

Genesis Home Loans PLC

Directors' Report and Financial Statements
for the Year Ended 31 December 2007

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Genesis Home Loans PLC

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Genesis Home Loans PLC

Company Information

Directors	W N Gardner N Sharman (resigned 15 July 2007) F Thurlby J Smith H Mason S Moon (appointed 8 April 2007)
Secretary	H Mason
Registered office	Eaglethorpe Barns Warmington Peterborough PE8 6TJ
Solicitors	Vincent Sykes 4 West Street Oundle Peterborough PE8 4EF
Bankers	Lloyds TSB Bank PLC 4 West Street Havant Hampshire PO9 1PE
Auditors	Bulley Davey Registered Auditors Welbeck House Spitfire Close Ermine Business Park Huntingdon PE29 6XY

Genesis Home Loans PLC

Directors' Report for the Year Ended 31 December 2007

The directors present their report and the audited financial statements for the year ended 31 December 2007

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to

- select suitable accounting policies and 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 financial statements,
- prepare the financial statements on a 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 enable them to ensure the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Principal activity

The principal activity of the company is the running of a mortgage intermediary network and also acting as a mortgage and insurance intermediary.

Business review

As with all other businesses dependent on property transactions after a relatively buoyant first half the Company has found the period from September 2007 extremely challenging.

Despite this the results for 2007 show a significant improvement with revenue and costs remaining level but margin increasing. The profit before tax of £362,047 being a considerable advance on the loss of £167,508 in 2006.

The margin improvements in 2007 were largely attributable to the success of our branded lending operation in the period to August 2007. Unfortunately, since September 2007 there has been a constant reluctance to lend in the specialist mortgage sector of the market with a number of our main branded partners eg Merrill Lynch, Morgan Stanley and Lehmann Brothers withdrawing from the market completely and others such as GMAC and Platform severely reducing their exposure. As a result trading in 2008 has been at about 60% of the 2007 levels and has affected margin accordingly. We have consequently taken extreme action to reduce costs. The anticipated staff and overheads costs for 2008 will have been reduced by approx £1m and unfortunately over half the staff will have been made redundant.

There are also some positive signs with significant improvements in the recruitment of appointed representatives (up from 150 in 2007 to 212 in June 2008) and increases in both insurance income and sales of ancillary products.

Although the environment is harsh we believe that the actions taken will leave the Company well placed to exploit any subsequent upturn in the market.

Genesis Home Loans PLC
Directors' Report for the Year Ended 31 December 2007

continued

Development and performance of the business

	2007	2006	2005
Turnover	£14,816,739	£14,951,682	£9,107,085
Turnover growth	(1)%	64%	(20)%
Gross profit margin	25%	21%	19%
Profit before tax	£362,047	(£167,508)	(£1,475,372)

Results and dividend

The results for the company are set out in the financial statements

An interim ordinary dividend of £152,910 was paid during the year

Creditor payment policy

The company does not follow a specific standard or code for the payment of creditors. It agrees payment terms with its suppliers when it enters into purchase contracts. It then seeks to adhere to these arrangements providing it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

The amounts owed to the company's trade creditors at the year end represented 24 days (2006: 45 days) as a proportion of the total amounts invoiced by suppliers during the year.

Charitable donations

During the year the company made charitable donations of £350. No individual donation exceeded £200.

Directors

The directors who held office during the year were as follows:

- W N Gardner
- N Sharman (resigned 15 July 2007)
- F Thurlby
- J Smith
- H Mason
- S Moon (appointed 8 April 2007)

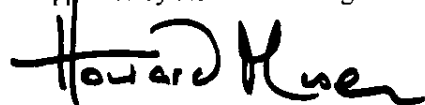
Retirement of directors

In accordance with the Articles of Association, directors are not required to retire from the board on a rotational basis.

Auditors

The auditors, Bulley Davey, are deemed to be re-appointed in accordance with section 386 of the Companies Act 1985.

Approved by the Board and signed on its behalf by



H Mason
Company Secretary

Date 24th July 2008

Independent Auditors' Report to the Members of

Genesis Home Loans PLC

We have audited the financial statements of Genesis Home Loans PLC for the year ended 31 December 2007 set out on pages 5 to 17. These financial statements have been prepared in accordance with 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 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

As described in the statement of Directors' responsibilities on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 an 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 judgements 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 31 December 2007 and of its 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.



Bulley Davey
Registered Auditors
Welbeck House
Spitfire Close
Ermine Business Park
Huntingdon
PE29 6XY

30/7/08

Genesis Home Loans PLC

Profit and Loss Account for the Year Ended 31 December 2007

	Note	2007 £	2006 £
Turnover		14,816,738	14,951,682
Cost of sales		(11,174,278)	(11,848,027)
Gross profit		<u>3,642,460</u>	<u>3,103,655</u>
Administrative expenses		(3,260,355)	(3,244,483)
Operating profit/(loss)	3	<u>382,105</u>	<u>(140,828)</u>
Other interest receivable and similar income		30,738	22,353
Interest payable and similar charges	6	(50,796)	(49,033)
Profit/(loss) on ordinary activities before taxation		<u>362,047</u>	<u>(167,508)</u>
Tax on profit/(loss) on ordinary activities	7	(2,694)	-
Profit/(loss) for the financial year	15	<u><u>359,353</u></u>	<u><u>(167,508)</u></u>

Turnover and operating profit/(loss) derive wholly from continuing operations

The company has no recognised gains or losses for the year other than the results above

The notes on pages 8 to 17 form an integral part of these financial statements

Genesis Home Loans PLC
Balance Sheet as at 31 December 2007

		2007		2006	
	Note	£	£	£	£
Fixed assets					
Tangible assets	8		338,647		141,294
Investments	9		<u>25,000</u>		<u>-</u>
			363,647		141,294
Current assets					
Debtors	10	634,512		657,653	
Cash at bank and in hand		<u>624,292</u>		<u>685,604</u>	
		1,258,804		1,343,257	
Creditors: Amounts falling due within one year	11	<u>(976,948)</u>		<u>(1,045,491)</u>	
Net current assets			<u>281,856</u>		<u>297,766</u>
Total assets less current liabilities			645,503		439,060
Creditors: Amounts falling due after more than one year	12		<u>(410,000)</u>		<u>(410,000)</u>
Net assets			<u>235,503</u>		<u>29,060</u>
Capital and reserves					
Called up share capital	14		50,000		50,000
Profit and loss reserve	15		<u>185,503</u>		<u>(20,940)</u>
Shareholders' funds	16		<u>235,503</u>		<u>29,060</u>

Approved by the Board and signed on its behalf by


W N Gardner

Director

Date 24/7/08.

Genesis Home Loans PLC

Cash Flow Statement for the Year Ended 31 December 2007

		2007	2006
	Note	£	£
Net cash flow from operating activities	19	405,145	(273,725)
Returns on investment and servicing of finance	20	(20,058)	(26,680)
Taxation	20	-	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(248,299)	(66,657)
Sale of tangible fixed assets		851	-
Non-listed investments		(25,000)	-
Disposal of investments		-	2,002
		(272,448)	(64,655)
Equity dividends paid		(152,909)	-
Net cash flow		(40,270)	(365,060)

Reconciliation of net cash flow to movement in net debt

		2007	2006
	Note	£	£
Decrease in cash in the year	21	(40,270)	(365,060)
Cash outflow from decrease in debt and lease financing		10,220	-
Change in net debt resulting from cash flows		(30,050)	(365,060)
Net funds at the start of the year	21	664,562	1,029,622
Net funds at the end of the year	21	634,512	664,562

The notes on pages 8 to 17 form an integral part of these financial statements

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Going concern

These financial statements have been prepared on a going concern basis

Turnover

Turnover consists of commissions, mortgage application fees and subscriptions, net of value added tax where applicable

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows

Leasehold properties	Straight line over the life of the lease
Fixtures, fittings and office equipment	25% reducing balance
Computer equipment	40% reducing balance

During the period the client has capitalised IT development costs. No depreciation is to be charged until the asset is in use

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for any diminution in value

Hire purchase and finance lease contracts

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2 Segmental reporting

The company has not disclosed an analysis of turnover by class of business or geographical area as to do so would, in the opinion of the directors, be seriously prejudicial to the interests of the company.

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

continued

3 Operating profit/(loss)

Operating profit/(loss) is stated after charging/(crediting)

	2007	2006
	£	£
Hire of plant and machinery - operating leases	65,171	74,312
Hire of other assets - operating leases	137,774	161,788
Auditors remuneration	21,332	23,789
Auditors' remuneration - non audit services	3,655	15,947
Profit on disposal of tangible fixed assets	(252)	-
Depreciation of owned assets	33,991	33,311
Depreciation of assets held under finance leases and hire purchase contracts	16,355	5,800

4 Particulars of employees

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2007 No	2006 No.
Directors and management	6	6
Mortgage selling, distribution and packaging	34	26
Compliance and administration	28	28
	<u>68</u>	<u>60</u>

The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	1,837,193	1,845,691
Social security	208,214	196,635
Other pension costs	26,055	27,542
	<u>2,071,462</u>	<u>2,069,868</u>

During the year Genesis Home Loans plc have capitalised £126,939 of wages and salaries costs

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

continued

5 Directors' emoluments

The directors' emoluments for the year are as follows

	2007	2006
	£	£
Directors' emoluments (including benefits in kind)	408,210	536,402
Directors' pension contributions	10,033	12,552
	<u>418,243</u>	<u>548,954</u>

During the year Genesis Home Loans plc have capitalised £47,976 of Directors' emoluments

During the year the number of directors who were accruing benefits under company pension schemes was as follows

	2007	2006
	No	No
Money purchase	<u>5</u>	<u>5</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £96,308 (2006 - £104,000), and company pension contributions of £nil (2006 - £2,750) were made to a money purchase scheme on their behalf

6 Interest payable and similar charges

	2007	2006
	£	£
Bank interest payable	30	266
Loan interest	49,866	48,392
Hire purchase interest	900	375
	<u>50,796</u>	<u>49,033</u>

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

continued

7 Taxation

Analysis of current period tax charge

	2007 £	2006 £
Current tax		
Corporation tax charge	<u>2,694</u>	<u>-</u>

Factors affecting current period tax charge

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than (2006 - higher than) the standard rate of corporation tax in the UK of 30.00% (2006 - 30.00%)

The differences are reconciled below

	2007 £	2006 £
Profit/(loss) on ordinary activities before taxation	<u>362,047</u>	<u>(167,508)</u>
Standard rate corporation tax charge/(credit)	108,614	(50,252)
Expenses not deductible for tax purposes	11	16,705
Accelerated capital allowances	(9,690)	2,871
Losses brought forward utilised in period	(89,713)	-
Group relief claimed	(5,130)	-
Difference in tax rates	(1,398)	-
Losses carried forward unutilised	-	30,676
Total current tax for the year	<u>2,694</u>	<u>-</u>

Factors which may affect future tax charges

There is no deferred tax liability in view of the taxation trading losses carried forward

As at the end of the year there were losses of approximately £363,000 to be carried forward and set against future profits

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

continued

8 Tangible fixed assets

	Short leasehold property £	Fixtures and fittings £	Other tangibles £	Total £
Cost				
As at 1 January 2007	60,050	109,213	135,595	304,858
Additions	25,781	4,667	217,850	248,298
Disposals	(2,056)	-	-	(2,056)
As at 31 December 2007	<u>83,775</u>	<u>113,880</u>	<u>353,445</u>	<u>551,100</u>
Depreciation				
As at 1 January 2007	19,739	53,206	90,619	163,564
Eliminated on disposals	(1,457)	-	-	(1,457)
Charge for the year	16,355	15,182	18,809	50,346
As at 31 December 2007	<u>34,637</u>	<u>68,388</u>	<u>109,428</u>	<u>212,453</u>
Net book value				
As at 31 December 2007	<u>49,138</u>	<u>45,492</u>	<u>244,017</u>	<u>338,647</u>
As at 31 December 2006	<u>40,311</u>	<u>56,007</u>	<u>44,976</u>	<u>141,294</u>

Hire purchase agreements

Included within the total net book value of tangible fixed assets is £2,384 (2006 - £14,766) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £1,590 (2006 - £1,641).

9 Investments held as fixed assets

	Other investments £
Cost	
Additions	<u>25,000</u>
Net book value	
As at 31 December 2007	<u>25,000</u>
As at 31 December 2006	<u>-</u>

During the year the company acquired a 5% investment in Regulatory Alliance of Mortgage Packagers Limited.

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

continued

10 Debtors

	2007	2006
	£	£
Trade debtors	516,532	569,122
Other debtors	32,420	18,937
Director current accounts	1,924	2,919
Prepayments and accrued income	83,636	66,675
	<u>634,512</u>	<u>657,653</u>

11 Creditors: Amounts falling due within one year

	2007	2006
	£	£
Bank loans and overdrafts	-	21,042
Other loans	-	5,457
Obligations under finance leases and hire purchase contracts	191	5,693
Trade creditors	809,503	854,717
Amounts owed to group undertakings	-	304
Corporation tax	2,694	-
Social security and other taxes	47,348	63,633
Other creditors	45,262	32,732
Accruals and deferred income	71,950	61,913
	<u>976,948</u>	<u>1,045,491</u>

12 Creditors: Amounts falling due after more than one year

	2007	2006
	£	£
Other loans	<u>410,000</u>	<u>410,000</u>

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

continued

13 Maturation of borrowings

Amounts repayable

	Bank loans and overdrafts £	Other Loans £	Obligations under finance leases and HP contracts £	Total £
As at 31 December 2007				
In one year or less on demand	-	-	191	191
Between two and five years	-	410,000	-	410,000
	<u>-</u>	<u>410,000</u>	<u>191</u>	<u>410,191</u>
As at 31 December 2006				
In one year or less on demand	21,042	5,457	5,693	32,192
Between two and five years	-	410,000	-	410,000
	<u>21,042</u>	<u>415,457</u>	<u>5,693</u>	<u>442,192</u>

14 Share capital

	2007 £	2006 £
Authorised		
Equity		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
Equity		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

15 Reserves

	Profit and loss reserve £
Balance at 1 January 2007	(20,940)
Transfer from profit and loss account for the year	359,353
Dividends	<u>(152,910)</u>
Balance at 31 December 2007	<u>185,503</u>

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

continued

16 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit/(loss) attributable to members of the company	359,353	(167,508)
Dividends	(152,910)	-
	<u>206,443</u>	<u>(167,508)</u>
Opening equity shareholders' funds	29,060	196,568
Closing equity shareholders' funds	<u>235,503</u>	<u>29,060</u>

17 Operating lease commitments

As at 31 December 2007 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	Land and Buildings		Other	
	2007 £	2006 £	2007 £	2006 £
Within one year	-	42,359	17,198	31,124
Within two and five years	-	-	2,933	38,204
Over five years	71,325	71,325	-	-
	<u>71,325</u>	<u>113,684</u>	<u>20,131</u>	<u>69,328</u>

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

continued

18 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £26,055 (2006 - £27,542).

There was £10,020 (2006 - £16,803) outstanding contributions at the end of the financial year.

19 Reconciliation of operating profit/(loss) to operating cash flows

	2007	2006
	£	£
Operating profit/(loss)	382,105	(140,828)
Depreciation, amortisation and impairment charges	50,346	39,111
Profit on disposal of fixed assets	(252)	-
Decrease in debtors	23,141	280,644
Decrease in creditors	(50,195)	(452,652)
Net cash inflow/(outflow) from operating activities	405,145	(273,725)

20 Analysis of cash flows

	2007	2006
	£	£
Returns on investment and servicing of finance		
HP interest paid	(900)	(375)
Other interest paid	(49,896)	(48,658)
Interest received	30,738	22,353
	(20,058)	(26,680)
Taxation		
Taxation paid	-	-

21 Analysis of net funds

	At start of period	Cash flow	At end of period
	£	£	£
Cash at bank and in hand	685,604	(51,092)	634,512
Bank overdraft	(21,042)	21,042	-
Cash and bank net debt	664,562	(30,050)	634,512
Net funds	664,562	(30,050)	634,512

Genesis Home Loans PLC

Notes to the Financial Statements for the Year Ended 31 December 2007

continued

22 Related parties

Controlling entity

As at the year end, GHL Acquisitions Limited, a company incorporated in Great Britain and owned largely by the executive directors of Genesis Home Loans plc, owned 100% of the authorised share capital

Copies of the the financial statements of GHL Acquisitions Limited are available at Companies House

Related party transactions

As a subsidiary undertaking of GHL Acquisitions Limited, the company has taken advantage of the exemption in FRS8 "Related Party Disclosures" from disclosing transactions with other members of the group headed by GHL Acquisitions Limited whose voting rights are 90% or more controlled within the group

There are no related party transactions other than those covered by the exemption above

Directors' loan accounts

The following balances owed by the directors were outstanding at the year end

	2007 £	2006 £
John Smith	484	1,384
Frank Thurlby	720	750
Sandra Moon	720	-
Neville Sharman	-	785
	<u>1,924</u>	<u>2,919</u>

No interest is charged in respect of these balances