

Swan Mortgages Acquisition Co. Limited

**Directors' report and financial
statements**

Registered number 3887872

For the year ended 28 February 2006

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2006.

Principal activities

The Company's principal activity is that of an intermediate holding company.

Business review

The results for the year are shown in the profit and loss account on page 4.

The result for the year was £Nil (2005: £Nil). The directors do not recommend the payment of a dividend.

Directors and directors' interests

The director who held office during the year was as follows:

KD Allen

KD Allen's interests in the shares of The Swan Group of Companies Limited, the company's parent undertaking and other group companies are disclosed in the financial statements of that company.

By order of the board



KD Allen
Director

Warwick House
737 Warwick Road
Solihull
West Midlands
B91 3DG

20 December 2006

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law they have elected to prepare the financial statements in accordance with UK Accounting Standards, and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 auditors' report to the members of Swan Mortgages Acquisition Co. Limited

We have audited the financial statements of Swan Mortgages Acquisition Co. Limited for the year ended 28 February 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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

As described in the Statement of Directors' Responsibilities on page 2, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2006 and of its result for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor

20 December 2006
Birmingham

Profit and loss account
for the year ended 28 February 2006

The company has received no income or incurred any expenditure during the current or previous year and has therefore incurred neither a profit or a loss.

Recognised gains and losses

The company has no recognised gains and losses and therefore no separate statement of recognised gains and losses has been presented.

Balance sheet
at 28 February 2006

	<i>Note</i>	2006 £000	2005 £000
Fixed assets			
Investments	4	1,055	1,055
Creditors: Amounts falling due within one year	5	(1,245)	(1,245)
Total assets less current liabilities		(190)	(190)
Capital and reserves			
Called up share capital	6	-	-
Profit and loss account	7	(190)	(190)
Equity shareholders' deficit	8	(190)	(190)

These financial statements were approved by the board of directors on 20 December 2006 and were signed on its behalf by:



KD Allen
Director

Notes

(forming part of 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 company's financial statements:

Basis of preparation

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

The company is exempt by virtue of 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group. The results of the group are included in the consolidated accounts of the parent company, The Swan Group of Companies Limited.

Under Financial Reporting Standard ("FRS") 1 (Revised) 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.

Under FRS8, the company is exempt from the requirement to disclose related party transactions with The Swan Group of Companies Limited and its associated undertakings on the basis that it is a wholly-owned subsidiary of The Swan Group of Companies Limited.

2 Result before taxation

All audit fees are paid by The NMB Group Limited.

3 Remuneration of directors and staff costs

None of the directors received any remuneration from the company during the year ended 28 February 2006 (2005: £Nil).

The company had no employees during the year ended 28 February 2006 (2005: Nil).

4 Investments

	2006 £000	2005 £000
Shares at cost	1,055	1,055

The company owns 100% of the issued ordinary share capital of The NMB Group Limited, which is registered in England and Wales. Its principal activity is commercial and residential mortgage lending.

5 Creditors: Amounts falling due within one year

	2006 £000	2005 £000
Amount owed to group undertakings	1,245	1,245

Notes (continued)

6 Called up share capital

	2006 £000	2005 £000
<i>Authorised:</i>		
2,000,100 ordinary shares of 1p each	20	20
	<hr/>	<hr/>
<i>Allotted, called up and fully paid:</i>		
100 ordinary shares of 1p each	-	-
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In addition to the allotted, called up and fully paid shares, there are 2 million share warrants with a par value of 1p each. These warrants are exercisable at par at any time and are owned by KD Allen.

7 Profit and loss account

	Profit and loss account £000
At beginning and end of year	(190)
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8 Reconciliation of movement in shareholders' deficit

	2006 £000	2005 £000
At beginning and end of year	(190)	(190)
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9 Related party disclosures

The company is controlled by The Swan Group of Companies Limited, its ultimate parent company. Being a wholly owned subsidiary it is exempt from the requirements to disclosure transactions with its ultimate parent company and other related companies.

10 Ultimate parent undertaking

The company's immediate and ultimate parent undertaking is The Swan Group of Companies Limited whose principal place of business is Warwick House, 737 Warwick Road, Solihull, England.