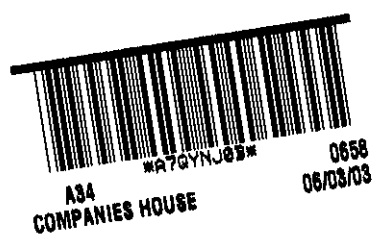


TMC TATTENHAM NO. 2 PLC
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002



Company number: 3701693

TMC TATTENHAM NO. 2 PLC

CONTENTS

	Page
Company information	1
Report of the directors	2 to 3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 to 15

TMC TATTENHAM NO. 2 PLC

COMPANY INFORMATION

Directors

R G Baker
M McDermott
C F Holmes
SPV Management Limited

Secretary

G M Wellman

Company Number

3701693

Registered Office

Sir William Atkins House
Ashley Avenue
Epsom
Surrey
KT18 5AS

Registered auditors

KPMG Audit Plc
1 Canada Square
Canary Wharf
London
E14 5AG

Bankers

Barclays Bank PLC
Financial Services and Structured Finance Team
PO Box 544
54 Lombard Street
London
EC3P 3AH

TMC TATTENHAM NO. 2 PLC

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2002

The directors present their report on the affairs of the company, together with the audited financial statements of the company for the year ended 31 December 2002.

Principal activity and business review

The company was established for the sole purpose of issuing floating rate notes secured by pools of residential mortgages.

The principal activity during the period was the ownership of pools of residential mortgages.

The results for the year are set out in detail on page 5. The directors recommend a proposed dividend for the year of £2,126,670 (2001:£3,112,000).

Directors and their interests

The directors who served during the year and up to the date of this report were as follows:

R G Baker
C F Holmes
M McDermott
SPV Management Limited

A J Ward and P R Rogers are alternate directors to R G Baker and C F Holmes. K C Barrett was appointed as an alternate director to C F Holmes on 18 April 2002.

The company is a wholly owned subsidiary of Zophonus Limited, of which R G Baker, C F Holmes, SPV Management Limited, M McDermott, A J Ward (as an alternate director for C F Holmes and R G Baker), P R Rogers (as an alternate director for C F Holmes and R G Baker) and K C Barrett (as an alternate director for C F Holmes) are directors.

According to the Register of Directors' Interests none of the directors had, at any time during the period, any interests in the share capital of the company or group. R G Baker and M McDermott are directors of SPV Management Limited. Under the terms of a Corporate Services Agreement, SPV Management Limited is contracted to receive fees of £12,000 per annum.

Creditor payment policy

The company's policy concerning the payment of its trade creditors is to pay in accordance with its contractual and other legal obligations.

Due to the nature of the business, the main creditors are the noteholders. Principal and interest is repaid monthly on the due date in accordance with the agreements in place. Other creditors are paid by The Mortgage Corporation ("TMC") a fellow group company, which then recharges the company for the expense. The full balance due to TMC is repaid monthly after the payment to the noteholders.

TMC TATTENHAM NO. 2 PLC

REPORT OF THE DIRECTORS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

Statement of directors' responsibilities

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 as at the end of the financial year and of the profit or loss 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;
- prepare 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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

A resolution to reappoint KPMG Audit Plc as auditors to the company will be proposed at the annual general meeting.

By order of the Board



For and on behalf of
SPV Management Limited
Director
20 February 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TMC TATTENHAM NO. 2 PLC

We have audited the financial statements on pages 5 to 15.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit 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 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 of the company's affairs as at 31 December 2002 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
1 Canada Square
Canary Wharf
London E14 5AG
20 February 2003

TMC TATTENHAM NO. 2 PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

		2002	2001
		£'000	£'000
	Notes		
Continuing operations			
Turnover	3	8,168	12,618
Cost of funding	4	<u>(5,655)</u>	<u>(9,511)</u>
Gross Profit		2,513	3,107
Administrative expenses		<u>(101)</u>	<u>239</u>
Operating profit		2,412	3,346
Interest receivable	5	<u>389</u>	<u>682</u>
Profit on ordinary activities before taxation	6	2,801	4,028
Tax on profit on ordinary activities	7	<u>(848)</u>	<u>(1,174)</u>
Profit on ordinary activities after taxation		1,953	2,854
Dividends	8	<u>(2,127)</u>	<u>(3,112)</u>
Accumulated loss for the year	12	<u>(174)</u>	<u>(258)</u>

The company has no recognised gains or losses other than those above and therefore no separate statement of total recognised gains and losses has been presented.

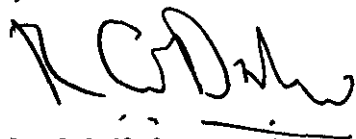
TMC TATTENHAM NO. 2 PLC

BALANCE SHEET

AS AT 31 DECEMBER 2002

		2002 £'000	2001 £'000
	Notes		
ASSETS			
Mortgage advances			
Mortgage advances	9	<u>105,158</u>	<u>140,682</u>
Current assets			
Debtors	10	57	1,897
Cash at bank and in hand		<u>8,482</u>	<u>9,453</u>
		<u>8,539</u>	<u>11,350</u>
Total assets		<u>113,697</u>	<u>152,032</u>
LIABILITIES			
Capital and reserves			
Called up share capital	11	12	12
Profit and loss account	12	<u>101</u>	<u>275</u>
Equity shareholders' funds	13	113	287
Creditors			
Amounts falling due within one year	14	2,933	4,191
Amounts falling due after more than one year	15	<u>110,651</u>	<u>147,554</u>
Total liabilities and capital		<u>113,697</u>	<u>152,032</u>

The financial statements on pages 5 to 15 were approved by the Board on 20 February 2003 and signed on its behalf by:



For and on behalf of
SPV Management Limited
Director

TMC TATTENHAM NO. 2 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

1. Restriction on operations

The company was established for the sole purpose of issuing floating rate notes secured by pools of residential mortgages.

The ability of the company to engage in any activity other than those associated with the purchase and servicing of the pool of mortgages is restricted by agreements entered into by the company with, among others, TMC and Chase Manhattan Trustees Limited in its capacity as Trustee for the noteholders.

Under the terms of the servicing agreement, the company and the Trustee each appointed TMC to service the mortgages under the floating rate notes.

The assets of the company are subject to a fixed and floating charge in favour of the Trustee for the noteholders.

2. Principal accounting policies

These financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Format of financial statements

The cost of funding heading within the profit and loss account has been adapted from that prescribed by Schedule 4 to the Companies Act 1985 in view of the nature of the business.

Turnover

Turnover represents interest receivable on mortgage loans.

Servicing fees

Servicing fees are payable by the company to TMC under the terms of a servicing agreement. The servicing fee is calculated on the outstanding mortgage portfolio as defined in the servicing agreement.

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 is recognised, without discounting, in respect of all material timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Cashflow statement

The company is ultimately a wholly owned subsidiary of SeaHorse Limited and the cashflows of the company are included in the consolidated group cashflow statement of SeaHorse Limited. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 ("FRS1") (Revised) from publishing a cashflow statement.

Related party disclosures

Under the provisions of Financial Reporting Standard No. 8 ("FRS8"), the company has taken advantage of the exemption provided (for subsidiary undertakings whose voting rights are more than 90% controlled within the group) from disclosing group related party transactions. The consolidated financial statements of SeaHorse Limited, in which these results are included, are publicly available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

2. Principal accounting policies (continued)

Mortgage advances

Mortgage advances comprise loans that are secured by way of mortgages over freehold and leasehold residential properties located in England and Wales and assignment of the related life assurance policies. The mortgages over the properties and the related endowment life assurance policies are subject to a fixed charge in favour of the Trustee for the noteholders.

Losses arising from the possession and subsequent sale of properties are partly borne by third party insurers.

Mortgage advances have been presented separately on the face of the balance sheet rather than as part of current assets. In the opinion of the directors, this departure from the format of Schedule 4 of the Companies Act 1985 is required to give a true and fair view of the state of the company's affairs, since to present mortgage advances as part of current assets would not fairly reflect the liquidity of these assets.

Floating rate notes

The floating rate notes' outstanding principal balance declines over time as the proceeds from redemptions on mortgage advances are used to repay noteholders, along with accrued interest, on each monthly interest payment date. Costs relating to the issue of the floating rate notes are deducted from the principal balance on the notes. These costs are charged to the profit and loss account in line with the expected redemptions of the underlying mortgages. Costs are fully amortised by the earliest date at which the option to redeem the floating rate notes may be exercised.

The floating rate notes fall due for repayment in full in November 2028 and comprised, at issue, of £96.75m Class A1 notes, £156.65m Class A2 notes and £18.6m Class M notes. The Class A1 notes bear interest at a margin of 13 basis points over one month sterling LIBOR until May 2002 when the interest is adjusted to that of the Class A2 notes. The Class A2 notes bear interest at a margin of 26 basis points over one month LIBOR until June 2005 when the interest is adjusted to a margin of 52 basis points over one month LIBOR. The Class M notes bear interest at a margin of 70 basis points over one month LIBOR until June 2005 when the interest is adjusted to a margin of 140 basis points over one month LIBOR. Interest is determined monthly on the last business day of each month in each year for the next succeeding month.

Subordinated loan

The company has entered into a subordinated loan agreement with TMC, the funds of which were used to pay the costs associated with its purchase of a pool of mortgages and issuance of floating rate notes.

The loan may be repaid in whole or in part provided that the company has sufficient assets to meet its obligations on the floating rate notes and other liabilities. The loan shall be repaid in full in June 2028, provided that all payments then due in respect of the floating rate notes have been paid or otherwise provided for in full. If, in June 2028, the company has insufficient funds after paying the floating rate notes in full, it shall only be obliged to repay the loan to the extent of funds available and the company shall thereafter be released from any further obligation to make any further repayments.

TMC TATTENHAM NO. 2 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

3. Turnover

Contributions to turnover and profit on ordinary activities before taxation were derived from the company's principal activity, which was carried out in England and Wales.

4. Cost of funding

	2002 £'000	2001 £'000
Interest charged on floating rate notes	5,467	9,234
Issue costs	173	259
Other funding costs	15	18
	<u>5,655</u>	<u>9,511</u>

5. Interest receivable

Interest receivable comprises interest earned on short term deposits.

6. Profit on ordinary activities before taxation

	2002 £'000	2001 £'000
Profit on ordinary activities before taxation is stated after charging:		
Servicing fees payable to TMC	124	163
Corporate service fee - SPV Management Limited	12	8
Auditors' remuneration - audit	5	5
Auditors' remuneration - other services	<u>3</u>	<u>3</u>

The company has no employees and, other than the fee noted above, the directors received no remuneration during the period.

7. Taxation on profit on ordinary activities

	2002 £'000	2001 £'000
The tax charge is based on the profit for the year and comprises:		
UK Corporation tax at 30% (2001: 30%)	849	1,209
Over provision of tax in prior year	<u>(1)</u>	<u>(35)</u>
	<u>848</u>	<u>1,174</u>

TMC TATTENHAM NO. 2 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

7. Tax on profit on ordinary activities (continued)

The current tax charge for the year is higher (2001: lower) than the standard rate of corporation tax in the UK (30% ,2001: 30%). The differences are explained below:

	2002 £'000	2001 £'000
Profit on ordinary activities before tax:	<u>2,801</u>	<u>4,028</u>
Profit on ordinary activities multiplied by standard rate tax of 30% (2001: 30%)	840	1,209
Effects of:		
Other timing differences	9	-
Adjustments to tax charge in respect of prior years	<u>(1)</u>	<u>(35)</u>
Total current tax charge	<u>848</u>	<u>1,174</u>

8. Dividends

	2002 £'000	2001 £'000
Final dividend – proposed	<u>2,127</u>	<u>3,112</u>

9. Mortgage advances

	2002 £'000	2001 £'000
The movement during the period was as follows:		
Mortgage advances at 1 January	140,682	180,739
Net movements in loan provisions, redemptions and repayments	<u>(35,524)</u>	<u>(40,057)</u>
Mortgage advances at 31 December	<u>105,158</u>	<u>140,682</u>

Mortgage advances are all due to be repaid at various times before 2028 and may be redeemed at any time at the option of the borrower.

10. Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year		
Other debtors	22	1,892
Prepayments and accrued income	<u>35</u>	<u>5</u>
	<u>57</u>	<u>1,897</u>

TMC TATTENHAM NO. 2 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

11. Called up share capital

	2002 £'000	2001 £'000
Authorised		
100,000 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, 25p called up and paid		
50,000 Ordinary shares of £1 each	<u>12</u>	<u>12</u>

12. Profit and loss account

	2002 £'000	2001 £'000
At 1 January	275	533
Accumulated loss for the year	<u>(174)</u>	<u>(258)</u>
At 31 December	<u>101</u>	<u>275</u>

13. Reconciliation of equity shareholders' funds

	2002 £'000	2001 £'000
Opening equity shareholders' funds	287	545
Profit on ordinary activities after taxation	1,953	2,854
Dividend proposed	<u>(2,127)</u>	<u>(3,112)</u>
Closing equity shareholders' funds	<u>113</u>	<u>287</u>

14. Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Amounts owed to group undertakings	370	293
Corporation tax	423	765
Other creditors	13	3
Proposed dividend	2,127	3,112
Accruals and deferred income	<u>-</u>	<u>18</u>
	<u>2,933</u>	<u>4,191</u>

TMC TATTENHAM NO. 2 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

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

	2002 £'000	2001 £'000
Floating rate notes due 2028 (see note (a) below)	107,254	144,157
Subordinated loan	<u>3,397</u>	<u>3,397</u>
	<u>110,651</u>	<u>147,554</u>

(a) Floating rate notes comprise:

Principal balance outstanding	107,355	144,431
Unamortised issue costs	<u>(101)</u>	<u>(274)</u>
	<u>107,254</u>	<u>144,157</u>

The movement on floating rate notes during the period was:

As at 1 January	144,157	186,344
Principal repaid during the period	(37,076)	(42,446)
Issue costs charged to the profit and loss account	<u>173</u>	<u>259</u>
As at 31 December	<u>107,254</u>	<u>144,157</u>

16. Financial Instruments

Market Risk Management

Market risk management is managed by the Asset and Liability Committee ("ALCO") of Britannic Money ("BM") with whom the company's servicer, TMC, has a Consultancy Agreement. The ALCO is composed of senior management and meets regularly to review performance, positions and market conditions and to make strategic decisions regarding interest rate risk, liquidity and capital management. The policy is implemented by the Treasury Department of BM with whom the company's servicer, TMC, has a Consultancy Agreement.

Interest rate risk is the company's most significant market risk and arises from mismatches between the repricing profiles of assets and liabilities. Interest rate risk is quantified, and limits set, based on the effect that a given movement in interest rates may have on the profitability of the company. Overall planning in relation to interest rate risk is performed using a risk management system, which allows gap analysis reports to be produced on a regular basis together with sensitivity of the net exposure to a shift in interest rates. The company does not use derivatives for creating risk that does not arise in the underlying business and the company does not trade in derivatives.

TMC TATTENHAM NO. 2 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

16. Financial Instruments (continued)

Credit Risk Management

Credit risk is monitored by the Credit Department of BM, and arises from the company's lending activities. BM is committed to maintaining a consistent credit culture based on sound lending principles because this is the best safeguard against any decline in the property market in particular or the economy as a whole.

The approval process for secured loans takes into account the ratio of the loan amount to the value of the mortgaged property. BM operates comprehensive monitoring systems which assist management in identifying any deterioration in loan quality. The quality of the loan book is reviewed on a regular basis.

Liquidity Management

It is the company's policy to ensure that adequate resources are available at all times to provide for the day to day activities of the company.

Management consider the year end position satisfactorily reflects the policies and objectives set out above.

Interest rate risk profile

The table below gives an indication of the interest rate risk profile of the company. Items are included in various time bands based on the earlier of the repricing or maturity date taking account of any amortisation of principal.

As at 31 December 2002	Not more than three months £'000	Over three months but less than six months £'000	Over one year but not more than five years £'000	Non Interest Bearing £'000	Total £'000
Assets					
Mortgage advances	105,112	197	92	(243)	105,158
Other assets	<u>8,482</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>8,539</u>
	<u>113,594</u>	<u>197</u>	<u>92</u>	<u>(186)</u>	<u>113,697</u>
Liabilities					
Floating rate notes	(107,355)	-	-	101	(107,254)
Other liabilities	-	-	-	(6,330)	(6,330)
Shareholders' funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(113)</u>	<u>(113)</u>
	<u>(107,355)</u>	<u>-</u>	<u>-</u>	<u>(6,342)</u>	<u>(113,697)</u>
Interest rate risk profile	<u>6,239</u>	<u>197</u>	<u>92</u>	<u>(6,528)</u>	<u>-</u>

TMC TATTENHAM NO. 2 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

16. Financial Instruments (continued)

As at 31 December 2001	Not more than three months £'000	Over three months but less than six months £'000	Over one year but not more than five years £'000	Non Interest Bearing £'000	Total £'000
Assets					
Mortgage advances	140,390	382	200	(290)	140,682
Other assets	<u>9,453</u>	<u>-</u>	<u>-</u>	<u>1,897</u>	<u>11,350</u>
	<u>149,843</u>	<u>382</u>	<u>200</u>	<u>1,607</u>	<u>152,032</u>
Liabilities					
Floating rate notes	(144,431)	-	-	274	(144,157)
Other liabilities	-	-	-	(7,588)	(7,588)
Shareholders' funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(287)</u>	<u>(287)</u>
	<u>(144,431)</u>	<u>-</u>	<u>-</u>	<u>(7,601)</u>	<u>(152,032)</u>
Interest rate risk profile	<u>5,412</u>	<u>382</u>	<u>200</u>	<u>(5,994)</u>	<u>-</u>

The other liabilities fall due within one year. See note 2 for details of the maturity profile of the floating rate notes.

Fair value of financial instruments

The table below shows the estimated fair value and the carrying value for each major category of assets and liabilities in the balance sheet at 31 December. The fair value of a financial instrument is the amount at which it could be exchanged in an arm's length transaction between informed and willing parties, other than in a forced or liquidation sale. Where external or quoted market prices were not available the fair values were estimated using discounted cash flow techniques based on interest rates prevailing at 31 December. Financial instruments with short term maturities or near term repricing terms are assumed to have fair values equal to their carrying amounts.

The table excludes certain financial assets and liabilities which are not listed or publicly traded, or for which a liquid and active market does not exist. Thus it excludes mortgages and other balance sheet items whose book and fair values differ at 31 December.

	Carrying Amount 2002 £'000	Fair Value 2002 £'000	Carrying Amount 2001 £'000	Fair Value 2001 £'000
As at 31 December				
On balance sheet instruments				
Floating rate notes	<u>(107,254)</u>	<u>(107,254)</u>	<u>(144,157)</u>	<u>(144,157)</u>

TMC TATTENHAM NO. 2 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

17. Ultimate parent undertaking

The immediate parent undertaking is Zophonus Limited.

The smallest group into which the company is consolidated is that of Zophonus Limited, registered in the Cayman Islands. The largest group into which the company is consolidated is that of SeaHorse Limited, registered in the Cayman Islands.

The shares in SeaHorse Limited are held under a Declaration of Trust for charitable purposes, the charitable trust being registered in the Cayman Islands, and the directors regard the Cayman Trust as the ultimate parent undertaking.

Copies of the consolidated financial statements may be obtained from:

The Secretary
Sir William Atkins House
Ashley Avenue
Epsom
Surrey
KT18 5AS