

FINANCE FOR MORTGAGES LIMITED

Directors' Report and Financial Statements

Registered number: 02220176

31 December 2012

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Directors' Report and Financial Statements

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Company Information

Directors

Paul Martin Hopkinson

Phillip Alexander McLelland

Company Secretary

John Gornall

Registered Office

P O Box 88

Croft Road

Crossflatts

Bingley

West Yorkshire

BD16 2UA

Directors' Report for the year ended 31 December 2012**Registered number** 02220176

The Directors present their Report and Financial Statements for the year ended 31 December 2012

Principal activity and business review

The Company qualifies as a small company in accordance with sections 381-382 of the Companies Act 2006 (the 'Act') and the Directors' report has therefore been prepared taking into consideration the provisions of section 417(1) of the Act

The principal activity of Finance for Mortgages Limited ('the Company') is to act in an agency capacity, to enable the collection and distribution of cash from mortgage loans secured on residential property. The Company is a limited liability company incorporated and domiciled in the United Kingdom

On 1 October 2010 UK Asset Resolution Limited ('UKAR') was established as the holding company for Northern Rock (Asset Management) plc ('NRAM') and Bradford & Bingley plc ('B&B'), bringing together the two brands under shared management and a common Board of Directors. UKAR heads the largest group of companies into which the Financial Statements of the Company are consolidated

The Company has not traded during the year or preceding year and consequently made neither a profit nor a loss

Dividends

During the year the Company did not pay any dividends (2011: £nil) and the Directors do not recommend the payment of a final dividend for the year (2011: £nil)

Directors and their interests

The Directors who served during the year and subsequently were as follows

Capita Trust Company Limited	(resigned 20 January 2012)
Capita Trust Corporate Services Limited	(resigned 20 January 2012)
Paul Martin Hopkinson	
Phillip Alexander McLelland	(appointed 20 January 2012)

The Directors did not hold any interest in the ordinary shares of the Company during the year or the preceding year. The Directors had no interest in the loan capital of B&B or any other interest in the share or loan capital of its subsidiaries

Events after the reporting period

Details of post Balance Sheet events are given in note 11 to the Financial Statements

Risk management and control

In the ordinary course of business the Company is exposed to, and manages, a variety of risks, with credit risk being of particular significance. The key risks and uncertainties faced by the Company are managed within the framework established for the Bradford & Bingley Group ('B&B Group')

The Directors have responsibility for the overall system of internal control and for reviewing its effectiveness. The effectiveness of the risk management is then monitored on an ongoing basis. Details of the Company's risks and their management and control are provided in note 9. Further discussion in the context of the B&B Group as a whole is provided in that Group's 2012 Annual Report & Accounts, which do not form part of this Report and Financial Statements

The Company's operations are also subject to periodic review by B&B internal audit department

Payment policy

Standard terms provide for payment of all invoices within 30 days of invoice date, except where different arrangements have been agreed with suppliers. It is the policy of the Company to abide by the agreed payment terms

Political and charitable contributions

During the year and previous year no political or charitable contributions were made

Directors' Report for the year ended 31 December 2012 (continued)**Registered number 02220176****Directors' indemnities**

UK Asset Resolution Limited ('UKAR') has provided the Director with a Deed of Indemnity indemnifying him to the fullest extent permitted by law against all losses suffered or incurred in respect of acts and omissions arising as a result of holding office. The indemnities also extend to the reimbursement of the Director with the costs of defending all claims, actions and proceedings including regulatory investigations arising out of or connected with the exercise of, or failure to exercise, any of Director's powers, duties or responsibilities as an officer, director, trustee, agent or employee of UKAR Group and any of its subsidiaries. Reimbursement is subject to the Director's obligation to repay UKAR in accordance with the provisions of the Companies Act 2006. The payment obligations of the Company under each Deed of Indemnity are backed by a specific guarantee in favour of the Director entered into between each Director and HM Treasury.

UKAR has also arranged Directors' and Officers' Insurance on behalf of the Directors in accordance with the provisions of the Companies Act 2006.

Statement of Directors' Responsibilities

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 prepared the Financial Statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU').

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 accounting estimates that are reasonable and prudent,
- state whether applicable IFRS as adopted by the EU 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 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 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.

Auditors

For the year ended 31 December 2012, the Company was entitled to exemption from audit under section 480 of the Companies Act 2006 relating to dormant companies.

On behalf of the Board



Paul Martin Hopkinson
Director
4 September 2013

Statement of Comprehensive Income for the year ended 31 December

During the financial year and the preceding financial year the Company received no income and incurred no expenditure. Consequently, during those years the Company made neither a profit nor a loss and no Statement of Comprehensive Income has been presented.

Balance Sheet at 31 December
Registered number: 02220176

	Note	2012 £	2011 £
Current assets			
Trade and other receivables	3	1,000	1,000
Total assets		<u>1,000</u>	<u>1,000</u>
Equity			
Capital and reserves attributable to equity holders			
Share capital	4	1,000	1,000
Total equity		<u>1,000</u>	<u>1,000</u>

The notes on pages 10 to 12 form an integral part of these Financial Statements

The Company was dormant throughout the financial year to 31 December 2012

The Directors

- (a) confirm these Financial Statements were delivered with no profit and loss account in accordance with provisions under section 444(5) of the Companies Act (the 'Act') applicable to companies subject to the small companies' regime,
- (b) confirm that the Company was entitled to exemption under section 480 (1) of the Act from the requirement to have its Financial Statements for the financial year ended 31 December 2012 audited,
- (c) confirm that the members have not required the Company to obtain an audit of its Financial Statements for that financial period in accordance with section 476 of the Act, and
- (d) ensuring that the Company keeps accounting records which comply with section 386 of the Act, and
- (e) preparing the Financial Statements which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of the Act relating to Financial Statements, so far as they are applicable to the Company

The Financial Statements were approved by the Board of Directors and authorised for issue on 4 September 2013 and signed on its behalf by



Paul Martin Hopkinson
 Director
 4 September 2013

Statement of Changes in Equity for the year ended 31 December

	Share capital £	Retained earnings £	Total equity £
At 1 January and 31 December 2012	<u>1,000</u>	<u>-</u>	<u>1,000</u>
At 1 January and 31 December 2011	<u>1,000</u>	<u>-</u>	<u>1,000</u>

Cash Flow Statement for the year ended 31 December

During the financial year and the preceding financial year the Company had no cash flows or balances
Consequently no Cash Flow Statement has been presented

Notes to the Financial Statements for the year ended 31 December 2012

1. Principal accounting policies

Finance for Mortgages Limited ('the Company') is a limited liability company incorporated and domiciled in the United Kingdom

(a) Statement of compliance

The Company's Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS')

The Financial Statements comply with the relevant provisions of Part 15 of the Companies Act 2006 and regulations made thereunder

(b) Basis of preparation

The Financial Statements are prepared on the historical cost basis

The Financial Statements are presented in pounds sterling, which is the currency of the Company's primary operating environment, and on a going concern basis. The validity of the going concern basis of accounting is dependent upon the funding position of the Company. At the date of approval of these Financial Statements, the B&B Group is reliant upon the financing facilities and also upon the guarantee arrangements provided to B&B by HM Treasury. Withdrawal of the financing facilities or the guarantee arrangements would have a significant impact on the B&B Group's and the Company's operations and their ability to continue as a going concern, in which case adjustments may have to be made to reduce the carrying value of assets to recoverable amounts and to provide for further liabilities that might arise. At the date of signing these Financial Statements, HM Treasury has confirmed its intentions to continue to provide funding until at least 1 November 2014.

The Directors consider that the accounting policies set out below are the most appropriate to the Company's circumstances, have been consistently applied to the Company in dealing with items which are considered material, and are supported by reasonable and prudent estimates and judgements.

The Financial Statements have been prepared in accordance with EU adopted IFRS, IFRIC interpretations issued by the IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The preparation of the Financial Statements in conformity with these accounting policies and generally accepted accounting principles requires the use of estimates and assumptions that affect the reported values of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates (see note 10).

Notes to the Financial Statements for the year ended 31 December 2012 (continued)

2. Employees and Directors' emoluments

There were no employees during the year or preceding year and none of the Directors received emoluments in respect of their services to the Company (2011 £nil)

3. Trade and other receivables

	2012 £	2011 £
Amounts due from Group undertakings	<u>1,000</u>	<u>1,000</u>
	<u>1,000</u>	<u>1,000</u>

The above receivables are interest-free and their fair value is considered to be equal to the carrying value because they are repayable on demand. This receivable represents the Company's maximum exposure to credit risk.

4. Share capital

	2012 £	2011 £
Authorised, issued and fully paid at 1 January and 31 December		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

These shares rank equally in respect of rights attached to voting, dividends, and in the event of a winding up.

5. Capital structure

The Company's capital is represented by the capital and reserves attributable to equity holders. The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act 2006, with which it complies. The Company manages its ordinary share capital in order that there is sufficient capital to meet the needs of the Company in its operations.

6. Related party disclosures

The Company's key management personnel are its Directors.

The Company had no transactions with its key management personnel or other related parties during the financial year or the preceding financial year.

Details of balances with other Group undertakings are shown in note 3.

The Company is entitled to exemption from audit, however in 2011 audit fees of £1,018 were borne by the Company's controlling party B&B.

7. Ultimate parent undertaking

During the year the shares in the Company were transferred to Bradford & Bingley Investments from Mortgage Express Holdings for consideration of £1 each. Consequently the Company's immediate parent undertaking is Bradford & Bingley Investments, which is a subsidiary of B&B.

Notes to the Financial Statements for the year ended 31 December 2012 (continued)**7. Ultimate parent undertaking (continued)**

Under IFRS, the Company's controlling party during the year and previous year was B&B, a public company incorporated and domiciled in the United Kingdom. B&B plc heads the smallest group of companies into which the Financial Statements of the Company are consolidated. Copies of the Annual Report & Accounts of B&B may be obtained from the Company Secretary at P O Box 88, Croft Road, Crossflatts, Bingley, West Yorkshire, BD16 2UA.

All shares in B&B were transferred to the Treasury Solicitor as nominee for HM Treasury on 29 September 2008 as a result of The Bradford & Bingley plc Transfer of Securities and Property etc Order 2008. On 1 October 2010 all shares in B&B were acquired via a share-for-share exchange by UK Asset Resolution Limited, a private limited company incorporated and domiciled in the United Kingdom, which is wholly owned by the Treasury Solicitor as nominee for HM Treasury. As such, the Company considers Her Majesty's Government to remain its ultimate controlling party. UKAR heads the largest group of companies into which the Financial Statements of the Company are consolidated. Copies of the Annual Report & Accounts of UKAR may be obtained from the Company Secretary at Croft Road, Crossflatts, Bingley, West Yorkshire BD16 2UA.

8. Administrative expenses

Auditor's remuneration for the preceding year was borne by the Company's controlling party B&B, however no audit was undertaken for 2012.

9. Financial instruments

In the opinion of the Directors, the fair value of the company's trade and other receivables equates to their carrying value.

No financial assets were categorised as 'held for trading' or 'at fair value through profit or loss' in the year or preceding year, and no financial asset were reclassified during the year or preceding year between amortised cost and fair value categories.

The Company's maximum exposure to credit risk, i.e. the risk that a counterparty of the Company will be unable or unwilling to meet a commitment that it has entered into with the Company, is the carrying value of the Company's trade and other receivables.

The Company has no other material exposures to market risks.

10. Critical accounting judgements and estimates

In preparation of the Company's Financial Statements judgements and estimates are made which affect the reported amounts of assets and liabilities, judgements and estimates are kept under continuous evaluation. Judgements and estimates are based on historical experience, expectations of future events and other factors. The Company's trade and other receivables are considered by the Directors not to be impaired.

11 Events after the reporting period

The Director is of the opinion that there have been no significant events which have occurred since 31 December 2012 to the date of this report that are likely to have a material effect on the Company's financial position as disclosed in the Financial Statements. On 28 May 2013, the accounting reference date was changed to 31 March 2014.