



Lancashire Mortgage Corporation Limited

Annual report and financial statements
for the year ended 30 June 2001

Registered number: 2058813



DIRECTORS

H.N. Moser

A.J. Grant

G.D. Beckett

C.W. Hacking (resigned 7 November 2001)

M. Goldberg (appointed 2 March 2001)

D.J. Seabridge (appointed 3 September 2001)

SECRETARY

G.D. Beckett

REGISTERED OFFICE

Bracken House

Charles Street

Manchester

M1 7BD

AUDITORS

Arthur Andersen

Bank House

9 Charlotte Street

Manchester

M1 4EU

BANKERS

Bank of Scotland

19/21 Spring Gardens

Manchester

M2 1FB

Directors' report

For the year ended 30 June 2001

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 30 June 2001.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Principal activities and business review

The principal activity of the company continues to be that of financiers. The directors consider the performance and financial position of the company to be satisfactory.

Results and dividends

The audited financial statements for the year ended 30 June 2001 are set out on pages 6 to 12. The profit for the year, after tax was £1,529,450 (2000 - £1,148,908).

The directors do not recommend the payment of a dividend (2000 - £nil).

Directors and their interests

The directors of the company are as set out on page 1.

H.N. Moser is a director of the company's parent company, Blemain Group plc and as such, his interests in the share capital of that company are disclosed in its financial statements. None of the other directors have interests in the share capital of the company, or any other interests required to be disclosed under Schedule 7 of the Companies Act 1985. No director has, or had any material interest in any contract or agreement entered into by the company during the year.

Directors' report (continued)

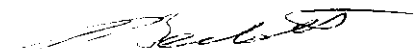
Payments to suppliers

The company agrees terms and conditions for its transactions with suppliers. Payment is then made, subject to the terms and conditions being met by the supplier.

Auditors

The board will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,



G.D. Beckett
Secretary

30 April 2002

To the shareholders of Lancashire Mortgage Corporation Limited

We have audited the financial statements of Lancashire Mortgage Corporation Limited for the year ended 30 June 2001 which comprise the profit and loss account, the balance sheet, and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 transactions with the company 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 opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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 circumstances of the company, 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.

Independent auditors' report (continued)



Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 June 2001 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

30 April 2002

Profit and loss account

For the year ended 30 June 2001

	Notes	2001 £	2000 £
Turnover	2	4,602,629	2,952,094
Operating expenses		(1,160,832)	(645,936)
Operating profit		3,441,797	2,306,158
Interest payable	3	(1,235,331)	(701,876)
Profit on ordinary activities before taxation	4	2,206,466	1,604,282
Tax on profit on ordinary activities	6	(677,016)	(455,374)
Profit for the financial year	12	1,529,450	1,148,908

All activity has arisen from continuing operations. The company has no recognised gains or losses other than the profit for the financial year.

A statement of movement in reserves is provided in note 12.

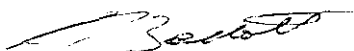
The accompanying notes are an integral part of this profit and loss account.

Balance sheet
30 June 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	7	<u>156</u>	<u>-</u>
Current assets			
Debtors			
- due within one year	8	18,710,532	14,742,558
- due after one year	8	<u>13,026,098</u>	<u>8,800,560</u>
		31,736,630	23,543,118
Creditors: Amounts falling due within one year	9	<u>(21,948,184)</u>	<u>(15,264,978)</u>
Net current assets		<u>9,788,446</u>	<u>8,278,140</u>
Total assets less current liabilities		9,788,602	8,278,140
Creditors: Amounts falling due after more than one year	10	<u>-</u>	<u>(18,988)</u>
Net assets		<u>9,788,602</u>	<u>8,259,152</u>
Capital and reserves			
Called-up share capital	11	2	2
Profit and loss account	12	<u>9,788,600</u>	<u>8,259,150</u>
Equity shareholders' funds	13	<u>9,788,602</u>	<u>8,259,152</u>

The financial statements were approved by the board of directors on 30 April 2002 and signed on its behalf by:

G.D. Beckett
Director



H.N. Moser
Director



30 April 2002

The accompanying notes are an integral part of this balance sheet.

Notes to financial statements

30 June 2001

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding year, is set out below.

a) Basis of accounting

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

b) Tangible fixed assets

Fixed assets are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual value over their expected useful lives. The principal annual rates used are as follows:

Fixtures and fittings - 15% on cost

c) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

d) Turnover

Turnover consists of interest received and related commissions on money lending agreements. The interest credit to the profit and loss account is calculated on a straight line basis pro rata to repayments recoverable on an accruals basis.

2 Turnover

	2001 £	2000 £
Loan interest and commissions	4,602,379	2,950,540
Other income	250	1,554
	<u>4,602,629</u>	<u>2,952,094</u>

3 Interest payable

	2001 £	2000 £
Bank overdraft	<u>1,235,331</u>	<u>701,876</u>

Notes to financial statements (continued)

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £	2000 £
Auditors' remuneration	5,315	5,160
Depreciation	26	-
	<u> </u>	<u> </u>

5 Staff costs

The company had no employees and paid no directors' emoluments during the year or prior year.

6 Tax on profit on ordinary activities

	2001 £	2000 £
UK corporation tax	661,940	481,285
Adjustment in respect of prior year corporation tax	15,076	(25,911)
	<u>677,016</u>	<u>455,374</u>

7 Tangible fixed assets

	Fixtures and fittings £
Cost	
At beginning of year	5,473
Additions	182
At end of year	<u>5,655</u>
Depreciation	
At beginning of year	5,473
Charge for the year	26
At end of year	<u>5,499</u>
At end of year	<u>156</u>
At beginning of year	<u>-</u>

Notes to financial statements (continued)

8 Debtors

	2001 £	2000 £
Amounts falling due within one year:		
Trade debtors	16,767,048	11,330,389
Other debtors	53,371	55,408
Amounts owed by group undertakings	1,890,113	3,339,043
Amount owed by related undertaking	-	17,718
	<u>18,710,532</u>	<u>14,742,558</u>
Amounts falling due after one year:		
Trade debtors	13,026,098	8,800,560
	<u>31,736,630</u>	<u>23,543,118</u>

Amounts owed by related undertaking are in respect of Tennisview Limited and Sedgewick House Properties Limited, companies in which H.N. Moser is a director and shareholder.

9 Creditors: Amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	979,292	209,488
Corporation tax	680,928	824,011
Other creditors	62,511	79,074
Amounts owed to group undertakings	20,081,352	13,973,289
Amounts owed to related undertakings	8,778	7,494
Accruals and deferred income	135,323	171,622
	<u>21,948,184</u>	<u>15,264,978</u>

Amounts owed to related undertakings are in respect of Regency Securities and Investments Limited, a company in which H.N. Moser is a director and shareholder.

The bank overdraft is secured by way of a cross-guarantee amongst all group companies.

10 Creditors: Amounts falling due after more than one year

	2001 £	2000 £
Corporation tax	-	18,988
	<u>-</u>	<u>18,988</u>

Notes to financial statements (continued)

11 Called-up share capital

	2001 £	2000 £
<i>Authorised</i>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

12 Reserves

	2001 £	2000 £
Beginning of year	8,259,150	7,110,242
Profit for the financial year	<u>1,529,450</u>	<u>1,148,908</u>
End of year	<u>9,788,600</u>	<u>8,259,150</u>

13 Reconciliation of movement in shareholders' funds

	2001 £	2000 £
Opening shareholders' funds	8,259,152	7,110,244
Profit for the financial year	<u>1,529,450</u>	<u>1,148,908</u>
Closing shareholders' funds	<u>9,788,602</u>	<u>8,259,152</u>

14 Contingent liability

The company's assets are subject to a fixed and floating charge in respect of £68.5 million of bank borrowings of the group (2000 - £50 million).

15 Cash flow statement

As permitted by Financial Reporting Standard No. 1, (Revised 1996) the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Blemain Group plc, which has produced consolidated financial statements, which are publicly available.

Notes to financial statements (continued)

16 Related party transactions

As a subsidiary undertaking of Blemain Group plc, the company has taken advantage of the exemption in FRS 8, "Related party disclosures" not to disclose transactions with other members of the group headed by Blemain Group plc.

During the year the company received £17,718 from Sedgewick House Properties Limited clearing the debtor outstanding and paid expenses out on behalf of UK Mortgage Corporation Limited totalling £1,284.

During the previous year the company received £158,735 of a loan made to Sedgewick House Properties Limited, a company in which H. Moser is a shareholder and director, on which £77,371 of interest was charged.

17 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Blemain Group plc, a company incorporated in Great Britain and registered in England and Wales.

The largest and smallest group of which Lancashire Mortgage Corporation Limited is a member and for which group financial statements are drawn up is that headed by the Blemain Group plc, whose principal place of business is at Bracken House, Charles Street, Manchester M1 7BD.