

**CHESHIRE MORTGAGE CORPORATION
LIMITED**

Report and Financial Statements

Year ended 30 June 2008

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CHESHIRE MORTGAGE CORPORATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

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CHESHIRE MORTGAGE CORPORATION LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

H.N. Moser
T. Bailey
G. Bailey
S.P. Baker (appointed 2 July 2008)
S. Bean (appointed 5 June 2008)
G.D. Beckett
M.R. Goldberg
A.G. Lawton (appointed 5 June 2008)
M. J. Ridley (appointed 27 July 2007)
J.M. Shaoul

SECRETARY

M.J. Ridley

REGISTERED OFFICE

Bracken House
Charles Street
Manchester
M1 7BD

PRINCIPAL BANKERS

Royal Bank of Scotland Plc
Spinningfields
Manchester
M3 3AP

AUDITORS

Deloitte LLP
Chartered Accountants and Registered Auditors
Manchester
M60 2AT

CHESHIRE MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2008.

ENHANCED BUSINESS REVIEW

The company's principal activity during the year under review continues to be that of financiers. A number of key indicators (KPIs) on performance, position and liquidity are monitored in order to control the business and to plan for future growth.

Profitability

As shown in the company's profit and loss accounts on page 7, profit before tax has decreased to £1.1m (2007: £1.8m).

The directors of the company do not recommend the payment of a dividend (2007: £Nil).

Position

As shown in the company's balance sheet on page 8, loan book values (classified within trade debtors) have increased by 32.7% to £117.7m (2007: £88.7m). This is reflective of an increase in new business levels throughout the year. At the same time, shareholder's funds have increased by 24.3% to £4.0m (2007: £3.2m).

Liquidity

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. This has reduced slightly to 1.2:1 (2007: 1.4:1). The directors monitor the unutilised facility position on a regular basis. Where and when required further facilities are either negotiated or new business levels are adjusted to ensure a minimum period of utilisation of between six and twelve months remaining.

Non-financial KPIs

The directors monitor certain non-financial KPIs, relating to the environment, which are detailed below. In addition, the directors monitor compliance with FSA and Consumer Credit Act regulation, and in particular the level of complaints received. Complaints levels in the year have been minimal.

PRINCIPAL RISKS AND UNCERTAINTIES

Credit risk

The company is exposed to changes in economic position of its customers, which may impact adversely on their ability to make loan repayments. The level of risk in this respect is driven by both macro-economic factors, such as levels of consumer indebtedness, as well as by factors relating to specific customers, such as the failure of the business of a corporate customer. Credit risk is managed at loan inception, via stringent underwriting policies with regard to equity levels and affordability ratios and throughout the life of the loan via monitoring by the Board of arrears levels.

Interest rate risk

The company is financed by another group company. The group is funded by variable rate facilities. Interest rate risk is managed by the group through the use of hedging instruments.

Liquidity risk

The company is financed by another group company. The group monitors its funding levels and requirements at regular intervals. In November 2007, the business expanded its traditional funding lines (which were predominantly bank syndicated loan facilities) to include a securitisation facility. The additional finance was raised to replace maturing facilities and to provide for planned expansion in the near to medium term. The group has opened up these new funding lines with the intention that in the future they will be further developed along with other funding sources.

Regulatory risk

The company undertakes activities which are regulated by the Financial Services Authority and the Office of Fair Trading. The company has an established compliance function and uses third party specialist advisors to support its business operations.

CHESHIRE MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Exchange rate risk

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

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.

SIGNIFICANT EVENT DURING THE YEAR

On 9 November 2007, the group rearranged its funding facilities to include a £500m securitisation facility and a £400m syndicated banking facility, in which both facilities this company participates. This funding package extended the maturity date of its borrowing structure and provided the group with sufficient headroom to continue its development plans.

STATEMENT OF GOING CONCERN

As set out in the Statement of Directors' Responsibilities, in preparing these 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 group's forecast funding and liquidity facilities insofar as to the extent to which they might affect the preparation of the company's financial statements on a going concern basis.

Current group funding primarily consists of a £378m drawn syndicated loan facility (made between Royal Bank of Scotland plc, as Agent and Security Agent, and all of the trading and non trading group subsidiary companies as listed in Note 10 of the Jerrold Holdings Limited accounts) and a £435m drawn revolving securitisation facility (made between Charles Street Conduit Asset Backed Securitisation 1 Limited, as Purchaser, Royal Bank of Scotland plc as Facility Agent, Blemain Finance Limited, Bridging Finance Limited, Cheshire Mortgage Corporation Limited, Harpmanor Limited, Lancashire Mortgage Corporation Limited and Auction Finance Limited as Originators and Servicers).

The syndicated facility is not due for renewal until 9th November 2012. The securitised facility is supported by a revolving 364 day liquidity facility which is due for renewal on 11th November 2009. Based on recent successful renewal experience and the lack of receipt of any indication to the contrary from the relevant parties, the directors are of the opinion that the securitised facility will be renewed substantially in the same form as forecast.

On this basis the directors have a reasonable expectation that, despite the uncertainty in market conditions, the group 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 AND THEIR INTERESTS

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

CHESHIRE MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT (continued)

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 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any audit information (as defined) and to establish that the company's auditors are aware of that information.

This statement is given and should be interpreted in accordance with the provisions of S2342A of the Companies Act 1985.

AUDITORS

On 1 December 2008, the company's auditors changed their name from Deloitte & Touche LLP to Deloitte LLP. A resolution to re-appoint Deloitte LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

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



M.J. Ridley
Secretary

24 April 2009

CHESHIRE MORTGAGE CORPORATION LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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). The financial statements are required by law to 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 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;
- 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 that 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHESHIRE MORTGAGE CORPORATION LIMITED

We have audited the financial statements of Cheshire Mortgage Corporation Limited for the year ended 30 June 2008 which comprise the profit and loss account, the balance sheet and the related notes 1 to 17. 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 to you 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 other transactions is not disclosed.

We read the other information contained in the annual report as set out in the contents page, 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 Annual Report.

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 judgments made by the directors in the preparation of the financial statements, 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 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of the profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP

Chartered Accountants and Registered Auditors
Manchester
M60 2AT

24 APRIL

2009

CHESHIRE MORTGAGE CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2008

	Note	2008 £	2007 £
TURNOVER			
Cost of sales	2	10,932,494 (1,551,740)	8,633,037 (1,664,708)
GROSS PROFIT		9,380,754	6,968,329
Administrative expenses		(1,734,851)	(872,398)
OPERATING PROFIT		7,645,903	6,095,931
Interest payable	4	(6,542,817)	(4,328,347)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,103,086	1,767,584
Tax charge on profit on ordinary activities	6	(329,640)	(539,215)
RETAINED PROFIT FOR THE FINANCIAL YEAR	12	773,446	1,228,369

All activity has arisen from continuing operations.

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

CHESHIRE MORTGAGE CORPORATION LIMITED

BALANCE SHEET 30 June 2008

	Note	2008 £	2007 £
CURRENT ASSETS			
Debtors			
- due within one year	7	9,320,708	12,318,950
- due after one year	7	108,524,418	76,549,552
Cash at bank and in hand		85,691	-
		<u>117,930,817</u>	<u>88,868,502</u>
CREDITORS: Amounts falling due within one year	8	<u>(51,125,265)</u>	<u>(85,688,502)</u>
NET CURRENT ASSETS		<u>66,805,552</u>	<u>3,180,000</u>
CREDITORS: Amounts falling due after more than one year	9	<u>(62,852,106)</u>	<u>-</u>
NET ASSETS		<u><u>3,953,446</u></u>	<u><u>3,180,000</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	<u>3,953,444</u>	<u>3,179,998</u>
EQUITY SHAREHOLDER'S FUNDS	13	<u><u>3,953,446</u></u>	<u><u>3,180,000</u></u>

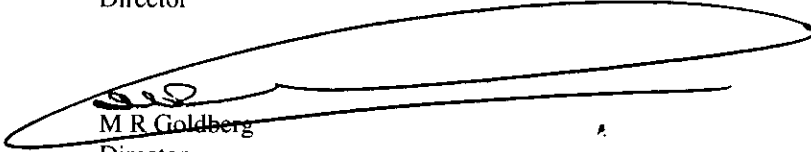
These financial statements were approved by the Board of Directors on 24 April 2009.

Signed on behalf of the Board of Directors

G D Beckett
Director



M R Goldberg
Director



CHESHIRE MORTGAGE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom law and 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 accounts under the historic 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.

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 recognized 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 recognized in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognized 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 the financing, including commissions payable.

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. General 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.

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.

4. INTEREST PAYABLE

	2008 £	2007 £
Bank interest payable	<u>(6,542,817)</u>	<u>(4,328,347)</u>

CHESHIRE MORTGAGE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 30 June 2008

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The audit fee of £750 (2007: £750) was borne by another group undertaking.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2008 £	2007 £
Current tax		
UK corporation tax on profits of the periods	370,438	508,925
Adjustment in respect of previous periods	(25)	2
Total current tax	<u>370,413</u>	<u>508,927</u>
Deferred tax		
Origination and reversal of timing differences (see note 10)	(40,773)	30,288
Total tax on profit on ordinary activities	<u>329,640</u>	<u>539,215</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:

	2008 £	2007 £
Profit on ordinary activities before tax	<u>1,103,086</u>	<u>1,767,584</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 29.5% (2007: 30%)	325,440	530,275
Effects of:		
Expenses not deductible for tax purposes	2,036	24
Movement in short term timing differences	42,962	(21,375)
Adjustments to tax charge in respect of previous periods	(25)	-
Other timing differences	-	3
Current tax charge for year	<u>370,413</u>	<u>508,927</u>

During 2007, the Government enacted a change in corporation tax reducing the rate from 30% to 28% with effect from April 2008. For the year ended 30 June 2008, the tax rate was pro rated using a tax rate of 30% for the period from 1 July 2007 to 5 April 2008 and a tax rate of 28% from 6 April 2008 to 30 June 2008. This resulted in an average rate of tax for the year of 29.5%. The impact of this change on the corporation tax charge is disclosed in the table above.

CHESHIRE MORTGAGE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 June 2008

7. DEBTORS

	2008 £	2007 £
Amounts falling due within one year:		
Trade debtors	9,309,707	12,265,378
Amounts owed by fellow group undertakings	-	29,846
Prepayments	10,231	6,926
Other debtors	770	16,800
	<u>9,320,708</u>	<u>12,318,950</u>
Amounts falling due after more than one year:		
Trade debtors	108,358,855	76,424,762
Deferred taxation (see note 10)	165,563	124,790
	<u>108,524,418</u>	<u>76,549,552</u>
	<u>117,845,126</u>	<u>88,868,502</u>

Included within Trade Debtors is an amount of £70,160,249 which is funded through a securitisation vehicle.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Secured bank loan and overdrafts	15,530	427,059
Amounts owed to group undertakings	50,382,928	84,675,547
Corporation tax	186,237	508,927
Accruals and deferred income	432,596	41,161
Other creditors	107,974	35,808
	<u>51,125,265</u>	<u>85,688,502</u>

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

CHESHIRE MORTGAGE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 30 June 2008

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

	2008 £	2007 £
Loan notes	62,852,106	-
Borrowings are repayable as follows:		
Less than one year	15,530	427,059
Between two and five years	62,852,106	-
	62,867,636	427,059

Loan notes are provided through a securitisation vehicle. They are transacted at market value and carry a fixed rate discount. All loan notes revolve within a three month period. The Loan notes are supported by a renewable annual liquidity facility. In February 2009 the liquidity facility was renewed until 11th November 2009 and at the same time the maturity date of the Loan Note facility was re-aligned to co-inside with the next liquidity renewal date.

10. DEFERRED TAXATION

	£
Balance at 1 July 2007	124,790
Credit to the profit and loss account	40,773
Balance at 30 June 2008	165,563

The deferred tax asset in the financial statements is as follows:

	2008 £	2007 £
Other timing differences	165,563	124,790

The directors believe that future profitability will be sufficient to ensure that the deferred tax asset will be recovered.

11. CALLED-UP SHARE CAPITAL

	2008 £	2007 £
Authorised		
100 ordinary shares of £1 each	100	100
Called-up, allotted and fully-paid		
2 ordinary shares of £1 each	2	2

CHESHIRE MORTGAGE CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) Year ended 30 June 2008

12. PROFIT AND LOSS ACCOUNT

	£
At 1 July 2007	3,179,998
Retained profit for the financial year	773,446
	<hr/>
At 30 June 2008	3,953,444
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13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDER'S FUNDS

	2008 £	2007 £
Opening equity shareholder's funds	3,180,000	1,951,631
Profit for the financial year	773,446	1,228,369
	<hr/>	<hr/>
Closing equity shareholder's funds	3,953,446	3,180,000
	<hr/>	<hr/>

14. CONTINGENT LIABILITY

The company's assets are subject to a fixed and floating charge in respect of £378 million of bank borrowings of the group (2007: £722.5m).

15. CASH FLOW STATEMENT

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 Ltd which has produced consolidated financial statements that are publicly available.

16. RELATED PARTY TRANSACTIONS

As a subsidiary undertaking of Jerrold Holdings Ltd, 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 Ltd.

17. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary undertaking of Jerrold Holdings Ltd, 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 financial statements are drawn up, is that headed by Jerrold Holdings Ltd, whose principal place of business is at Bracken House, Charles Street, Manchester, M1 7BD.