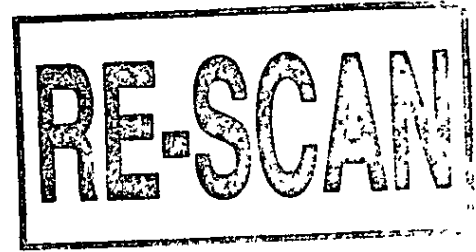


Registration number 1974218



**Allchurches Mortgage Company Limited**  
**Report and Accounts**  
31 December 2006

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# **Allchurches Mortgage Company Limited**

## **Report and Accounts 31 December 2006**

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# **Allchurches Mortgage Company Limited**

## **Officers and Professional Advisers**

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<b>Directors</b>	N J E Sealy FCA <i>Chairman</i> G A Prescott BA FCA M H Tripp BSc, ARCS, FIA
<b>Company Secretary</b>	Mrs R J Hall ACIS
<b>Auditors</b>	Deloitte & Touche LLP, London
<b>Bankers</b>	National Westminster Bank Plc
<b>Solicitors</b>	Speechly Bircham LLP, London
<b>Registered Office</b>	Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

# **Allchurches Mortgage Company Limited**

## **Directors' Report**

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The directors present their annual report and audited financial statements for the year ended 31 December 2006

### **Principal activity**

The company ceased to provide new mortgages and other services with effect from 1 November 2004. The company will continue to administer its existing book of mortgages.

### **Results and review**

During the year the company advanced no new mortgages. After redemptions and repayments of £2,538,061 (2005 £2,640,818) the loan portfolio totalled £9,903,279 (2005 £12,441,340). At the end of the year there were no outstanding commitments to advance mortgages (2005 £nil).

### **Dividend**

The directors do not recommend the payment of a dividend for the year ended 31 December 2006 (2005 £nil).

### **Future prospects**

The directors consider that the company is well placed to perform satisfactorily in the future.

### **Financial risk**

Details of the financial risk management objectives and policies of the company and its exposures are disclosed in note 2 to the financial statements.

### **Directors**

The directors of the company at the date of this report are stated on page 2.

Mr W H Yates resigned as a director on 20 June 2006.

Mr G V Doswell resigned as a director on 31 December 2006.

Mr M H Tripp was appointed as a director of the board on 1 January 2007.

Mr N J E Sealy retires by rotation and, being eligible, offers himself for re-election at the forthcoming annual general meeting.

The company has made qualifying third party indemnity provisions for the benefit of its directors which were in place throughout the year and remain in force at the date of this report.

### **Directors' interests**

The directors held no beneficial interest in any shares or debentures of the group during the year ended 31 December 2006. There has been no change in these interests since the end of the financial year to the date of this report. No contract of any significance subsisted during or at the end of the financial year in which a director was or is materially interested.

### **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements. The directors have elected to prepare financial statements for the company in accordance with International Financial Reporting Standards (IFRS). Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

# Allchurches Mortgage Company Limited

## Directors' Report

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### Directors' responsibilities (continued)

International Accounting Standard 1, Presentation of Financial Statements, requires that the financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to

- Properly select and apply accounting policies,
- State whether the financial statements have been prepared on a going concern basis,
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985

### Going concern

The board has satisfied itself that the company has adequate resources to continue in operation for the foreseeable future. The company financial statements have, therefore, been prepared on a going concern basis.

### Auditor and the disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA of the Companies Act 1985.

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Deloitte & Touche LLP be re-appointed as auditors of the company will be put to the annual general meeting.

By order of the board



Mrs R J Hall  
Secretary  
24 April 2007

# **Allchurches Mortgage Company Limited**

## **Independent Auditors' Report**

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### **Independent auditors' report to the members of Allchurches Mortgage Company Limited**

We have audited the financial statements of Allchurches Mortgage Company Limited for the year ended 31 December 2006 which comprise the income statement, the balance sheet, the cash flow statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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**

The directors' responsibilities, for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland).

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 as to whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 is not disclosed.

We read the other information contained in the report and accounts as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the report and accounts.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgements 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.

# Allchurches Mortgage Company Limited

## Independent Auditors' Report

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### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with those IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the directors' report is consistent with the financial statements

*Deloitte & Touche LLP*

Deloitte & Touche LLP

*Chartered Accountants and Registered Auditors*

London

United Kingdom

*24 April 2007*

# Allchurches Mortgage Company Limited

## Income Statement

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Interest receivable	3	653,003	825,093
Fee, commission and other income	4	90,521	101,654
<b>Total revenue</b>		<b>743,524</b>	<b>926,747</b>
Finance costs	13	(530,853)	(709,297)
Administrative expenses		(70,803)	(65,277)
<b>Profit before tax</b>		<b>141,868</b>	<b>152,173</b>
Taxation	8	(39,543)	(43,890)
<b>Profit after tax and attributable to equity holders</b>		<b>102,325</b>	<b>108,283</b>

The company had no recognised gains or losses during the current financial year and the preceeding financial year other than those included in the income statement. Accordingly no statement of recognised income and expense has been presented.



# Allchurches Mortgage Company Limited

## Balance Sheet

at 31 December 2006

	Notes	2006 £	2005 £
<b>Non current assets</b>			
Investments	9	9,903,279	12,441,340
<b>Current assets</b>			
Trade and other receivables	10	-	111,563
Cash and cash equivalents	11	<u>345,186</u>	<u>218,150</u>
		345,186	329,713
<b>Current liabilities</b>			
Trade and other payables	12	(181,290)	(110,803)
Current tax liabilities		<u>(42,600)</u>	<u>(38,000)</u>
		(223,890)	(148,803)
<b>Net current assets</b>		<u>121,296</u>	<u>180,910</u>
<b>Non current liabilities</b>			
Borrowings	13	<u>(9,000,000)</u>	<u>(11,700,000)</u>
<b>Net assets</b>		<u>1,024,575</u>	<u>922,250</u>
<b>Equity</b>			
Share capital	14	100	100
Retained earnings	15	<u>1,024,475</u>	<u>922,150</u>
<b>Total shareholders' equity</b>	16	<u>1,024,575</u>	<u>922,250</u>

The financial statements and related on pages 7 to 14 were approved by the board of directors on 24 April 2007 and signed on their behalf by



N J E Sealy Chairman

# Allchurches Mortgage Company Limited

## Cash Flow Statement

for the year ended 31 December 2006

	2006 £	2005 £
<b>Profit before taxation</b>	<b>141,868</b>	152,173
Adjustment for Interest income and expense	(122,150)	(115,796)
<i>Changes in operating assets and liabilities</i>		
Decrease in investments	2,538,061	2,640,818
Decrease in trade and other receivables	51,024	4,861
Increase/(decrease) in trade and other payables	5,883	(17,587)
<b>Cash generated by operations</b>	<b>2,614,686</b>	2,664,469
Interest received	713,542	764,554
Interest paid	(466,249)	(661,484)
Tax paid	(34,943)	(23,965)
<b>Net cash from operating activities</b>	<b>2,827,036</b>	2,743,574
<b>Financing activities</b>		
Repayment of borrowings	(2,700,000)	(2,800,000)
<b>Net cash used in financing activities</b>	<b>(2,700,000)</b>	(2,800,000)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>127,036</b>	(56,426)
<b>Cash and cash equivalents at beginning of year</b>	<b>218,150</b>	274,576
<b>Cash and cash equivalents at end of year</b>	<b>345,186</b>	218,150

# **Allchurches Mortgage Company Limited**

## **Notes to the Financial Statements**

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### **1 Accounting policies**

#### **(a) Basis of preparation**

The financial statements have been prepared on the historical cost basis using the accounting policies set out below, which are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and endorsed by the European Commission

#### **(b) Critical accounting judgements and key sources of estimation uncertainty**

There have been no critical judgements made by management in applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements. There are no key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

#### **(c) Revenue**

Revenue is wholly generated in the UK in respect of the company's principal activity, and is comprised of mortgage interest, equity loan profits and bank deposit interest

Mortgage interest and bank deposit interest is recognised as it is accrued. Equity loan profits are recognised on the mortgage redemption date

#### **(d) Investments**

Investments are classified as loans and receivables and comprise of mortgage loans that are recognised when cash is advanced to borrowers. These are carried at amortised cost using the effective interest method. To the extent that a mortgage loan is uncollectable, it is written off as impaired to administrative expenses. Subsequent recoveries are credited to the income statement

#### **(e) Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items taken directly to equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable profit for the period and any adjustment to the tax payable in respect of previous periods

Deferred tax is provided in full, using the liability method, on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled based on tax rates and laws which have been enacted or substantively enacted at the balance sheet date

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred tax assets and liabilities are not discounted

#### **(f) Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs, and subsequently stated at amortised cost

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the income statement within finance costs

#### **(g) Offset of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

# Allchurches Mortgage Company Limited

## Notes to the Financial Statements

### (h) Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method

Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss when there is objective evidence that the asset is impaired

The allowance recognised is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition

### (i) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method

### (j) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts

## 2 Financial risk

The company is exposed to financial risk through its financial assets and financial liabilities. The most important components of financial risk are interest rate risk and credit risk. The company does not have any hedging arrangements in place.

### Interest rate risk

The company is exposed to cash flow interest rate risk in respect of its investments, cash and cash equivalents and borrowings.

### Credit risk

The company's principal financial assets are investments, cash and cash equivalents and trade and other receivables. The carrying amount of these financial assets represents the group's maximum exposure to credit risk. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

## 3 Interest receivable

	2006	2005
	£	£
Mortgage interest	640,667	814,801
Bank interest	12,336	10,292
	<u>653,003</u>	<u>825,093</u>

## 4 Fee, commission and other income

	2006	2005
	£	£
Fees	166	141
Other income	90,355	101,513
	<u>90,521</u>	<u>101,654</u>

Other income consists of profits from the redemption of equity loans

## 5 Auditors' remuneration

	2006	2005
	£	£
Fees payable to the company's auditors for the audit of the company's accounts	2,285	2,000

## 6 Employee information

The company has no employees (2005 nil)

# Allchurches Mortgage Company Limited

## Notes to the Financial Statements

### 7 Directors' emoluments

Messrs Doswell and Prescott who were employed by Ecclesiastical Insurance Office plc, a subsidiary of the company's immediate parent company, received emoluments from that company in the current and prior year. It is not practicable to allocate their remuneration between the companies of which they were directors. They were members of the group's defined benefits pension scheme during the current and prior year.

Messrs Sealy and Yates, received £nil (2005: £nil) in respect of services to the company during the year.

### 8 Taxation

The charge for taxation in the company's profit and loss account is in respect of UK corporation tax for the current year at the standard rate of 30% (2005: 30%).

The company is not aware of any factors which might materially affect the future tax charge.

The actual tax charge for the current year is below the standard rate for the reasons set out in the following reconciliation:

	2006 £	2005 £
<b>Profit on ordinary activities before tax</b>	<b>141,868</b>	<b>152,173</b>
Tax on profit on ordinary activities at standard rate	42,560	45,652
Factors affecting charge for the period		
Adjustments to tax charge in respect of prior periods	(3,017)	(1,762)
<b>Total actual amount of tax</b>	<b>39,543</b>	<b>43,890</b>

### 9 Investments

	2006 £	2005 £
Investments consist of mortgages secured on residential property		
At 1 January	12,441,340	15,082,158
Repayments and redemptions	(2,538,061)	(2,640,818)
Cost at 31 December	9,903,279	12,441,340

The effective interest rate on mortgages is 5.90% (2005: 5.75%), and the maturity profile is as follows:

	2006 £	2005 £
In 1 year or less	190,243	50,207
Between 2 and 5 years	773,685	999,944
More than 5 years	8,939,351	11,391,189
	<b>9,903,279</b>	<b>12,441,340</b>

Clients have the option to redeem mortgages before the end of the mortgage term.

The directors consider that the carrying value approximates to their fair value.

### 10 Trade and other receivables

	2006 £	2005 £
Amounts owed by related parties	-	20,960
Prepayments and accrued income	-	90,603
	<b>-</b>	<b>111,563</b>

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

### 11 Cash and cash equivalents

Cash and cash equivalents consists of cash at bank, with an effective interest rate of 4.4% (2005: 4.2%).

# Allchurches Mortgage Company Limited

## Notes to the Financial Statements

<b>12 Trade and other payables</b>	<b>2006</b>	<b>2005</b>
	£	£
Loan interest	173,116	108,512
Amounts owed to related parties	5,230	1,632
Other creditors	2,944	659
	<b>181,290</b>	<b>110,803</b>

The directors consider that the carrying value of trade and other payables approximates to their fair value

<b>13 Borrowings</b>	<b>2006</b>	<b>2005</b>
	£	£
Corporate business loans	8,750,000	11,450,000
Redeemable preference shares	250,000	250,000
	<b>9,000,000</b>	<b>11,700,000</b>

### Corporate business loans

Interest is payable on the loan at the London inter-bank offered rate (Libor) plus a margin of 0.56%. Interest paid amounted to £530,853 (2005 £709,297). The final maturity date for the loan facility totalling £8,750,000 is 23 December 2009, at which time it is to be repaid in full.

<b>Redeemable preference shares</b>	<b>Authorised</b>		<b>Allotted, issued and fully paid</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
250,000 6% Non-Cumulative Redeemable Preference shares of £1 each	250,000	250,000	250,000	250,000
749,900 Unclassified shares	749,900	749,900	-	-
	<b>999,900</b>	<b>999,900</b>	<b>250,000</b>	<b>250,000</b>

The company has the right to redeem at any time the whole or any part of the Non-Cumulative Redeemable Preference shares for the time being issued and outstanding.

The Non-Cumulative Redeemable Preference shareholders have the right to redeem at any time the whole or any part of the Non-Cumulative Redeemable Preference shares for the time being issued and outstanding.

Holders of preference shares are not entitled to receive notice of, or to attend at, any general meeting of the company unless to vote on an extraordinary resolution to vary the rights attaching to that class of shares.

The holders of the preference shares in issue shall be entitled to receive a dividend out of the company's profits available for distribution at the directors' discretion and in priority to the payment of a dividend to any other class of share in issue.

<b>14 Share capital</b>	<b>2006</b>	<b>2005</b>
Authorised, allotted, issued and fully paid ordinary shares of £1 each	£	£
At 1 January and 31 December	<b>100</b>	<b>100</b>

On a winding-up, the assets of the company remaining after payment of its liabilities are to be applied first to the holders of the Non-Cumulative Redeemable Preference shares included in borrowings, in repaying the capital sum paid up in the shares and an amount equal to all arrears of accrued and unpaid dividends up to the date of commencement of the winding-up.

# Allchurches Mortgage Company Limited

## Notes to the Financial Statements

### 15 Retained earnings

	Retained earnings £
At 1 January 2005	813,867
Profit for the year	108,283
At 31 December 2005	922,150
Profit for the year	102,325
At 31 December 2006	1,024,475

### 16 Reconciliation of Shareholders equity

	2006 £	2005 £
Opening shareholders' equity	922,250	813,967
Total recognised income and expense for the year	102,325	108,283
Closing shareholders' equity	1,024,575	922,250

### 17 Capital commitments

At 31 December 2006 there were no outstanding contracts for capital expenditure (2005 £nil)

### 18 Parent company and controlling party

The company is a wholly owned subsidiary of Allchurches Trust Limited

The smallest and largest group undertaking for which group financial statements are drawn up is Allchurches Trust Limited, which is incorporated in Great Britain

Copies of the group accounts for Allchurches Trust Limited are available from the registered office of the company as shown on page 2

### 19 Related party transactions

During the year the company entered into the following transactions with related parties

There have been no transactions with the immediate parent company, Allchurches Trust Limited  
Transactions with other related parties, comprising fellow subsidiary undertakings, are as follows

	2006 £	2005 £
<b>For the year ended 31 December 2006</b>		
Recharges of costs	67,972	81,069
Payment for group tax relief	-	18,232
Amounts owed by related parties	-	20,960
Amounts owed to related parties	5,230	1,632

Sales of goods within the group are made on commercial terms

Amounts outstanding are unsecured, are not subject to guarantees, and will be settled in cash. No provisions have been made in respect of these balances