

ARTHUR ANDERSEN

Lancashire Mortgage Corporation Limited

Accounts 30 June 1998

together with directors' and auditors' reports

Registered number: 2058813



DIRECTORS

H.N. Moser

A.J. Grant

M.B. Richards

(Appointed 6 August 1998)

SECRETARY

G.D. Beckett

(Appointed 6 August 1998)

REGISTERED OFFICE

Bracken House

Charles Street

Manchester

M1 7BD

AUDITORS

Arthur Andersen

Bank House

9 Charlotte Street

Manchester

M1 4EU

BANKERS

British Linen Bank Limited

Ship Canal House

98 King Street

Manchester

M2 4WU

Directors' report

For the year ended 30 June 1998

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 June 1998.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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 company's principal activity of the company continues to be that of financiers.

Results and dividends

The results for the year are set out in detail on page 5. The directors do not recommend the payment of a dividend.

Directors

The present directors of the company are set out on page 1. C.J. Punshon died on 16 June 1998.

H.N. Moser is a director of the company's parent company, Blemain Group plc and as such, his interest in the share capital of that company is disclosed in its accounts. None of the other directors have an interest in the share capital of the company. No director has, or had any material interest in any contract or agreement entered into by the company during the year.

Directors' report (continued)

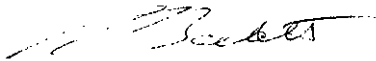
Payments to suppliers

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

18 December 1998

ARTHUR ANDERSEN

Auditors' report

Manchester

To the Shareholders of Lancashire Mortgage Corporation Limited:

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 30 June 1998 and of its 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

18 December 1998

Profit and loss account

For the year ended 30 June 1998

	Notes	1998 £	1997 £
Turnover	2	1,309,461	1,291,288
Other operating expenses		(182,734)	(224,498)
Operating profit		1,126,727	1,066,790
Interest payable	4	(161,074)	(215,998)
Profit on ordinary activities before taxation	5	965,653	850,792
Tax on profit on ordinary activities	6	(325,206)	(230,597)
Profit for the financial year		640,447	620,195

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 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	7	-	100
Current assets			
Debtors – due after one year	8	2,845,432	2,270,622
Debtors – due within one year	8	10,109,893	9,329,229
Cash at bank and in hand		154	154
		12,955,479	11,600,005
Creditors: Amounts falling due within one year	9	(6,448,488)	(5,714,573)
Net current assets		6,506,991	5,885,432
Total assets less current liabilities		6,506,991	5,885,532
Creditors: Amounts falling due after more than one year	10	(56,963)	(75,951)
Net assets		6,450,028	5,809,581
Capital and reserves			
Called-up share capital	11	2	2
Profit and loss account	12	6,450,026	5,809,579
Equity shareholders' funds		6,450,028	5,809,581

Signed on behalf of the Board

M.B. Richards  Director

H.N. Moser  Director

18 December 1998

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

Notes to accounts

30 June 1998

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 accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

b) Tangible fixed assets and depreciation

Depreciation is provided on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The principal annual rate used is:

Computer equipment 33% straight-line on cost

c) Taxation

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

Advance corporation tax payable on dividends paid or provided for in the period is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous periods when it is recovered against corporation tax liabilities.

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

	1998 £	1997 £
Loan interest and commissions	1,309,221	1,291,146
Other income	240	142
	<u>1,309,461</u>	<u>1,291,288</u>

3 Staff costs

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

4 Interest payable

	1998 £	1997 £
Bank overdraft	151,171	163,217
Other loans	-	38,473
Other interest	9,903	14,308
	<u>161,074</u>	<u>215,998</u>

Notes to accounts (continued)

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1998 £	1997 £
Auditors' remuneration	4,160	4,700
Depreciation and amounts written off tangible fixed assets	<u>100</u>	<u>1,673</u>

6 Tax on profit on ordinary activities

	1998 £	1997 £
Corporation tax at 31% (1996 - 32½%)	345,108	230,597
Adjustment in respect of prior year	<u>(19,902)</u>	<u>-</u>
	<u>325,206</u>	<u>230,597</u>

No unprovided deferred tax arose at the year end (1997 - £Nil).

7 Tangible fixed assets

	Computer equipment £
Cost	
Beginning and end of year	<u>5,473</u>
Depreciation	
Beginning of year	5,373
Charge	<u>100</u>
End of year	<u>5,473</u>
Net book value	
End of year	<u>-</u>
Beginning of year	<u>100</u>

Notes to accounts (continued)

8 Debtors

	1998 £	1997 £
Amounts falling due within one year:		
Trade debtors	6,705,008	5,745,790
Other debtors	53,371	53,371
Amounts owed by fellow group undertakings	3,192,779	3,117,257
Amount owed by related party	158,735	412,811
	<u>10,109,893</u>	<u>9,329,229</u>
Amounts falling due after one year		
Trade debtors	2,845,432	2,270,622
	<u>12,955,325</u>	<u>11,599,851</u>

Amounts owed by related party 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

	1998 £	1997 £
Bank loans and overdrafts	404,845	90,343
Corporation tax	660,754	401,778
Accruals and deferred income	158,743	96,702
Other creditors	120,705	113,692
Amounts owed to fellow group undertakings	5,079,384	5,004,464
Amounts owed to related undertaking	24,057	7,594
	<u>6,448,488</u>	<u>5,714,573</u>

Amounts owed to related undertaking 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.

Notes to accounts (continued)

10 Creditors: Amounts falling due after more than one year

	1998 £	1997 £
Corporation tax	<u>56,963</u>	<u>75,951</u>

11 Called-up share capital

	1998 £	1997 £
<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 Profit and loss account

	1998 £	1997 £
Profit for the financial year	640,447	620,195
Beginning of year	<u>5,809,579</u>	<u>5,189,384</u>
End of year	<u>6,450,026</u>	<u>5,809,579</u>

13 Reconciliation of movement in shareholders' funds

	1998 £	1997 £
Profit for the financial year	640,447	620,195
Opening shareholders' funds	<u>5,809,581</u>	<u>5,189,386</u>
Closing shareholders' funds	<u>6,450,028</u>	<u>5,809,581</u>

14 Contingent liability

The company's assets are subject to a fixed and floating charge in respect of £27 million of bank borrowings of the group (1997 - £20 million).

Notes to accounts (continued)

15 Cash flow statement

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

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.

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 accounts 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.