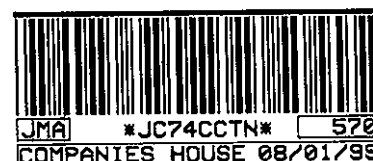


ARTHUR ANDERSEN

Cheshire Mortgage Corporation Limited

Accounts 30 June 1998
together with directors' and auditors' reports

Registered number: 2613335



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 principal activity of the company continues to be that of financiers.

The directors consider the results for the year to be satisfactory and look forward to the future with confidence.

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.


Mr. H.N. Moser is a director of Blemain Group plc, the ultimate parent company, and 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)

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 Cheshire Mortgage Corporation Limited:

We have audited the accounts on pages 5 to 10 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	25,728	39,515
Other operating expenses		(7,110)	(8,784)
Operating profit		18,618	30,731
Interest receivable	3	205	-
Interest payable	4	(12,865)	(16,839)
Profit on ordinary activities before taxation	5	5,958	13,892
Tax on profit on ordinary activities	7	2,654	(3,113)
Profit for the financial year	11	8,612	10,779

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

A movement in reserves is given in note 11.

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

Balance sheet

30 June 1998

	Notes	1998 £	1997 £
Current assets			
Debtors – due after one year	8	174,690	198,712
Debtors – due within one year	8	153,781	158,843
Cash at bank and in hand		50,467	6,365
		<u>378,938</u>	<u>363,920</u>
Creditors: Amounts falling due within one year	9	(328,305)	(321,899)
Net assets		<u>50,633</u>	<u>42,021</u>
Capital and reserves			
Called-up share capital	10	2	2
Profit and loss account	11	50,631	42,019
Equity shareholders' funds	12	<u>50,633</u>	<u>42,021</u>

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. The accounts have been prepared in accordance with applicable accounting standards.

b) 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.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in note 7.

c) 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 and profit before taxation

Turnover and profit before taxation which are wholly derived from within the UK relate to the principal activity of the company.

3 Interest receivable

	1998	1997
	£	£
Bank interest	205	-

Notes to accounts (continued)

4 Interest payable

	1998	1997
	£	£
Bank interest	12,865	16,839

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1998	1997
	£	£
Auditors' remuneration	1,222	1,175

6 Staff costs

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

7 Tax on profit on ordinary activities

	1998	1997
	£	£
Corporation tax at 21% (1997 - 23¼%)	514	3,113
Adjustment in respect of prior years	(3,168)	-
	<u>(2,654)</u>	<u>3,113</u>

There is no unprovided deferred tax at the year end (1997 - £Nil).

8 Debtors

Amounts falling due within one year

	1998	1997
	£	£
Trade debtors	39,652	29,445
Amounts owed by group undertakings	114,129	129,398
	<u>153,781</u>	<u>158,843</u>

Amounts falling due after more than one year

	1998	1997
	£	£
Trade debtors	174,690	198,712
	<u>328,471</u>	<u>357,555</u>

Notes to accounts (continued)

9 Creditors: Amounts falling due within one year

	1998 £	1997 £
Amounts owed to fellow group undertakings	323,456	307,200
Corporation tax	3,627	13,427
Accruals and deferred income	1,222	1,201
Other creditors	-	71
	<u>328,305</u>	<u>321,899</u>

10 Called-up share capital

	1998 £	1997 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully paid</i>		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

11 Profit and loss account

	1998 £	1997 £
Profit for the financial year	8,612	10,779
Beginning of year	42,019	31,240
End of year	<u>50,631</u>	<u>42,019</u>

12 Reconciliation of equity shareholders' funds

	1998 £	1997 £
Profit for the financial year	8,612	10,779
Opening shareholders' funds	42,021	31,242
Closing shareholders' funds	<u>50,633</u>	<u>42,021</u>

13 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)

14 Cash flow statement

As permitted by Financial Reporting Standard No1 1996 (Revised), the company has not produced a cash flow statement, as it is a wholly owned subsidiary undertaking of Blemain Group plc which has produced a consolidated cash flow statement in its accounts.

15 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.

16 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 Cheshire Mortgage Corporation Limited is a member, and for which group accounts are drawn up, is that headed by Blemain Group plc, whose principal place of business is at Bracken House, Charles Street, Manchester, M1 7BD.