

Registration number 04705100

Mortgage Next Network Limited

Directors' Report and Financial Statements

for the Year Ended 31 December 2012



Mortgage Next Network Limited
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Mortgage Next Network Limited
Company Information

Registration Number 04705100

Directors J Clarke
S A Laker
N Stockton
G Turner
G Bell

Company secretary G R Williams

Registered office Roddis House
12 Old Christchurch Road
Bournemouth
BH1 1LG

Independent Auditors PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Mortgage Next Network Limited
Directors' Report for the Year Ended 31 December 2012

The directors present their report and the audited financial statements of Mortgage Next Network Limited (Company number 04705100) for the year ended 31 December 2012

Principal 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 period and the directors are not aware of any likely major changes in the forthcoming year.

The company has a network of appointed representatives and is regulated by the FSA.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the developments, performance or position of the business of Mortgage Next Network Limited.

Results and Business review

The mortgage market continues to be a challenge although the new initiative such as the Funding for Lending Scheme (FLS) offers positive signs. The focus towards the end of 2012 and on-going is to enhance the protection propositions across the network in order to help mitigate the risk of the housing market not performing.

The company reports a pre-tax profit of £252,000 for the 12 months ended 31 Dec 2012 (17 months ended 31 Dec 2011 pre-tax profit of £863,000).

Dividends

The directors do not recommend payment of dividend (2011 Nil).

Financial risk management

The directors consider that the financial risks are the same as those that are relevant to the group. Accordingly these have been disclosed in the Countrywide Holdings, Ltd financial statements.

Going concern

After making enquiries, and in light of a guarantee by Countrywide plc to fund any short term working capital commitments, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the financial statements.

Mortgage Next Network Limited
Directors' Report for the Year Ended 31 December 2012

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Directors of the company

The directors who held office during the year and until the date of this report were as follows

J Clarke

S A Laker

N Stockton

G Turner

G Bell (appointed 14 April 2013)

Indemnification of directors

Qualifying third party provisions (as defined in Section 234 of the Companies Act 2006) were in force during the financial year and also at the date of approval of the financial statements for the benefit of directors and former directors who held office in 2012

Reappointment of auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and in accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

Directors' responsibilities statement

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 the directors have prepared 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 judgements 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,
- 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

Mortgage Next Network Limited
Directors' Report for the Year Ended 31 December 2012

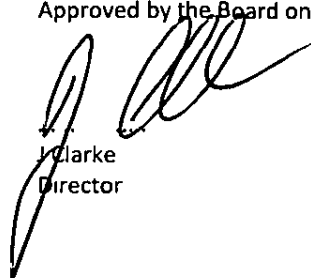
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Statement on disclosure of information to auditors

For persons who were directors at the time this report was prepared, the following applies

- So far as the directors are aware, there is no relevant information of which the company's auditors are unaware, and
- The directors have taken steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of any such information

Approved by the Board on 28 June 2013 and signed on its behalf by



J. Clarke
Director

Mortgage Next Network Limited
Independent Auditors' Report to the Members of
Mortgage Next Network Limited

We have audited the financial statements of Mortgage Next Network Limited for the year ended 31 December 2012, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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).

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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Directors' report and Financial Statements 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 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, 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.

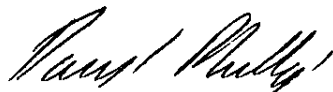
Mortgage Next Network Limited
Independent Auditors' Report to the Members of
Mortgage Next Network Limited

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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



Darryl Phillips (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP,
Chartered Accountants and Statutory Auditors

London

28 June 2013

Mortgage Next Network Limited
Profit and Loss Account for the Year Ended 31 December 2012

		Year ended 31 December 2012 £ 000	1 August 2010 to 31 December 2011 £ 000
	Note		
Turnover		1,178	1,859
Other operating charges		<u>(926)</u>	<u>(996)</u>
Operating profit	3	<u>252</u>	<u>863</u>
Profit on ordinary activities before taxation		252	863
Tax on profit on ordinary activities	4	<u>(89)</u>	<u>59</u>
Profit for the financial year		<u><u>163</u></u>	<u><u>922</u></u>

All amounts shown above are derived from continuing activities

The company has no recognised gains or losses for the year/period other than the results above. 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 and profit for the year/period stated above and their historical costs equivalents.

Mortgage Next Network Limited
(Registration number: 04705100)
Balance Sheet at 31 December 2012

	Note	31 December 2012 £ 000	31 December 2011* £ 000
Fixed assets			
Tangible fixed assets	5	-	18
Current assets			
Debtors	6	1,843	1,251
Cash at bank and in hand		123	417
		1,966	1,668
Creditors Amounts falling due within one year	7	(253)	(482)
Net current assets		1,713	1,186
Total assets less current liabilities		1,713	1,204
Creditors Amounts falling due after more than one year	8	(1,500)	(1,500)
Provisions for liabilities	9	(108)	(62)
Net assets/(liabilities)		105	(358)
Capital and reserves			
Called up share capital	10	310	10
Profit and loss account	11	(205)	(368)
Total shareholders' funds/(deficit)		105	(358)

The financial statements on pages 7 to 18 were approved by the Board of directors on 28 June 2013 and signed on its behalf by:


J Clarke
Director

* Reclassification - see accounting policies

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

1 Accounting policies

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The applicable accounting standards have been consistently applied.

Reclassification

There has been a reclassification of £1,500,000 from "Creditors: Amounts falling due within one year" to "Creditors: Amounts falling due after more than one year". There is no change to the Profit and loss account.

Group financial statements

The company has taken advantage of the exemption from the requirement to prepare group financial statements because it is included in the financial statements of the ultimate parent undertaking, Countrywide Holdings, Ltd, a company registered in the Cayman Islands. The financial statements present information about the company and not about the group.

Cash flow statement

The company's ultimate parent undertaking, Countrywide Holdings, Ltd, publishes a consolidated cash flow statement. A separate cash flow statement for the company is therefore not prepared as the company has taken advantage of the exceptions within FRS 1: Cash flow statements (revised 1996) from preparing a cash flow statement.

Going concern

After making enquiries, and in light of a guarantee from Countrywide plc to fund any short term working capital commitments, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the financial statements.

Turnover

Turnover arises wholly in the UK and represents amounts invoiced, excluding Value Added Tax, in respect of the sale of goods and services to customers. The company receives gross procurement fees from lenders and product providers, and recognises its commission on the gross procurement fee as turnover when it has been reconciled and allocated to a broker. In the directors' view, this is the first point at which the company can make a reliable estimate of income.

The company also charges broker firms and advisers fees for network membership services provided. It recognises the income evenly over the period of network ownership.

Depreciation

Depreciation is calculated to write off the cost of fixed assets on a reduced balance basis over their estimated useful lives. The following rates are used:

Asset class	Depreciation method and rate
Fixtures and fittings	25%

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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1. Accounting policies (Continued)

Deferred tax

The charge for tax is based on the profit and loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain capital and expense items for taxation and accounting purposes. Deferred tax assets and liabilities are recognised in accordance with FRS19 Deferred Taxation. The company has chosen not to discount the deferred tax asset or liability, to reflect the time value of money, as permitted by FRS19. Except where permitted by FRS19, deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax assets are only recognised to the extent that they will be relieved in the foreseeable future.

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.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is immaterial, provisions are discounted to reflect the time value of money, at a pre-tax discount rate that reflects current market assessments and where appropriate, the risk specific to the liability.

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

2 Staff costs

All staff costs incurred in the year were borne by Mortgage Intelligence Limited, a fellow group undertaking, and recharged to Mortgage Next Network Limited through a management fee, within other operating charges

The directors were paid by a fellow group undertaking and as such they do not consider it practical to allocate their remuneration between various group entities and therefore staff costs exclude their remuneration

3 Operating profit

Operating profit is stated after charging

	Year ended 31 December 2012 £ 000	1 August 2010 to 31 December 2011 £ 000
Depreciation of tangible assets	4	10
Loss on sale of tangible fixed assets	14	-
Auditors' remuneration for audit work	7	7
Operating lease rentals		
- land and buildings	<u>1</u>	<u>-</u>

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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4 Tax on profit on ordinary activities

	Year ended 31 December 2012 £ 000	1 August 2010 to 31 December 2011 £ 000
Deferred tax		
Origination and reversal of timing differences	70	(21)
Deferred tax adjustment relating to previous years	19	(38)
Total deferred tax	89	(59)

Factors affecting current tax charge for the year

Tax on profit on ordinary activities for the period is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 24.5% (2011 - 27%)

The differences are reconciled below

	Year ended 31 December 2012 £ 000	1 August 2010 to 31 December 2011 £ 000
Profit on ordinary activities before taxation	252	863
Corporation tax at standard rate	62	233
Accelerated capital allowances	4	3
Loss carried forward	(66)	(236)
Total current tax	-	-

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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4 Tax on profit on ordinary activities (Continued)

The main rate of corporation tax reduced from 26% to 24% from 1 April 2012. A further reduction in the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in Finance Act 2012, enacted on 17 July 2012. Further reductions in the main corporation tax rate of to 21% from 1 April 2014 and 20% from 1 April 2015 are proposed.

Deferred tax

The movement in the deferred tax asset in the year is as follows

Analysis of deferred tax

	31 December 2012 £ 000	31 December 2011 £ 000
Tax losses available	34	123
	<u>34</u>	<u>123</u>

The balances have not been discounted

The directors consider that it is more likely than not that there will be sufficient taxable profit in the future such as to realise the deferred tax assets, and therefore, the asset has been recognised in these financial statements

	£ 000
At 1 January 2012	123
Deferred tax charged to the profit and loss account	<u>(89)</u>
At 31 December 2012	<u>34</u>

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 24.5% and will be taxed at 23% in the future.

The overall effect of the further changes from 23% to 20%, if these applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by £4,000.

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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5 Tangible assets

	Fixtures and Fittings £ 000
Cost or valuation	
At 1 January 2012	79
Disposals	(79)
At 31 December 2012	-
Accumulated depreciation	
At 1 January 2012	61
Charge for the year	4
Eliminated on disposals	(65)
At 31 December 2012	-
Net book value	
At 31 December 2012	-
At 31 December 2011	18

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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6 Debtors

	31 December 2012 £ 000	31 December 2011 £ 000
Trade debtors	120	189
Deferred tax asset	34	124
Amounts owed by group undertakings	1,652	920
Other debtors	16	-
Prepayments and accrued income	21	18
	<u>1,843</u>	<u>1,251</u>

Amounts owed by group undertakings are unsecured, interest free and payable on demand

7 Creditors. Amounts falling due within one year

	31 December 2012 £ 000	31 December 2011 £ 000
Trade creditors	215	182
Amounts owed to group undertakings	-	47
Other taxes and social security	3	1
Other creditors	20	252
Accruals and deferred income	15	-
	<u>253</u>	<u>482</u>

Amounts owed to group undertakings are unsecured and payable on demand

8 Creditors: Amounts falling due after more than one year

	31 December 2012 £ 000	31 December 2011 £ 000
Amounts owed to group undertakings	<u>1,500</u>	<u>1,500</u>

Amounts owed to group undertakings include £1,500,000 (2011 £1,500,000) owed to Mortgage Next Limited, the immediate parent of the company, falling due after more than one year, and is unsecured and interest free

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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9 Provisions for liabilities

	Clawback £ 000	Broker Incentive £ 000	Claims and litigation £000	Total £000
At 1 January 2012	58	4	-	62
Charged to the profit and loss account	48	35	14	97
Utilised during the year	(26)	(25)	-	(51)
At 31 December 2012	<u>80</u>	<u>14</u>	<u>14</u>	<u>108</u>

Clawback provision

The company receives some life assurance commission on terms that part of the commission is repayable if the policy lapses within a certain period from inception. Although a clawback provision is made for the anticipated value of such repayments, there is a contingent liability for further repayments.

Broker Incentive

Provision is in place where appointed brokers are offered an incentive in the way of a lump sum investment each year. The size of the investment is based on the level of business they have generated. The investment is for an agreed number of years and will only be received by the broker if they are still generating business at the time of maturity.

Claims and litigation

Claims and litigation provisions comprise the amounts set aside to meet the claims by customers above the level of any Professional Indemnity insurance excess, the estimation of Incurred But Not Recieved claims and any amounts that may be payable as a result of any legal disputes. The provisions represent the Director's best estimate of the Company's liability having taken professional advice.

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

..... continued

10 Called up share capital

	2012	2011
	£000	£000
Authorised		
310,000 (2011 50,000) ordinary shares of £1 each	<u>310</u>	<u>50</u>
Allotted, called up and fully paid		
310,000 (2011 10,000) ordinary shares of £1 each	<u>310</u>	<u>10</u>

11 Reconciliation of Movement in total shareholders' fund/(deficit) and reserves

	Called up share capital £ 000	Profit and loss account £ 000	Total £000
At 1 January 2012	10	(368)	(358)
Profit for the year	-	163	163
Issue of share capital	<u>300</u>	<u>-</u>	<u>300</u>
At 31 December 2012	<u>310</u>	<u>(205)</u>	<u>105</u>

Mortgage Next Network Limited

Notes to the Financial Statements for the Year Ended 31 December 2012

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12 Related party transactions

The company has taken advantage of the exemption under FRS 8 'Related party transactions' where disclosure is not required on the grounds that it is a wholly owned subsidiary of a group headed by Countrywide Holdings, Ltd, whose financial statements are publicly available

13 Parent and ultimate parent entity

The company's immediate parent company is Mortgage Next Limited Countrywide Holdings, Ltd was the ultimate parent controlling party until 18 March 2013 Following a group restructuring on 18 March 2013 Countrywide plc, a company incorporated in the United Kingdom, became the parent company of the Countrywide Holdings, Ltd Subsequently on 25 March 2013 Countrywide plc was listed on the London Stock Exchange

Countrywide Holdings, Ltd is a company incorporated in the Cayman Islands The largest and smallest consolidated financial statements for the year ended 31 December 2012 which include the results of the company have been prepared by Countrywide Holdings, Ltd These consolidated financial statements are available by request from the Company Secretary of Countrywide plc, 17 Duke Street, Chelmsford, Essex CM1 1HP