

New Life Mortgage Funding
Limited

Directors' report and financial
statements

Registered number 04896430

28 February 2010

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Directors' report

The directors present their directors' report and financial statements for the year ended 28 February 2010

Principal activities

The Company's principal activity is the lending and subsequent sale of residential mortgages

Business review

The results for the year are shown in the profit and loss account on page 5

The profit before taxation was £526,000 (2009 £530,000) The directors do not recommend payment of a dividend

The Board of Directors set and monitor the performance of the company through the following key financial indicators

Mortgage Completions: the company achieved nearly £18million of new lending during the year (2009 £22million)

Pretax profit: the maintenance of profit before tax of £526,000 in 2010 (2009 £530,000) reflects the efficient timing of assets sales and the successful negotiation of premiums on sale

The Board were also pleased to see non-financial key performance indicators of successful compliance with FSA Regulation and the successful embedding of Treating Customers Fairly initiative

The principal risks and uncertainties facing the company are unexpected movements in long term funding rates which would affect potential purchasers' appetite (and pricing) for the type of loan originated by the company and borrowers' demand for the products These are addressed through continued work with treasury instrument providers

Future Developments

Since the end of the year the company has continued to originate and sell portfolios of loans

Directors and directors' interests

The Directors who held office during the year were as follows

KD Allen

P Lucas

PH Turley

CG Johnson

The directors' interests in the shares of New Life Mortgages Limited (the company's immediate parent company) are shown in the accounts of that company

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate capital and liquid resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements


Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG Audit Plc will therefore continue in office

By order of the board



KD Allen
Director

Warwick House,
737 Warwick Road,
Solihull,
West Midlands,
B91 3DG

24th February 2011

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 applicable 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.



Independent auditor's report to the members of New Life Mortgage Funding Limited

We have audited the financial statements of New Life Mortgage Funding Limited for the year ended 28 February 2010 set out on pages 5 to 11. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 February 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

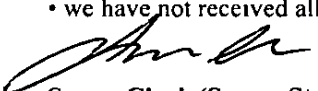
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham, B4 6GH

24 February 2011

Profit and Loss Account
for the year ended 28 February 2010

	<i>Note</i>	2010 £000	2009 £000
Turnover		753	1,657
Interest Receivable		305	611
Expenses of Funding Vehicle	4	(106)	(585)
Gross profit		952	1,683
Administrative expenses	5	(600)	(1,310)
Other Operating Income		174	157
Interest Payable on amounts owed to Parent undertaking		-	-
Operating profit and Profit on ordinary activities before taxation	6	526	530
Tax on profit on ordinary activities	7	(150)	(123)
Profit for the financial year	13	376	407

The results for the year above reflect trading from continuing operations

The company has no recognised gains and losses other than the results above and therefore no separate statement of recognised gains and losses has been presented

Balance Sheet
at 28 February 2010

	<i>Note</i>	2010 £000	2009 £000
Current assets			
Mortgages advances subject to non-recourse funding			
Mortgages	15	3,818	326
Less Non recourse funding		(3,818)	(326)
		<hr/>	<hr/>
		-	-
Cash at bank and in hand		-	-
Debtors	8	1,455	930
		<hr/>	<hr/>
		1,455	930
Creditors Amounts falling due within one year	9	(272)	(123)
		<hr/>	<hr/>
Net Current Assets and Total assets less current liabilities		1,183	807
Creditors amounts falling due after more than one year	11	(120)	(120)
Provisions for liabilities and charges	10	(22)	(22)
		<hr/>	<hr/>
Net assets		1,041	665
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	1,041	665
		<hr/>	<hr/>
Total Equity Shareholders' Funds		1,041	665
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 24th February 2011 and were signed on its behalf by



KD Allen
 Director

Registered Number 04896430

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements. The format of the accounts reflects the special nature of the business.

Basis of preparation

The financial statements have been prepared in accordance with applicable UK accounting standards, and under the historical cost accounting rules.

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of New Life Mortgages Limited the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of New Life Mortgages Limited, within which this Company is included, can be obtained from the address given in note 16.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised only to the extent that management believe that the transfer of future economic benefits can be measured with some degree of certainty.

Deferred taxation assets or liabilities have not been discounted.

Turnover

Turnover consists of the profit on sale of mortgage portfolios less provisions for warranty claims.

Advances subject to non-recourse finance

Loans fully secured on residential properties subject to non recourse finance meeting the condition specified in Financial Reporting Standard No. 5 are included in the balance sheet using the linked presentation method. Such balances are stated at book value less provisions for impairments.

Notes (continued)

2 Remuneration of directors

None of the directors received any remuneration from the company during the year ended 28 February 2010 (2009 *nil*)

3 Staff numbers and costs

The company had no employees during the year ended 28 February 2010 (2009 *nil*)

4 Interest payable and similar charges

	2010 £000	2009 £000
Interest payable on building society funding	106	585

5 Administrative Expenses

	2010 £000	2009 £000
Management charge from parent company	600	1,310

6 Profit on ordinary activities before taxation

	2010 £000	2009 £000
Profit on ordinary activities before taxation is stated after charging Audit of these financial statements (borne by parent undertaking)	5	5

Notes (continued)

7 Tax on profit on ordinary activities

	2010 £000	2009 £000
<i>UK corporation tax</i>		
Total current tax	150	123
Total deferred tax	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	150	123
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year differs to the standard rate of corporation tax in the UK of 28% (2009 28 17%)
The differences are explained below

	2010 £000	2009 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	526	530
	<hr/>	<hr/>
Current tax at 28% (2009 28 17%)	150	149
<i>Effects of</i>		
Marginal relief	-	(4)
Movement in unprovided deferred tax asset	-	(22)
	<hr/>	<hr/>
Total current tax charge (see above)	150	123
	<hr/>	<hr/>

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly. As such, the deferred tax balances outstanding at the balance sheet date are stated at 27%. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax assets accordingly. The company has an unprovided deferred tax asset (at 27%) at 28 February 2010 of £6,000 (2009 £6,000).

8 Debtors

	2010 £000	2009 £000
Amounts owed by parent undertaking	1,455	930
	<hr/>	<hr/>
	1,455	930
	<hr/>	<hr/>

Notes (continued)

9 Creditors amounts falling due within one year

	2010 £000	2009 £000
Corporation Tax	272	123
	<u>272</u>	<u>123</u>

10 Provisions for liabilities and charges

	Warranty Claims £000
At 1 March 2009	22
Credit for the year	-
	<u>22</u>
At 28 February 2010	<u>22</u>

11 Creditors: Amounts falling due after more than one year

Creditors falling due after more than one year represents a subordinated loan due to the parent undertaking. It is repayable six years after notice is given to the company. At 28 February 2010 no such notice has been given. Interest is payable at 1% below bank base rate.

12 Called up share capital

	2010 £	2009 £
<i>Authorised</i>		
100 Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
1 Ordinary share of £1	1	1
	<u>1</u>	<u>1</u>

13 Profit and Loss account

	£000
At 1 March 2009	665
Profit for the year	376
	<u>1,041</u>
At 28 February 2010	<u>1,041</u>

Notes (continued)

14 Reconciliation of movements in shareholder's funds

	2010 £000	2009 £000
At 1 March	665	258
Profit for the year	376	407
	<hr/>	<hr/>
At 28 February	1,041	665
	<hr/>	<hr/>

15 Linked Presentation

At the balance sheet date £3,818,000 (2009 £326,000) of mortgages had been transferred under equitable assignment by the company to a Building Society. The company continues to receive interest income from the loans and pays a proportion to the Building Society. The company has an option to reacquire the mortgage loans under certain conditions at some point in the future.

The company is not obliged to support any losses of its independent providers of finance, nor does it intend to do so. The providers of finance have agreed in writing that they will only seek repayment of the finance, as to both principal and interest, to the extent sufficient funds are generated by or attached to the mortgages they have financed and they will not seek recourse in any other form.

16 Ultimate parent undertaking

The company's immediate and ultimate parent undertaking is New Life Mortgages Limited. New Life Mortgages Limited is a company incorporated in England and Wales and its principal place of business is Warwick House, 737 Warwick Road, Solihull, England, B91 3DG.