

Lancashire Mortgage Corporation Limited

Annual report and financial statements
for the year ended 30 June 2002

Registered number: 2058813



DIRECTORS

H.N. Moser

A.J. Grant

G.D. Beckett

C.W. Hacking (resigned 7 November 2001)

M. Goldberg

D.J. Seabridge (appointed 3 September 2001, resigned 1 November 2002)

SECRETARY

G.D. Beckett

REGISTERED OFFICE

Bracken House

Charles Street

Manchester

M1 7BD

AUDITORS

Deloitte & Touche

Manchester

BANKERS

Bank of Scotland

19/21 Spring Gardens

Manchester

M2 1FB

Directors' report

For the year ended 30 June 2002

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 June 2002.

Principal activities and business review

The principal activity of the company continues to be that of financiers. The directors consider the performance and financial position of the company to be satisfactory.

Results and dividends

The audited financial statements for the year ended 30 June 2002 are set out on pages 6 to 15. The profit for the year, after tax was £2,467,534 (2001 - £1,558,742 restated).

The directors do not recommend the payment of a dividend (2001 - £nil).

Directors and their interests

The directors of the company are as set out on page 1.

H.N. Moser is a director of the company's parent company, Blemain Group plc and as such, 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. Statement of directors' responsibilities

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 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, 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 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, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

Payments to suppliers

The company agrees terms and conditions for its transactions with suppliers. Payment is then made, subject to the terms and conditions being met by the supplier.

Auditors

On 31 July 2002 Arthur Andersen resigned as auditors of the company and the directors appointed Deloitte & Touche to fill the casual vacancy. A resolution re-appointing Deloitte & Touche as auditors for the ensuing year will be proposed at the Annual General Meeting.

By order of the Board,



G.D. Beckett
Secretary

29 April 2003

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 2002 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the statement of accounting policies and losses and the related notes numbered 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

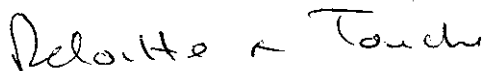
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 June 2002 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors

Manchester

29 April 2003

Profit and loss account

For the year ended 30 June 2002

	Notes	2002 £	2001 Restated £
Turnover	1	7,352,099	4,602,629
Administrative expenses		(1,946,292)	(1,160,832)
Operating profit		5,405,807	3,441,797
Interest payable and similar charges	2	(1,838,440)	(1,235,331)
Profit on ordinary activities before taxation	3	3,567,367	2,206,466
Tax on profit on ordinary activities	5	(1,099,833)	(647,724)
Profit for the financial year	13	2,467,534	1,558,742

All activity has arisen from continuing operations.

The accompanying notes are an integral part of this profit and loss account.

Statement of total recognised gains and losses

For the year ended 30 June 2002


	Notes	2002 £	2001 Restated £
Total recognised gains and losses relating to the year		2,467,534	1,558,742
Prior year adjustment	6	88,667	
Total gains and losses recognised since last annual report and financial statements		2,556,201	

The accompanying notes are an integral part of this statement of total recognised gains and losses.

Balance sheet
30 June 2002

	Notes	2002 £	2001 Restated £
Fixed assets			
Tangible assets	7	3,013	156
Current assets			
Debtors			
- due within one year	8	33,419,418	18,710,532
- due after one year	8	17,326,081	13,114,765
		50,745,499	31,825,297
Creditors: Amounts falling due within one year	9	(38,403,709)	(21,948,184)
Net current assets		12,341,790	9,877,113
Net assets		12,344,803	9,877,269
Capital and reserves			
Called-up share capital	11	2	2
Profit and loss account	12	12,344,801	9,877,267
Equity shareholder's funds	13	12,344,803	9,877,269

The financial statements were approved by the board of directors and signed on its behalf by:


G.D. Beckett
Director


M. Goldberg
Director

29 April 2003

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

30 June 2002

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, except the policy on deferred tax which has been changed, as explained in note 6, to comply with Financial Reporting Standard 19.

Basis of accounting

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

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
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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 substantially 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Statement of accounting policies (continued)

Turnover

Turnover consists of interest received and related commissions on money lending agreements. The interest credit to the profit and loss account is calculated on a straight line basis pro rata to repayments recoverable on an accruals basis.

Notes to financial statements

30 June 2002

1 Turnover

	2002 £	2001 £
Loan interest and commissions	7,352,099	4,602,379
Other income	-	250
	<u>7,352,099</u>	<u>4,602,629</u>

2 Interest payable and similar charges

	2002 £	2001 £
Bank loans and overdrafts	<u>1,838,440</u>	<u>1,235,331</u>

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2002 £	2001 £
Auditors' remuneration	2,738	5,315
Depreciation	<u>810</u>	<u>26</u>

4 Staff costs

The company had no employees and paid no directors' emoluments during the year or prior year.

5 Tax on profit on ordinary activities

The tax charge comprises:

	2002 £	2001 Restated £
Current tax		
UK corporation tax	1,128,006	661,940
Adjustments in respect of previous periods		
- UK corporation tax	<u>28,899</u>	<u>15,076</u>
Total current tax	<u>1,156,905</u>	<u>677,016</u>
Deferred tax		
Origination and reversal of timing differences	<u>(57,072)</u>	<u>(29,292)</u>
Total deferred tax (see note 10)	<u>(57,072)</u>	<u>(29,292)</u>
Total tax on profit on ordinary activities	<u>1,099,833</u>	<u>647,724</u>

Notes to financial statements (continued)

5 Tax on profit 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 profit before tax is as follows.

	2002 £	2001 £
Profit on ordinary activities before tax	3,567,367	2,206,466
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001 - 30%)	1,070,210	661,940
Effects of:		
Expenses not deductible for tax purposes	724	18,595
Capital allowances in excess of depreciation	(183)	278
Other timing differences	57,255	(18,873)
Adjustments to tax charge in respect of previous periods	28,899	15,076
Current tax charge for period	1,156,905	677,016

6 Prior year adjustment

Financial Reporting standard 19 "Deferred Tax" has been adopted for the first time in these results. The adoption of FRS 19 has resulted in a change in accounting policy and a restatement of the prior year's results. FRS 19 deals with the treatment of deferred taxation and, as required by the Standard, full provision has been made for all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in the future.

The effects of this restatement is summarised below:

	2002 £	2001 £
Profit and loss account		
Tax credit on profit on ordinary activities	57,072	29,292
Increase in profit for the financial year	57,072	29,292
Balance sheet		
Deferred tax asset	145,739	88,667
Increase in net assets	145,739	88,667

Notes to financial statements (continued)

7 Tangible fixed assets

	Fixtures and fittings £
Cost	
At beginning of year	5,655
Additions	3,667
At end of year	9,322
Depreciation	
At beginning of year	5,499
Charge for the year	810
At end of year	6,309
Net book value	
At end of year	3,013
At beginning of year	156

8 Debtors

	2002 £	2001 £
Amounts falling due within one year:		
Trade debtors	31,850,556	16,767,048
Other debtors	98,806	53,371
Amounts owed by fellow group undertakings	1,470,056	1,890,113
	33,419,418	18,710,532
Amounts falling due after one year:		
Trade debtors	17,180,342	13,026,098
Deferred taxation (see note 10)	145,739	88,667
	17,326,081	13,114,765
	50,745,499	31,825,297

Trade debtors includes an amount of £2,417,936 loaned to August Blake Developments Limited on a commercial basis secured on certain assets of that company.

Notes to financial statements (continued)

9 Creditors: Amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	11,996,603	979,292
Corporation tax	1,128,005	680,928
Other taxation and social security	403	-
Other creditors	62,511	62,511
Amounts owed to fellow group undertakings	25,069,571	20,081,352
Amounts owed to related undertakings	9,246	8,778
Accruals and deferred income	137,370	135,323
	<u>38,403,709</u>	<u>21,948,184</u>

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.

10 Deferred taxation

	Restated £
Beginning of year	88,667
Credited to profit and loss account	57,072
End of year	<u>145,739</u>

Deferred tax asset is recognised as follows:

	2002 £	2001 Restated £
Accelerated capital allowances	375	558
Other timing differences	145,364	88,109
Deferred tax asset	<u>145,739</u>	<u>88,667</u>

Notes to financial statements (continued)

11 Called-up share capital

	2002 £	2001 £
<i>Authorised</i>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

12 Reserves

	Profit and loss account £
At 30 June 2001 as previously stated	9,788,600
Prior year adjustment (note 6)	<u>88,667</u>
At 30 June 2001 as restated	9,877,267
Retained profit for the financial year	<u>2,467,534</u>
At 30 June 2002	<u>12,344,801</u>

13 Reconciliation of movements in equity shareholder's funds

	2002 £	2001 Restated £
Profit for the financial year	2,467,534	1,558,742
Opening shareholder's funds	<u>9,877,269</u>	<u>8,318,527</u>
Closing shareholder's funds	<u>12,344,803</u>	<u>9,877,269</u>

The opening shareholder's funds at 1 July 2001 as previously reported amounted to £9,788,602 before the prior year adjustment of £88,667 (see note 6).

14 Contingent liability

The company's assets are subject to a fixed and floating charge in respect of £97 million of bank borrowings of the group (2001 - £68.5 million).

Notes to financial statements (continued)

15 Cash flow statement

As permitted by Financial Reporting Standard No. 1, (Revised 1996) the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Blemain Group plc, which has produced consolidated financial statements, which are publicly available.

16 Related party transactions

As a subsidiary undertaking of Blemain Group 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 Blemain Group plc.

During the year the company paid expenses out on behalf of UK Mortgage Corporation Limited of £468 bringing the balance outstanding to £1,752. The balance owed to Regency Securities and Investments Limited remained at £7,494.

During the previous year the company received £17,718 from Sedgewick House Properties Limited clearing the debtor outstanding and paid expenses out on behalf of UK Mortgage Corporation Limited totalling £1,284.

17 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Blemain Group 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 the Blemain Group plc, whose principal place of business is at Bracken House, Charles Street, Manchester M1 7BD.