

REPORT OF THE AUDITORS TO THE DIRECTORS OF  
LANCASHIRE MORTGAGE CORPORATION LIMITED  
IN ACCORDANCE WITH PARAGRAPH 10 OF SCHEDULE 8  
OF THE COMPANIES ACT 1985

2058813

In our opinion the directors are entitled under Sections 247-249 of the Companies Act 1985 to deliver modified accounts in respect of the year ended 31st December 1988 and the modified accounts on pages 2 and 3 have been properly prepared in accordance with Schedule 8 of that Act.

On 5th May 1989 we reported as auditors of Lancashire Mortgage Corporation Limited to the members on the company's financial statements prepared under Section 227 of the Companies Act 1985 for the year ended 31st December 1988 and our audit opinion was as follows:-

"We have audited the financial statements on pages 3 to 8. Our audit was conducted in accordance with approved Auditing Standards having regard to the matters referred to in the following paragraph.

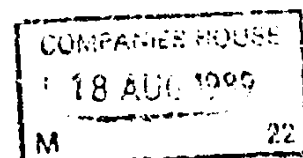
In common with many businesses of similar size and organisation, the company's system of control is dependent upon the close involvement of the directors who are major shareholders. Where independent confirmation of the completeness of the accounting records was therefore not available, we have accepted assurances from the directors that all the company's transactions have been reflected in the accounting records.

Subject to the foregoing, in our opinion the financial statements which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31st December 1988 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985."

Date: 5. May 1989

Smith Partnership

Chartered Accountants,  
Midland Bank Chambers,  
26 Cross Street,  
Manchester, M2 1ND.

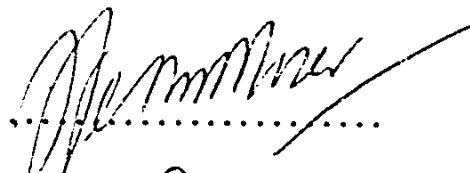



LANCASHIRE MORTGAGE CORPORATION LIMITED

MODIFIED BALANCE SHEET AS AT 31st DECEMBER 1988

		<u>1988</u>	<u>1987</u>
	<u>Notes</u>	£	£
<u>CURRENT ASSETS</u>			
Debtors		4,408,831	274,448
<u>CREDITORS:</u> Amounts falling due within one year	2	3,522,929	272,379
<u>NET CURRENT ASSETS</u>		885,902	2,069
<u>CREDITORS:</u> Amounts falling due after more than one year	3	706,853	-
		<u>179,049</u>	<u>2,069</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	4	2	2
Profit & Loss Account		179,047	2,067
		<u>179,049</u>	<u>2,069</u>

We have relied on Sections 247-249 of the Companies Act 1985 as entitling us to deliver modified accounts on the ground that the company is entitled to the benefit of those sections as a small sized company.

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Directors

Date:

5 May 1989

LANCASHIRE MORTGAGE CORPORATION LIMITED  
NOTES TO THE MODIFIED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31st DECEMBER 1988

1. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts have been prepared under the historical cost convention.

b) Interest Receivable

Interest on money lending agreements entered into with customers is credited to the Profit and Loss Account evenly over the period of the loan.

c) Deferred Taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

2. COMPANIES UNDER COMMON CONTROL

D.L. and G.M. Moser control Factfocus Limited, a company registered in England and to which Lancashire Mortgage Corporation Limited owe £3,056,673 (1987 - £209,048).

3. CREDITORS: Amounts falling due after more than one year

	<u>1988</u>	<u>1987</u>
	£	£
Debenture loans payable within five years by instalments	946,225	-
<u>Less: Due within one year</u>	<u>239,372</u>	<u>-</u>
	<u>706,853</u>	<u>-</u>

The loans are secured on book debts included in the accounts at a value of £1,085,828.

4. CALLED UP SHARE CAPITAL

	<u>1988</u>	<u>1987</u>
	£	£
<u>Authorised</u>		
1,000 Ordinary Shares of £1 Each	<u>1,000</u>	<u>1,000</u>
<u>Allotted, Issued &amp; Fully Paid</u>		
2 Ordinary Shares of £1 Each	<u>2</u>	<u>2</u>