

FN Mortgages Limited
(Registered Number: 1989335)

Directors' Report and Financial Statements
Year ended 31 December 2006

SATURDAY



AIJNMQNX

A19

23/06/2007

472

COMPANIES HOUSE

Company Information

Directors

M R Bellora
D Berry
R D Hunkin
M J Melling
J S Nutley
A R Punch
C J V Shave
E M Sully

Company Secretary

FN Secretary Limited

Registered Office

53 – 61 College Road
Harrow
Middlesex
HA1 1FB

Company Auditor

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' Report
Year ended 31 December 2006

The directors have pleasure in presenting their Directors' Report and financial statements for FN Mortgages Limited ('the Company') for the year ended 31 December 2006

Principal activities

The Company holds investments in subsidiaries, together with a portfolio of mortgage loans secured on residential property in the United Kingdom. No new business is expected to be originated by the Company in the foreseeable future and as such the balance held is expected to continue to reduce

Business review

The directors are satisfied with the results for the year and the future prospects of the Company

The results for the year are shown in the profit and loss account on page 5, which shows a profit for the financial year of £4,369,000 (2005 £3,776,000)

The directors do not recommend the payment of any dividend (2005 £Nil)

On 19 December 2005, the directors approved the entering into of an Outsourcing and Secondment Agreement with GE Money Servicing Limited ("GEMS"), a related party, in respect of the servicing of its loan portfolio and provision of ancillary services. Under the terms of the Agreement, GEMS - acting as the centralised operations entity of the Group, incurs costs centrally and recharges those costs, which took effect from 1 January 2006

Directors

The directors who held office during the year and up to the date of the directors' report were

M R Bellora

C J V Shave

A R Punch

D Berry (appointed 11 August 2006)

R D Hunkin (appointed 11 August 2006)

M J Melling (appointed 11 August 2006)

J S Nutley (appointed 11 August 2006)

E M Sully (appointed 11 August 2006)

D R Carson (resigned 15 September 2006)

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/ 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

Directors' Report (continued)
Year ended 31 December 2006**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 the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Acceptable Accounting Practice)

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 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

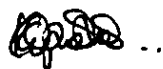
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

Auditors

In accordance with Section 379A of the Companies Act 1985, the Company has elected to dispense with the following obligations

- to lay accounts and reports before general meetings
- to hold annual general meetings
- to appoint auditors annually

KPMG Audit Plc will therefore continue in office

By Order of the Board

For and on behalf of
FN Secretary Limited, Secretary
4 June 2007

53-61 College Road
Harrow
Middlesex
HA1 1FB

Independent auditors' report to the members of FN Mortgages Limited

We have audited the financial statements of FN Mortgages Limited for the year ended 31 December 2006, which comprise the Profit and Loss Account, the Balance Sheet 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 2006 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.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
4 June 2007

1 The Embankment
Neville Street
Leeds
LS1 4DW

**Profit and Loss Account
Year ended 31 December 2006**

| | Note | 2006 £'000 | 2005 £'000 |
|--|-------|---------------|---------------|
| Interest receivable and similar income | 1 | 4,860 | 6,131 |
| Interest payable | 2 | (860) | (2,200) |
| Net interest income | | 4,000 | 3,931 |
| Administrative expenses | | (965) | (976) |
| Other operating income | 3 | 1,317 | 1,456 |
| Profit on ordinary activities before taxation | 4 | 4,352 | 4,411 |
| Taxation | 6 | 17 | (635) |
| Profit for the year | 13,14 | 4,369 | 3,776 |

All income and expenditure derives from continuing operations

There are no recognised gains and losses other than the profit for the current and preceding financial year. Accordingly, no statement of total recognised gains and losses has been prepared

**Balance Sheet
As at 31 December 2006**

| | Note | 2006 £'000 | 2005 £'000 |
|--|------|-----------------|-----------------|
| Fixed assets | | | |
| Investment in subsidiary undertakings | 7 | 50 | 50 |
| | | 50 | 50 |
| Current assets | | | |
| Mortgage Loans - due within one year | 8 | 5,564 | 6,297 |
| - due after more than one year | 8 | 57,815 | 74,974 |
| Debtors | 9 | 1,142 | 3,174 |
| Cash | | 14 | 3 |
| | | 64,535 | 84,448 |
| Creditors: amounts falling due within one year | 10 | (48,879) | (47,524) |
| Net current assets | | 15,656 | 36,924 |
| Total assets less current liabilities | | 15,706 | 36,974 |
| Creditors: amounts falling due after more than one year | 11 | - | (25,637) |
| Net assets | | 15,706 | 11,337 |
| Capital and reserves | | | |
| Called up share capital | 12 | 250 | 250 |
| Profit and loss account | 13 | 15,456 | 11,087 |
| Shareholder's funds | 14 | 15,706 | 11,337 |

These financial statements were approved by the Board of Directors on 4 June 2007

Signed on behalf of the Board of Directors



M R Bellora
Director

**Notes to the Financial Statements
Year ended 31 December 2006****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. There have been no changes in accounting policy during the current year.

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 1985 and applicable United Kingdom Accounting Standards.

Consolidated financial statements

As the Company is a wholly owned subsidiary of GE Money Home Lending Holdings Limited, a company registered in England and Wales, consolidated financial statements have not been prepared by virtue of the exemption permitted by Section 228 of the Companies Act 1985. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

Interest receivable

Interest receivable relates to the Company's principal activity and arises wholly in the United Kingdom.

Interest receivable is recognised on an accruals basis and comprises mortgage interest income receivable from the Company's lending activities.

Other operating income

Other operating income relates to administration and arrears fees which are charged in respect of late payments on long-term mortgage advances, which is recognised on an accruals basis and is net of VAT.

Mortgage loans

Mortgage loans are stated at cost less provisions. Provisions are made against mortgage loan receivables net of insurance recoveries when, in the opinion of the directors, credit risks or economic factors make recovery doubtful. The aggregate provisions that are made during the period are charged against operating profit. If the collection of interest is considered to be doubtful, it is suspended and excluded from interest income in the profit and loss account.

Investments

The Company's investments in subsidiary companies are stated at cost less any necessary provision for impairment.

Current 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.

Notes to the Financial Statements (continued)

Year ended 31 December 2006

1. Accounting Policies (continued)

Deferred taxation

Deferred tax is recognised, without discounting, 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

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average 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 at the balance sheet date

Related party transactions

The Company, as a wholly owned subsidiary undertaking of General Electric Company, has taken advantage of an exemption contained in FRS 8, "Related Parties", in preparing its financial statements. This exemption allows the Company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties, as the consolidated financial statements of General Electric Company, in which the Company is included, are available to the public and can be obtained from the address given in note 16

Cash flow statement

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement, on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a consolidated cash flow statement in the financial statements of a parent company which are available to the public

2. Interest payable

| | 2006 | 2005 |
|-----------------------------------|-------|-------|
| | £'000 | £'000 |
| Amount owed to group undertakings | 860 | 2,200 |

3 Other operating income

| | 2006 | 2005 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Fees and commissions receivable | 289 | 369 |
| Release of provision for mortgage losses | - | 1,087 |
| Release of provision for disputed balances | 1,028 | - |
| | 1,317 | 1,456 |

Notes to the Financial Statements (continued)
Year ended 31 December 2006

4. Profit on ordinary activities before taxation

| | 2006 | 2005 |
|--|--------------|--------------|
| | £'000 | £'000 |

Profit on ordinary activities before taxation is stated after charging/(crediting)

| | | |
|--|------------|---------|
| Management charge payable | 939 | 968 |
| Net provision charged/ (release of provision) to profit and loss account for mortgage losses | 25 | (1,087) |

Auditors' remuneration in the current and prior year was borne by another group company on behalf of the Company. The audit fee in respect of the Company was

| | 2006 | 2005 |
|--|--------------|--------------|
| | £'000 | £'000 |

| | | |
|-----------------------------------|-----------|----|
| Fees for the audit of the Company | 20 | 22 |
|-----------------------------------|-----------|----|

Fees paid for services other than the statutory audit of the Company are not disclosed in these financial statements since the consolidated accounts of the Company's parent undertaking, GE Money Home Lending Holdings Limited, are required to disclose non-audit fees on a consolidated basis.

5 Information regarding directors and employees

Employees

There are no direct employees of the Company (2005 Nil). Employees are remunerated by another group company, under their contracts of employment with that company. Staff costs are recharged to the Company in the current and prior year. Full disclosure regarding employees can be found in the financial statements of GE Money Home Lending Holdings Limited.

Directors

The Company paid for no directors' remuneration (2005 £Nil). None of the directors has any pension benefits provided by the Company (2005 £Nil).

C J Shave, M R Bellora, A R Punch, E M Sully, D R Carson and R D Hunkin are/were also directors of GE Money Home Lending Holdings Limited, a parent undertaking, and do not specifically receive any remuneration in respect of their services to the Company. It was not possible to determine an appropriate proportion of their services on behalf of the Company. Accordingly disclosure regarding their total emoluments can be found in the financial statements of that company.

D Berry, M J Melling and J S Nutley are also directors of GE Money Home Finance Limited, a parent undertaking, and do not specifically receive any remuneration in respect of their services to the Company. It was not possible to determine an appropriate proportion of their services on behalf of the Company. Accordingly disclosure regarding their total emoluments can be found in the financial statements of that company.

Notes to the Financial Statements (continued)
Year ended 31 December 2006

6. Taxation

| | 2006 | 2005 |
|--|---------|-------|
| | £'000 | £'000 |
| a) Analysis of the (credit)/ charge in the year | | |
| Current tax at 30% (2005 30%) | 997 | 1,323 |
| Adjustment in respect of prior years | (1,323) | (688) |
| Total current tax | (326) | 635 |
| Deferred tax | | |
| Origination and reversal of timing differences | 309 | - |
| Total deferred tax | 309 | - |
| Tax on profit on ordinary activities | (17) | 635 |
| b) Factors affecting the current tax (credit)/ charge in the year | | |
| Profit on ordinary activities before tax | 4,352 | 4,411 |
| Current tax at 30% (2005 30%) | 1,306 | 1,323 |
| Effects of | | |
| Depreciation in excess of capital allowances | (1) | - |
| Other timing differences | (308) | - |
| Adjustment in respect of prior years | (1,323) | (688) |
| Current tax (credit)/ charge | (326) | 635 |

The adjustments in respect of prior years relate to the effect of group relief surrendered to and from fellow group companies

- c) Any future tax charges may be impacted by the announced change in the rate of corporation tax from 30% to 28%, effective from 1 April 2008. The impact of this has not been quantified in the financial statements, as the directors do not consider it practicable to do so

7. Investment in subsidiary undertakings

£'000

Cost and net book value

| | |
|-----------------------------------|----|
| At 1 January and 31 December 2006 | 50 |
|-----------------------------------|----|

The following were wholly-owned subsidiary undertakings of the Company at 31 December 2006

| Undertaking | Principal Activity | Country of Incorporation | Status |
|-----------------------|--------------------|--------------------------|---------|
| FN 10 Limited (*) | Holding Company | England and Wales | Dormant |
| Maes ECP No 1 Limited | Non Trading | England and Wales | Dormant |
| Maes Finance Limited | Non Trading | England and Wales | Dormant |

(*) Direct shareholding

The issued share capital of all the Company's subsidiaries consists of ordinary shares of £1

Notes to the Financial Statements (continued)
Year ended 31 December 2006

8. Mortgage loans

| | |
|------------------------------------|---------------|
| | £'000 |
| Cost | |
| At 1 January 2006 | 81,617 |
| Repayments and Redemptions | (17,902) |
| At 31 December 2006 | 63,715 |
| Provision | |
| At 1 January 2006 | (346) |
| Amount utilised, net of recoveries | 35 |
| Charge for year | (25) |
| At 31 December 2006 | (336) |
| Net book value | |
| At 1 January 2006 | 81,271 |
| At 31 December 2006 | 63,379 |

| | 2006 | 2005 |
|---|---------------|--------------|
| | £'000 | £'000 |
| Mortgage loans due within one year | 5,564 | 6,297 |
| Mortgage loans due after more than one year | 57,815 | 74,974 |
| | 63,379 | 81,271 |

Notes to the Financial Statements (continued)
Year ended 31 December 2006
9. Debtors

| | 2006 | 2005 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Amounts due within one year: | | |
| Amount owed by group undertakings | 1,079 | 2,718 |
| Deferred tax asset | 1 | 310 |
| Other Debtors | 62 | 146 |
| | 1,142 | 3,174 |

The deferred tax asset consists of

| | 2006 | 2005 |
|--------------------------------|----------|------------|
| | £'000 | £'000 |
| Accelerated capital allowances | 1 | 2 |
| Short term timing differences | - | 308 |
| | 1 | 310 |

The movements in the deferred taxation in the year are as follows

| | 2006 | 2005 |
|----------------------|----------|------------|
| | £'000 | £'000 |
| At 1 January | 310 | 310 |
| Released in the year | (309) | - |
| At 31 December | 1 | 310 |

Any future tax charges may be impacted by the announced change in the rate of corporation tax from 30% to 28%, effective from 1 April 2008. The impact of this has not been quantified in the financial statements, as the directors do not consider it practicable to do so.

10 Creditors: amounts falling due within one year

| | 2006 | 2005 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Bank overdrafts and loans | - | 14 |
| Amounts owed to group undertakings | 47,800 | 45,069 |
| Corporation tax | 997 | 1,323 |
| Other creditors | 82 | 1,118 |
| | 48,879 | 47,524 |

11. Creditors: amounts falling due after more than one year

| | 2006 | 2005 |
|------------------------------------|-------|--------|
| | £'000 | £'000 |
| Amounts owed to group undertakings | - | 25,637 |

Notes to the Financial Statements (continued)
Year ended 31 December 2006

12. Called up share capital

| | 2006 | 2005 |
|---|-------|-------|
| | £'000 | £'000 |
| Authorised | | |
| 250,000 Ordinary shares of £1 each | 250 | 250 |
| Allotted, called-up and fully paid | | |
| 250,000 Ordinary shares of £1 each | 250 | 250 |

13. Reserves

| | 2006 | 2005 |
|---------------------|--------|--------|
| | £'000 | £'000 |
| At 1 January | 11,087 | 7,311 |
| Profit for the year | 4,369 | 3,776 |
| At 31 December | 15,456 | 11,087 |

14. Reconciliation of movements in shareholder's funds

| | 2006 | 2005 |
|-------------------------------|--------|--------|
| | £'000 | £'000 |
| Profit for the financial year | 4,369 | 3,776 |
| Opening shareholder's funds | 11,337 | 7,561 |
| Closing shareholder's funds | 15,706 | 11,337 |

15. Capital and financial commitments

The Company had no capital or financial commitments at 31 December 2006 or 31 December 2005

16. Ultimate parent company and parent undertaking of larger group

The directors regard GE Money Home Finance Limited, a company registered in England and Wales, as the immediate parent undertaking

The largest group in which the results of the Company are consolidated is that headed by the ultimate parent company, General Electric Company, incorporated in the United States of America. The consolidated financial statements of General Electric Company are available to the public and may be obtained from 3135 Easton Turnpike, Fairfield, Connecticut 6431, USA or www.ge.com

The smallest group in which the results of the Company are consolidated is that of GE Money Home Lending Holdings Limited, incorporated in Great Britain. The consolidated financial statements of GE Money Home Lending Holdings Limited are available to the public and may be obtained from 53-61 College Road, Harrow, Middlesex, HA1 1FB