

**UK MORTGAGE CORPORATION
LIMITED**

Report and Financial Statements

31 March 2003



**Deloitte & Touche LLP
Manchester**

UK MORTGAGE CORPORATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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UK MORTGAGE CORPORATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H N Moser
E B Esterkin

SECRETARY

E B Esterkin

REGISTERED OFFICE

Bentley House
61 Brown Street
Manchester
M2 2XX

BANKERS

Bank of Scotland Corporate Banking
9th Floor
No. 1 Marsden Street
Manchester
M2 1HW

Lloyds TSB
53 King Street
Manchester
M2 4LQ

AUDITORS

Deloitte & Touche LLP
Manchester

UK MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company's principal activity continues to be that of financiers.

The directors consider the performance of the company to be satisfactory and look forward to the future with confidence.

RESULTS AND DIVIDENDS

The audited financial statements are set out on pages 5 to 10. The profit for the year after taxation was £241,874 (2002 - £175,398).

The directors do not propose payment of a dividend (2002 - £nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interest in the share capital of the company are as shown below:

	2003 £	2002 £
E B Esterkin	1	1
H N Moser	1	1
	<u>2</u>	<u>2</u>

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

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



E.B. Esterkin

Secretary

21 April 2004

UK MORTGAGE CORPORATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year 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 accounting standards have been followed;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF UK MORTGAGE CORPORATION LIMITED

We have audited the financial statements of UK Mortgage Corporation Limited for the year ended 31 March 2003 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the statement of accounting policies 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

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Manchester

21 April 2004

UK MORTGAGE CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 March 2003

	Note	2003 £	2002 £
TURNOVER	2	429,876	352,278
Other operating expenses		(22,634)	(5,416)
OPERATING PROFIT		407,242	346,862
Income receivable and similar income	3	6,798	3,615
Interest payable and similar charges	3	(117,880)	(140,243)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	296,160	210,234
Tax on profit on ordinary activities	6	(54,286)	(34,836)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	11	241,874	175,398

All activity arose from continuing operations.

There were no recognised gains or losses in either year other than the profit for the year.

UK MORTGAGE CORPORATION LIMITED

BALANCE SHEET 31 March 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	7	12,000	12,000
CURRENT ASSETS			
Debtors:			
- due within one year	8	2,501,368	1,807,209
- due after one year	8	388,895	395,530
Cash at bank and in hand		57,696	496,915
		2,947,959	2,699,654
CREDITORS: Amounts falling due within one year	9	(2,197,802)	(2,191,371)
NET CURRENT ASSETS		750,157	508,283
TOTAL ASSETS LESS CURRENT LIABILITIES		762,157	520,283
NET ASSETS		762,157	520,283
CAPITAL AND RESERVES			
Called up share capital	10	2	2
Profit and loss account	11	762,155	520,281
EQUITY SHAREHOLDERS' FUNDS	12	762,157	520,283

These financial statements were approved by the Board of Directors on 21 April 2004.

Signed on behalf of the Board of Directors

H.N. Moser
Director



E.B. Esterkin
Director



UK MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS 31 March 2003

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the revaluation of investment properties.

Cash flow statement

As permitted by FRS 1 (Revised 1996), the company has not produced a cash flow statement as it is defined as a small company in accordance with section 246 of the Companies Act 1985.

Turnover

Turnover comprises total interest received and receivable arising on loans to customers outstanding during the year. Turnover also includes rents received and receivable on the investment property.

Investment properties

A valuation of investment properties is made annually as at the balance sheet date by the directors at open market value. Changes in the market value of investment properties are accounted for by way of a movement in revaluation reserve and are included in the statement of total recognised gains and losses unless a deficit (or its reversal) on an individual investment property is expected by the directors to be permanent, in which case the change in market value is charged (credited) to the profit and loss account. On disposal, the cumulative revaluation surpluses or deficits are transferred from the revaluation reserve to the profit and loss account reserve.

In accordance with SSAP 19 no depreciation or amortisation is provided in respect of freehold investment properties and leasehold investment properties with over 20 years to run. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made the profit for the financial year would have decreased by depreciation. However the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual revaluation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Taxation

UK corporation 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 is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

UK MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS 31 March 2003

2. TURNOVER

	2003 £	2002 £
Interest received and receivable	418,060	349,860
Arrangement fees	9,584	-
Rental income	2,232	2,418
	<u>429,876</u>	<u>352,278</u>

3. FINANCE CHARGES (NET)

Investment income

	2003 £	2002 £
Interest receivable and similar income	<u>6,798</u>	<u>3,615</u>

Interest payable and similar charges

	2003 £	2002 £
Bank loans and overdrafts	117,880	120,164
Other loans	-	17,603
Interest on late payment of tax	-	2,476
	<u>117,880</u>	<u>140,243</u>

4. STAFF COSTS

The company had no employees and paid no directors' emoluments during either year.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2003 £	2002 £
Profit on ordinary activities before taxation is stated after charging: Auditors' remuneration	<u>2,500</u>	<u>2,000</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The tax charge comprises:

	2003 £	2002 £
Current tax		
UK corporation tax	56,270	42,047
Adjustments in respect of prior years - UK corporation tax	(1,984)	(7,211)
Total tax on profit on ordinary activities	<u>54,286</u>	<u>34,836</u>

UK MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS

31 March 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

b) The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	296,160	210,234
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002 – 30%)	88,848	63,070
Effects of:		
Small companies tax relief	(32,578)	(21,023)
Adjustments in respect of previous periods	(1,984)	(7,211)
Current tax charge for period (see note 6a)	54,286	34,836

7. TANGIBLE FIXED ASSETS

	Investment properties £
Valuation and net book value	
At beginning and end of year	12,000

The directors have valued the investment properties at an amount equal to their original cost which they consider to be equal to their open market value.

8. DEBTORS

	2003 £	2002 £
Amounts falling due within one year:		
Trade debtors	2,008,398	1,428,824
Amounts owed by related parties	51,594	21,211
Other debtors	1,114	1,372
Prepayments and accrued income	440,262	355,802
	2,501,368	1,807,209
Amounts falling due after one year:		
Trade debtors	388,895	395,530
	2,890,263	2,202,739

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Bank loans and overdrafts	2,000,000	2,000,000
Amounts owed to related parties	132,141	131,461
Current corporation tax	54,779	36,317
Accruals and deferred income	10,882	23,593
	2,197,802	2,191,371

UK MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS 31 March 2003

10. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised 1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

11. PROFIT AND LOSS ACCOUNT

	£
At beginning of year	520,281
Retained profit for the year	<u>241,874</u>
At end of year	<u>762,155</u>

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2003 £	2002 £
Opening equity shareholders' funds	520,283	344,885
Profit for the financial year	<u>241,874</u>	<u>175,398</u>
Closing equity shareholders' funds	<u>762,157</u>	<u>520,283</u>

13. RELATED PARTY TRANSACTIONS

The related party creditors outstanding at the year end relate to £94,211 due to Factfocus Limited, a company within the Jerrold Holdings Group of which H N Moser is the controlling party, and £37,250 due to E.B. Esterkin, a director. There were no transactions with these creditors during the year.

The related party debtors outstanding at the year end relate to £34,239 due from Blemain Finance Limited, £4,025 due from Spot Finance Limited and £13,331 due from Lancashire Mortgage Corporation Limited, all these companies are within the Jerrold Holdings Group. These balances relate to cash received by the three related parties on behalf of UK Mortgage Corporation Limited and represent the total value of related party transactions during the year.

14. ULTIMATE CONTROLLING PARTY

Both H.N. Moser and E.B. Esterkin hold one share in the company, however, E.B. Esterkin holds the controlling vote and is therefore the ultimate controlling party.