination of these circumstances mean that it is no longer appropriate for the group to prepare its accounts on a going concern basis. Therefore, the group may be unable to realise its assets and discharge its liabilities in the normal course of business. For these reasons the financial accounts have continued to be prepared on a recovery basis with all loans to subsidiary companies reduced by provision for recovery since June 2009.

Other risks, currently regarded as immaterial, could turn out to be material and all risks have the potential to impact on the business, revenue, profits, assets, liquidity and capital resources adversely.

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 30 JUNE 2011**

Director

The director who served during the year was

M D Cunningham

In preparing this report, the director has taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006

This report was approved by the board on *26th March 2012* and signed on its behalf



M D Cunningham
Director

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The director is 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 group and enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

CHARTERED ACCOUNTANTS' REPORT TO THE DIRECTOR ON THE UNAUDITED FINANCIAL STATEMENTS OF INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

In order to assist you to fulfil your duties under the Companies Act 2006, we have prepared for your approval the financial statements of International Acceptance (Holdings) Limited for the year ended 30 June 2011 which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes from the company's accounting records and from information and explanations you have given us

As a member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at icaew.com/membershandbook

This report is made solely to the director of International Acceptance (Holdings) Limited, as a body, in accordance with the terms of our engagement letter dated 27 November 2009. Our work has been undertaken solely to prepare for your approval the financial statements of International Acceptance (Holdings) Limited and state those matters that we have agreed to state to the director of International Acceptance (Holdings) Limited, as a body, in this report in accordance with AAF 2/10 as detailed at icaew.com/compilation. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than International Acceptance (Holdings) Limited and its director as a body for our work or for this report.

It is your duty to ensure that International Acceptance (Holdings) Limited has kept adequate accounting records and to prepare statutory financial statements that give a true and fair view of the assets, liabilities, financial position and loss of International Acceptance (Holdings) Limited. You consider that International Acceptance (Holdings) Limited is exempt from the statutory audit requirement for the year.

We have not been instructed to carry out an audit or a review of the financial statements of International Acceptance (Holdings) Limited. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

PKF (UK) LLP

**PKF (UK) LLP
Leeds, UK
30 March 2012**

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 £	2010 £
TURNOVER	1	584,728	1,421,455
Administrative expenses		<u>(2,718,066)</u>	<u>(1,855,417)</u>
OPERATING LOSS	3	(2,133,338)	(433,962)
Interest payable and similar charges		<u>(286,551)</u>	<u>(311,160)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,419,889)	(745,122)
Tax on loss on ordinary activities	4	<u>-</u>	<u>(99,343)</u>
LOSS FOR THE FINANCIAL YEAR		<u>(2,419,889)</u>	<u>(844,465)</u>

The notes on pages 9 to 14 form part of these financial statements

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 £	2010 £
LOSS FOR THE FINANCIAL YEAR		(2,419,889)	(844,465)
Other movements in profit and loss reserve		<u>(1,658)</u>	<u>(13,103)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>(2,421,547)</u>	<u>(857,568)</u>

The notes on pages 9 to 14 form part of these financial statements

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED
REGISTERED NUMBER 4718090

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2011

	Note	£	2011 £	2010 £
FIXED ASSETS				
Tangible assets	5		-	32,808
CURRENT ASSETS				
Debtors	7	3,178,969	6,003,123	
Cash at bank and in hand		69,965	82,921	
		<u>3,248,934</u>	<u>6,086,044</u>	
CREDITORS , amounts falling due within one year	8	<u>(8,093,354)</u>	<u>(8,541,725)</u>	
NET CURRENT LIABILITIES			<u>(4,844,420)</u>	<u>(2,455,681)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(4,844,420)</u>	<u>(2,422,873)</u>
CAPITAL AND RESERVES				
Called up share capital	10		200	200
Profit and loss account	11		<u>(4,844,620)</u>	<u>(2,423,073)</u>
SHAREHOLDERS' DEFICIT			<u>(4,844,420)</u>	<u>(2,422,873)</u>

The director considers that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act

The director acknowledges his responsibility for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 30 June 2011 and of its loss for the year then ended in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the Companies Act 2006 relating to the financial statements so far as applicable to the company

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

26 March 2012



M D Cunningham
Director

The notes on pages 9 to 14 form part of these financial statements

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED
REGISTERED NUMBER. 4718090

COMPANY BALANCE SHEET
AS AT 30 JUNE 2011

	Note	£	2011 £	2010 £
FIXED ASSETS				
Investments	6		408,208	408,208
CURRENT ASSETS				
Debtors	7	2,605,225	3,654,105	
Cash at bank		12,391	1,651	
		<u>2,617,616</u>	<u>3,655,756</u>	
CREDITORS amounts falling due within one year	8	<u>(8,612,198)</u>	<u>(8,713,554)</u>	
NET CURRENT LIABILITIES			<u>(5,994,582)</u>	<u>(5,057,798)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(5,586,374)</u>	<u>(4,649,590)</u>
CAPITAL AND RESERVES				
Called up share capital	10		200	200
Profit and loss account	11		<u>(5,586,574)</u>	<u>(4,649,790)</u>
SHAREHOLDERS' DEFICIT			<u>(5,586,374)</u>	<u>(4,649,590)</u>

The director considers that the company is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the company to obtain an audit for the year in question in accordance with section 476 of the Act

The director acknowledges his responsibility for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 30 June 2011 and of its loss for the year then ended in accordance with the requirements of sections 394 and 395 of the Act and which otherwise comply with the requirements of the the Companies Act 2006 relating to the financial statements so far as applicable to the company

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26 March 2012


M D Cunningham
Director

The notes on pages 9 to 14 form part of these financial statements

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

At the balance sheet date the group had net liabilities of £4,844,420 (2010 £2,422,873) and the company net liabilities of £5,586,374 (2010 £4,648,625)

In May 2007 a decision was taken to cease any new business in Italy and Spain and to run down the Group's operations in these markets. Since December 2010 the company has focussed in all territories on the collection of outstanding debts within the group with no new business generated. Effective 31 December 2010 at Barclay's request the company ceased origination in the UK and is now in a collection phase for all receivable pools. Given the costs of maintaining foreign subsidiaries in the Mediterranean region and the reducing account balances in the overall pool the Director considers that the outlook presents significant challenges in terms of a profitable collection and recovery phase. Measures have been instituted to preserve cash and secure continued support from Barclays and Investec however these circumstances create material uncertainties over future trading and cash flows. At the date of signing, the Barclays facility is under a short term extension.

The going concern basis for the preparation of the financial statements is not appropriate and the group is operating in a recovery phase. The financial statements by making provision against recovery of the loans to subsidiaries recognise the recovery basis of the group and the director feels that there are no other adjustments currently required in the financial statements as there would be no significant closure costs and assets are stated at their recoverable amounts.

1.2 Basis of consolidation

The financial statements consolidate the accounts of International Acceptance (Holdings) Limited and all of its subsidiary undertakings ('subsidiaries').

The company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own Profit and loss account.

The loss for the year dealt with in the accounts of the company was £936,784 (2010 - £73,721 profit).

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	20% straight line
Fixtures & fittings	-	20% straight line
Office equipment	-	20% straight line
Computer equipment	-	25% straight line
Software - Lynx	-	33% straight line

1.5 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. ACCOUNTING POLICIES (continued)

1.6 Operating leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.7 Commissions

Commissions payable are capitalised and written off over the expected life of the loans provided

1.8 Loans and advances

Loans and advances are recognised at recoverable amount, after assessing required provisions for impairment. Impairment of a loan is recognised when there is a reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

The loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month. All loans are assessed on an individual basis.

Bad debts are written off when they are 6 months contractually in arrears, death, bankruptcy or skip. No provision for impairment has been recognised, therefore write-offs for bad debts are recognised as expenses in the profit and loss account.

1.9 Subsidiary Income

For the year ended 30 June 2010 there has been a change in accounting policy in respect of the recognition of subsidy income. Subsidy income is the amount paid by the introducer (not the customer) by deducting from settled loans an amount which is disclosed on the contract as a commission payment payable to International Acceptance Limited, a subsidiary company. The subsidy is paid and earned at the time the loan is settled and is only refunded to the introducer in the case of cancellation of the loan in the first 14 days of the loan term. The subsidy represents charge with all economic benefit flowing to International Acceptance Limited at the time of the loan settlement. From 1 July 2009, all income from subsidies has been recognized at the time the loan is settled.

This represents a change in the recognition of income for the purpose of matching income with the period of services. This better reflects the nature of the subsidy transaction. The financial impact of the change of accounting policy for the financial year 30 June 2010 are reducing the unearned subsidy income and increasing revenue by £30,354.

2. TURNOVER

96.0% of the company's turnover (2010 - 60.0%) is attributable to geographical markets outside the United Kingdom.

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3. OPERATING LOSS

The operating loss is stated after charging

	2011 £	2010 £
Depreciation of tangible fixed assets		
- owned by the group	32,808	15,176
Auditor's remuneration	-	15,000
	<u> </u>	<u> </u>

During the year, no director received any emoluments (2010 - £NIL)

4. TAXATION

	2011 £	2010 £
Analysis of tax (credit)/charge in the year		
Deferred tax (see note 9)		
Origination and reversal of timing differences	-	99,343
	<u> </u>	<u> </u>
Tax on loss on ordinary activities	-	99,343
	<u> </u>	<u> </u>

5 TANGIBLE FIXED ASSETS

	Plant & machinery £
Group	
Cost	
At 1 July 2010 and 30 June 2011	398,819
Depreciation	
At 1 July 2010	366,011
Charge for the year	32,808
	<u> </u>
At 30 June 2011	398,819
Net book value	
At 30 June 2011	-
	<u> </u>
At 30 June 2010	32,808
	<u> </u>

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

6. FIXED ASSET INVESTMENTS

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2010 and 30 June 2011	408,208
Net book value	
At 30 June 2011	408,208
At 30 June 2010	408,208

Details of the principal subsidiaries can be found under note number 14

7 DEBTORS

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Due after more than one year				
Trade debtors	-	2,753,048	-	-
Due within one year				
Trade debtors	3,169,309	2,670,661	102,064	-
Amounts owed by group undertakings	-	-	2,503,161	3,654,105
Other debtors	9,660	579,414	-	-
	3,178,969	6,003,123	2,605,225	3,654,105

8. CREDITORS:

Amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Other loans	715,000	715,000	715,000	715,000
Bank loans and overdrafts	7,044,630	7,533,877	7,044,465	7,525,983
Trade creditors	202,535	130,079	-	-
Amounts owed to group undertakings	-	-	852,255	471,514
Corporation tax	-	5,641	-	-
Social security and other taxes	8,196	10,274	-	-
Other creditors	122,993	146,854	478	1,057
	8,093,354	8,541,725	8,612,198	8,713,554

The bank loans of the group are secured on the assets of the group companies

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

9. DEFERRED TAXATION

	<u>Group</u>		<u>Company</u>	
	2011 £	2010 £	2011 £	2010 £
At beginning of year	-	(99,343)	-	(965)
Charge for the year	-	99,343	-	965
At end of year	-	-	-	-

10. SHARE CAPITAL

	2011 £	2010 £
Allotted, called up and fully paid		
200 Ordinary shares of £1 each	200	200

11. RESERVES

Group	Profit and loss account £
At 1 July 2010	(2,423,073)
Loss for the year	(2,419,889)
Other movements	(1,658)
At 30 June 2011	(4,844,620)
Company	Profit and loss account £
At 1 July 2010	(4,649,790)
Loss for the year	(936,784)
At 30 June 2011	(5,586,574)

12. RELATED PARTY TRANSACTIONS

At the year end the company owed £715,000 (2010 - £715,000) to G & C Private Equity Limited, the ultimate controlling party of the company

The company has taken the exemption conferred by FRS8 to not disclose transactions with other group companies

INTERNATIONAL ACCEPTANCE (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

13. CONTROLLING PARTY

The company is controlled by G & C Private Equity Limited, a company registered in Nevis, British West Indies

14. PRINCIPAL SUBSIDIARIES

The company's subsidiary undertakings are listed below. The principal activity of International Acceptance Limited, International Acceptance Finance Limited, International Acceptance Spa and International Acceptance Spain SL is the provision of consumer finance. International Acceptance (Operations) Limited is a service company responsible for the administration of group companies and was previously involved in the brokerage of personal finance products. Evergreen Collections SRL is a company which provides debt collection services.

Company name	Country	Percentage Shareholding	Description
International Acceptance (Operations) Limited	England and Wales	100	Ordinary shares of £1 each
International Acceptance Limited	England and Wales	100	Ordinary shares of £1 each
International Acceptance (Finance) Limited	Ireland	100	Ordinary shares of €1 each
International Acceptance SL	Spain	100	Ordinary shares of €1 each
International Acceptance Spa	Italy	100	Ordinary shares of €1 each
Evergreen Collections SRL	Italy	100	Ordinary shares of €1 each