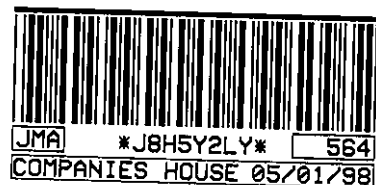


Cheshire Mortgage Corporation
Limited

Accounts 30 June 1997
together with directors' and auditors' reports

Registered number: 2613335



DIRECTORS

H.N. Moser
C.J. Punshon
A.J. Grant

SECRETARY

M.B. Richards

REGISTERED OFFICE

Bracken House
Charles Street
Manchester M1 7BD

AUDITORS

Arthur Andersen
Bank House
9 Charlotte Street
Manchester M1 4EU

Directors' report

For the year ended 30 June 1997

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 1997.

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.

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, who all served throughout the year are set out on page 1.

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

Robson Rhodes resigned as the company's auditors during the year. Arthur Andersen were appointed as the company's auditors during the year.

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,

A handwritten signature in dark ink, appearing to be 'M.B. Richards', with a long horizontal stroke extending to the right.

M.B. Richards
Secretary

10 December 1997

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.

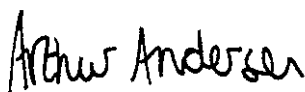
Basis of opinion

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

10 December 1997

Profit and loss account

For the year ended 30 June 1997

	Notes	1997 £	1996 £ (Note 1a)
Turnover	2	39,515	43,824
Other operating expenses		(8,784)	(20,025)
Operating profit		30,731	23,799
Interest receivable	3	-	253
Interest payable	4	(16,839)	(5)
Profit on ordinary activities before taxation	5	13,892	24,047
Tax on profit on ordinary activities	7	(3,113)	(4,615)
Profit for the financial year	11	10,779	19,432

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 1997

	Notes	1997 £	1996 £ (Note 1a)
Current assets			
Debtors	8	357,555	335,722
Cash at bank and in hand		6,365	13,503
		<u>363,920</u>	<u>349,225</u>
Creditors: Amounts falling due within one year	9	(321,899)	(317,983)
Net assets		<u>42,021</u>	<u>31,242</u>
Capital and reserves			
Called-up share capital	10	2	2
Profit and loss account	11	42,019	31,240
Equity shareholders' funds		<u>42,021</u>	<u>31,242</u>

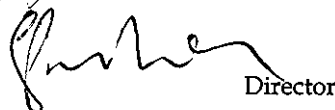
Signed on behalf of the Board

H.N. Moser



Director

C.J. Punshon



Director

10 December 1997

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

Notes to accounts

30 June 1997

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.

The accounts for the year ended 30 June 1996 were reported upon without qualification by a firm of Chartered Accountants other than Arthur Andersen.

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

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

3 Interest receivable

	1997	1996
	£	£
Bank interest	-	253

Notes to accounts (continued)

4 Interest payable

	1997	1996
	£	£
Bank interest	16,839	-
Other interest	-	5
	<u>16,839</u>	<u>5</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1997	1996
	£	£
Auditors' remuneration	<u>1,175</u>	<u>400</u>

6 Staff costs

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

7 Tax on profit on ordinary activities

	1997	1996
	£	£
Corporation tax at 23¼% (1996 - 33%)	3,113	6,000
Adjustment to prior periods	-	(1,385)
	<u>3,113</u>	<u>4,615</u>

There is no unprovided deferred tax at the year end (1996 - £Nil).

8 Debtors

Amounts falling due within one year

	1997	1996
	£	£
Trade debtors	29,445	28,482
Amounts owed by group undertakings	129,398	57,845
	<u>158,843</u>	<u>86,327</u>

Amounts falling due after more than one year

	1997	1996
	£	£
Trade debtors	198,712	249,395
	<u>357,555</u>	<u>335,722</u>

Notes to accounts (continued)

9 Creditors: Amounts falling due within one year

	1997 £	1996 £
Bank overdraft	-	16,021
Amounts owed to fellow group undertakings	307,200	290,135
Corporation tax	13,427	10,314
Accruals and deferred income	1,201	1,250
Other creditors	71	263
	<u>321,899</u>	<u>317,983</u>

10 Called-up share capital

	1997 £	1996 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Allotted, called-up and fully paid

2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>
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11 Profit and loss account

	1997 £	1996 £
Beginning of year	31,240	11,808
Profit for the financial year	10,779	19,432
End of year	<u>42,019</u>	<u>31,240</u>

12 Reconciliation of equity shareholders' funds

	1997 £	1996 £
Total recognised gains	10,779	19,432
Opening shareholders' funds	31,242	11,810
Closing shareholders' funds	<u>42,021</u>	<u>31,242</u>

13 Contingent liability

The company's assets are subject to a fixed and floating charge in respect of the £20 million bank loan held in the parent company.

Notes to accounts (continued)

14 Cash flow statement

As permitted by Financial Reporting Standard No1 (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 group cash flow in its accounts.

15 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.