

# **Romford Funding Limited**

## **Directors' Report and Financial Statements**

Registered Number 05037532

Year Ended 30 November 2011



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## **Company Information**

### **Directors**

J Barbour  
A Nehra  
T Theobald

### **Company Secretary**

Neptune Secretaries Limited  
T Theobald

### **Registered Office**

95 The Promenade  
Cheltenham  
Gloucestershire  
GL50 1WG

### **Trading Address**

Lutea House  
Warley Hill Business Park  
The Drive, Great Warley  
Brentwood, Essex  
CM13 3BE

### **Solicitors**

Clifford Chance  
10 Upper Bank Street  
London  
E14 5JJ

Wiggin & Co  
95 The Promenade  
Cheltenham  
Gloucestershire  
GL50 1WG

### **Auditors**

KPMG Audit Plc  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

### **Bankers**

Barclays Bank Plc  
One Churchill Place  
London  
E14 5HP

## Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 30 November 2011

### Principal activities and Business Review

The company acts as a vehicle for the short term funding of the commercial mortgage loans originated by the group lenders, Commercial First Mortgages Limited and Commercial First Business Limited. Mortgage loans are held in the company under a term facility with a major bank.

The group has not been actively lending since the collapse of the wholesale and securitisation markets in 2008.

Subsequent to the year end, the group has secured an extension to the arrangement with its creditors to provide working capital for the period to March 2014. The working capital facility cannot be used to fund new mortgages, it does however give the group the ability to seek out new strategic opportunities to generate revenue.

### Results and dividend

The loss for the financial year amounted to £ 2,399,682 (2010 £4,575,912 loss). The directors do not recommend the payment of a dividend (2010 nil).

### Directors

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

Name	Date Appointed	Date Resigned
K R Millward		31/12/2011
M Parrott		31/12/2011
J Barbour	01/11/2011	
A Nehra	01/11/2011	
T Theobald	01/11/2011	

### 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, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

The Company has elected to dispense with the following obligations with effect from 24 February 2005:

- To lay accounts and reports before general meetings
- To hold annual general meetings
- To appoint auditors annually

By order of the board



T Theobald  
Director

Date 28 March 2012



## **Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements**

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 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, 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



## **KPMG Audit Plc**

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

### **Independent auditors' report to the members of Romford Funding Limited.**

We have audited the financial statements of Romford Funding Limited for the year ended 30 November 2011 set out on pages 7 to 14. 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 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 explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 (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 website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **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 November 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom 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.

## **Independent auditors' report to the members of Romford Funding Limited** *(continued)*

### **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

### **Emphasis of matter – going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in the basis of preparation section in note 1 to the financial statements concerning the Group and Company's ability to continue as a going concern

The Group and Company are currently reliant on facilities which expire in March 2014 and to which a number of financial covenants are attached. Deterioration in the performance of the mortgage portfolio may impact on the group's ability to manage its affairs within these covenants and may cause the FSA to cease being satisfied with the capital position of the regulated entity in the group. These conditions, along with the other matters mentioned in note 1, indicate the existence of a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Company were unable to continue as a going concern.



**J L Ellacott (Senior Statutory Auditor)**  
**For and on behalf of KPMG Audit Plc, Statutory Auditor**  
*Chartered Accountants*

KPMG Audit Plc  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

Date 28 March 2012



**Profit and Loss Account**  
*for the year ended 30 November 2011*

	<i>Note</i>	<b>2011 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>2010 £000</b>
Interest receivable and similar income	2		3,970		4,332
Interest payable and similar charges	3		(2,473)		(2,468)
			<hr/>		<hr/>
<b>Net interest income</b>			1,497		1,864
Fees and commissions payable			(368)		(294)
Operating expenses		(901)		(1,304)	
Provision for bad and doubtful debts	5	(2,628)		(4 121)	
		<hr/>		<hr/>	
			(3,529)		(5,425)
			<hr/>		<hr/>
<b>Operating loss on ordinary activities before taxation</b>	4		(2,400)		(3,855)
Tax (charge) / credit on loss on ordinary activities	6		-		(721)
			<hr/>		<hr/>
<b>Retained loss for the year</b>	10		(2,400)		(4,576)
			<hr/>		<hr/>

The results in the above profit and loss account relate entirely to continuing operations

There are no recognised gains and losses other than the loss for the year shown above, accordingly no statement of recognised gains or losses is required

The notes on pages 9 to 14 form part of these financial statements

**Balance Sheet**  
*At 30 November 2011*

	<i>Note</i>	<b>2011 £000</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>2010 £000</b>
<b>Fixed assets</b>					
Mortgage loans	7		72,462		82,646
<b>Current assets</b>					
Debtors	8	1,460		1,708	
Cash at bank and in hand		1,640		1,193	
		<u>          </u>		<u>          </u>	
			3,100		2,901
<b>Total assets</b>			<u><u>75,562</u></u>		<u><u>85,547</u></u>
<b>Capital and reserves</b>					
Called up share capital	9	4,000		4,000	
Profit and loss account	10	(9,470)		(7,070)	
		<u>          </u>		<u>          </u>	
<b>Shareholders' deficits</b>			(5,470)		(3,070)
<b>Creditors</b> amounts falling due within one year	11		81,032		88,617
			<u>          </u>		<u>          </u>
<b>Total equity and liabilities</b>			<u><u>75,562</u></u>		<u><u>85,547</u></u>

The notes on pages 9 to 14 form part of these financial statements

These financial statements were approved by the board of directors on 28 March 2012 and were signed on its behalf by



**T Theobald**  
*Director*

**Company Number: 5037532**

## Notes to the Financial Statements

### 1 Accounting policies

The following accounting policies have been applied 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 accounting standards and under the historical cost accounting rules

#### *Going concern*

As explained in the Report of the Directors the group has secured a new arrangement with its creditors to provide working capital for the period to March 2014. The working capital facility cannot be used to fund new mortgages, it does however give the group the ability to seek out new strategic opportunities to generate revenue.

As part of the new arrangement the company is subject to financial covenants and whilst the directors are confident that the group will operate within the financial covenants during the term of the arrangements, there is still uncertainty in the UK economy which may impact on the group's ability to manage its affairs within the covenants currently in place. The uncertainty over the potential for covenant breach and the impact on capital adequacy as a result of economic conditions indicates the existence of a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

After consideration of the above, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis and the financial statements do not include the adjustments that would result if the Company and the Group were unable to continue as a going concern.

#### *Cash flow*

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a consolidated cash flow statement in the financial statements of the ultimate parent company.

#### *Mortgage loans*

Mortgages loans are stated at cost less provision for doubtful debts. The provision charge in the profit and loss account represents realised losses in the year together with the net change in the provision for potential losses.

#### *Net origination costs deferral*

Net external costs of originating the mortgages loans are deferred and written off over the estimated life of the loan.

#### *Funding costs*

Costs incurred in arranging funding facilities are amortised over the period of the facility. Funding costs amortised are included in interest payable.

#### *Taxation*

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.



## Notes to the Financial Statements *(continued)*

### 1 Accounting policies *(continued)*

#### *Transactions with Related Parties*

The company, as a wholly owned subsidiary undertaking of Commercial First Group Limited has taken advantage of an exemption contained in Financial Reporting Standard 8, "Related Party Disclosures", in preparing its financial statements. This exemption allows the company not to disclose details of transactions with other group companies or investors of the group qualifying as related parties, as the consolidated financial statements of the Commercial First Group Limited in which the company is included are available by application, to the trading address, as disclosed in note 15.

### 2 Interest receivable and similar income

	2011 £000	2010 £000
On mortgage loans	3,970	4,332
	<u>          </u>	<u>          </u>

### 3 Interest payable and similar charges

	2011 £000	2010 £000
On warehouse funding	2,263	2,468
On loan from parent	210	-
	<u>          </u>	<u>          </u>
	2,473	2,468
	<u>          </u>	<u>          </u>

### 4 Operating loss on ordinary activities before taxation

	2011 £000	2010 £000
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Management recharge	867	1,269
	<u>          </u>	<u>          </u>

The company has no employees of its own. Mortgage and company administration services are provided to the company by its parent company, Commercial First Mortgages Limited for which the company receives a recharge.

Auditor's remuneration of £3,500 (2010: £3,500) was paid by the parent company.

None of the directors received emoluments in their capacity as directors of the company.

## Notes to the Financial Statements *(continued)*

### 5 Provision for bad and doubtful debts

	2011 £000	2010 £000
Charge for the year	2,628	4,121
Provision held as a percentage of total mortgage loans	3.63%	8.50%

### 6 Taxation

	2011 £000	2010 £000
Analysis of taxation in year		
<i>UK corporation tax</i>		
Current tax for the year	-	-
Total current tax	-	-
<i>Current year deferred tax</i>		
Current year movement	-	721
Tax charge on loss on ordinary activities	-	721

#### *Factors affecting the tax charge for the current year*

The current tax for the period is lower than the standard rate of corporation tax in the UK (26.66%) (2010: 28%). The differences are explained below:

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(2,400)	(3,855)
Current tax at 26.66% (prior year 28%)	(640)	(1,079)
<i>Effects of</i>		
Expenses not deductible for tax purposes	56	-
Unrecognised deferred tax (see note 13)	584	1,079
Total current tax (see above)	-	-

## Notes to the Financial Statements *(continued)*

### 7 Mortgage loans

	Mortgages £000	Mortgage loss provision £000	Total £000
At 1 December 2010	90,320	(7,674)	82,646
Net movements	(10,264)	80	(10,184)
At 30 November 2011	<u>80,056</u>	<u>(7,594)</u>	<u>72,462</u>

Included in net movements is mortgage interest charged on the loans

### 8 Debtors

	2011 £000	2010 £000
Deferred costs of originations	-	290
Amounts due from group undertakings	1,275	1,275
Other debtors	185	143
	<u>1,460</u>	<u>1,708</u>

### 9 Called up share capital

	2011 £000	2010 £000
<i>Alotted, called up and fully paid</i> 4,000,000 Ordinary shares of £ 1.00 each	<u>4,000</u>	<u>4,000</u>

## Notes to the Financial Statements *(continued)*

### 10 Reconciliation of movements in shareholders' deficits

	Share capital £000	Profit and loss account £000	Total £000
At 1 December 2010	4,000	(7,070)	(3,070)
Retained loss for the year	-	(2,400)	(2,400)
	<hr/>	<hr/>	<hr/>
At 30 November 2011	4,000	(9,470)	(5,470)
	<hr/>	<hr/>	<hr/>

### 11 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Warehouse loan	64,822	77,802
Amounts owed to group undertakings	16,146	10,703
Accruals and deferred income	64	112
	<hr/>	<hr/>
	81,032	88,617
	<hr/>	<hr/>

The warehouse loan is secured on the underlying assets of the company by a fixed and floating charge over the assets of the company. The interest payable on the loan is set by reference to 1 month LIBOR. The loan is repayable from cash generated by the underlying mortgage assets and fully repayable in December 2011. Subsequent to the balance sheet date, as noted in the directors' report and note 14, the facility has been extended to 31<sup>st</sup> March 2014.

The amount owed to group undertaking is unsecured and bears interest at a market rate.

### 12 Contingent liabilities

The company has no contingent liabilities as at 30 November 2011 (30 November 2010: nil).



## Notes to the Financial Statements *(continued)*

### 13 Deferred Taxation

The elements of deferred taxation are as follows

	2011 £000	2010 £000
<b>Recognised</b>		
At 1 December 2010	-	721
De-recognition of prior year deferred tax	-	(721)
	<hr/>	<hr/>
At 30 November 2011	-	-
	<hr/>	<hr/>
<b>Unrecognised</b>		
At 1 December 2010	1,789	55
Effect of corporation tax rate change	(132)	(2)
Short term timing differences	547	1,015
Deferred tax previously recognised	-	721
	<hr/>	<hr/>
At 30 November 2011	2,204	1,789
	<hr/>	<hr/>

As at 30 November 2011, deferred tax asset of £2,204,328 has not been recognised on the ground that there is uncertainty over recoverability against future profits

### 14 Post balance sheet events

As noted in the directors' report, the group has entered into an extension of the working capital facility with the group's main creditors. Under the terms of this agreement, the group will have access to sufficient funds to meet the group's working capital requirements to 31 March 2014 whereupon there will be a further review. There are performance criteria built into the facility but the directors are confident that they will be able to operate within these criteria.

As part of the agreement the facility to the company to fund the portfolio has also been extended to 31 March 2014.

### 15 Ultimate parent company

The results of the company are consolidated within the financial statements of Commercial First Group Limited, a company incorporated in England. This company is the ultimate parent undertaking. The consolidated financial statements of this company are available by application, from the Company Secretary, Lutea House, Warley Hill Business Park, The Drive, Great Warley, Brentwood, Essex CM13 3BE.