

**LANCASHIRE MORTGAGE
CORPORATION LIMITED**

Report and Financial Statements

Year ended 30 June 2005



LANCASHIRE MORTGAGE CORPORATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7

LANCASHIRE MORTGAGE CORPORATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H.N. Moser
G.D. Beckett
M.R. Goldberg
A.J. Grant

SECRETARY

M.J. Ridley (appointed 5 April 2006)

REGISTERED OFFICE

Bracken House
Charles Street
Manchester
M1 7BD

PRINCIPAL BANKERS

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

AUDITORS

Deloitte & Touche LLP
Manchester

LANCASHIRE MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2005.

PRINCIPAL ACTIVITY, REVIEW OF BUSINESS AND FUTURE PROSPECTS

The principal activity of the company continues to be that of financiers.

The directors consider the results for the year to be satisfactory and look forward to the future with confidence.

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 30 June 2005 are set out on pages 5 to 12. The profit for the year after tax was £12,997,762 (2004 - £8,781,691).

The directors do not recommend the payment of a dividend (2004 - £nil).

DIRECTORS AND THEIR INTERESTS


The directors of the company are set out on page 1. All directors served throughout the year.

Mr. H.N. Moser is a director of Jerrold Holdings plc, the ultimate parent company, and his interests in the share capital of that company are disclosed in its financial statements. None of the other directors have interests in the share capital of the company, or any other interests required to be disclosed under Schedule 7 of the Companies Act 1985. No director has, or had any material interest in any contract or agreement entered into by the company during the year.

AUDITORS

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

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



M.J. Ridley
Secretary

27/4/ 2006

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; 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 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 establishing and maintaining 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 LANCASHIRE MORTGAGE CORPORATION LIMITED

We have audited the financial statements of Lancashire Mortgage Corporation Limited for the year ended 30 June 2005 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 17. 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 30 June 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

27 April 2006

LANCASHIRE MORTGAGE CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2005

		2005	2004 (Restated see note 1)
	Note	£	£
TURNOVER			
Cost of sales	2	32,364,704 (523,650)	21,151,276 (443,374)
GROSS PROFIT		31,841,054	20,707,902
Administrative expenses		(5,685,070)	(3,984,932)
OPERATING PROFIT		26,155,984	16,722,970
Interest payable (net)	4	(7,582,428)	(4,171,057)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,573,556	12,551,913
Tax on profit on ordinary activities	6	(5,575,794)	(3,770,222)
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	12,997,762	8,781,691

All activity has arisen from continuing operations.

There were no recognised gains or losses in either year other than the profit for that year then ended and consequently no statement of total recognised gains and losses has been presented.

LANCASHIRE MORTGAGE CORPORATION LIMITED

BALANCE SHEET 30 June 2005

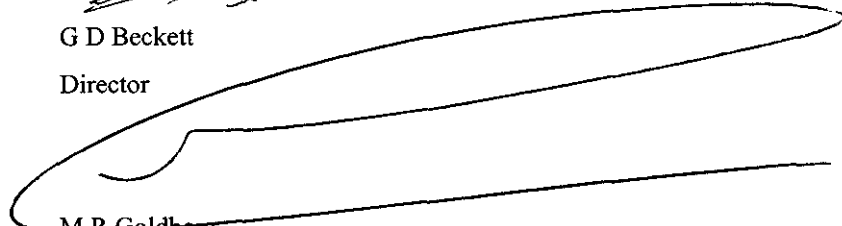
	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	7	-	474
CURRENT ASSETS			
Debtors			
- due within one year	8	164,393,146	92,649,095
- due after one year	8	42,647,066	33,089,069
		<u>207,040,212</u>	<u>125,738,164</u>
CREDITORS: Amounts falling due within one year	9	(168,326,542)	(100,022,730)
NET CURRENT ASSETS		<u>38,713,670</u>	<u>25,715,434</u>
NET ASSETS		<u>38,713,670</u>	<u>25,715,908</u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	38,713,668	25,715,906
EQUITY SHAREHOLDER'S FUNDS	13	<u>38,713,670</u>	<u>25,715,908</u>

These financial statements were approved by the Board of Directors on 27 April 2006.

Signed on behalf of the Board of Directors


G D Beckett

Director


M R Goldberg

Directors

A J Grant

Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

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. They have been applied consistently throughout the current and prior year except as noted below

Accounting convention

The financial statements are prepared under the historical cost convention.

The comparatives have been adjusted to reflect what the directors believe to be a more appropriate classification of certain costs relating to the financing business.

The restatement is summarised as follows:

	Cost of sales 2004 £	Administrative expenses 2004 £
As previously stated	-	4,428,306
Reclassification	443,374	(443,374)
As reclassified	<u>443,374</u>	<u>3,984,932</u>

Tangible fixed assets

Fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual value over their expected useful lives. The principal annual rates used are as follows:

Fixtures and fittings 15% on cost

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2005

1. ACCOUNTING POLICIES (continued)

Turnover and cost of sales

Turnover consists of interest recoverable on loans and commissions income. Interest income is recognised on an accruals basis. Other finance related fees receivable are credited to income when the related service is performed.

Cost of sales includes the direct costs of the financing, including commissions payable.

Bad and doubtful debts

Specific provisions are made when the directors consider that the creditworthiness of a customer has deteriorated so that the recoverability of the advance is in part or in whole doubtful. General provisions are raised to cover losses that are judged to be present in loans and advances at the balance sheet date but which have not been specifically identified as such. Provisions for bad and doubtful debts, along with bad debt write-offs, are charged to operating profit as part of administrative expenses.

2. TURNOVER

	2005 £	2004 £
Loan interest and commissions	32,303,221	21,095,672
Other income	61,483	55,604
	<u>32,364,704</u>	<u>21,151,276</u>

3. STAFF COSTS

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

4. INTEREST PAYABLE (NET)

	2005 £	2004 £
Bank interest receivable	(1,599)	-
Bank loans and overdrafts	7,584,027	4,171,057
	<u>7,582,428</u>	<u>4,171,057</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £	2004 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation on owned assets	474	1,256
Auditor's remuneration		
-audit	-	-
-non audit	10,000	-
	<u>10,474</u>	<u>1,256</u>

In both years the audit fee was borne by another group undertaking.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2005	2004
	£	£
Current tax		
UK corporation tax	5,802,622	3,881,270
Adjustment in respect of prior years		
- UK corporation tax	-	(1,382)
Total current tax	5,802,622	3,879,888
Deferred tax		
Origination and reversal of timing differences	(226,828)	(109,666)
Total deferred tax (see note 10)	(226,828)	(109,666)
Total tax on profit on ordinary activities	5,575,794	3,770,222

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:

	2005	2004
	£	£
Profit on ordinary activities before tax	18,573,556	12,551,913
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004 – 30%)	5,572,067	3,765,574
Effects of:		
Expenses not deductible for tax purposes	3,727	4,799
Capital allowances (less than)/in excess of depreciation	(38)	137
Other timing differences	226,866	110,760
Adjustments to tax charge in respect of previous periods	-	(1,382)
Current tax charge for year	5,802,622	3,879,888

There is no unprovided deferred tax at the year end (2004 - £Nil).

7. TANGIBLE FIXED ASSETS

	Fixtures and fittings
	£
Cost	
At 1 July 2004 and 30 June 2005	9,322
Depreciation	
At 1 July 2004	8,848
Charge for the year	474
At 30 June 2005	9,322
Net book value	
At 30 June 2005	-
At 30 June 2004	474

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

8. DEBTORS

	2005 £	2004 £
Amounts falling due within one year:		
Trade debtors	153,858,906	87,918,402
Prepayments	2,625	-
Other debtors	488,538	410,017
Amounts owed by fellow group undertakings	<u>10,043,077</u>	<u>4,320,676</u>
	164,393,146	92,649,095
Amounts falling due after more than one year:		
Trade debtors	42,057,884	32,726,715
Deferred taxation (see note 10)	<u>589,182</u>	<u>362,354</u>
	42,647,066	33,089,069
	<u>207,040,212</u>	<u>125,738,164</u>

Trade debtors includes an amount of £4,651,160 (2004 - £2,948,088) loaned to August Blake Developments Limited, a related party, on a commercial basis secured on certain assets of that company. It also includes an amount of £2,565,991 (2004 - £1,695,852) loaned to Edgeworth Developments Limited, a related party, on a commercial basis secured on the assets of that company, and £4,047,715. (2004 - £nil) loaned to Sunnywood Estates Limited, a related party, on a commercial basis secured on the assets of that company. H.N. Moser is a director of each company.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank loans and overdrafts	1,734,677	880,430
Other creditors	-	4,510
Amounts owed to fellow group undertakings	160,662,125	95,113,511
Amounts owed to related undertakings	25,339	25,339
Corporation tax	5,802,622	3,881,270
Accruals and deferred income	<u>101,779</u>	<u>117,670</u>
	168,326,542	100,022,730

Amounts owed to related undertakings are in respect of Regency Securities and Investments Limited and UK Mortgage Corporation Limited, companies in which H.N. Moser is a director and shareholder.

The bank overdraft is secured by way of a cross-guarantee amongst all group companies.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2005

10. DEFERRED TAXATION

	£
Balance at 1 July 2004	362,354
Credit to profit and loss account	226,828
	<u>589,182</u>
Balance at 30 June 2005	<u>589,182</u>

The amounts provided in the financial statements comprising full provision are as follows:

	2005	2004
	£	£
Depreciation in advance of capital allowances	539	577
Other timing differences	588,643	361,777
	<u>589,182</u>	<u>362,354</u>

The directors believe that future profits will be sufficient to ensure that the deferred taxation asset is recovered.

11. CALLED UP SHARE CAPITAL

	2005	2004
	£	£
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>

12. PROFIT AND LOSS ACCOUNT

	2005
	£
At 1 July 2004	25,715,906
Retained profit for the financial year	<u>12,997,762</u>
At 30 June 2005	<u>38,713,668</u>

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2005	2004
	£	£
Profit for the financial year	12,997,762	8,781,691
Opening equity shareholder's funds	<u>25,715,908</u>	<u>16,934,217</u>
Closing equity shareholder's funds	<u>38,713,670</u>	<u>25,715,908</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2005

14. CONTINGENT LIABILITY

The company's assets are subject to a fixed and floating charge in respect of £313 million of bank borrowings of the group (2004 - £206 million).

15. CASH FLOW STATEMENT

As permitted by FRS 1 (Revised 1996) "cash flow statements", the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Jerrold Holdings plc which has produced consolidated financial statements that are publicly available.

16. RELATED PARTY TRANSACTIONS

As a subsidiary undertaking of Jerrold Holdings plc, the company has taken advantage of the exemption in FRS 8, "Related party disclosures" not to disclose transactions with other members of the group headed by Jerrold Holdings plc.

17. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary undertaking of Jerrold Holdings plc a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group of which Lancashire Mortgage Corporation Limited is a member, and for which group financial statements are drawn up, is that headed by Jerrold Holdings plc, whose principal place of business is at Bracken House, Charles Street, Manchester, M1 7BD.