Romford Funding Limited

Directors' Report and Financial Statements

Registered Number 05037532

Year Ended 30 November 2012

Contents

Company Information

Directors
J Barbour
A Nehra
T Theobald

Company Secretary
Neptune Secretaries Limited
T Theobald

Registered Office
Jessop House, Jessop Avenue
Cheltenham
Gloucestershire
GL50 3WG

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
Jessop house, Jessop Avenue
Cheltenham
Gloucestershire
GL50 3WG

Auditor
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 2012

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 Company's main creditor has sold its debt position to a third party The third party remains bound by the terms and conditions of the original facility 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 £ 6,074,780 (2011 £2,399,682 loss) The directors do not recommend the payment of a dividend (2011 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		
A Nehra		
T Theobald		

Disclosure of information to auditor

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

Auditor

KPMG Audit Plc has expressed willingness to continue in office 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 31 January 2013

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

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

Independent Auditor's Report to the Members of Romford Funding Limited.

We have audited the financial statements of Romford Funding Limited for the year ended 30 November 2012 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 auditor

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 Financial Reporting Council's website at www frc org uk/auditscopeukprivate

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 2012 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 Auditor's 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 Company's ability to continue as a going concern

The Company is currently reliant on group wide 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 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 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 31 January 2013

Profit and Loss Account
for the year ended 30 November 2012

	Note	**2012 £000**	**2012 £000**	2011 £000	2011 £000
Interest receivable and similar income	2		**3,485**		3,970
Interest payable and similar charges	3		**(3,259)**		(2,473)
Net interest income			**226**		1,497
Fees and commissions payable			**(135)**		(368)
Operating expenses		**(1,248)**		(901)	
Provision for bad and doubtful debts	5	**(4,918)**		(2,628)	
			(6,166)		(3,529)
Operating loss on ordinary activities before taxation	4		**(6,075)**		(2,400)
Tax (charge) / credit on loss on ordinary activities	6		-		-
Retained loss for the year	10		**(6,075)**		(2,400)

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 2012

	Note	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Mortgage loans	7		61,364		72,462
Current assets					
Debtors	8	183		1,460	
Cash at bank and in hand		1,228		1,640	
			1,411		3,100
Total assets			62,775		75,562
Capital and reserves					
Called up share capital	9	4,000		4,000	
Profit and loss account	10	(15,545)		(9,470)	
Shareholders' deficits			(11,545)		(5,470)
Creditors amounts falling due within one year	11		23,232		81,032
Creditors amounts falling due after one year	12		51,088		-
Total equity and liabilities			62,775		75,562

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

These financial statements were approved by the board of directors on 31 January 2013 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, of which the Company is a part, has secured a new arrangement with its creditors that expires on 31 March 2014 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 and deterioration in the performance of the mortgage portfolio may impact on the Group's ability to manage its affairs within the covenants currently in place Continued difficult conditions in the UK economy could lead to a deterioration in the level of arrears over and above the directors' current forecast, this could impact compliance with covenants 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 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 *(contınued)*

1 Accountıng polıcıes *(contınued)*

Transactions with Related Partıes

The company, as a wholly owned subsıdıary undertakıng of Commercıal Fırst Group Lımıted has taken advantage of an exemptıon contaıned ın Fınancıal Reportıng Standard 8, "Related Party Dısclosures", ın preparıng ıts fınancıal statements Thıs exemptıon allows the company not to dısclose detaıls of transactıons wıth other group companıes or ınvestors of the group qualıfyıng as related partıes, as the consolıdated fınancıal statements of the Commercıal Fırst Group Lımıted ın whıch the company ıs ıncluded are avaılable by applıcatıon, to the tradıng address, as dısclosed ın note 15

2 Interest receıvable and sımılar ıncome

	2012	2011
	£000	£000
On mortgage loans	**3,485**	3,970

3 Interest payable and sımılar charges

	2012	2011
	£000	£000
On warehouse fundıng	**2,986**	2,263
On loan from parent	**273**	210
	3,259	2,473

4 Operatıng loss on ordınary actıvıtıes before taxatıon

	2012	2011
	£000	£000
Loss on ordınary actıvıtıes before taxatıon ıs stated after chargıng		
Management recharge	-	867
Admınıstratıon charge	**1,238**	-

The company has no employees of ıts own Mortgage and company admınıstratıon servıces are provıded to the company by ıts parent company, Commercıal Fırst Mortgages Lımıted prıor to the current year thıs has been recharged as a management, however these servıces are now captured ın the admınıstratıon fee charged by the parent company for the admınıstratıon of the portfolıo

Audıtor's remuneratıon of £3,500 (2011 £3,500) was paıd by the parent company

None of the dırectors receıved emoluments ın theır capacıty as dırectors of the company

Notes to the Financial Statements *(continued)*

5 Provision for bad and doubtful debts

	2012	2011
	£000	£000
Charge for the year	**4,918**	2,628
Provision held as a percentage of total mortgage loans	**8 01%**	3 63%

6 Taxation

Analysis of taxation in year	2012	2011
	£000	£000
UK corporation tax		
Current tax for the year	-	-
Total current tax	-	-
Current year deferred tax		
Current year movement	-	-
Tax charge on loss on ordinary activities	-	-

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 (24 66%) (2011 26 66%) The differences are explained below

	2012	2011
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(6,075)**	(2,400)
Current tax at 24 66% (prior year 26 66%)	**(1,498)**	(640)
Effects of		
Expenses not deductible for tax purposes	**67**	56
Unrecognised deferred tax (see note 14)	**1,431**	584
Total current tax (see above)	-	-

Notes to the Financial Statements *(continued)*

7 Mortgage loans

	Mortgages	Mortgage loss provision	Total
	£000	£000	£000
At 1 December 2011	80,056	(7,594)	72,462
Net movements	**(8,759)**	**(2,339)**	**(11,098)**
At 30 November 2012	**71,297**	**(9,933)**	**61,364**

Included in net movements is mortgage interest charged on the loans

8 Debtors

	2012	2011
	£000	£000
Deferred costs of originations	-	-
Amounts due from group undertakings	**2**	1,275
Other debtors	**181**	185
	183	1,460

9 Called up share capital

	2012	2011
	£000	£000
Allotted, called up and fully paid		
4,000,000 Ordinary shares of £ 1 00 each	**4,000**	4,000

Notes to the Financial Statements *(contınued)*

10 Reconcılıatıon of movements ın shareholders' deficıts

	Share capıtal £000	Profit and loss account £000	Total £000
At 1 December 2011	4,000	(9,470)	(5,470)
Retaıned loss for the year	-	**(6,075)**	**(6,075)**
At 30 November 2012	**4,000**	**(15,545)**	**(11,545)**

11 Credıtors amounts fallıng due wıthın one year

	2012 £000	2011 £000
Warehouse loan	-	64,822
Amounts owed to group undertakıngs	**23,171**	16,146
Accruals and deferred ıncome	**61**	64
	23,232	81,032

The amount owed to group undertakıng ıs unsecured and bears ınterest at a market rate

The warehouse loan ıs secured on the underlyıng assets of the company by a fixed and floatıng charge over the assets of the company The ınterest payable on the loan ıs set by reference to 1 month LIBOR The loan ıs repayable from cash generated by the underlyıng mortgage assets and the facılıty has been extended to 31st March 2014

12 Credıtors amounts fallıng due after one year

	2012 £000	2011 £000
Warehouse loan	**51,088**	-
	51,088	-

The warehouse loan ıs secured on the underlyıng assets of the company by a fixed and floatıng charge over the assets of the company The ınterest payable on the loan ıs set by reference to 1 month LIBOR The loan ıs repayable from cash generated by the underlyıng mortgage assets and the facılıty has been extended to 31st March 2014

13 Contingent liabilities

The company has no contingent liabilities as at 30 November 2012 (30 November 2011 nil)

14 Deferred Taxation

The elements of deferred taxation are as follows

	2012	2011
	£000	£000
Unrecognised		
At 1 December 2011	**2,204**	1,789
Effect of corporation tax rate change	**(176)**	(132)
Short term timing differences	**1,334**	547
At 30 November 2012	**3,362**	2,204

As at 30 November 2012, deferred tax asset of £3,362,464 has not been recognised on the grounds that there is uncertainty over recoverability against future profits

15 Post Balance Sheet events

Subsequent to the end of the year the Company's major creditor sold its position to a third party The third party remains bound by the terms and conditions of the original facility and the expiry date of March 2014

16 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