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SEAHORSE LIMITED

GROUP ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

United Kingdom Overseas Company Number: FC019687

Cayman Islands Company Number: 67337

SEAHORSE LIMITED

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SEAHORSE LIMITED

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 and group 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 group and to prevent and detect fraud and other irregularities.

By order of the Board

SPV Management Limited
Director

18 April 2002

SEAHORSE LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF SEAHORSE LIMITED

We have audited the financial statements on pages 3 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 1, 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 state of affairs of the company and the group as at 31 December 2001 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985 applicable to Overseas Companies.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
1 Canada Square
Canary Wharf
London E14 5AG
18 April 2002

SEAHORSE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	£'000	2001 £'000	£'000	2000 £'000
Continuing operations					
Operating income			**101,881**		79,891
Income from mortgages subject to non-recourse funding:					
Income		**325**		2,140	
Expenses		**(318)**		(2,112)	
			7		28
Turnover	2		**101,888**		79,919
Cost of funding	3		**(95,632)**		(70,508)
Gross Profit			**6,256**		9,411
Administrative expenses	4		**(3,745)**		(7,763)
Administrative credit	4		**1,598**		2,850
Operating profit			**4,109**		4,498
Interest receivable and similar income			**5,020**		4,946
Interest payable	5		**(7,433)**		(7,894)
Profit on ordinary activities before taxation	6		**1,696**		1,550
Tax on profit on ordinary activities			**(2,110)**		(2,514)
Accumulated loss for the year	15		**(414)**		(964)

All recognised gains or losses of the group are included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

SEAHORSE LIMITED

BALANCE SHEETS

AS AT 31 DECEMBER 2001

	Notes	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
ASSETS					
Fixed assets					
Investments	9	-	-	**38**	38
Mortgage advances					
Mortgage advances securitised	10	**1,303,979**	1,420,789	-	-
Mortgage advances subject to non-recourse funding					
Mortgage advances	11	**3,609**	4,624	-	-
Less: non-recourse funding	11	**(3,609)**	(4,624)	-	-
		-	-	-	-
		1,303,979	1,420,789	**38**	38
Current assets					
Debtors:					
Amounts falling due after one year	12	**95**	878	-	-
Amounts falling due within one year	12	**4,286**	3,726	**1**	4
Cash at bank and in hand	13	**102,023**	128,467	**13**	13
		106,404	133,071	**14**	17
Total assets		**1,410,383**	1,553,860	**52**	55
LIABILITIES AND CAPITAL					
Capital and reserves					
Called up share capital	14	-	-	-	-
Profit and loss account	15	**1,094**	1,508	**37**	40
Equity shareholders' funds	16	**1,094**	1,508	**37**	40
Provisions for liabilities and charges	17	**1,966**	3,951	-	-
Creditors: amounts falling due within one year	18	**14,447**	31,260	**15**	15
Creditors: amounts falling due after more than one year	19	**1,392,876**	1,517,141	-	-
Total liabilities and capital		**1,410,383**	1,553,860	**52**	55

The group has taken advantage of the modifications and exemptions from disclosure that are set out in the Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

The financial statements on pages 3 to 20 were approved by the Board of Directors on 18 April 2002 and were signed on its behalf by:

SPV Management Limited
Director

SEAHORSE LIMITED

CONSOLIDATED CASH FLOW STATEMENT

AS AT 31 DECEMBER 2001

	Notes	£'000	2001 £'000	£'000	2000 £'000
Net cash inflow / (outflow) from operating activities	21		**116,529**		(649,912)
Return on investments and servicing of finance					
Interest received		**5,020**		4,946	
Interest paid		**(7,433)**		(7,894)	
Costs on issue of notes		**(199)**		(3,019)	
			(2,612)		(5,967)
Corporation tax paid			**(2,421)**		(2,569)
Management of liquid resources					
Movement in investment deposits			**23,255**		(65,446)
Financing					
Redemption of notes		**(125,901)**		(100,846)	
Subordinated loans (repaid) / received		**(9,805)**		13,723	
Repayment of debentures		**(1,764)**		-	
Issue of notes		-		800,000	
			(137,470)		712,877
(Decrease) / increase in net cash			**(2,719)**		1,155
Reconciliation of net cash flow to movement in net debt					
(Decrease) / increase in cash in the year			**(2,719)**		1,155
Cash used to (decrease) / increase liquid resources			**(23,255)**		65,446
Subordinated loans repaid / (received)			**9,805**		(13,723)
Repayment of debentures			**1,764**		-
Redemption of floating rate notes			**125,901**		100,846
Issue of floating rate notes			-		(800,000)
Amortisation of capitalised issuer costs			**(1,530)**		(2,156)
Capitalisation of issue costs			**199**		3,019
Change in net debt			**110,165**		(645,413)
Net debt at 1 January			**(1,329,821)**		(734,408)
Net debt at 31 December	22		**(1,269,656)**		(1,379,821)

1. 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.

Consolidation
The consolidated financial statements incorporate the financial statements of the company and all of its subsidiaries for the year ended 31 December 2001.

Format of financial statements
The group has complied with Financial Reporting Standard Number 5, "Reporting the Substance of Transactions" and, having met the conditions laid down in the Standard, has adopted "linked presentation" in respect of certain mortgage assets managed on behalf of other financial institutions.

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. Mortgage advances have been presented separately on the face of the balance sheet rather than included 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 group's affairs since to present mortgage advances as part of current assets would not fairly reflect the liquidity of these assets.

Turnover
Turnover is recognised on a receivable basis and represents interest, servicing fees, commissions and miscellaneous income.

Operating leases
Rentals are charged to the profit and loss account on a straight-line basis over the term of the leases. Where the group has vacated or has contracted to vacate space, a provision is established for the estimated net future liability of the space vacated.

Taxation
Corporation tax is provided on taxable profits at the current rate.

Provision is made for deferred taxation, using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred taxation is disclosed as a contingent liability.

Investments
Investments in subsidiary undertakings are recorded at cost less provisions for impairment in value.

1. Principal accounting policies (Continued)

Mortgage advances

Mortgage advances comprised loans that were secured by way of mortgages over freehold and leasehold residential properties located in England, Wales and Scotland.

Mortgage advances include properties in possession and were stated after deducting a provision for loan losses. The provision was maintained at a level that is considered adequate by management to absorb losses inherent in the loan portfolio of the group. A judgement as to the adequacy of the provision was made at the year end and included anticipated recoveries under mortgage indemnity guarantees and other insurance policies. Should the provision be judged inadequate either because of reductions due to write-offs or because of changes to the size and characteristics of the portfolio, the provision is increased and charged to administrative expenses in the current year.

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 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.

Goodwill

Goodwill arising prior to the introduction of Financial Reporting Standard No.10 ("FRS10") remains written off in the year of acquisition against reserves. Cumulative goodwill which remains written off against reserves amounts to £65k (2000: £65k)

Subordinated loan

The group has entered into subordinated loan agreements with related parties, the proceeds of which have been used to pay the costs associated with the purchase of a pool of mortgages and issuance of floating rate notes.

The loans may be repaid in whole or in part provided that the companies have sufficient assets to meet their obligations on the floating rate notes and other liabilities. The loans shall be repaid in full between 2032 and 2034 provided that all payments then due in respect of the floating rate notes have been paid or otherwise provided for in full. If, by these dates, the companies have insufficient funds after paying the floating rate notes in full, they shall only be obliged to repay the loans to the extent of funds available and the companies shall thereafter be released from any further obligation to make any further repayments.

2. Turnover

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

3. Cost of funding

	Group 2001 £'000	Group 2000 £'000
Interest payable on floating rate notes	77,600	62,947
Interest payable on bank loans and other loans	52	20
Other funding costs	16,450	5,385
Issue costs charged to the profit and loss account	1,530	2,156
	95,632	70,508

4. Administrative expenses

	Group 2001 £'000	Group 2000 £'000
Administrative expenses	3,745	7,763
Administrative credit:		
Borrower and negligence recoveries	(1,598)	(2,850)
	(1,598)	(2,850)
Total administrative expenses	2,147	4,913

5. Interest payable

	Group 2001 £'000	Group 2000 £'000
Interest payable on other loan (see note 19)	274	319
Debenture interest	7,159	7,575
	7,433	7,894

6. Profit on ordinary activities before taxation

	Group 2001 £'000	Group 2000 £'000
Profit on ordinary activities before taxation is stated after charging:		
Land and buildings – operating leases	**1,522**	1,571
Auditors' remuneration – audit (company: £4,000; 2000 £4,000)	**84**	76
Auditors' remuneration – other services	**25**	31
Corporate service fee – SPV Management Limited	**63**	68

7. Staff costs

	Group 2001 £'000	Group 2000 £'000
Staff costs during the year amounted to:		
Wages and salaries	**1,450**	3,258
Social security costs	**101**	333
	1,551	3,591

All employees have Joint Employment Contracts with The Mortgage Corporation ("TMC") and Britannic Money plc ("BM") , a related party.

The total average staff numbers for the year who had joint employment contracts amounted to 431. Although all staff have joint employment contracts, not all staff worked on the group's business during the year. The average number of employees for TMC during the year was 38 (2000: 120).

8. Profit for the year

As permitted by section 230 of the Companies Act 1985, the company's profit and loss account has not been included in these financial statements. The company's loss for the financial year was £3k (2000: £36k profit).

9. Fixed asset investments

	Company
Investment in subsidiaries	**£'000**
Cost and Net book value	
At 31 December 2001 and 31 December 2000	**38**

These amounts represent investments in the share capital of First Flexible No.1 plc, First Flexible No.2 plc and First Flexible No.3 plc.

10. Mortgage advances securitised

	Group 2001 £'000	Group 2000 £'000
Mortgage advances securitised comprise:		
Mortgage advances	1,305,093	1,422,910
Provisions for bad and doubtful debts	(1,114)	(2,121)
As at 31 December	1,303,979	1,420,789

11. Mortgage advances subject to non-recourse funding

	Group 2001 £'000	Group 2000 £'000
Mortgage advances	3,273	3,871
Investments	336	753
	3,609	4,624
Less: Non-recourse funding	(3,609)	(4,624)
	-	-

On 7 August 1996 TMC sold the cash flows equating to the future cash flows less 0.1% on a mortgage portfolio of £146.7m to BM (see note 24). Investments represent redemption proceeds on mortgage debtors.

In accordance with Financial Reporting Standard Number 5 "Reporting the substance of transactions" these mortgages have been included in these accounts using linked presentation, whereby the non-recourse finance is shown deducted from the mortgage debtors.

The group has no option or obligation to purchase the future cash flows of the mortgages concerned.

12. Debtors

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Amounts falling due in more than one year:				
Other debtors	95	878	-	-
Amounts falling due within one year:				
Other debtors	4,072	2,561	1	4
Prepayments and accrued income	214	1,165	-	-
	4,286	3,726	1	4

13. Cash at bank and in hand

Cash at bank and in hand for the group includes investment deposits of £101,723k (2000: £124,978k).

14. Called up share capital

	Group 2001 £'000	Group 2000 £'000
Authorised		
50,000 Ordinary shares of US$1 each	**31**	31
Allotted, called up and fully paid		
2 Ordinary shares of US$1 each	**-**	-

All shares carry the same rights and rank pari passu.

15. Profit and loss account

	Group 2001 £'000	Group 2000 £'000	**Company 2001 £'000**	Company 2000 £'000
At 1 January	**1,508**	2,472	**40**	4
(Accumulated loss)/retained profit for the year	**(414)**	(964)	**(3)**	36
As at 31 December	**1,094**	1,508	**37**	40

16. Reconciliation of equity shareholders' funds

	Group		**Company**	
	2001 £'000	2000 £'000	**2001 £'000**	2000 £'000
Opening equity shareholders' funds	**1,508**	2,472	**40**	4
(Accumulated loss)/retained profit for the year	**(414)**	(964)	**(3)**	36
Closing equity shareholders' funds	**1,094**	1,508	**37**	40

17. Provisions for liabilities and charges

	Group 2001 £'000	Group 2000 £'000
Provisions for liabilities and charges comprise:		
Provisions for mortgage related charges:		
At 1 January	**415**	168
Charge for the year	**-**	247
Released during the year	**(24)**	-
As at 31 December	**391**	415
Lease costs:		
At 1 January	**3,536**	2,736
(Released)/charge for the year	**(965)**	800
Utilised during the year	**(996)**	-
At 31 December	**1,575**	3,536
Total provisions at 31 December	**1,966**	3,951

Provisions for mortgage related charges primarily consist of shortfalls on recoveries.

Lease costs represent a provision for the estimated future payments on premises sublet by the group. The estimated future payments are net of income from sub-leasing the vacant space.

18. Creditors: amounts falling due within one year

	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Overdrafts	**222**	692	**-**	-
Debentures – (see note 19 (b))	**-**	1,764	**-**	-
Corporation tax	**2,124**	2,435	**-**	-
Other taxes and social security	**327**	270	**-**	-
Other creditors and accruals	**11,774**	26,099	**15**	15
	14,447	31,260	**15**	15

19. Creditors: amounts falling due after one year

	Group 2001 £'000	Group 2000 £'000
Other loan – (note a)	5,000	5,000
Debentures – (note b)	12,849	12,849
Floating rate notes – (note c)	1,339,245	1,463,815
Subordinated loan – (note d)	14,363	24,168
Deferred income hedge reserve	1,399	6,222
Deferred purchase consideration	20,020	5,087
	1,392,876	1,517,141

(a) The other loan is not repayable by instalments and does not have a fixed date for repayment. It is secured by fixed and floating charges over the assets of the group.

(b) The debentures are not repayable by instalments and do not have a fixed date for repayment except where they are repayable on demand to the extent that the company has received a return of capital from its investments in subsidiary undertakings. They are secured by fixed and floating charges over the assets of the group.

(c) The total floating rate notes falling due within and after one year comprise:

	Group 2001 £'000	Group 2000 £'000
Principal outstanding	1,341,823	1,467,724
Unamortised issue costs	(2,578)	(3,909)
	1,339,245	1,463,815

The floating rate notes bear interest at varying rates above LIBOR. They are secured on mortgage advances. The floating rate notes represent the financing obligations of subsidiaries.

(d) The subordinated loans do not have a fixed date for repayment and are repayable as determined by the priority of payments set out in the securitised mortgage agreements for First Flexible No. 1 plc, First Flexible No. 2 plc and First Flexible No 3 plc (see note 24).

20. Financial commitments

Lease commitments

The group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings 2001 £'000	Land and Buildings 2000 £'000
Operating leases which expire:		
After 5 years	1,522	1,571

21. Reconciliation of operating profit to net cash inflow / (outflow) from operating activities

	Group 2001 £'000	Group 2000 £'000
Operating profit	**4,109**	4,498
Amortisation of issue costs	**1,530**	2,156
Movement in provision for bad and doubtful debts	**(1,007)**	(945)
Net change in provision for mortgage related charges	**(24)**	247
Movement in mortgage advances	**117,817**	(671,358)
Decrease in debtors	**223**	5,649
(Decrease) / increase in creditors	**(4,158)**	9,904
(Decrease) / increase in lease cost provisions	**(1,961)**	800
Net cash inflow / (outflow) from operating activities	**116,529**	(649,912)

22. Analysis of changes in net debt

Group	1 January 2000	Cash flows	Non-Cash Changes	31 December 2000 £'000	**Cash flows £'000**	**Non-Cash Changes £'000**	**31 December 2001 £'000**
Cash in hand and at bank	3,545	(56)	-	3,489	**(3,189)**	-	**300**
Overdrafts	(1,903)	1,211	-	(692)	**470**	-	**(222)**
Net cash	1,642	1,155	-	2,797	**(2,719)**	-	**78**
Investment deposits	59,532	65,446	-	124,978	**(23,255)**	-	**101,723**
Debt falling due in more than one year							
Floating rate notes	(768,570)	(699,154)	-	(1,467,724)	**125,901**	-	**(1,341,823)**
Unamortised capitalised - - issue costs	3,046	3,019	(2,156)	3,909	**199**	**(1,530)**	**2,578**
Debentures	(12,849)	-	-	(12,849)	-	-	**(12,849)**
Bank and other loans	(5,000)	-	-	(5,000)	-	-	**(5,000)**
Subordinated loan	(10,445)	(13,723)	-	(24,168)	**9,805**	-	**(14,363)**
Debt falling due within one year							
Debentures	(1,764)	-	-	(1,764)	**1,764**	-	-
	(734,408)	(643,257)	(2,156)	(1,379,821)	**111,695**	**(1,530)**	**(1,269,656)**

Non-cash changes comprise of amortisation of issue costs relating to debt issues.

23. Financial Instruments

Market Risk Management

The market risk management of the group is managed by the Asset and Liability Committee ("ALCO") of BM with whom the group's subsidiaries have various service agreements. 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.

Interest rate risk is the group'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 group does not use derivatives for creating risk that does not arise in the underlying business and the group does not trade in derivatives.

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 group'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.

23. Financial Instruments (continued)

Interest rate risk profile

The table below gives an indication of the interest rate risk profile of the group. 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 2001	Not more than three months	More than three months but less than one year	Over one year but not more than five years	More than 5 years	Non Interest Bearing	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
Assets						
Mortgage advances	1,227,248	11,584	65,966	295	(1,114)	**1,303,979**
Other assets	101,886	-	-	-	4,518	**106,404**
	1,329,134	11,584	65,966	295	3,404	**1,410,383**
Liabilities						
Securitised loans	(1,341,823)	-	-	-	2,578	**(1,339,245)**
Debentures and other loans	(53,631)	-	-	-	-	**(53,631)**
Provisions for liabilities and charges	-	-	-	-	(1,966)	**(1,966)**
Other liabilities	-	-	-	-	(14,447)	**(14,447)**
Shareholders funds	-	-	-	-	(1,094)	**(1,094)**
	(1,395,454)	-	-	-	(14,929)	**(1,410,383)**
Interest rate risk profile	(66,320)	11,584	65,966	295	(11,525)	-

As at 31 December 2000	Not more than three months	More than three months but less than one year	Over one year but not more than five years	More than 5 years	Non Interest Bearing	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Assets						
Mortgage advances	1,247,080	90,052	85,704	74	(2,121)	1,420,789
Other assets	124,978	-	-	-	8,093	133,071
	1,372,058	90,052	85,704	74	5,972	1,553,860
Liabilities						
Securitised loans	(1,467,724)	-	-		3,909	(1,463,815)
Debentures and other loans	(55,090)	-	-		-	(55,090)
Provisions for liabilities and charges	-	-	-		(3,591)	(3,591)
Other liabilities	-	-	-		(29,496)	(29,496)
Shareholders funds	-	-	-		(1,508)	(1,508)
	(1,522,814)	-	-	-	(30,686)	(1,553,860)
Interest rate risk profile	(150,756)	90,052	85,704	74	(24,714)	-

23. Financial Instruments (continued)

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.

As at 31 December	**Carrying Amount 2001 £'000**	**Fair Value 2001 £'000**	Carrying Amount 2000 £'000	Fair Value 2000 £'000
On balance sheet instruments				
Floating rate notes	**(1,341,823)**	**(1,341,823)**	(1,467,724)	(1,467,724)
Off balance sheet instruments				
Derivatives	-	**(282)**	-	(109)

At 31 December 2001 the group had interest rate swaps in place with a notional value of £108.5 million (2000: £111.1 million) with a fair value of £282k (2000: £109k).

Maturity profile

The maturity of the group's financial liabilities, other than short term creditors such as trade creditors, accruals and taxation, at 31 December 2001 were as follows:

	£'000
In one year or less or on demand	222
In more than five years	1,392,876
	1,393,098

Included within the category of amounts maturing in more than five years are debentures and other loans amounting to £17.8 million which have no fixed date for repayment. Included within the category of amounts falling due in more than five years are subordinated loans amounting to £35.8 million that have no fixed date for repayment as they are repayable as determined by a priority of payments. Details of these transactions are set out in note 19.

First Flexible No.1 plc, First Flexible No. 2 plc and First Flexible No. 3 plc, subsidiaries of the group, have entered into sterling revolving credit facilities as part of their securitisations to fund, where necessary, the purchase of mortgage redraws. The initial redraw facility limit is £132 million although the limit may be varied in accordance with the securitisations agreements. At 31 December 2001 £nil (2000: £nil) had been drawn down under these facilities.

24. Related party transactions

The group has taken advantage under Financial Reporting Standard No.8, "Related Party Transactions", not to disclose transactions or balances between group entities that have been eliminated on consolidation.

The group has identified the following transactions which are required to be disclosed under the terms of Financial Reporting Standard 8, "Related Party Transactions" ("FRS8")

Transactions with Senior Management

In October 1998 all members of staff were offered a loan to purchase shares in First Active plc ("FA"), of which SeaHorse is a quasi subsidiary company, a company under common control as defined by FRS8. At the balance sheet date, £19k represented balances outstanding on such loans to senior management (2000: £35k). Interest is charged at a rate of 4% per annum. The shares are held as collateral for the loans.

Transactions with Britannic Money Group ("BM")

i) During 1996 TMC, a subsidiary of the group entered into an agreement with BM, a company under common control as defined by FRS 8, under which BM acquired cash flows equating to the cash flows less 0.1% on a mortgage portfolio of £146.7 million for consideration of £150.8 million. On 29 December 2000 BM sold the rights to the cashflows on £16.2 million of the mortgage portfolio to FA. The book value of the remaining loans at 31 December 2001 was £3.6 million (2000: £3.9 million). TMC continues to administer the remaining mortgage assets on behalf of BM and was due fees in 2001 of £28k (2000: £28k). BM also purchased for consideration of £1 an option to buy the equitable title of the portfolio. This option is exercisable within 21 years from 7 August 1996.

BM has a floating charge over TMC's assets as security for these mortgages.

ii) During 1996 TMC entered into a mortgage sale agreement with BM under which BM purchased a mortgage portfolio of £40.2 million for consideration of £41.3 million. On 29 December 2000 BM sold mortgage advances of £17.2 million from the mortgage portfolio to FA. The book value of the remaining mortgages at 31 December 2001 was £8.7 million (2000: £10.7 million). TMC continues to administer the remaining mortgage assets on behalf of BM and was due fees in 2001 of £107k (2000: £25k).

iii) On 7 August 1997 as amended by a side letter dated 30 August 2000 BM entered into a consultancy agreement, under which BM can provide consultancy services to TMC at the latter's request. During the year TMC paid £nil (2000: £nil) for such services.

iv) During 1997 BM entered into a sub-participation of loans totalling £5 million from FA to Zophonous Limited. This loan was transferred by BM to First Active Holdings UK Limited during the year. The loans bear interest at a rate that is agreed from time to time between the parties. During the year BM was entitled to receive interest of £155k (2000: £319k) under this agreement.

As at 31 December 2001, BM was owed £nil (2000: £5 million) under this agreement.

v) BM pays the lease costs and service charges of the properties it occupies with TMC. All employees have joint employment contracts with BM and TMC. During the year BM recharged £1.4 million (2000: £993k) of administrative expenses including, from 1 October 2000, property costs under an agreement with TMC which was amended by a shareholder and subscription agreement dated 30 August 2000.

As at 31 December 2001, BM owed £353k (2000:£337k) to TMC and was owed £185k (2000:£311k) by TMC.

24. Related party transactions (continued)

Transactions with Britannic Money Group (formerly First Active Financial Group) ("BM") (continued)

vi) On 12 November 1999, BM granted start-up loans of £10.4 million to First Flexible No.1 plc ("FFL1"), a subsidiary of the group. Under the terms of the securisation agreements FFL1 is entitled to purchase further qualifying mortgage advances from BM which BM offers for sale within a defined substitution period. During the year, FFL1 acquired £nil (2000: £72.2 million) of qualifying mortgage advances from BM under this arrangement.

At 31 December 2001 FFL1 owed £7.5 million (2000: £6.9 million) to BM in relation to outstanding start-up loans and deferred purchase consideration. During the year BM earnt £4.7 million in relation to deferred purchase consideration.

vii) On 30 May 2000, BM granted start-up loans of £9.7 million to First Flexible No.2 plc ("FFL2"), a subsidiary of the group. Under the terms of the securisation agreements FFL2 is entitled to purchase further qualifying mortgage advances from BM which BM offers for sale within a defined substitution period. During the year, FFL2 acquired £nil (2000: £35.5 million) of qualifying mortgage advances from BM under this arrangement.

At 31 December 2001 FFL2 owed £10.9 million (2000: £8.2 million) to BM in relation to outstanding start-up loans and deferred purchase consideration. During the year BM earnt £4.9 million in relation to deferred purchase consideration.

viii) On 20 October 2000, BM granted start-up loans of £17.1 million to First Flexible No.3 plc ("FFL3"), a subsidiary of the group. On 25 October 2000 the company purchased mortgage advances of £424.3 million at net book value. Under the terms of the securisation agreements FFL3 is entitled to purchase further qualifying mortgage advances from BM which BM offers for sale within a defined substitution period. During the year, FFL3 acquired £nil (2000: £35.5 million) of qualifying mortgage advances from BM under this arrangement.

At 31 December 2001 FFL3 owed £16.8 million (2000: £8.2 million) to BM in relation to outstanding start-up loans and deferred purchase consideration. During the year BM earnt £6.5 million in relation to deferred purchase consideration.

ix) At 31 December 2001 the amounts due to Mayfair, a company under common control as defined by FRS8 (related party transactions), from Cavendish Home Investments No. 2 Limited and Cavendish Home Investments No. 3 Limited, subsidiaries of TMC, amounted to £14k (2000: £14k) and £7k (2000: £7k) respectively.

Transactions with First Active plc ("FA")

During 1996, the group entered into a number of agreements with FA of which SeaHorse Limited is a quasi subsidiary. The following agreements remained effective during 2001:

i) A debenture to FA from Zophonus Limited for a principal amount of £19.9million under which FA is entitled to interest at 1% above LIBOR. As at 31 December 2001 the balance outstanding on this debenture was £11.8 million (2000: £13.6 million). The interest accrued in the year under this agreement was £746k (2000: £856k) and the amount outstanding at 31 December 2001 was £746k (2000: £nil).

ii) On 6 June 2001 the company entered into a corporate services agreement with FA under which FA provide corporate services to the group. No amounts were paid under this agreement during the year.

24. Related party transactions (continued)

Transactions with First Active Holdings UK Limited ("FAH")

The group entered into a number of agreements with FAH of which SeaHorse Limited is under common control, as defined by FRS8.

i) During 1996, the group entered into a debenture to FA, which was subsequently assigned to FAH from Zophonus Limited, for a principal amount of £1million under which FAH is entitled to interest at 1% above LIBOR and any surplus distributable income or capital received within Zophonus Limited. As at 31 December 2001 the balance outstanding on this debenture was £1 million (2000: £1 million). The interest accrued in the year under this agreement was £6.3million (2000: £6.7million) and the amount outstanding at 31 December 2001 was £6.3 million (2000: £14.4 million).

ii)During 1996, the company granted a debenture to FA, which was subsequently assigned to FAH, from SeaHorse Limited, for a principal amount of £100 under which FAH is entitled to interest equating to surplus distributable income or capital received within SeaHorse Limited. No amounts were owed under this debenture (2000: £nil).

iii) During the year, a £5m loan was transferred from BM to Zophnus Limited. The loan bears interest at a rate that is agreed from time to time between the parties. During the year, FAH was entitled to receive £104k interest. At 31 December 2001, FAH was owed £5m principal and £104k accrued interest under this agreement.

Transactions with Arianty No 1 plc ("ARI1")

i) Under the terms of the securisation agreements First Flexible No.1 plc ("FFL1") is entitled to purchase further qualifying mortgage advances from ARI1, a company under common control as defined by FRS8, which ARI1 offers for sale within a defined substitution period. During the year, the FFL1 has acquired £86.2 million (2000: £5.1 million) of qualifying mortgage advances from ARI1 under this arrangement.

At 31 December 2001 FFL1 owed £132K to Arianty No.1 plc.

ii) Under the terms of the securitisation agreement First Flexible No.2 plc ("FFL2") is entitled to purchase further qualifying mortgage advances from ARI1 which ARI1, a company under common control as defined by FRS8, offers for sale within a defined substitution period. During the year the FFL2 has acquired £61.7 million (2000: £nil) of qualifying mortgage advances from BM under this agreement.

As at 31 December 2001 FFL2 was owed £80k by Arianty No1 plc.

iii) Under the terms of the securitisation agreement First Flexible No.3 plc ("FFL3") is entitled to purchase further qualifying mortgage advances from ARI1 which ARI1, a company under common control as defined by FRS8, offers for sale within a defined substitution period. During the year the FFL3 has acquired £151.9 million of qualifying mortgage advances from BM under this agreement.

At 31 December 2001 FFL3 was owed £40k by ARI1.

25. Ultimate parent undertaking

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.