Mortgage Next Limited

Directors' report and financial statements
For the year ended 30 April 2009

Company registration number: 3175440

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Contents

Directors' report

The directors present their report and financial statements for the year ended 30 April 2009.

Activity
The company's principal activity is the arrangement of mortgage and insurance business. There have been no significant changes in that activity during the year and the directors are not aware of any likely major changes in the forthcoming year.

The company services a network of directly authorised mortgage and insurance brokers.

Results for the year
The company reports a pre-tax loss of £656,476 (2008: £380,622). The company's net assets reduced during the year from £2,777,476 to £887,427.

Principal activities
The principal activity of the company is that of a mortgage intermediary.

The UK housing market has continued to suffer in the recession. With falling house prices and painful economic conditions, the supply and demand for housing, both new-build and old, dropped similarly. The decrease in interest rates to record lows has meant the remortgage market has fallen even more and the contraction in the lending market has meant that there is little appetite for buy-to-let mortgages or indeed anything other than low loan-to-value mortgages. Falling confidence has impacted all businesses involved in the mortgage market.

Early in the year it became clear that this fragile state of affairs would be likely to continue throughout 2009 and well into 2010, although house prices have currently stabilised. Early and very difficult decisions taken by the business to make a number of redundancies in November 2007, July 2008 and December 2008 provided a stronger foundation for stability and profitability.

On 30 April 2009, the company was sold to a new parent, Mortgage Intelligence Holdings Limited ('MIH"), to enable it to be run in tandem with a former competitor, Mortgage Intelligence Limited ("MI"), and strengthened its position further. To consolidate costs, the business's operations were moved from Caterham to Bournemouth, where MI was based; this resulted in further redundancies in May and June of this year.

In a contracting market, both in terms of advisers and networks, these policies appear to be bearing fruit with increases, albeit so far small, in market shares. Key performance indicators include gross profit, which fell from £1.8m in the prior year to £0.6m and cost management. Costs were reduced from £3.6m in the prior year to £2.5m this year.

The business will continue to operate in a highly competitive market, influenced by significant economic and market factors. But the directors are confident that the company has a firm foundation for future success and a strong basis to exploit opportunities that arise in such a market. The strategy and direction of the business will continue to be reviewed on a regular basis, with detailed and timely KPI reporting, in order to mitigate any risk exposure and to exploit managed opportunities.

Principal risk and uncertainty
The principal risk to the business continues to be the underlying strength of the economy as a whole. Furthermore, whilst the company has access to nearly all mortgage lenders, in order to mitigate the risk of individual lenders either withdrawing from the market or reducing the number of products available, it does recognise the potential impact on cash flows of a further significant reduction in the mortgage market as a whole.

Notwithstanding the above, management has prepared forecasts and subjected these to reasonable sensitivity analysis based on current information and this analysis demonstrates that with the continued support of its holding company, the company can maintain a positive cash balance for at least the next twelve months. The company continues to carry no third party debt.

Proposed dividend
The directors have recommended and paid a dividend of £1,157,024 (2008: Nil) during the year.

The directors have proposed a final ordinary dividend in respect of the current financial year of £1.50 per share. This has been included within creditors as it was approved at the year end.

Directors' report *(continued)*

Directors

The directors who held office during the year were as follows:

MP Maynard	(resigned 6 October 2008)
GE Harle	(resigned 30 April 2009)
JC McClurg	(resigned 30 April 2009)
AJ Machin	
CE Black	(resigned 30 April 2009)
SA Laker	(appointed 6 May 2009)
CDF Mills	(appointed 6 May 2009)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

On behalf of the Board:

CDF Mills

29 January 2010

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Mortgage Next Limited

We have audited the financial statements of Mortgage Next Limited for the year ended 30 April 2009 set out on pages 5 to 15. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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 explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 April 2009 and of its loss for the year then ended;
• have been properly prepared in accordance with UK 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.

Karen

Karen T Orr (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW

Date 29 January 2010

Profit and loss account
For the year ended 30 April 2009

	Note	2009 £	2008 £
Turnover	1	2,951,076	10,283,666
Cost of sales		(2,381,180)	(8,524,410)
Gross profit		569,896	1,759,256
Administrative expenses		(2,457,814)	(3,565,889)
		(1,887,918)	(1,806,633)
Other operating income		1,248,936	1,425,965
Operating loss		(638,982)	(380,668)
Interest receivable and similar income	5	2,093	9,418
Interest payable and similar charges	6	(19,587)	(9,372)
Loss on ordinary activities before taxation	2	(656,476)	(380,622)
Tax on (loss) on ordinary activities	7	(1,549)	(46,601)
Loss on ordinary activities after taxation		(658,025)	(427,223)

Continuing operations

None of the company's activities were acquired or discontinued during the current or previous year.

Statement of total recognised gains and losses for the year ended 30 April 2009

The company had no recognised gains or losses other than the loss for the current and previous year.

The notes on page 8 to 15 form part of these financial statements.

Balance sheet
As at 30 April 2009

	Note		2009		2008
		£	£	£	£
Fixed assets					
Tangible assets	8		**92,120**		178,620
Investments	9		**-**		10,000
			92,120		188,620
Current assets					
Debtors (including £1,500,000 (2008:£2,115,674) due after one year)	10	**1,617,060**		4,068,218	
Cash at bank and in hand		**60,226**		197,344	
		1,677,286		4,265,562	
Creditors					
Amounts falling due within one year	11	**(881,979)**		(1,676,706)	
Net current assets			**795,307**		2,588,856
Total assets less current liabilities			**887,427**		2,777,476
Capital and reserves					
Called up share capital	13		**50,000**		50,000
Capital redemption reserve	14		**1**		1
Profit and loss account	14		**837,426**		2,727,475
Total equity shareholders' funds			**887,427**		2,777,476

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

CDF Mills

29 January 2010

The notes on page 8 to 15 form part of these financial statements.

Reconciliation of movements in shareholders' funds
For the year ended 30 April 2009

	2009 £	2008 £
Loss for the financial year	**(658,025)**	(427,223)
Dividends on shares classified in shareholders' funds (note 18)	**(1,232,024)**	-
Net decrease in equity shareholders' funds	**(1,890,049)**	(427,223)
Opening equity shareholders' funds	**2,777,476**	3,204,699
Closing equity shareholders' funds	**887,427**	2,777,476

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Going concern

The financial statements have been prepared on the going concern basis, notwithstanding net assets of £0.9m and a net loss of £0.7m in the year to 30 April 2009. The directors believe this to be appropriate as the company is dependent for its projected working capital on funds provided to it by its immediate parent, Mortgage Intelligence Holdings Limited, who have indicated that for at least 12 months from the date of approval of these financial statements, they will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available. The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Turnover

Turnover represents commission receivable on brokered business. Mortgage commission is earned and recognised at the point the loan provider approves secured lending. Commission earned on the broking of general and life insurance policies is also recognised at the point the insurance provider completes on the policy.

Other operating income

Other operating income represents re-charges to Mortgage Next Network Ltd. These largely consist of staff (note 4) and premises expenses which are re-charged on the basis of mortgage business undertaken by Mortgage Next Network Ltd.

Investments

Investments in subsidiary undertakings are included at cost less amounts written off.

Fixed assets and depreciation

Depreciation of tangible fixed assets has been provided to write off the cost less estimated residual values of tangible fixed assets over their estimated useful lives as follows:

Property improvements	-	Over period of lease
Fixtures and fittings	-	25% reducing balance
Computer equipment (included in fixtures and fittings)	-	25% reducing balance

An impairment loss is recognised whenever the carrying amount of an asset or its income-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account unless it arises on a previously revalued fixed asset.

Taxation

The (credit)/charge for taxation is based on the (loss)/profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

The company provides in full, with no discounting, for deferred taxation on timing differences that result in a current obligation to pay at a future date more, or a right to pay less, tax at rates expected - based on current rates and law - to apply when they crystallize.

Notes *(continued)*

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

Pensions

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company. The amount charged to the profit and loss represents the contribution payable to the scheme in respect of the accounting period.

Cash flow statement

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements. A cash flow statement is prepared by the ultimate parent undertaking, which includes the company.

2 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:	**2009**	2008
	£	£
Depreciation and other amounts written off tangible fixed assets:		
Owned	**46,238**	43,779
Leased	**2,120**	2,120
Other operating leases	**8,705**	19,563
Loss on disposal of fixed assets	**(41,189)**	-
Auditors' remuneration - audit fee	**10,380**	11,600

3 Directors remuneration

	2009	2008
	£	£
Directors' emoluments	**281,129**	484,992
Company contributions to money purchase pension schemes	**25,964**	57,363

	2009	2008
	No.	No.
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**-**	4

	2009	2008
	£	£
The highest paid director received emoluments and benefits as follows:		
Aggregate emoluments	**141,229**	286,585

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2009 No.	2008 No.
Directors	**2**	3
Administrative staff	**30**	66
	32	69

The aggregate payroll costs of these persons were as follows:

	2009 £	2008 £
Wages and salaries	**618,613**	2,465,420
Social security costs	**63,497**	253,062
Other pension costs (note 15)	**25,240**	86,183
	707,350	2,804,665

5 Interest receivable and similar income

	2009 £	2008 £
Bank interest	**2,093**	9,418

6 Interest payable and similar charges

	2009 £	2008 £
Interest on overdue tax	**17,443**	6,900
Leasing	**2,144**	2,472
	19,587	9,372

Notes *(continued)*

7 Taxation

Analysis of the tax (charge)/credit in the year:

	2009		2008	
	£	£	£	£
Current tax				
- current year	-		16,707	
- prior year	(1,549)		(50,786)	
Total current year tax (see below)		(1,549)		(34,079)
Deferred tax				
- origination and reversal of timing differences	-		(12,522)	
Total deferred tax		-		(12,522)
Tax on loss on ordinary activities		(1,549)		(46,601)

Factors affecting the tax credit for the current year

The current tax charge for the year is higher (2008: tax charge – higher) than the standard rate of corporation tax in the UK (2008: 28%). The differences are explained below:

	2009	2008
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	(656,476)	(380,622)
Current tax at 28.0% (2008: 29.8%)	183,813	113,578
Effects of:		
Permanent differences between items affecting tax and accounting profit	(1,618)	(6,292)
Capital allowances for period in excess of depreciation	(22,543)	1,175
Effect of group relief	(5,225)	(4,523)
Adjustments in respect of previous periods	(1,549)	(50,786)
Tax losses carried forward	(155,173)	(97,297)
Other timing differences	746	15,091
Impact of reduction in standard UK rate to 28%	-	(5,025)
Total current tax charge (see above)	(1,549)	(34,079)

Notes *(continued)*

8 Tangible fixed assets

	Property improvements £	Fixtures and Fittings £	Total £
Cost			
At 1 May 2008	30,160	368,661	398,821
Additions	-	927	927
Disposals	(30,160)	(135,065)	(165,225)
At 30 April 2009	**-**	**234,523**	**234,523**
Depreciation			
At 1 May 2008	16,767	203,434	220,201
Charge for year	4,694	41,544	46,238
Disposals	(21,461)	(102,575)	(124,036)
At 30 April 2009	**-**	**142,403**	**142,403**
Net book value			
At 30 April 2009	**-**	**92,120**	**92,120**
At 30 April 2008	13,393	165,227	178,620

Included in the net book value of fixtures and fittings is £4,238 (2008: £6,358) in respect of assets held under finance lease. Depreciation for the year on these assets was £2,120 (2008: £2,120).

9 Fixed asset investments

	Unlisted investments Total £
Cost	
At 1 May 2008	**10,000**
Impairment	**(10,000)**
and 30 April 2009	**-**
Net book value	
At 1 May 2008	**10,000**
and 30 April 2009	**-**

The company's investment at the balance sheet date in the ordinary share capital of a company includes the following:

	% Holding
Mortgage Next Network Ltd: 10,000 ordinary shares of £1 each	100

Nature of business: mortgage and general insurance intermediary.

Notes *(continued)*

10 Debtors

	2009	2008
	£	£
Amounts falling due within one year:		
Trade debtors	**99,389**	378,851
Amounts owed by group undertakings (note 16)	**-**	1,500,000
Other debtors	**6,224**	30,774
Prepayments and accrued income	**11,447**	42,919
	117,060	1,952,544

	2009	2008
Amounts falling due after more than one year:	£	£
Amounts owed by group undertakings (note 16)	**1,500,000**	2,115,674
Aggregate amounts	**1,617,060**	4,068,218

The unsecured loan between the company and Mortgage Next Network Limited has been reclassified as a debtor due after one year on the basis that the conditions for repayment specified in the loan agreement, dated 21 October 2004, are not considered likely to be met within the next 12 months. The loan qualifies as subordinated debt. In accordance with the options within the loan agreement, the company has waived the requirement for interest to be paid.

11 Creditors: amounts falling due within one year

	2009	2008
	£	£
Trade creditors	**171,930**	414,922
Other creditors	**140,881**	26,649
Amounts owed to group undertakings	**409,177**	1,146,445
Other taxation and social security	**25,495**	54,259
Accruals and deferred income	**134,496**	30,816
Finance leases (note 12)	**-**	3,615
	881,979	1,676,706

Other creditors relate to the year end proposed dividend and other amounts owed to the previous group company, Freedom Finance Limited.

12 Creditors: amounts falling due after more than one year

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2009	2008
	£	£
	-	3,615

Notes *(continued)*

13 Called up share capital

	2009	2008
	£	£
Authorised		
50,000 ordinary shares of £1 each	**50,000**	50,000
100 "A" ordinary shares at £1 each	**100**	100
	50,100	50,100
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	**50,000**	50,000

14 Reserves

	Capital redemption reserve	Profit and loss account	Total
	£	£	£
At 1 May 2008	1	2,727,475	2,727,476
Loss for the year	-	(1,890,049)	(1,890,049)
At 30 April 2009	**1**	**837,426**	**837,427**

15 Pension scheme

The company operates two defined contribution pension schemes. The assets are held separately from those of the company in independently administered funds. The pension cost charge for the period represents contributions payable by the company to the funds and amounted to £25,240 (2008: £86,183).

Contributions amounting to £1,435 (2008: £2,664) were payable to the scheme and are included in creditors.

16 Related party disclosures

In 2008, included within debtors under the heading 'amounts owed by group undertakings' was an interest free amount of £2,115,674 owed by Freedom Network Holdings Limited, previously a fellow group company. The debt was settled during this year.

Also included within debtors under the heading 'amounts owed by group undertakings' is an amount of £1,500,000 (2008: £1,500,000) owed by Mortgage Next Network Limited, a 100% subsidiary company.

Included within creditors under the heading 'amounts owed to group undertakings' is current account movements of £409,177 (2008: £610,320) owed to Mortgage Next Network Limited. This debt comprises a combination of net funding advances, recharged expenses and management charges and is subject to a subordinated loan agreement.

In 2008, also within creditors under the heading 'amounts owed to group undertakings' was a loan of £535,000 from Freedom Network Holdings Limited. This debt was settled during the year.

Notes *(continued)*

17 Ultimate parent undertaking

The company is a subsidiary undertaking of JŻ international LLC which is the ultimate parent company incorporated and registered in the USA. Due to the sale of Mortgage Next Limited on 30 April 2009, the smallest group in which the Profit and Loss results of the company are consolidated is that headed by Wilmslow Finance Holdings Limited. The smallest group in which the Balance Sheet of the company is consolidated is that headed by Mortgage Intelligence Holdings Limited. The largest group in which the results are consolidated is that headed by JZI Finance 1 Limited, in which a cash flow statement is prepared. Both companies are incorporated and registered in England and Wales. The consolidated financial statements of these groups are available to the public and may be obtained from Companies House.

The company's immediate parent undertaking is Mortgage Intelligence Holdings Limited, which is incorporated and registered in England. This company is exempt, under section 400 of the Companies Act 2006, from the obligation to prepare group accounts; its financial statements can be obtained from Roddis House, 12 Old Christchurch Road, Bournemouth BH1 1LG.

18 Dividends

The aggregate amount of dividends comprises:

	2009	2008
	£	£
Interim dividends paid in respect of the current year	**1,157,024**	-
Dividends in respect of the year recognised as a liability at the year end	**75,000**	-
	1,232,024	-

19 Subsequent events

On 6 May the company's parent purchased a further company and former competitor, Mortgage Intelligence Limited, in a strategic move to extract synergies and yield the benefits of an enlarged group going forward.