

C3416148

AIRE VALLEY FINANCE plc

REPORT AND ACCOUNTS 2004

Registered number
3416148



Registered Office

Endeavour House
1 Lyonsdown Road
New Barnet
Herts EN5 1HU

Directors' report and financial statements

Contents

Directors' report	3
Statement of directors' responsibilities	4
Independent auditors report to the members of Aire Valley Finance plc	5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-14

Directors' report for the year ended 31 December 2004

Principal activity

The company's principal activity was to hold mortgages secured on residential properties and service loan notes.

Business Review

The results for the year are shown in the profit and loss account on page 6. The result for the year ended 31 December 2004 was a profit after tax of £2,067,568 (2003: £4,058,113).

On 17 November 2004 Aire Valley Finance plc sold all its loan book at book value to Mortgage Express for £223m.

Also on 17 November 2004 the company used the proceeds to redeem its outstanding loan notes.

Dividend

During the year a proposed dividend of £ 2,060,000 was declared (2003: £4,130,000).

Payment policy

Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different arrangements have been agreed with suppliers. It is the policy of the company to abide by the agreed terms of payment.

Directors

The directors who served during the year were as follows:

Peter Michael Hills	(Deceased 12 December 2004)
Bryan Donald Needham	(Resigned 9 July 2004)
Rosemary Prudence Thorne	
Capita Trust Company Limited	(Appointed 9 July 2004)

No director had any interest in the share or loan capital of the company or in the share or loan capital of any other company in the group at any time during the year.

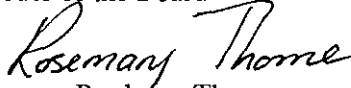
International Financial Reporting Standards

The Spicedeck Limited group, including Aire Valley Finance plc, is implementing International Financial Reporting Standards with effect from 1 January 2005.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board


Rosemary Prudence Thorne
Director

29 July 2005

Statement of directors' responsibilities

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 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 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.

Independent auditor's report to the members of Aire Valley Finance plc

We have audited the financial statements on pages 6 to 14.

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 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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.

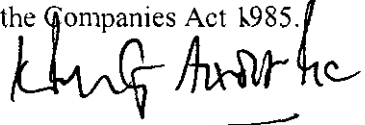
Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

29 July 2005

1 The Embankment
Neville Street
Leeds
LS1 4DW

Profit and loss account for the year ended 31 December

	Notes	2004 £000	2003 £000
Interest receivable		13,604	18,433
Interest payable		(11,051)	(12,929)
Net interest receivable		<u>2,553</u>	<u>5,504</u>
Provision for bad and doubtful debts		100	791
Administrative expenses		(40)	(96)
Profit on ordinary activities before tax	2	<u>2,613</u>	<u>6,199</u>
Tax on profit on ordinary activities	3	(545)	(2,141)
Profit for the financial year after tax		<u>2,068</u>	<u>4,058</u>
Dividend	4	(2,060)	(4,130)
Retained profit/(loss) for the year	12,13	<u><u>8</u></u>	<u><u>(72)</u></u>

The company had no recognised gains or losses other than the current year profits, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation stated above and the historical cost equivalent.

All activities of the company are continuing.

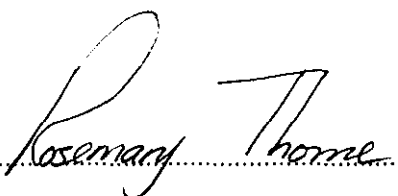
The notes on pages 8 to 14 form part of these financial statements.

Balance sheet at 31 December

	Notes	2004 £000	2003 £000
Current assets			
Mortgage advances falling due within one year		-	4,978
Mortgage advances falling due after one year		-	263,849
Debtors	6	817	520
Cash at bank and in hand		1,276	20,837
		<u>2,093</u>	<u>290,184</u>
Creditors: amounts falling due within one year	7	(2,060)	(16,810)
		<u>33</u>	<u>273,374</u>
Net current assets			
Creditors: amounts falling due after more than one year	8	-	(273,349)
		<u>33</u>	<u>25</u>
Net assets			
Capital and reserves			
Called up share capital	11	12	12
Profit and loss account	12	21	13
Shareholder's funds	13	<u>33</u>	<u>25</u>

The notes on pages 8 to 14 form part of these financial statements.

Approved by the Board on 29 July 2005 and signed on its behalf.

 ROSEMARY P THORNE - Director

Notes to the financial statements for the year ended 31 December 2004

1. Accounting policies

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

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards. The financial statements are prepared on the going concern basis.

Provisions for Bad and Doubtful Debts

Specific provisions are made for advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover losses that, although not yet specified, are known to be present at the year end in any portfolio of advances.

Interest charged to mortgage accounts which are in possession and which is expected to be irrecoverable is written off against interest receivable in the year.

Taxation

Corporation tax and any group relief arising is provided at the current rate on the taxable profit for the period. The charge for taxation is based on 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. Full provision is made for deferred tax in accordance with Financial Reporting Standard No.19 "*Deferred Tax*".

Issue costs

The costs relating to the issue of the floating rate notes were capitalised against the proceeds of the issue and are amortised over the expected economic life of the notes.

Cash flow statement

Under Financial Reporting Standard No.1 (Revised 1996), 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.

Related parties

As permitted by Financial Reporting Standard No.8, the company is exempt from providing full details of its transactions with entities included within the group of its ultimate parent company, Spicedeck Limited, as more than 90% of the company's share capital is held by the group. The consolidated financial statements within which this company is included can be obtained from the address given in note 14.

2. Profit on ordinary activities before tax

	2004 £000	2003 £000
Profit on ordinary profits before tax is stated after crediting:		
Provision for bad and doubtful debts	<u>100</u>	<u>791</u>

Auditor's remuneration for 2004 was borne by the company Mortgage Express and is included within the administration fee paid to Mortgage Express.

3. Tax on profit on ordinary activities

	2004 £000	2003 £000
a) Analysis of charge in the year		
Current tax at 30% (2003 30%)	784	1,623
(Over)/under provision of tax in prior years	<u>(213)</u>	<u>281</u>
Total current tax	<u>571</u>	<u>1,904</u>
Deferred tax (Note 9)		
Origination and reversal of timing differences	<u>(26)</u>	<u>237</u>
Total deferred tax	<u>(26)</u>	<u>237</u>
Tax on profit on ordinary activities	<u>545</u>	<u>2,141</u>

- b) The 2004 current tax charge of £571k (2003:£1,904k) equates to an effective tax rate of 21.8% (2003:30.7%).

This is reconciled to the standard UK rate as follows:

	2004 %	2003 %
Standard rate of corporation tax	30.0	30.0
Effects of:		
Short term timing differences	-	(3.8)
Adjustment to tax charge in respect of previous periods	<u>(8.2)</u>	<u>4.5</u>
Current tax charge for the year	<u>21.8</u>	<u>30.7</u>

4. Dividend

	2004 £000	2003 £000
Final dividend proposed	<u>2,060</u>	<u>4,130</u>

5. Employees' and directors' emoluments

There were no employees during the year and none of the directors received emoluments in respect of their services to the company.

6. Debtors

	2004 £000	2003 £000
Prepayments and accrued interest	-	74
Deferred tax (see note 9)	8	-
Amounts due from group undertakings	-	13
Corporation tax receivable	809	-
Other debtors	-	433
	<u>817</u>	<u>520</u>

7. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts due to note holders (see note 10)	-	8,182
Corporation tax payable	-	1,127
Deferred tax (see note 9)	-	18
Other creditors	-	1,847
Accruals and deferred income	-	1,506
Dividend	2,060	4,130
	<u>2,060</u>	<u>16,810</u>

8. Creditors: amounts falling due after more than one year

AIRE VALLEY FINANCE plc

	2004 £000	2003 £000
Amounts due to note holders (see note 10)	-	273,349
9. Deferred tax asset/(liability)		
	2004 £000	2003 £000
Opening balance	(18)	219
Credit/(Charge)during the year (see note 3)	26	(237)
Closing balance	8	(18)

As at the year end there was no unprovided deferred tax on the only class of deferred tax - mortgage loan general provision (2003:£nil)

10. Floating Rate Notes.

Under the terms of the above FRN issues any shortfalls arising on the redemption or repossession of the mortgage assets, over which the note holders have a floating charge, result in a reduction in the liability under the notes. The reduction in the liability under the notes is in reverse order to the seniority of the FRN's class, resulting in any shortfalls being first allocated against the B notes.

Floating Rate Notes due 2039

Class	Original Cost £000	Repaid £000	C/fwd 31 December 2004 £000
A1	300,000	300,000	-
A2	567,000	567,000	-
A3	68,000	68,000	-
A4	28,500	28,500	-
A5	25,500	25,500	-
B	36,000	36,000	-
	1,025,000	1,025,000	-
		Falling due within one year	-
		after one year	-
			-

The company issued mortgage backed Floating Rate Notes (FRNs) which fall due for repayment in 2039 and bear interest at the following rates over sterling LIBOR as determined quarterly on the 17th day falling in February, May, August and November (or, if such a day is a Saturday or Sunday the next succeeding business day on which banks are open for business in London):

0.14% per annum in relation to the A2 Notes, 0.22% per annum in relation to the A3 Notes, 0.35% per annum in relation to the A4 Notes, 0.6% per annum in relation to the A5 Notes and 2.0% per annum in relation to the B Notes, in each case until the interest payment date falling in November 2004 and thereafter 0.3% per annum in relation to the A2 Notes, 0.45% per annum in relation to the A3 Notes, 0.65% per annum in relation to the A4 Notes and 1.15% per annum in relation to the A5 Notes.

The FRNs outstanding principal balance declines over time as the proceeds from redemption on the mortgage advances are used to repay the note holders, along with accrued interest, on each quarterly interest payment date.

On 17 November 2004 the Company exercised its right to repay the loan notes in full.

11. Called up share capital

	2004 £	2003 £
Authorised		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted and called up		
49,998 Ordinary shares of £1 each 25p paid	12,500	12,500
2 Ordinary shares of £1 each fully paid	<u>2</u>	<u>2</u>
	<u>12,502</u>	<u>12,502</u>

12. Movement on reserves

	2004 Profit and loss account £000	2003 Profit and loss account £000
At the beginning of the year	13	85
Retained profit for the year	8	(72)
At the end of the year	<u>21</u>	<u>13</u>

13. Shareholder's funds

	2004 £000	2003 £000
Profit for the financial year	2,068	4,058
Dividend	<u>(2,060)</u>	<u>(4,130)</u>
Net movement in shareholder's funds	8	(72)
Opening shareholder's funds	<u>25</u>	<u>97</u>
Closing shareholder's funds	<u>33</u>	<u>25</u>

14. Ultimate parent undertaking

The company regarded by the directors as the immediate holding company is Mortgage Express Holdings, which is registered in England and Wales. The company regarded by the directors as the ultimate parent undertaking is Spicedeck Limited, registered in England and Wales, the whole of whose share capital is held by Royal Exchange Trust Company Limited on trust for charitable purposes.

Spicedeck Limited is the parent company of the smallest and largest group of companies for which group accounts are prepared. Copies of these accounts may be obtained from the Secretary, Spicedeck Limited, Endeavour House, 1 Lyonsdown Road, New Barnet, Herts EN5 1HU.