

**LANCASHIRE MORTGAGE  
CORPORATION LIMITED**

**Annual Report and Financial Statements**

**For the year ended 30 June 2015**



# **LANCASHIRE MORTGAGE CORPORATION LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Strategic report</b>	<b>2</b>
<b>Directors' report</b>	<b>4</b>
<b>Directors' responsibilities statement</b>	<b>5</b>
<b>Independent auditor's report</b>	<b>6</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Balance sheet</b>	<b>8</b>
<b>Notes to the financial statements</b>	<b>9</b>

# **LANCASHIRE MORTGAGE CORPORATION LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

HN Moser  
SP Baker  
GD Beckett  
MR Goldberg  
GA Jennison (resigned 30 September 2015)

### **COMPANY SECRETARY**

GD Beckett

### **REGISTERED OFFICE**

Lake View  
Lakeside  
Cheadle  
Cheshire  
United Kingdom  
SK8 3GW

### **PRINCIPAL BANKERS**

The Royal Bank of Scotland plc  
135 Bishopgate  
London  
EC2M 3UR

Lloyds Bank plc  
10 Gresham Street  
London  
EC2V 7AE

Natixis  
25 Dowgate Hill  
London  
EC4R 2YA

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

### **AUDITOR**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
1 City Square Leeds  
Leeds  
LS1 2AL

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## STRATEGIC REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2015.

### ENHANCED BUSINESS REVIEW

The company's principal activity during the year under review continues to be that of financiers. The directors do not expect any significant change to the activities of the company. A number of key performance indicators (KPIs) are monitored in order to review and control performance, position and liquidity and to plan for the future.

#### *Results and dividends*

As shown in the company's profit and loss account on page 7, profit after tax was £12.9m (2014: £7.0m) due to an increase in turnover resulting from improved loan book performance and an increased loan book.

The directors do not recommend the payment of a dividend (2014: nil).

#### *Position*

As shown in note 7 to the financial statements, loan book values (classified as trade debtors) have increased by 43.1% to £520.8m (2014: £364.0m). Shareholder's funds at 30 June 2015 were £90.7m (2014: £77.8m). The gearing ratio (being the ratio of debt to equity) has increased to 4.65:1 (2014: 3.65:1) as the company funds a greater proportion of its loan book through the new debt issuance. For the purposes of calculating the company's gearing ratio the amounts owed to Group Undertakings are treated as 'debt'.

#### *Liquidity*

The company is financed by its parent company, Jerrold Holdings Limited, and a securitisation facility provided by Charles Street Conduit Asset Backed Securitisation 1 Limited.

In October 2014 the Group successfully obtained an investment grade rating for the Charles Street Asset Backed Securitisation 1 Limited facility, being Aa2 from Moody's and AA from DBRS. This facility was subsequently increased in November 2014, from £435m to £675m with the introduction of HSBC as a note purchaser.

Furthermore, in April 2015, the Group issued and closed an additional £100 million of senior secured notes which were issued at a premium to par of 8.5%, taking the total notes in issue to £300 million. The proceeds were used to reduce the parent company's (i.e. Jerrold Holdings Limited) syndicated loan facility to £nil from £80 million drawn and the available commitments reduced to £25 million from £100 million.

The raising of an additional £340 million, detailed above, demonstrates the continued appetite and support for Jerrold Holdings Group from its bankers and the capital markets.

The ability of the company to service its debts is measured using an interest cover ratio, being profit before tax and interest divided by interest payable. This has increased to 2.04:1 (2014: 1.8:1). The company closely monitors its liquidity position against its business plan on a regular basis taking into consideration the level of redemption activity, recurring income levels, planned expenditure and new business advance levels. Any material deviations are identified and appropriate action taken to ensure that sufficient liquidity headroom exists at all times.

#### *Compliance and non-financial KPIs*

As at 30 June 2015, the company was an Introducer Appointed Representative of Cheshire Mortgage Corporation Limited which is regulated by the FCA.

The FCA has prescribed rules, principles and guidance (the "FCA Rules") with which our lending operations must comply. The FCA Rules include rules that impose, amongst other things, high level standards on the establishment and maintenance of proper systems and controls and minimum "threshold conditions" that must be satisfied for lending firms to remain authorised as well as rules on the conduct of business, treating customers fairly and requirements with regard to the management of customer complaints. Conduct of Business Rules include "treating customers fairly" obligations which require us, amongst other things, to demonstrate that senior management are taking responsibility for ensuring that we and our staff at all levels deliver good consumer outcomes relevant to our business by establishing and maintaining an appropriate culture and business practices.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## STRATEGIC REPORT (continued)

### *Compliance and non-financial KPIs (continued)*

Employees undertake appropriate training which is supported by operational quality assurance, compliance reviews and internal audit reviews. Procedures are established to enhance and monitor quality of compliance, including authorisation of procedural and policy changes, sample reviews, employee awareness and training programmes, along with employee and customer feedback including the assessment and understanding of complaints received.

## PRINCIPAL RISKS AND UNCERTAINTIES

### *Credit risk*

The company is exposed to changes in the economic position of its customers, which may adversely impact their ability to make loan repayments. The level of risk in this respect is driven by both macro-economic factors, such as house prices, as well as by factors relating to specific customers, such as a change in the borrower's circumstances. Credit risk is managed at loan inception, via stringent underwriting policies with regard to affordability levels, creditworthiness and loan to property value ratios, and throughout the life of the loan, via monitoring of arrears levels, proactive collections strategies, and application of forbearance measures, property loan to value ratios and by applying macro-economic sensitivity analysis.

### *Interest rate risk*

The company's loan book consists primarily of variable rate mortgages. In addition, the company has the ability to undertake hedging transactions in order to mitigate potential interest rate risk.

### *Liquidity and funding risk*

The company actively monitors and considers compliance with its funding covenants, including formal monthly reporting and by performing stress test analysis as part of its budgeting and forecasting process.

### *Regulatory risk*

The company has in place a governance and management structure that provides effective risk management, supports decision making and provides strong oversight over our business activities. As part of the company's governance and management structure, we have a three-tiered risk management framework, the "3 Lines of Defence" model, to help ensure that risk management and adherence to regulatory and legal compliance is integral to all business activities and decision-making processes. The first line of defence comprises all managers and staff, including the Chief Executive Officer, as well as our operational committees, including the Executive, and Fraud Committees and the Credit Risk Arrears Forum. The second line of defence comprises risk, compliance and financial control functions, as well as the Executive Risk Committee, Conduct Excellence Committee (covering Treating Customers Fairly "TCF") and the Commercial Credit Risk Committees. The third line of defence includes our internal audit function, our Audit, Risk and Compliance Committee and the Board of Directors.

### *Exchange rate risk*

All the company's activities are in sterling and are not subject to exchange rate risk.

Approved by the Board of Directors  
and signed on behalf of the Board



GD Beckett  
Director

28/10 / 2015

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2015.

### ENVIRONMENT

As the company operates in the financial services sector, its actions do not have a significant environmental impact. However, the company does recognise the importance of the environment and acts to minimise its impact on the environment wherever it can, including recycling and reducing energy consumption.

### STATEMENT OF GOING CONCERN

As set out in the Directors' Responsibilities Statement, in preparing the financial statements the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors of the company have considered the company's forecast funding and liquidity positions and applied reasonable sensitivities thereon in order to confirm that the preparation of the company's financial statements on a going concern basis is appropriate.

The company is reliant on its parent company, Jerrold Holdings Limited, for a significant proportion of its funding. The Board of Jerrold Holdings Limited has confirmed that it is a going concern and that it will provide funding to the company for the foreseeable future.

On the basis that the company has adequate funding as detailed above, together with its current performance and financial position, the directors have a reasonable expectation that the company will have sufficient funding and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the directors of the company have adopted the going concern basis in preparing financial statements.

### DIRECTORS

The directors of the company are set out on page 1. All directors served throughout the year and subsequently thereafter except as noted on page 1.

### DIRECTORS INDEMNITIES

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

### AUDIT INFORMATION

In the case of each of the persons who are directors of the company at the date when this report is approved:

- as far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditor is unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any audit information (as defined) and to establish that the company's auditor is aware of that information.

This statement is given and should be interpreted in accordance with the provisions of S418(2) of the Companies Act 2006.

### AUDITOR

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



GD Beckett

Company Secretary

28/10/2015

# **LANCASHIRE MORTGAGE CORPORATION LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and accounting 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 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.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASHIRE MORTGAGE CORPORATION LIMITED**

We have audited the financial statements of Lancashire Mortgage Corporation Limited for the year ended 30 June 2015 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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 Strategic Report and the Directors' responsibilities statement, 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 Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 June 2015 and of its profit 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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.



Peter Birch (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds, United Kingdom  
28 October 2015



# LANCASHIRE MORTGAGE CORPORATION LIMITED

## PROFIT AND LOSS ACCOUNT

For the year ended 30 June 2015

	Note	2015 £	2014 £
<b>TURNOVER</b>	2	53,515,227	36,287,166
Cost of sales		<u>(3,696,675)</u>	<u>(1,664,289)</u>
<b>GROSS PROFIT</b>		49,818,552	34,622,877
Administrative expenses	3	<u>(9,894,115)</u>	<u>(8,029,748)</u>
<b>OPERATING PROFIT</b>		39,924,437	26,593,129
Interest payable and similar charges	4	<u>(23,120,895)</u>	<u>(18,067,244)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	16,803,542	8,525,885
Tax on profit on ordinary activities	6	<u>(3,889,024)</u>	<u>(1,515,814)</u>
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	12	<u><u>12,914,518</u></u>	<u><u>7,010,071</u></u>

All activity has arisen from continuing operations.

There were no recognised gains or losses in either year other than the profit for that year shown above. Accordingly, a separate statement of total recognised gains and losses has not been presented.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## BALANCE SHEET

As at 30 June 2015

	Note	2015 £	2014 £
<b>CURRENT ASSETS</b>			
Debtors			
- due within one year	7	334,322,036	217,803,738
- due after one year	7	186,444,999	146,167,846
Cash at bank and in hand		-	1,658,033
		<u>520,767,035</u>	<u>365,629,617</u>
<b>CREDITORS: Amounts falling due within one year</b>	8	<u>(8,141,526)</u>	<u>(4,280,685)</u>
<b>NET CURRENT ASSETS</b>		512,625,509	361,348,932
<b>CREDITORS: Amounts falling due after more than one year</b>	9	<u>(421,946,468)</u>	<u>(283,584,409)</u>
<b>NET ASSETS</b>		<u>90,679,041</u>	<u>77,764,523</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	2	2
Profit and loss account	12	<u>90,679,039</u>	<u>77,764,521</u>
<b>SHAREHOLDER'S FUNDS</b>	13	<u>90,679,041</u>	<u>77,764,523</u>

The financial statements of Lancashire Mortgage Corporation Limited were approved by the Board of Directors and authorised for issue on 28/10/ 2015.

Company Registration No. 02058813

Signed on behalf of the Board of Directors

GD Beckett  
Director



HN Moser  
Director



# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards. The particular accounting policies adopted are described below. They have been applied consistently throughout the current and prior year.

#### **Accounting convention**

The company prepares its Financial Statements under the historical cost convention and on the going concern basis. The directors continue to adopt the going concern basis as disclosed in the Directors' report - Statement of Going Concern.

As permitted by FRS 1 (Revised 1996) "Cash flow statements", the company has not produced a cash flow statement as it is a wholly owned subsidiary undertaking of Jerrold Holdings Limited which has produced consolidated financial statements that are publicly available.

#### **Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance sheet date. Deferred tax is measured on a non-discounted basis.

#### **Turnover and cost of sales**

Turnover consists of interest recoverable on loans and commissions income. Interest income is recognised on an accruals basis. Other finance related fees receivable are credited to income when the related service is performed.

Cost of sales includes the direct costs of financing, including commissions payable.

#### **Provisions for bad and doubtful debts**

Specific provisions are made when the directors consider that the recoverability of the advance is in part or in whole doubtful. Incurred but not reported loss provisions are raised to cover losses that are judged to be present in loans and advances at the Balance sheet date but which have not been specifically identified as such. Provisions for bad and doubtful debts, along with bad debt write-offs, are charged to operating profit as part of administrative expenses.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2015

### 1. ACCOUNTING POLICIES (continued)

#### Loan notes

Loan notes are recognised at amortised cost net of debt issue costs. Interest and fees payable to the loan note holders during the financial year are recognised in the profit and loss account over the term of the notes using the effective interest rate method.

#### Interest payable and similar charges

Prepaid fees relating to financial liabilities are recognised in the profit and loss account over the term of the facilities.

### 2. TURNOVER

Turnover is wholly derived from within the UK and relates to the principal activity of the company.

### 3. STAFF COSTS

The company had no employees and paid no directors' emoluments during either year.

Directors' emoluments are borne by a fellow subsidiary company of Jerrold Holdings Limited, Blemain Finance Limited.

### 4. FINANCE CHARGES

	2015 £	2014 £
<i>Interest payable and similar charges</i>		
Interest payable on intragroup loans	(18,773,220)	(14,613,817)
Interest payable on loan notes	(4,340,257)	(3,431,796)
Other interest	(7,418)	(21,631)
	<u>(23,120,895)</u>	<u>(18,067,244)</u>

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The audit fee was borne by another group undertaking in the current and previous financial year.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2015

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2015 £	2014 £
<b>Current tax</b>		
- UK corporation tax	3,868,673	1,652,815
Adjustment in respect of previous years	20,673	(511,808)
<b>Total current tax</b>	<u>3,889,346</u>	<u>1,141,007</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	187	371,822
Effect of changes in tax rates	(502)	8,314
Adjustment in respect of prior years	(7)	(5,329)
<b>Total deferred tax (see note 10)</b>	<u>(322)</u>	<u>374,807</u>
<b>Total tax on profit on ordinary activities</b>	<u>3,889,024</u>	<u>1,515,814</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2015 £	2014 £
<b>Profit on ordinary activities before tax</b>	<u>16,803,542</u>	<u>8,525,885</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.75% (2014: 22.5%)	3,486,850	1,918,441
Effects of:		
Expenses not deductible for tax purposes	688,868	381,827
Income not taxable for tax purposes	(306,859)	(275,630)
Capital allowances in excess of depreciation	(187)	(122)
Other timing differences	-	(371,701)
Adjustment in tax charge in respect of previous years	20,673	(511,808)
<b>Current tax charge for year</b>	<u>3,889,345</u>	<u>1,141,007</u>

The main rate of corporation tax reduced from 21% to 20% from 1 April 2015 resulting in a standard rate of corporation tax for the year to 30 June 2015 of 20.75%.

There is no unprovided deferred tax at the year end (2014: £nil).

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2015

### 7. DEBTORS

	2015 £	2014 £
Amounts falling due within one year:		
Trade debtors	334,178,437	217,535,894
Prepayments	18,230	34,321
Other debtors	122,533	233,471
Amounts due from related undertakings	2,836	52
	<u>334,322,036</u>	<u>217,803,738</u>
Amounts falling due after more than one year:		
Trade debtors	186,429,309	146,167,349
Deferred taxation (see note 10)	819	497
Amounts due from group companies	14,871	-
	<u>186,444,999</u>	<u>146,167,846</u>
	<u>520,767,035</u>	<u>363,971,584</u>

Included in trade debtors is £310,830 (2014: £296,180) loaned to August Blake Developments Limited, £8,973,659 (2014: £11,537,741) loaned to Edgworth Developments Limited and £3,187,495 (2014: £3,770,286) loaned to Sunnywood Estates Limited. H.N. Moser is a director and shareholder of each of these companies. All loans are secured on the assets of that company.

Included within trade debtors are mortgage assets totalling £187,507,424 (2014: £109,211,162) which are funded through a securitisation vehicle.

The amounts owed by related undertakings are in respect of Sterling Property Co. Limited of which H.N. Moser is a director and shareholder (see note 15).

### 8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Bank overdraft	1,057,563	-
Trade creditors	26,208	1,213
Amounts due to related companies	11,326	90,111
Corporation tax	3,868,672	1,477,220
Other taxes and social security	142,380	432
Accruals and deferred income	1,691,089	1,925,771
Other creditors	1,344,288	785,938
	<u>8,141,526</u>	<u>4,280,685</u>

Amounts due to related companies are in respect of Charles Street Commercial Investments, a company in which HN Moser is a director and shareholder. See Note 15.

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 30 June 2015

### 9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £	2014 £
Loan notes	141,421,051	78,257,017
Amounts owed to group undertakings	280,525,417	205,327,392
	<u>421,946,468</u>	<u>283,584,409</u>

Borrowings are repayable as follows:

	2015 £	2014 £
Between one and two years	280,525,417	205,327,392
Between two and five years	141,421,051	78,257,017
	<u>421,946,468</u>	<u>283,584,409</u>

The loan notes are provided through a securitisation vehicle. They are secured on specific loan assets. On 28 October 2014, the facility was rated Aa2 by Moody's and AA by DBRS. The facility was subsequently increased on 24 November 2014 from £435m to £675m. The balance of £141.4m (2014: £78.3m) above is net of prepaid fees which are being amortised over the expected duration of the facility.

The terms of the intercompany loan result in the balance not being repayable prior to 31 December 2016.

### 10. DEFERRED TAXATION

	£
Balance at 1 July 2014	497
Charge to profit and loss account	(180)
Adjustment in respect of prior years	502
Balance at 30 June 2015	<u>819</u>

The amounts provided in the financial statements comprising full provision are as follows:

	2015 £	2014 £
Capital allowances in advance of depreciation	819	497
Other timing differences	-	-
	<u>819</u>	<u>497</u>

The directors believe that future profits will be sufficient to ensure that the deferred taxation asset is recovered.

### 11. CALLED UP SHARE CAPITAL

	2015 £	2014 £
Authorised		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

# LANCASHIRE MORTGAGE CORPORATION LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2015

### 12. PROFIT AND LOSS ACCOUNT

	£
At 1 July 2014	77,764,521
Retained profit for the financial year	12,914,518
At 30 June 2015	<u>90,679,039</u>

### 13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	2014 £	2014 £
Opening shareholder's funds	77,764,523	70,754,452
Profit for the financial year	12,914,518	7,010,071
Closing shareholder's funds	<u>90,679,041</u>	<u>77,764,523</u>

### 14. CONTINGENT LIABILITY

As at 30 June 2015 the company's assets were subject to a fixed and floating charge in respect of £nil of bank borrowings of the group (2014: £35.0m) and £300m in respect of senior secured notes (2014: £200m).

### 15. RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary undertaking of Jerrold Holdings Limited, 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 Jerrold Holdings Limited.

The following balances with related parties existed at the year end (these entities are deemed related parties due to HN Moser's common directorship):

	Balances due to		Balances due from	
	2015 £	2014 £	2015 £	2014 £
Charles Street Commercial Investments Ltd	11,326	90,111	-	-
Sterling Property Co. Limited	-	-	2,836	52
	<u>11,326</u>	<u>90,111</u>	<u>2,823</u>	<u>52</u>

Company transactions with related parties during the year were as follows:

	2015 £	2014 £
Introduction fees due from Charles Street Commercial Investments Ltd	(10,230)	(430,500)
Introduction fees paid by Charles Street Commercial Investments Ltd	10,230	430,500
Amounts received relating to Charles Street Commercial Investments Ltd	79,882	90,111
Repayment by Charles Street Commercial Investments Ltd to the company	97,542	-
Amounts received by Charles Street Commercial Investments Ltd relating to the company	(187,300)	-
Repayment by the company to Charles Street Commercial Investments Ltd	(68,909)	-
Costs paid on behalf of Sterling Property Co. Limited	4,284	-
Repayments to the company from Sterling Property Co. Limited	(1,500)	-
	<u>(76,001)</u>	<u>90,111</u>



# **LANCASHIRE MORTGAGE CORPORATION LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 30 June 2015**

### **15. RELATED PARTY TRANSACTIONS (continued)**

Included in trade debtors (see note 7) is £310,830 (2014: £296,180) loaned to August Blake Developments Limited, £8,973,659 (2014: £11,537,741) loaned to Edgworth Developments Limited and £3,187,495 (2014: £3,770,286) loaned to Sunnywood Estates Limited. H.N. Moser is a director and shareholder of each of these companies. All loans are secured on the assets of that company.

### **16. ULTIMATE PARENT COMPANY**

The company is a wholly owned subsidiary undertaking of Jerrold Holdings Limited, 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 Jerrold Holdings Limited, whose principal place of business is at Lakeview, Lakeside, Cheadle, Cheshire, SK8 3GW.

HN Moser, a director of Jerrold Holdings Limited, and members of his close family, control the company as a result of controlling directly or indirectly 70% of the voting rights of Jerrold Holdings Limited.