

FINANCE FOR MORTGAGES LIMITED

REPORT AND ACCOUNTS 1996

Registered number
2220176

Registered office

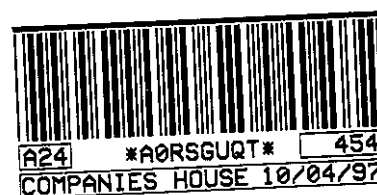
Endeavour House
1 Lyonsdown Road
New Barnet
Herts EN5 1HU

Directors

T M Dawson
K R Greenough

Secretary

S G Barford Wilks



Member of Lloyds TSB Group

Directors' report for the year ended 31 December 1996

Principal activity

The company is a wholly owned subsidiary undertaking of Lloyds TSB Group plc. In April 1991, the company ceased to write any new mortgage business. Since that date, the principal activity of the company has been the administration of its existing mortgage book.

Results

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

The results for the year ended 31 December 1996 was a profit after taxation of £230,914 (1995 : £368,054 loss). The directors recommend the distribution of the whole of such profit by payment of a final dividend.

Payment policy

Standard terms provide for payment of all invoices within 14 days after the date of the invoice, except where different arrangements have been agreed with suppliers. It is the policy of the company to abide by the agreed terms of payment.

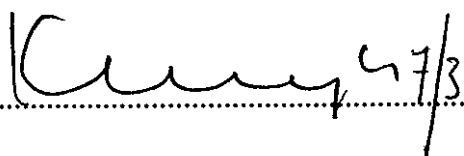
Directors

The names of the present directors of the company are shown on page 1.

Reference is made on page 9 in note 10 to the interests of the directors in the capital of Lloyds TSB Group plc, the ultimate parent company and its subsidiaries.

By order of the Board

Director.....



1997

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the auditor's report, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year 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 the profit or loss for the financial year. They are also required to prepare the accounts on a going concern basis unless this is inappropriate.

The directors consider that in preparing the financial statements on pages 5 to 10 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditor's report to the members of Finance For Mortgages Limited

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditor

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit for that period.

In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements for each financial year and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with auditing standards 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 judgements made by the directors in 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 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 of the state of the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants and Registered Auditor
LONDON

7 April 1997

FINANCE FOR MORTGAGES LIMITED

Profit and loss account for the year ended 31 December 1996

<i>Continuing Activities</i>	Notes	Year Ended 31 December 1996 £	14 Months Ended 31 December 1995 £
Profit/(loss) on ordinary activities before tax	2	338,514	(550,941)
Tax on profit on ordinary activities	3	(107,600)	182,887
Profit/(loss) for the financial year		<u>230,914</u>	<u>(368,054)</u>
Dividend	4	(230,914)	-
Retained Profit/(Loss) for the year	9	<u><u>0</u></u>	<u><u>(368,054)</u></u>

The company had no recognised gains or losses other than the above profit for the year.

The notes on pages 7 to 10 form part of these financial statements.

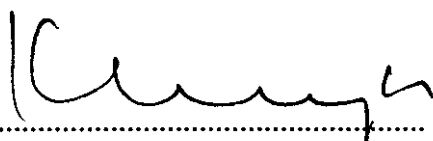
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Balance sheet at 31 December 1996

	Notes	31 December 1996 £	31 December 1995 £
Current Assets			
Mortgage advances - due within one year		921,574	1,054,300
- due after more than one year		29,797,559	34,089,044
Debtors	6	368,056	550,941
		<u>31,087,189</u>	<u>35,694,285</u>
Creditors: amounts falling due within one year	7	(31,087,187)	(35,694,283)
Net current assets		<u>2</u>	<u>2</u>
Total assets less current liabilities		<u>2</u>	<u>2</u>
Capital and Reserves			
Called up share capital	8	2	2
Shareholders' funds		<u>2</u>	<u>2</u>

Approved by the Board

7/3 . 1997 and signed on its behalf.



K.R.GREENOUGH - Managing Director

The notes on pages 7 to 10 form part of these financial statements

Notes to the financial statements for the year ended 31 December 1996

1. Accounting policies

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting and in accordance with applicable accounting standards.

Provisions for Bad and Doubtful Debts

Specific provisions are made for advances which are recognised to be bad or doubtful. In addition, general provisions are maintained to cover losses that, although not yet specified, are known to be present at the year end in any portfolio of advances.

Taxation

Corporation tax payable/receivable is provided on taxable profits/losses at the current rate.

Deferred tax

Deferred tax is provided at the appropriate rates of tax where there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Cash flow statement

The accounts do not include a cash flow statement because, in accordance with Financial Reporting Standard 1, the company's ultimate holding company, Lloyds TSB Group plc, includes such a statement in its consolidated accounts.

Related parties

As permitted by Financial reporting Standard 8 the company is exempt from providing full details of its transactions with entities included within the group of its ultimate parent company, Lloyds TSB Group plc.

2. Profit/(Loss) on ordinary activities before tax.

This is stated after charging:

	Year ended 31 December 1996	14 Months ended 31 December 1995
	£	£
Crediting		
Interest income	2,416,311	3,834,517
Other operating income	21,256	56,308
Debiting		
Interest payable	(2,049,357)	(3,032,790)
Other costs	(49,696)	(1,408,976)
	<u><u>338,514</u></u>	<u><u>(550,941)</u></u>

Auditor's remuneration for 1996 was borne by Mortgage Express Limited.

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3. Tax on profit on ordinary activities

United Kingdom Corporation Tax at 33% (1995 : 33%)	Year ended 31 December 1996 £	14 Months ended 31 December 1995 £
Group relief (payable)/recoverable	(107,600)	182,887
	<u>(107,600)</u>	<u>182,887</u>

Group Relief

Profit will be covered by Group relief losses surrendered by other group members and paid for at the prevailing corporation tax rate.

4. Dividend

	31 December 1996 £	31 December 1995 £
Final dividend proposed	<u>(230,914)</u>	<u>-</u>

5. Employees and directors' emoluments

There were no employees during the year and none of the directors received emoluments in respect of their services to the company.

6. Debtors

	31 December 1996 £	31 December 1995 £
Capital contribution receivable	368,054	368,054
Group relief recoverable	-	182,887
Other debtors	2	-
	<u>368,056</u>	<u>550,941</u>

7. Creditors : amounts falling due within one year

	31 December 1996 £	31 December 1995 £
Amounts owed to group undertakings	(30,476,520)	(35,437,651)
Group relief payable	(108,713)	-
Other creditors	(271,040)	(256,632)
Dividend proposed	(230,914)	-
	<u>(31,087,187)</u>	<u>(35,694,283)</u>

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8. Called up share capital

	31 December 1996 £	31 December 1995 £
Authorised 1,000 ordinary shares of £1 each	1,000	1,000
Allotted, issued and fully paid 2 ordinary shares of £1 each	2	2

9. Reserves

	31 December 1996 £	31 December 1995 £
Opening balance	-	-
Profit/(Loss) for the financial year	230,914	(368,054)
Dividend proposed	(230,914)	-
Capital contribution receivable	-	368,054
Closing balance	<u>-</u>	<u>-</u>

10. Directors' interest in shares

The interests of the directors in shares in Lloyds TSB Group plc were :

Ordinary shares of 25p each

	31 December 1996	1 January 1996 (or date of appointment if later)
K.R.Greenough	63,356	5,585
T.M.Dawson	42,863	16,577

Options to subscribe for ordinary shares of 25p each

	At 1 January 1996 (or date of appointment if later)	Granted during the year or since appointment (exercisable between 1999 and 2006)	Exercised during the year or since appointment	At 31 December 1996
K.R.Greenough	137,739	10,750	95,847	52,642
T.M.Dawson	128,335	9,250	92,263	45,322

None of the directors had an interest at the beginning of the year or at the end of the year in the loan capital of Lloyds TSB Group plc or any other interest in the share or loan capital of its subsidiaries.

11. Ultimate parent undertaking

The Company's immediate holding company is Mortgage Express Holdings Limited, which is registered in England and Wales. The Company's ultimate parent undertaking is Lloyds TSB Group plc, which is registered in Scotland.

The parent company of the largest group of companies for which group accounts are prepared is Lloyds TSB Group plc. The parent company of the smallest group is TSB Bank plc. Copies of the consolidated accounts of those companies may be obtained from the Secretary, Lloyds TSB Group plc, 71 Lombard Street, London EC3P 3BS.