

@ Charcol Limited

**Directors' report and financial
statements**

Registered number 3795361

31 December 2007



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Directors' report

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

Principal activities

The principal activity of the business is the provision of Online mortgage broking services to its customers.

Business review

2007 was a year of significant growth for the company; both from a revenue perspective, increasing from £2.4m to £4.2m (75%) and in terms of profitability. The increase in income was achieved by increasing the number and productivity of sales consultants. This gave rise to a reduced loss to £0.4m from £1.9m, an improvement of £1.5m. Much was learned in the year in regards of working with partners to implement a successful 'white label' proposition which benefits both parties.

The market was significantly up on previous years in terms of mortgage lending for the first half of the year but was then flat in August and dropped away dramatically from then onwards. It is anticipated that there will be no improvement in 2008. Steps have been taken to reduce the cost base and under productive sales staff are no longer with the business. Measures have also been taken to ensure suitable lead flow in the Direct business going forward.

Directors' Indemnities

None of the directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Results, dividends and transfers to reserves

The loss after tax for the year amounted to £434,880 (2006:£1,942,505). The directors do not propose the payment of a dividend (2006: nil).

Going Concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the reasons stated in Note 1 of the accounts, Accounting policies, *Basis of preparation*.

Directors' report *(continued)*

Directors and directors' interests

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

J S G Garfield

P C Barrett (resigned 27 July 2007)

W A Avrili

J E McMahon

N J Ward (resigned 31 July 2008)

The interests of J S G Garfield, P C Barrett and N J Ward are disclosed in the directors' report of the ultimate parent.

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

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; each director has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Political and charitable contributions

The company made no political contributions or charitable donations during the year.

By order of the board

J S G Garfield
Director



15 January 2009
53-64 Chancery Lane
London

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

The directors have responsibility 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 the directors have elected to prepare the group and the parent company financial statements in accordance with UK Accounting Standards.

The company 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 for that year.

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 its financial statements comply with the Companies Act 1985. They have a 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.

The directors have responsibility for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG Audit Plc

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditor's report to the members of @ Charcol Limited

We have audited the financial statements of @ Charcol Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. 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 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 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 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 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.

KPMG Audit Plc

15 January 2009

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

Profit and loss account
for the year ended 31st December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Turnover		4,203	2,422
Cost of sales		(77)	(241)
		<hr/>	<hr/>
Gross profit		4,126	2,181
Administrative expenses	2	(4,561)	(4,124)
		<hr/>	<hr/>
Operating loss		(435)	(1,943)
Tax on profit on ordinary activities	4	-	-
		<hr/>	<hr/>
Loss for the financial year		(435)	(1,943)
		<hr/> <hr/>	<hr/> <hr/>

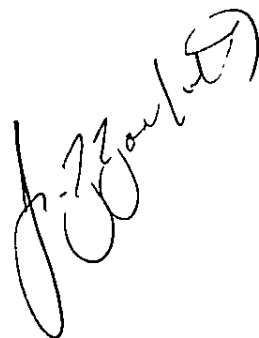
There were no other recognised gains and losses during the year.

Balance sheet
 At 31st December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Fixed assets			
Intangible fixed assets	5	-	5
Current assets			
Amounts owed by parent company		1	1
Creditors: amounts falling due within one year			
Amounts owed to parent company		(3,752)	(3,322)
Net current liabilities		(3,751)	(3,321)
Total assets less current liabilities		(3,751)	(3,316)
Net liabilities		(3,751)	(3,316)
Capital and reserves			
Called up share capital	6	6	6
Profit and loss account		(3,757)	(3,322)
Shareholders' Funds		(3,751)	(3,316)

These financial statements were approved by the board of directors on 15 January 2009 and were signed on its behalf by:

J S G Garfield
 Director



Reconciliation of movements in shareholders' funds

For the year ended 31st December 2007

	2007 £'000	2006 £'000
Loss for the financial year	(435)	(1,943)
Net decrease in shareholders' funds	(435)	(1,943)
Opening shareholders' funds	(3,316)	(1,373)
Closing shareholders' funds	(3,751)	(3,316)

Notes

(forming part of the financial statements)

1 Accounting Policies

Basis of Preparation

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

The Company has taken advantage of the exemption contained under FRS 8 and has therefore not disclosed any transactions or balances with other group undertakings.

The company has elected not to provide a cashflow statement in accordance with the exemption granted under FRS1 (revised 1996), to companies who are controlled within a group and whose consolidated financial statements in which the subsidiary undertaking are included are publicly available.

The financial statements have been prepared on a going concern basis which the directors believe to be appropriate due to the support of the parent company, Charcol Limited. As described in the consolidated accounts of John Charcol Group Limited (parent company to Charcol Limited), as at 31st December 2007, there was £5.12m of loan notes outstanding of which £2.92m was repayable in 2008, a further £2m of loan stock was issued in 2008 which was due for repayment later in the year. All of these loan notes, totalling £7.12m, were cancelled on 10th November 2008. New Loan notes were issued on the same date. The new loan notes are divided into three classes A,B and D. There are no capital or interest repayments due on the new loan notes in 2008 or 2009.

A drawn down facility of £1.2m was arranged with Lloyds TSB on 10th November 2008 and a £0.6m facility was arranged with J Moulton on the same date. Further details regarding these facilities are detailed within Note 8.

The directors of John Charcol Holdings Limited, the ultimate parent company, consider that these facilities should be sufficient to enable the company and group to continue in operation for at least 12 months from the date of approval of these financial statements by meetings its liabilities as they fall due for payment. In the event that John Charcol Holdings Limited and the group require additional funding, then the investors of John Charcol Holdings Limited will provide further funds to enable trading to continue.

Based on this undertaking and the letter of support from Charcol Limited, in turn from John Charcol Group Limited, and in turn from John Charcol Holdings Limited, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Intangible Fixed Assets

Intangible fixed assets are capitalised at their cost less any provision for permanent diminution in value.

Turnover

Turnover is recognised when a service is provided to a customer, when a mortgage is completed or when a protection policy goes on risk.

Notes (continued)

2 Notes to the profit and loss account

<i>Loss on ordinary activities before taxation is stated after charging:</i>	2007	2006
	£000	£000
Online Advertising	516	208
Fees payable for the audit of annual statutory accounts	10	10
Management charge	3,126	2,421
	<hr/> <hr/>	<hr/> <hr/>

The management charge comprises a proportional share of costs incurred in Charcol Limited.

3 Staff numbers and costs

@ Charcol has no employees, as staff are employed by Charcol limited and are included in the management charge above. As such these employees fall under the jurisdiction of the Charcol Limited Pension scheme and any liabilities outstanding at the end of the year with regard to these employees are disclosed in the ultimate parent's accounts.

4 Taxation

There is no taxation in either financial year as the company made a loss in both years.

5 Intangible fixed assets

The company acquired the online Charcol Business in 2004 at the value of £5,000. Consideration was the issue of 5,000 £1 ordinary shares.

During the year a new Charcol Online website was produced as a result the intangible asset in the original website has been written off.

Notes (continued)

6 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
6,000 Ordinary shares of £1 each	6,000	6,000
	6,000	6,000
<i>Allotted, called up and fully paid</i>		
6,000 Ordinary shares of £1 each	6,000	6,000
	6,000	6,000

7 Ultimate parent company

Charcol Limited, a company incorporated in England and Wales, is the Company's immediate controlling entity.

John Charcol Holdings Limited, a company incorporated in England and Wales, is the Company's ultimate parent company. It is the parent undertaking of the largest group in which the results of the Company are consolidated. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public from the Company's registered office at 53-64 Chancery Lane, London WC2A 1QU.

8 Subsequent events

On 2 January 2008 £500,000 was received from Jon Moulton for loan notes in John Charcol Group Limited. An additional £1.5m was received from John Garfield, Charles Wishart and Jon Moulton in June 2008, for loan stock in John Charcol Group Limited. These monies were received as part of an ongoing restructuring process – during which the John Charcol Holdings board had noted a need to revise the groups Loan Capital Structure.

On 16 May 2008 John Garfield and Charles Wishart purchased 100,000 'A' shares in John Charcol Holdings Limited from Advantage Capital, additionally on this date John Garfield and Charles Wishart also took over £840,000 of loan notes previously held by Advantage Capital.

As part of this restructuring process, the following John Charcol offices were closed: Brighton, Tunbridge Wells, Manchester, Birmingham, Guildford and Cambridge.

In November 2008 a refinancing exercise was undertaken by the group in order to provide the necessary working capital for the group and in order to meet the capital adequacy requirements set out by the Financial Services Authority. The refinancing included a Rights Issue on John Charcol Holdings Limited of £1.3m which was underwritten by Charles Wishart, John Garfield and Jon Moulton.

A facility with Lloyds TSB for £1.2m with John Charcol Group Limited has also been arranged. A similar facility direct with Jon Moulton for £600k has also been arranged. These are both committed facilities that are not repayable until 10 November 2013 and can be drawn down at any time.

As disclosed in the consolidated accounts of John Charcol Holdings Limited, as at 31st December 2007, there was £5.12m of loan notes outstanding. A further £2m were issued during the year bring the total outstanding to £7.12m. All of these loan notes were cancelled on 10th November. At the same date new loan notes were issued. These were divided into three categories of loan notes A, B and D. There is £3m of loan stock A which is repayable between 3 and 5 years at the discretion of the Board, the interest rate on loan stock A is 0% until 31/12/2010 and 20% per annum thereafter. Total stocks B and D totals £4.12m and is payable between 3 and 5 years at the Board's discretion and £700k pa thereafter. The interest is 0% until 31/12/2009, 12% in 2010 and 2011 and 8% thereafter. The Lloyds Facility is secured via debentures on all group companies.

The Lloyds Facility is secured via debentures on all group companies. The Loan Notes and the Jon Moulton facility are secured via debentures on John Charcol Group Limited.