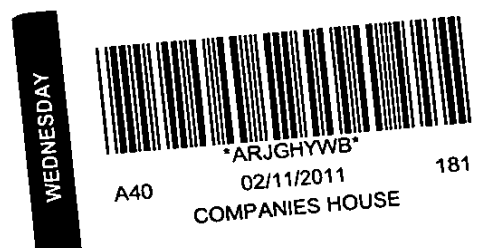


**Company Registration No. 2058813**

**LANCASHIRE MORTGAGE  
CORPORATION LIMITED**

**Report and Financial Statements**

**Year ended 30 June 2011**



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# **LANCASHIRE MORTGAGE CORPORATION LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2011**

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# **LANCASHIRE MORTGAGE CORPORATION LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

H N Moser  
G Bailey  
S P Baker  
S Bean (resigned 3 August 2010)  
G D Beckett  
M R Goldberg  
A J. Grant  
A G Lawton (resigned 3 August 2010)  
M J Ridley (resigned 3 August 2010)  
R Watson

### **SECRETARY**

M J Ridley

### **REGISTERED OFFICE**

Bracken House  
Charles Street  
Manchester  
M1 7BD

### **PRINCIPAL BANKERS**

The Royal Bank of Scotland Plc  
Spinningfields  
Manchester  
M3 3AP

### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester  
M60 2AT

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2011

## ENHANCED BUSINESS REVIEW

The company's principal activity during the year under review continues to be that of financiers. The directors do not expect any significant change to the activities of the company. A number of key performance indicators (KPIs) on performance, position and liquidity are monitored in order to control the business and to plan for future growth.

### *Profitability*

As shown in the company's profit and loss account on page 7, the loss before tax was £5.2m (2010: £5.4m loss) as a result of the continued challenging economic environment that the company is working in.

The directors do not recommend the payment of a dividend (2010: nil).

### *Position*

As shown in the company's balance sheet on page 8, loan book values (classified as trade debtors) have decreased by 6.8% to £363.6m (2010: £390.3m). At the same time, shareholder's funds have fallen by 7.4% to £66.2m (2010: £71.5m).

### *Liquidity*

The ability of the company to service its debts is measured using an interest cover ratio, being profit before tax and interest divided by interest. This is unchanged from the previous year at 0.81 (2010: 0.81) and the shortfall is being serviced from accumulated profit reserves. The company closely monitors its cash position and cash utilisation levels on a regular basis taking into consideration the level of redemption activity, recurring income levels and planned expenditure and advance levels. Where and when required, further facilities are either negotiated or new business levels are adjusted to ensure that sufficient headroom exists at all times.

### *Non-financial KPIs*

The directors monitor certain non-financial KPIs relating to the environment, which are detailed below. In addition, the directors monitor compliance with the Financial Services Authority and Consumer Credit Act regulations, and in particular the level of complaints received.

## PRINCIPAL RISKS AND UNCERTAINTIES

### *Credit risk*

The company is exposed to changes in the economic position of its customers, which may impact adversely on their ability to make loan repayments. The level of risk in this respect is driven by both macro-economic factors, such as levels of consumer indebtedness, as well as by factors relating to specific customers, such as the failure of the business of a corporate customer. Credit risk is managed at loan inception, via stringent underwriting policies with regard to affordability ratios, debt to equity levels and credit risk and throughout the life of the loan, via monitoring of arrears levels, customers' circumstances and debt to equity position.

### *Interest rate risk*

The company is financed by another group company and a revolving securitisation facility (made between Charles Street Conduit Asset Backed Securitisation 1 Limited, as Purchaser, Royal Bank of Scotland plc, as Facility Agent, and Lancashire Mortgage Corporation Limited and other group companies as Originators and Servicers). The group is funded by variable rate facilities. Interest rate risk is managed by the group through the use of hedging instruments.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## DIRECTORS' REPORT (continued)

### PRINCIPAL RISKS AND UNCERTAINTIES (continued)

#### *Liquidity risk*

The company is financed by another group company and a revolving securitisation facility. The group closely monitors its cash position and cash utilisation levels on a regular basis taking into consideration the level of redemption activity, recurring income levels and planned expenditure and advance levels to ensure that sufficient headroom exists at all times.

The securitisation facility is supported by a revolving 364 day liquidity facility which is due for renewal on 11 November 2011. Based on recent successful renewal experience and the lack of receipt of any indication to the contrary from the relevant parties, the directors are of the opinion that the securitised liquidity facility will be renewed substantially in the same form as forecast.

#### *Regulatory risk*

The company undertakes activities which are regulated by the Financial Services Authority and the Office of Fair Trading. The company continues to enhance its quality assurance, compliance and internal audit functions as part of its ongoing focus on developing a robust and effective corporate governance structure. It also uses third party specialist advisors to support its business operations.

#### *Exchange rate risk*

All the company's activities are in sterling and are not subject to exchange rate risk.

### ENVIRONMENT

As the company operates in the financial services sector, its actions do not have a significant environmental impact. However, the company does recognise the importance of the environment and acts to minimise its impact on the environment wherever it can, including recycling and reducing energy consumption.

### STATEMENT OF GOING CONCERN

As set out in the Directors' Responsibilities Statement, in preparing these financial statements the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors of the company have considered the group's forecast funding and liquidity facilities insofar as to the extent to which they might affect the preparation of the company's financial statements on a going concern basis.

Current group funding primarily consists of a £378m drawn syndicated loan facility (made between The Royal Bank of Scotland plc, as Agent and Security Agent, and all of the trading and non trading group subsidiary companies as listed in Note 9 of the Jerrold Holdings Limited accounts) and a £323m drawn revolving securitisation facility (made between Charles Street Conduit Asset Backed Securitisation 1 Limited, as Purchaser, The Royal Bank of Scotland plc as Facility Agent, Blemain Finance Limited, Bridging Finance Limited, Cheshire Mortgage Corporation Limited, Harpmanor Limited, Lancashire Mortgage Corporation Limited and Auction Finance Limited as Originators and Servicers).

The syndicated facility is due for renewal on 9 November 2012. The securitised facility is supported by a revolving 364 day liquidity facility which is due for renewal on 11 November 2011. Based on recent successful renewal experience and the lack of receipt of any indication to the contrary from the relevant parties, the directors are of the opinion that the securitised facility will be renewed substantially in the same form as forecast.

On the basis that the group and company have adequate funding as detailed above, together with the financial position of the company, the directors have a reasonable expectation that, despite the uncertainty in market conditions, the group will have sufficient funding and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the directors of the company have adopted the going concern basis in preparing financial statements.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## DIRECTORS' REPORT (continued)

### DIRECTORS

The directors of the company are set out on page 1. All directors served throughout the year and subsequently, except as noted on page 1.

### DIRECTORS INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### AUDIT INFORMATION

In the case of each of the persons who are directors of the company at the date when this report is approved:

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

This statement is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

### AUDITOR

A resolution to re-appoint Deloitte 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



M J Ridley  
Secretary

27 October

2011

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## **LANCASHIRE MORTGAGE CORPORATION LIMITED**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

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). 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting 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, 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 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.

## **INDEPENDENT AUDITOR'S 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 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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 members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, 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 Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 30 June 2011 and of its loss 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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.



Peter Birch (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Manchester, United Kingdom

30/10/2011



# LANCASHIRE MORTGAGE CORPORATION LIMITED

## PROFIT AND LOSS ACCOUNT

Year ended 30 June 2011

	Note	2011 £	2010 £
<b>TURNOVER</b>	2	27,535,870	27,440,201
Cost of sales		<u>(645,643)</u>	<u>(530,466)</u>
<b>GROSS PROFIT</b>		26,890,227	26,909,735
Administrative expenses		<u>(10,249,728)</u>	<u>(10,045,159)</u>
<b>OPERATING PROFIT</b>		16,640,499	16,864,576
Interest payable and similar charges	4	<u>(21,864,630)</u>	<u>(22,257,582)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	(5,224,131)	(5,393,006)
Tax on loss on ordinary activities	6	<u>(73,901)</u>	<u>(28,735)</u>
<b>RETAINED LOSS FOR THE FINANCIAL YEAR</b>	13	<u><u>(5,298,032)</u></u>	<u><u>(5,421,741)</u></u>

All activity has arisen from continuing operations

There were no recognised gains or losses in either year other than the loss for that year shown above. Accordingly, a separate statement of total recognised gains and losses has not been presented.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## BALANCE SHEET

As at 30 June 2011

	Note	2011 £	2010 £
<b>FIXED ASSETS</b>			
Tangible assets	7	-	-
<b>CURRENT ASSETS</b>			
Debtors			
- due within one year	8	206,983,987	228,751,550
- due after one year	8	157,393,845	162,278,319
Cash at bank and in hand		-	844,443
		<u>364,377,832</u>	<u>391,874,312</u>
<b>CREDITORS: Amounts falling due within one year</b>	9	<u>(73,350,254)</u>	<u>(81,880,275)</u>
<b>NET CURRENT ASSETS</b>		<u>291,027,578</u>	<u>309,994,037</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	10	<u>(224,821,203)</u>	<u>(238,489,630)</u>
<b>NET ASSETS</b>		<u><u>66,206,375</u></u>	<u><u>71,504,407</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	12	2	2
Profit and loss account	13	<u>66,206,373</u>	<u>71,504,405</u>
<b>SHAREHOLDER'S FUNDS</b>	14	<u><u>66,206,375</u></u>	<u><u>71,504,407</u></u>

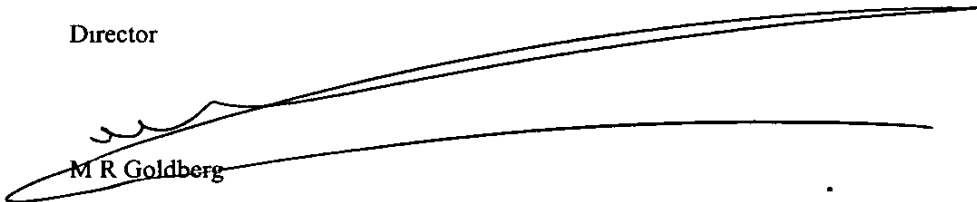
These financial statements were approved by the Board of Directors on 27<sup>th</sup> October 2011

Company Registration No 2058813

Signed on behalf of the Board of Directors

  
G D Beckett

Director

  
M R Goldberg

Director

  
A J Grant

Director

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 30 June 2011

### 1. ACCOUNTING POLICIES

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

#### Accounting convention

The company prepares its accounts under the historic cost convention and on the going concern basis. The directors continue to adopt the going concern basis as disclosed in the Directors' Report - Statement of Going Concern.

#### 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% straight line 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.

#### 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 financing, including commissions payable.

#### Provisions for bad and doubtful debts

Specific provisions are made when the directors consider that the recoverability of the advance is in part or in whole doubtful. Incurred but not reported loss 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.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Year ended 30 June 2011

### 1. ACCOUNTING POLICIES (continued)

#### Loan notes

Loan notes are recognised at amortised cost. Interest and fees payable to the Loan note holders during the financial period are recognised in the profit and loss account over the term of the notes using the effective interest rate method.

#### Interest payable and similar charges

Finance costs of financial liabilities are recognised in the profit and loss account over the term of the facilities at the applicable rates on the carrying amounts in the financial period.

### 2. TURNOVER

Turnover is wholly derived from within the UK and relates to the principal activity of the company.

### 3. STAFF COSTS

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

Directors' emoluments are borne by a fellow subsidiary company of Jerrold Holdings Limited, Blemain Finance Limited. No emoluments were paid by the company to the directors during the year (2010: £nil).

### 4. FINANCE CHARGES

	2011 £	2010 £
<i>Interest payable and similar charges</i>		
Interest payable on intragroup loans	(19,275,589)	(20,138,909)
Discount payable on loan notes	(2,589,041)	(2,118,673)
	<u>(21,864,630)</u>	<u>(22,257,582)</u>

### 5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The audit fee of £959 (2010: £927) was borne by another group undertaking.

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES

The tax charge comprises

	2011 £	2010 £
<b>Current tax</b>		
Adjustment in respect of prior years		
- UK corporation tax	-	(6,270)
<b>Total current tax</b>	-	(6,270)
<b>Deferred tax</b>		
Origination and reversal of timing differences	73,916	28,735
Adjustment in respect of prior years	(15)	6,270
<b>Total deferred tax (see note 11)</b>	<u>73,901</u>	<u>35,005</u>
<b>Total tax on loss on ordinary activities</b>	<u>73,901</u>	<u>28,735</u>

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2011

### 6. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows

	2011 £	2010 £
<b>Loss on ordinary activities before tax</b>	<u>(5,224,131)</u>	<u>(5,393,006)</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 27.5% (2010: 28%)	(1,436,708)	(1,510,042)
Effects of		
Group relief	1,465,065	1,537,704
Expenses not deductible for tax purposes	8,514	1,073
Capital allowances in excess of depreciation	(30)	(35)
Other timing differences	(36,841)	(28,700)
Adjustments to tax charge in respect of previous periods	-	(6,270)
<b>Current tax credit for year</b>	<u>-</u>	<u>(6,270)</u>

The main rate of corporation tax reduced from 28% to 26% from 1 April 2011 resulting in a standard rate of corporation tax for the year to 30 June 2011 of 27.5%

There is no unprovided deferred tax at the year end (2010: £Nil)

### 7. TANGIBLE FIXED ASSETS

	Fixtures and fittings £
<b>Cost</b>	
At 1 July 2010	9,322
Disposals	(9,322)
At 30 June 2011	-
<b>Depreciation</b>	
At 1 July 2010	9,322
Disposals	(9,322)
<b>Net book value</b>	
At 30 June 2010 and 30 June 2011	-

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2011

### 8. DEBTORS

	2011 £	2010 £
Amounts falling due within one year		
Trade debtors	206,705,675	228,550,734
Prepayments	83,590	84,367
Other debtors	194,722	116,449
	<u>206,983,987</u>	<u>228,751,550</u>
Amounts falling due after more than one year		
Trade debtors	156,914,567	161,727,561
Amounts owed by fellow group undertakings	6,376	3,955
Deferred taxation (see note 11)	472,902	546,803
	<u>157,393,845</u>	<u>162,278,319</u>
	<u>364,377,832</u>	<u>391,029,869</u>

Included in trade debtors is £1,270,303 (2010 £2,325,303) loaned to August Blake Developments Limited, £4,976,787 (2010 £3,271,788) loaned to Edgworth Developments Limited and £5,536,023 (2010 £5,930,803) loaned to Sunnywood Estates Limited. H N Moser is a director of each of these companies. All loans are on a commercial basis and secured on the assets of that company.

Included within Trade Debtors are mortgage assets totalling £89,129,801 (2010 £92,556,956) which is funded through a securitisation vehicle.

In the current year, the terms of the intercompany loan were extended, resulting in the balance not being repayable prior to 31 December 2012.

### 9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Bank loans and overdrafts	731,118	-
Loan notes	65,093,201	72,495,690
Trade creditors	4,145	598
Other taxes and social security	474	10
Accruals and deferred income	3,698,331	5,605,974
Other creditors	3,822,985	3,778,003
	<u>73,350,254</u>	<u>81,880,275</u>

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

Loan notes are provided through a securitisation vehicle. They are transacted at market value and carry a fixed rate discount. All loan notes revolve within a three month period and are supported by a revolving 364 day liquidity facility which is due for renewal on 11 November 2011.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2011

### 10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £	2010 £
Amounts owed to group undertakings	224,821,203	238,489,630

Borrowings are repayable as follows

	2011 £	2010 £
Less than one year	65,824,319	72,495,690
Between one and two years	224,821,203	238,489,630
	290,645,522	310,985,320

In the current year, the terms of the intercompany loan were extended, resulting in the balance not being repayable prior to 31 December 2012

### 11. DEFERRED TAXATION

	£
Balance at 1 July 2010	546,803
Charge to profit and loss account	(73,901)
Balance at 30 June 2011	472,902

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

	2011 £	2010 £
Capital allowances in advance of depreciation	114	138
Other timing differences	472,788	546,665
	472,902	546,803

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

### 12. CALLED UP SHARE CAPITAL

	2011 £	2010 £
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
Called up, allotted and fully paid		
2 ordinary shares of £1 each	2	2

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) Year ended 30 June 2011

### 13. PROFIT AND LOSS ACCOUNT

	£
At 1 July 2010	71,504,405
Retained loss for the financial year	(5,298,032)
At 30 June 2011	<u>66,206,373</u>

### 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2011 £	2010 £
Opening shareholder's funds	71,504,407	76,926,148
Loss for the financial year	(5,298,032)	(5,421,741)
Closing shareholder's funds	<u>66,206,375</u>	<u>71,504,407</u>

### 15. CONTINGENT LIABILITY

The company's assets are subject to a fixed and floating charge in respect of £378 million of bank borrowings of the group (2010 £378 million)

### 16. 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 Limited which has produced consolidated financial statements that are publicly available

### 17. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary undertaking of Jerrold Holdings Limited, 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 Limited

Details relating to other related party transactions are contained in note 8 of the accounts

### 18. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary undertaking of Jerrold Holdings Limited, 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 Limited, whose principal place of business is at Bracken House, Charles Street, Manchester, M1 7BD

H N Moser, a director of Jerrold Holdings Limited, and members of his close family, control the company as a result of controlling directly or indirectly 70% of the voting rights of Jerrold Holdings Limited