

**Company Registration No. 3741451**

**TML Financial Solutions Limited**

**Report and Financial Statements**

**30 November 2006**

THURSDAY



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# **TML Financial Solutions Limited**

## **Report and financial statements 2006**

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# **TML Financial Solutions Limited**

## **Report and financial statements 2006**

### **Officers and professional advisers**

#### **Directors**

D Titmuss  
S J West  
J Drinkwater  
P R Weston  
C S Bodie

#### **Secretary**

|                            |  |
|----------------------------|--|
| Michael Jones              | (Appointed 1 May 2007)                             |
| Kensington Secretaries Ltd | (Appointed 11 August 2006 and Resigned 1 May 2007) |
| S J West                   | (Resigned 11 August 2006)                          |

#### **Registered Office**

1 Sheldon Square  
London  
W2 6PU

#### **Bankers**

Barclays Bank PLC  
Cheapside Business Centre  
155 Bishopsgate  
London  
EC2M 3XA

#### **Auditors**

Deloitte and Touche LLP  
London

# **TML Financial Solutions Limited**

## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 30 November 2006

### **Principal activity and business review**

The principal activity of the Company in the year under review was that of direct to consumer distribution of specialist mortgage products on behalf of its parent Company, Kensington Group plc

Turnover for the year ended 30 November 2006 decreased by 48% as compared to the prior year. However, it should be noted that with effect from 1 December 2005, TML Financial Solutions Ltd did not receive income in respect of the introduction of Kensington mortgages, distorting this comparison and the underlying reported performance of the business.

Notwithstanding the above, maintaining the existing business model in the current competitive environment has been challenging, given the restricted single lender proposition. This has led to reduced conversion levels and a reduction in advertising expenditure as a result.

Following a strategic review, TML Financial Solutions Ltd was sold to Customer Financial Solutions Ltd on 25 April 2007.

The principal activities of the Company have since been expanded to include the distribution of a wider selection of specialist mortgage products from a panel of lenders and the distribution of secured loans.

The Company has also undertaken a review of its cost base and therefore expects costs to be lower over the next twelve months.

### **Principal risks and uncertainties**

The management of the business and execution of the Company's strategy are subject to a number of risks and uncertainties, competition from other direct to consumer brokers, consumer confidence in the housing market and rising interest rates.

To mitigate these risks, the Company has improved the competitiveness of its product offering by selecting products from a wider panel of lenders. In addition, offering a wider selection of products, including prime mortgages, buy-to-let mortgages and secured loans, will enable the Company to meet the needs of a customer base with changing circumstances.

### **Financial risk management**

The Company's operation exposes it to a variety of financial risks that include changes of price risk, credit risk and liquidity risk.

#### **Price risk**

There are two primary factors in determining the price risk of the Company, the competitive rate of products offered and the fee charged to the customer for arranging a mortgage.

Prior to 25 April 2007, significant risk has been attached to the competitiveness of Kensington Mortgage products offered and conversion levels have varied depending on the relative market position. This risk has now been mitigated by the introduction of a panel of lenders and a review of the panel's comparative competitiveness will be carried out on a regular basis.

With regard to the level of arrangement fee charged to the customer, a comparison is made with our direct competitors on a regular basis.

# **TML Financial Solutions Limited**

## **Directors' report**

### **Credit risk**

The Company has implemented procedures to ensure that monies forwarded to solicitors are adequately documented for onward distribution including the collection of the Company's arrangement fee

Commissions from mortgage lenders and insurance brokers are collected on a weekly basis to limit the amount of credit risk from any individual party

### **Liquidity risk**

Prior to the sale of the business, the Company had been financed by a mixture of ordinary and sub-ordinated loans from Kensington Group plc. On 25 April 2007, the sales transaction was completed and loans from Kensington Group plc waived and as a result, the company is now self-financing. Cash at bank as of 30<sup>th</sup> April 2007 was £2.8m

### **Results and dividends**

The results for the Company show a pre-tax loss of £11.9m (2005 - pre-tax loss of £8.4m). Total distribution of dividend for the year ended 30 November 2006 will be £nil (2005 - £nil).

### **Corporate social responsibility**

The Company operates in accordance with the Group policies described in Kensington's annual report which does not form part of this report.

### **Directors**

The Directors during the year under review were

|                |  |
|----------------|--|
| M N Andrews    | (Resigned 15 February 2006)                              |
| R W Cotton     | (Resigned 31 July 2006)                                  |
| S J Colsell    | (Resigned 11 August 2006)                                |
| P S Searles    | (Resigned 6 October 2006)                                |
| S J West       |  |
| J N Maltby     | (Resigned 31 March 2007)                                 |
| R F C Blundell | (Appointed 15 September 2006 and Resigned 25 April 2007) |
| D G Jones      | (Resigned 25 April 2007)                                 |
| J A Herring    | (Resigned 25 April 2007)                                 |

J N Maltby and R F C Blundell hold beneficial interests in the shares of the ultimate parent Company Kensington Group plc and these interests are disclosed in the financial statements of that Company. No other director holds shares in the ultimate parent Company.

# TML Financial Solutions Limited

## Directors' report

### Directors' report (continued)

The following share options were held in Kensington Group plc (Ordinary shares of 10p each)

| Name        | Number of Options | Issue date        | Date from which exercisable | Expiry date       | Option price |
|-------------|-------------------|-------------------|-----------------------------|-------------------|--------------|
| S J West    | 9,389             | 3 February 2005   | 3 February 2008             | 3 February 2015   | £5.325       |
| S J West    | 5,042             | 8 February 2006   | 8 February 2009             | 8 February 2016   | £10.71       |
| D J Titmuss | 37,174            | 13 September 2006 | 13 September 2009           | 13 September 2016 | £8.07        |

None of the Directors had any interest either during or at the end of the year in any material contract or arrangement with the Company

### Creditor payment policy

The Company agrees terms and conditions with its suppliers. Payment is then made on the terms agreed, subject to the appropriate terms and conditions being met by the supplier.

### Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware,
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

The Company passed a written resolution in accordance with section 386 of the Companies Act 1985 to dispense with the obligation of appointing auditors annually and accordingly the Company's auditors, Deloitte & Touche LLP will remain in office until the Company or the auditors otherwise determine.

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



S J West  
Director

Date 8 August 2007

# **TML Financial Solutions 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 judgements and estimates that are reasonable and prudent,
- state whether UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 TML Financial Solutions Limited**

We have audited the financial statements of TML Financial Solutions Limited for the year ended 30 November 2006 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 20. 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 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. 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 other information.

### **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.

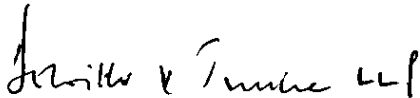
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 November 2006 and of its loss 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 and Touche LLP  
Chartered Accountants and Registered Auditors  
London  
Date 8 August 2007

## TML Financial Solutions Limited

### Profit and loss account Year ended 30 November 2006

|  | Note | 2006<br>£           | 2005<br>£          |
|--|------|---------------------|--------------------|
| Turnover   | 2    | 11,314,186          | 21,681,526         |
| Cost of sales                                      |      | (14,161,711)        | (19,639,758)       |
| <b>Gross (loss) / profit</b>                       |      | <b>(2,847,525)</b>  | <b>2,041,768</b>   |
| Administrative expenses                            |      | (8,028,959)         | (9,804,639)        |
| <b>Operating loss</b>                              | 5    | <b>(10,876,484)</b> | <b>(7,762,871)</b> |
| Bank interest receivable                           |      | 25,200              | 49,587             |
|  |      | (10,851,284)        | (7,713,284)        |
| Interest payable and similar charges               | 6    | (1,013,236)         | (704,287)          |
| <b>Loss on ordinary activities before taxation</b> |      | <b>(11,864,520)</b> | <b>(8,417,571)</b> |
| Tax credit on loss on ordinary activities          | 7    | 3,559,355           | 2,525,271          |
| <b>Loss for the financial year after taxation</b>  |      | <b>(8,305,165)</b>  | <b>(5,892,300)</b> |

All activities during the current and prior year were derived from continuing operations

There are no recognised gains and losses other than the loss for the current financial year or the loss for the previous financial year. Accordingly, no statement of total recognised gains and losses is given. A reconciliation of the movements in equity shareholders' funds has been prepared in note 18 to the accounts.

The notes on pages 10 to 17 form an integral part of the accounts.

# TML Financial Solutions Limited

## Balance sheet 30 November 2006

|   | Note | 2006<br>£ | £            | 2005<br>£ | £           |
|---|------|-----------|--------------|-----------|-------------|
| <b>Fixed assets</b>                           |      |           |              |           |             |
| Tangible assets                               | 8    | 2,433,070 |              | 2,779,893 |             |
| Investments                                   | 9    | 133       |              | 133       |             |
|   |      |           | 2,433,203    |           | 2,780,026   |
| <b>Current assets</b>                         |      |           |              |           |             |
| Debtors amounts falling due within one year   | 10   | 4,538,949 |              | 4,910,796 |             |
| Cash at bank                                  |      | 1,151,699 |              | 768,160   |             |
|   |      |           | 5,690,648    |           | 5,678,956   |
| <b>Total assets</b>                           |      |           | 8,123,851    |           | 8,458,982   |
| <b>Financed by</b>                            |      |           |              |           |             |
| <b>Equity shareholders' funds</b>             |      |           |              |           |             |
| Called up share capital                       | 15   |           | 138          |           | 138         |
| Share premium                                 | 16   |           | 19,998       |           | 19,998      |
| Profit and loss account                       | 19   |           | (15,589,513) |           | (7,284,348) |
| <b>Creditors</b>                              |      |           |              |           |             |
| Amounts falling due within one year           | 11   |           | 11,586,875   |           | 7,009,444   |
| Amounts falling due after more than one year  | 12   |           | 11,850,207   |           | 8,300,000   |
| <b>Provisions for liabilities and charges</b> |      |           | 256,146      |           | 413,750     |
|   |      |           | 8,123,851    |           | 8,458,982   |

The layout of the balance sheet has been amended to follow the Group policy of using Format 2 as detailed in Schedule 4 of the CA 1985 as amended by CA 1989

These financial statements were approved by the Board of Directors and authorised for issue on 8 August 2007

Signed on behalf of the Board of Directors



D J Titmuss

Director

Date 8 August 2007

# TML Financial Solutions Limited

## Notes to the accounts Year ended 30 November 2006

### 1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The principal accounting policies adopted are summarised below. They have all been applied consistently throughout the year and the proceeding year.

#### Accounting convention

The financial statements are prepared under the historical cost convention.

#### Turnover

Turnover represents fees and commissions in relation to the direct consumer distribution of specialist mortgage and financial products. Fees and commissions receivable from the sale of mortgages are recognised in the profit and loss account upon legal completion of the mortgage, apart from initial mortgage application fees received upon receipt of the mortgage application form which are recognised immediately. Commissions receivable from the sale of insurance products are recognised in the profit and loss account when the policy is placed 'on risk' by the insurance provider. The calculation of the provision for clawback of life assurance commissions during the year was extended from 15 months to 24 months.

#### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

|                        |   |                             |
|------------------------|---|-----------------------------|
| Office Equipment       | - | 20% per annum straight line |
| Leasehold improvements | - | Over the lease period       |
| Fixtures and fittings  | - | 10% per annum straight line |
| Computer equipment     | - | 25% per annum straight line |

#### Investments

Investments in group undertakings and participating interests are stated at cost. Provision is established for any impairment.

#### Taxation

Current UK tax is provided on amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised 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 recognised in the financial statements.

Deferred tax is measured at the standard 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.

#### Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter. The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability. Rentals paid under operating leases are charged to the profit and loss account as incurred.

# TML Financial Solutions Limited

## Notes to the accounts Year ended 30 November 2006

### 1 Accounting policies (continued)

#### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### Advertising

Advertising costs are charged to the profit and loss account, when advertising appears in the relevant media.

### 2. Turnover

Turnover represents fees and commissions receivable in relation to the direct to consumer distribution of specialist mortgage and financial products in the United Kingdom. The directors believe this to be one class of business wholly within the United Kingdom and therefore no segmental analysis is presented.

### 3. Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of Kensington Group plc and is included in the consolidated financial statements of Kensington Group plc, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised 1996). The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of Kensington Group plc group or investees of Kensington Group plc group.

### 4. Staff costs

|                       | 2006<br>£        | 2005<br>£         |
|-----------------------|------------------|-------------------|
| Wages and salaries    | 6,729,773        | 9,423,500         |
| Social security costs | 740,264          | 1,011,139         |
|                       | <u>7,470,037</u> | <u>10,434,639</u> |

No payments into pension schemes have been made on behalf of employees. The Company operates a non-contributory stakeholder pension scheme on behalf of its employees.

The average monthly number of employees during the year was as follows:

|                                 | 2006<br>No. of staff | 2005<br>No. of staff |
|---------------------------------|----------------------|----------------------|
| Mortgage and related sales      | 93                   | 74                   |
| Mortgage and related processing | 41                   | 60                   |
| Administration                  | 61                   | 132                  |
|                                 | <u>195</u>           | <u>266</u>           |

# TML Financial Solutions Limited

## Notes to the accounts Year ended 30 November 2006

### 5 Operating loss

The operating loss is stated after charging

|  | 2006<br>£ | 2005<br>£ |
|--|-----------|-----------|
| Lease of equipment   | 209,450   | 547,001   |
| Lease of motor vehicles  | 93,849    | 150,575   |
| Lease of premises  | 891,389   | 881,215   |
| Depreciation - owned assets  | 552,112   | 468,513   |
| Depreciation - assets on hire purchase contracts or finance leases | -         | 16,875    |
| Loss on disposal of fixed assets                                   | (300)     | (37,748)  |
| Auditors remuneration  | 35,000    | (11,137)  |
| Directors' emoluments  | 856,985   | 2,041,464 |

The analysis of auditors' remuneration is as follows

|   | 2006<br>£ | 2005<br>£ |
|---|-----------|-----------|
| Fees payable for the audit of the companies annual accounts | 30,000    | (11,137)  |
| Total audit fees  | 30,000    | (11,137)  |
| Other services in pursuit of legislation                    |           |           |
| - Tax services  | 5,000     | -         |
| Total non-audit fees  | 5,000     | -         |

The directors' emoluments set out above are entirely comprised of salary, bonus and benefits in kind

Information regarding the highest paid director is as follows

|                                    | 2006<br>£ | 2005<br>£ |
|------------------------------------|-----------|-----------|
| Salary, bonus and benefits in kind | 359,254   | 533,768   |

# TML Financial Solutions Limited

## Notes to the accounts Year ended 30 November 2006

### 6. Interest payable and similar charges

|                            | 2006<br>£        | 2005<br>£      |
|----------------------------|------------------|----------------|
| Hire purchase interest     | -                | 3,756          |
| Intercompany loan interest | 1,013,236        | 700,531        |
|                            | <u>1,013,236</u> | <u>704,287</u> |

### 7 Taxation

#### Analysis of tax credit

The tax credit on the loss on ordinary activities for the year was as follows

|   | 2006<br>£        | 2005<br>£        |
|---|------------------|------------------|
| <b>Current tax</b>                        |                  |                  |
| UK corporation tax                        | 3,559,355        | 2,525,271        |
|   | <u>3,559,355</u> | <u>2,525,271</u> |
| Tax credit on loss on ordinary activities |                  |                  |
|   | <u>3,559,355</u> | <u>2,525,271</u> |

UK corporation tax has been credited at 30% (2005 - 30%)

#### Factors affecting tax credit

|  | 2006<br>£        | 2005<br>£        |
|--|------------------|------------------|
| Loss on ordinary activities before tax   | (11,864,520)     | (8,417,571)      |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%) | 3,559,355        | 2,525,271        |
|  | <u>3,559,335</u> | <u>2,525,271</u> |
| Current tax credit   |                  |                  |
|  | <u>3,559,335</u> | <u>2,525,271</u> |

# TML Financial Solutions Limited

## Notes to the accounts Year ended 30 November 2006

### 8. Tangible fixed assets

|                       | Office and<br>computer<br>equipment<br>£ | Fixtures<br>and fittings<br>£ | Leasehold<br>Improvements<br>£ | Totals<br>£ |
|-----------------------|--|-------------------------------|--------------------------------|-------------|
| <b>Cost</b>           |  |                               |                                |             |
| At 1 December 2005    | 1,364,990                                | 528,425                       | 1,594,121                      | 3,487,536   |
| Additions             | 192,266                                  | 13,323                        | -                              | 205,589     |
| Disposals             | (300)                                    | -                             | -                              | (300)       |
| At 30 November 2006   | 1,556,956                                | 541,748                       | 1,594,121                      | 3,692,825   |
| <b>Depreciation</b>   |  |                               |                                |             |
| At 1 December 2005    | 400,661                                  | 81,277                        | 225,705                        | 707,643     |
| Charge for the year   | 338,969                                  | 53,731                        | 159,412                        | 552,112     |
| At 30 November 2006   | 739,630                                  | 135,008                       | 385,117                        | 1,259,755   |
| <b>Net book value</b> |  |                               |                                |             |
| At 30 November 2005   | 964,329                                  | 447,148                       | 1,368,416                      | 2,779,893   |
| At 30 November 2006   | 817,326                                  | 406,740                       | 1,209,004                      | 2,433,070   |

### 9. Fixed asset investments

| Cost and net book value - Unlisted investments | 2006<br>£ | 2005<br>£ |
|--|-----------|-----------|
| Subsidiary undertaking                         | 133       | 133       |

The Company's investments at the balance sheet date in the share capital of unlisted companies represents 100% of the Ordinary share capital of **Your Personal Finance Limited**, incorporated in Great Britain and registered in England and Wales, whose business is that of Mortgage Broker. The Company is also exempt under section 228 of the Companies Act 1998 from producing consolidated accounts as consolidated accounts are produced at the level of Kensington Group Plc.

### 10. Debtors' amounts falling due within one year

|  | 2006<br>£ | 2005<br>£ |
|--|-----------|-----------|
| Trade debtors                                  | 462,588   | 454,760   |
| Other debtors                                  | 30,898    | 8,527     |
| Amounts due from parent company (group relief) | 3,570,149 | 2,877,073 |
| Prepayments                                    | 475,314   | 1,570,436 |
|  | 4,538,949 | 4,910,796 |



# TML Financial Solutions Limited

## Notes to the accounts Year ended 30 November 2006

### 11. Creditors: amounts falling due within one year

|  | 2006<br>£         | 2005<br>£        |
|--|-------------------|------------------|
| Trade creditors                        | 952,396           | 1,204,467        |
| Other creditors                        | 239,162           | 268,530          |
| Amounts due to parent company          | 1,088,725         | 327,451          |
| Amount due to subsidiary company       | 133               | 133              |
| Subordinated loan from holding company | 6,200,000         | 4,250,000        |
| Ordinary Loan from holding company     | 2,100,000         | -                |
| Social security and other taxes        | 182,412           | 236,843          |
| Accrued expenses                       | 824,047           | 722,020          |
|  | <u>11,586,875</u> | <u>7,009,444</u> |

### 12 Creditors amounts falling due after more than one year

|  | 2006<br>£         | 2005<br>£        |
|--|-------------------|------------------|
| Subordinated loan from holding Company | 11,350,000        | 6,200,000        |
| Ordinary loan from holding Company     | 500,207           | 2,100,000        |
|  | <u>11,850,207</u> | <u>8,300,000</u> |

The company is required to hold subordinated capital in accordance with regulatory capital requirements  
These loans are taken on 2 year terms from the parent company

### 13 Operating lease commitments

|   | 2006<br>£        | 2005<br>£        |
|---|------------------|------------------|
| <b>In respect of premises leases expiring</b>         |                  |                  |
| More than five years                                  | 8,944,317        | 9,750,880        |
|   | <u>8,944,317</u> | <u>9,750,880</u> |
| <b>In respect of other equipment leases expiring:</b> |                  |                  |
| Within one year                                       | 136,579          | 74,587           |
| Between two and five years                            | -                | 346,974          |
|   | <u>136,579</u>   | <u>421,561</u>   |

# TML Financial Solutions Limited

## Notes to the accounts Year ended 30 November 2006

### 14 Provisions for liabilities and charges

|                        | Deferred tax |         |
|------------------------|--------------|---------|
|                        | 2006         | 2005    |
|                        | £            | £       |
| Balance at 1 December  | -            | 6,307   |
| Credit for year        | -            | (6,307) |
| Balance at 30 November | -            | -       |

The deferred tax provision relates entirely to accelerated capital allowances

### 15 Called up share capital

#### Authorised

| Number               | Class      | Nominal value | 2006  | 2005  |
|----------------------|------------|---------------|-------|-------|
|                      |            |               | £     | £     |
| 9,000 (2005 - 9,000) | Ordinary A | £0 10         | 900   | 900   |
| 950 (2005 - 950)     | Ordinary B | £0 10         | 95    | 95    |
| 20 (2005 - 20)       | Ordinary C | £0 10         | 2     | 2     |
| 30 (2005 - 30)       | Ordinary D | £0 10         | 3     | 3     |
|                      |            |               | 1,000 | 1,000 |

#### Allotted, issued and fully paid

| Number               | Class      | Nominal value | 2006 | 2005 |
|----------------------|------------|---------------|------|------|
|                      |            |               | £    | £    |
| 1,000 (2005 - 1,000) | Ordinary A | £0 10         | 100  | 100  |
| 330 (2005 - 330)     | Ordinary B | £0 10         | 33   | 33   |
| 20 (2005 - 20)       | Ordinary C | £0 10         | 2    | 2    |
| 28 (2005 - 28)       | Ordinary D | £0 10         | 3    | 3    |
|                      |            |               | 138  | 138  |

As per the Articles, the Ordinary "A" "B", "C" and D shares shall be treated as the same class

### 16 Share premium

|               | 2006   | 2005   |
|---------------|--------|--------|
|               | £      | £      |
| Share premium | 19,998 | 19,998 |

# TML Financial Solutions Limited

## Notes to the accounts Year ended 30 November 2006

### 17 Ultimate parent company

The Company's immediate and ultimate parent Company and controlling party is Kensington Group plc, a Company incorporated in Great Britain and registered in England and Wales. The Kensington Group is the only group into which the Company's results are consolidated. Copies of the group's financial statements are available from that Company's registered office at 1 Sheldon Square, London, W2 6PU.

### 18. Reconciliation of movements in shareholders' funds

|  | 2006<br>£           | 2005<br>£          |
|--|---------------------|--------------------|
| Loss for the financial year                | (8,305,165)         | (5,892,300)        |
| <b>Net addition to shareholders' funds</b> | <b>(8,305,165)</b>  | <b>(5,892,300)</b> |
| Opening shareholders' funds                | (7,264,212)         | (1,371,912)        |
| <b>Closing shareholders' funds</b>         | <b>(15,569,377)</b> | <b>(7,264,212)</b> |
| Equity interests                           | (15,569,377)        | (7,264,212)        |

### 19 Reserves

|                                | 2006<br>£    | 2005<br>£   |
|--------------------------------|--------------|-------------|
| <b>Profit and loss account</b> |              |             |
| At 1 December                  | (7,284,348)  | (1,392,048) |
| Retained loss for the year     | (8,305,165)  | (5,892,300) |
| At 30 November                 | (15,589,513) | (7,284,348) |
| <b>Share Premium account</b>   |              |             |
| At 1 December and 30 November  | 19,998       | 19,998      |

### 20. Post balance sheet events

On 28 January 2007 the company's parent contracted to sell TML Financial Solutions Ltd to Customer Financial Solutions Ltd. The transaction was completed on 25 April 2007.

TML Financial Solutions Ltd have signed a new agreement with Kensington Group plc in respect of the sublet of a proportion of TML house, reducing the operating lease commitment in respect of premises expiring in more than 5 years to £6,405,971.

As a result of this transaction, assets with a cost of £352,571 and a net book value of £191,385 have been written off in January 2007.