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THE NHL GROUP

Contents

Financial highlights

Total operating income	£45.5m
Profit on ordinary activities before taxation	£15.1m
Profit on ordinary activities after taxation	£15.1m
Earnings per share	22.5p per share
Total dividend per share	1p per share
Total assets at year end	£1,555.2m

Company Information

BOARD OF DIRECTORS

Jonathan Perry
Executive Chairman

Nigel Terrington
Chief Executive

Nicholas Keen
Finance Director

Michael Kelly
Marketing Director

Professor Andrew Chambers*
Managing Director of
Management Audit Limited.
Professor of Audit and
Control, University of Hull.

William Hulton*
Director of Botts & Co . Limited
and formerly Director and
Head of Corporate Finance at
Hoare Govett & Co. Limited.

David Hoare*
Director and Principal of
Talisman Management Limited.

David Banks*
Director of Penna plc.

* Non-executive

Company Secretary
John Gemmell

Registered and Head Office
St Catherine's Court,
Herbert Road, Solihull,
West Midlands B91 3QE.

City Of London Office
28 King Street,
London EC2V 8EH.

Auditors
Touche Ross & Co.,
Chartered Accountants,
Colmore Gate,
2 Colmore Row,
Birmingham B3 2BN.

Solicitors
Slaughter and May,
35 Basinghall Street,
London EC2V 5DB.

Registrars and Transfer Office
The Royal Bank of Scotland plc,
P.O. Box 82,
Caxton House,
Redcliffe Way,
Bristol BS99 7NH.

Chairman's Statement

I am pleased to report that in the year to 30 September 1995 the Group's pre-tax profits increased to £15.1 million compared with £11.4 million in 1994. Earnings per share are 22.5p (1994 28.2p restated) or 17.1p on an adjusted basis (1994 12.8p adjusted). On the basis of the results for the second half of the year and as indicated in my interim statement, the Board proposes a dividend of 1p per ordinary share. This is the first such payment the Group has been able to contemplate since March 1991 and the Board now intends to pursue a progressive dividend policy, subject to performance and the prevailing capital requirements of the business.

The year has been one of steady progress for the Group in a most difficult trading environment. The residential housing market has shown few signs of improvement, despite very favourable conditions for housebuyers. The pressure on margins which has resulted from low demand from borrowers has been exacerbated by the market leaders, in a fight for market share, further discounting their mortgage offers for new business and subsidising this by lowering their deposit rates for savers across the country.

Against this background, I am particularly pleased to be able to report that our results for the year have improved as expected. We have made good progress with our new mortgage lending activities and with the development of other sources of earnings for the Group, including third party initiatives. We will continue to seek opportunities to extend the Group's business into other areas of financial services to which our skills are appropriate in the coming year.

Refinancing and Capital Reconstruction

As I said in my interim statement, the replacement of the outstanding bank debt with a new £160 million five year term facility on more favourable terms and the £50.2 million (net) rights issue and capital reconstruction which took place at the beginning of 1995, marked the end of our recovery phase. These initiatives put the Group's finances on a sound footing, providing risk capital to underpin our current and future business activities.

Board Changes

There have been a number of changes to the Board during the year. At the beginning of June, Nigel Terrington, previously Group Finance Director, was appointed Chief Executive and Nicholas Keen, who had been Group Treasurer, became Group Finance Director. At the same time Chris French resigned from the Board as a director and Chief Operating Officer. We thank him for his contribution over the past two years.

David Martin-Jenkins, a non-executive director for the past ten years, resigned from the Board at the end of April 1995. He was replaced by David Banks, formerly a career banker and over recent years a specialist in financial services. We are grateful to David Martin-Jenkins for his long service to the Company and we welcome David Banks whose knowledge and experience will benefit our deliberations.

Chairman's statement continued

The Future

Our strategy for Homeloans Direct in the immediate future is to build on the presence we have established in the residential first mortgage market, concentrating for the time being on higher margin niche products, ensuring that we are ready to benefit from any upturn in the market as a whole. We shall seek growth by extending our activities into areas which draw on our strengths in collections, administration and our deal structuring abilities, and which exploit fully the structure of our business as a low cost provider of financial services. We anticipate further moves outside the residential first mortgage market into the wider field of financial services, particularly in the consumer finance area.

There are many challenges ahead, particularly as the difficulties being experienced in the housing market show no signs of abating. However, we will continue to develop our position in this and other markets appropriate to our skills.

We have made good progress during the year, none of which would have been possible without the dedication and hard work of the directors and staff. I thank them for their efforts.

Jonathan Perry
Executive Chairman, 12 December 1995

Chief Executive's Review

The following commentary and comparative figures for 1994 relate solely to the Group's continuing businesses.

RESULTS ANALYSIS

Profit Before Tax

6 months to	**30 Sept 95**	**31 Mar 95**	30 Sept 94	31 Mar 94
£ million	**9.0**	**6.1**	7.3	4.1

The Group continued to progress in the second half of the year, with operating profits of £15.1 million for the year, an increase of 32% over the £11.4 million reported for 1994.

Net Interest Income

6 months to	**30 Sept 95**	**31 Mar 95**	30 Sept 94	31 Mar 94
£ million	**20.3**	**18.7**	21.4	24.2

The improvement in the second half of the year reflects improved margins on the portfolio as a result of reduced funding costs on the outstanding bank debt and a more stable LIBOR rate than was seen in the first half of the year. Net Interest Income also includes income arising from investment of the proceeds of the rights issue. Overall for the year, these improvements exceeded the negative impact of lower income from the reduction in mortgage balances and the costs associated with the debt refinancing in February 1995. The total number of accounts under management at the year end, including those being administered on behalf of a third party, was 42,902.

As in the past, the Group continues to look for opportunities to refinance assets at a lower funding margin. We are currently negotiating improved terms for our warehouse funding which provides the initial finance for Homeloans Direct Limited (HLD) mortgage originations, as well as preparing a new securitisation to refinance part of the portfolio on more favourable terms. The latter transaction will represent the first public securitisation of mortgages originated by HLD.

Other Operating Income

6 months to	**30 Sept 95**	**31 Mar 95**	30 Sept 94	31 Mar 94
£ million	**3.3**	**3.2**	3.6	3.0

Other operating income was marginally higher in the second half of the year, with insurance commissions and third party administration fees offsetting the reduction in agency and other mortgage related fees.

Operating Expenses

6 months to	**30 Sept 95**	**31 Mar 95**	30 Sept 94	31 Mar 94
£ million	**10.3**	**9.3**	8.6	8.4

Operating expenses have risen during the second half of the year. This reflects the provision of £750,000 to cover redundancy costs arising out of a review of operations which began in the summer of 1995. This exercise in business process re-engineering will both improve the service we give to our customers and reduce costs. This has resulted in a reduction in staff levels since the end of the financial year of 75 people, drawn from all levels in the Group, which has reduced total staff numbers to 337 and will reduce costs in 1996 by approximately £1.4 million.

Operating expenses for the year are up on the previous year as a result of costs associated with the refinancing and capital restructuring which we reported at the half year, and also due to increased activity and expense related to new lending and the servicing of a consumer loan portfolio which we manage for a third party (the income for which is included under Other Operating Income).

Loss Provisions

6 months to	**30 Sept 95**	**31 Mar 95**	30 Sept 94	31 Mar 94
£ million	**4.3**	**6.5**	9.1	14.7

Loss provisions for the second half, at £4.3 million, were less than 50% of those required for the comparable period last year and a 34% improvement on the first half of 1995. This continues the trend of reduced losses in the portfolio seen in recent years.

REVIEW OF OPERATIONS

The review of the Group's operations over the past year is divided into three activities; The National Home Loans Corporation (NHLC) which represents the portfolio of first residential mortgages originated by the company up to 1991; Homeloans Direct, the Group's new mortgage lending arm which began trading in 1994; and other activities.

The National Home Loans Corporation

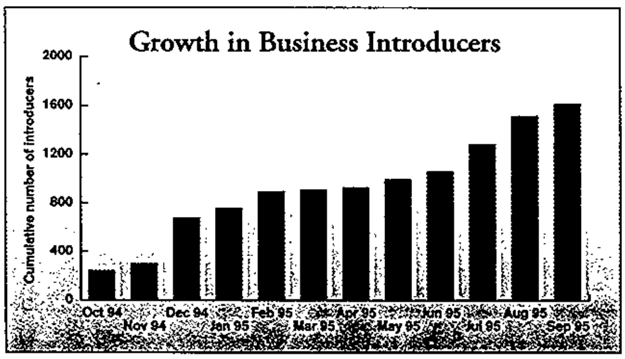
Over the past year the NHLC portfolio has performed in line with our expectations. Although the number of accounts in arrears continues to decline overall, nevertheless arrears and negative equity remain significant features of the book which therefore continues to require careful management. Gross mortgage balances at the year end were £1,389 million, made up of 31,646 accounts compared to £1,540 million (34,933 accounts) at the half year and £1,668 million (37,665 accounts) at 30 September 1994.

Redemptions from the portfolio during the year were in line with expectations. The rate of redemption in the second half of the year was somewhat higher than during the first half, primarily as a result of remortgage activity over the summer months. New possessions also increased in the second half, from 348 to 406, although the total for the year was down to 754 from 837 the previous year. Sales of 713 properties in possession during the year was substantially lower than the 1,395 sales in 1994, reflecting both the reduced stock of properties in possession and the stagnant property market.

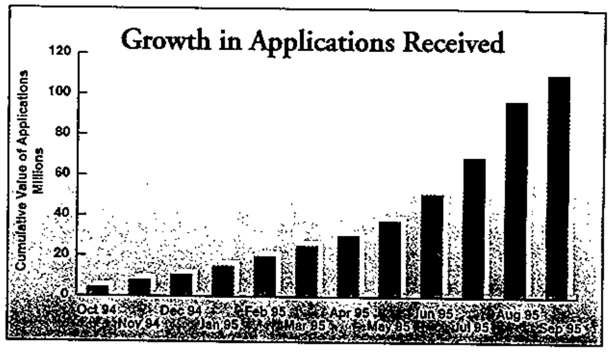
Charging rates on the portfolio vary according to the circumstances of individual borrowers, with a number of customers who are able to meet the HLD lending criteria now on the HLD standard rate. On average, charging rates are higher than the market reflecting the overall quality and risk profile of the portfolio.

Homeloans Direct

The residential first mortgage market has been lifeless throughout the year and as new business volumes have remained low, trading conditions have been extremely competitive. Even so, HLD has put up a very creditable performance. The company has made excellent progress in developing a broad distribution network from a wide variety of sources and now has some 1,600 authorised organisations who have agreed to sell its products. As a result, HLD has seen a steady increase in the volume of mortgage applications received, from some 800 worth in excess of £40 million at the time of our interim statement in May, to approximately 2,500 applications with a value of £116 million by the year end. Offers issued together with applications in process totalled over 1,600 with a value of £76 million.



HLD has developed its market presence throughout the year. The company has proved that it can generate mortgage business from an intermediary based distribution channel by offering a fast and efficient service, attractive products and a commitment not to cross sell against the interests of its business introducers. This has been supported by a number of technological innovations where we are at the forefront of the market. These include product support software which is distributed to its business intermediaries and a highly innovative electronic mortgage application system.



Mortgage rates in the residential first mortgage market, particularly for new business, have been reduced since March, as building societies have struggled to meet their volume requirements. This is evidenced by substantial front end incentives, in the form of cashbacks and discounts, which have enticed many borrowers to remortgage from other lenders. Fundamentally, and in common with other lenders, we consider this situation to be unsustainable in the medium term, as this type of lending is only marginally profitable. In such circumstances, HLD's strategy will be to avoid volume growth in low margin business and to continue to develop and refine its range of mortgage products to attract more profitable business. In particular, we will seek to exploit niche markets which are not well served by the mainstream lenders. The company will continue to develop its distribution network so that this can generate larger volumes of business when market conditions improve.

Other Activities

We have stated previously that we would seek opportunities to acquire mortgage books where such acquisitions enhance earnings. During the year, the Group acquired two small mortgage portfolios. Although we have investigated a number of substantial portfolios for acquisition purposes, we were unable to justify the premium prices such books have attracted. Nevertheless, we will continue to seek purchase opportunities in the expectation that pricing will improve over time.

We have also said that we would seek to generate additional revenue by using our credit, administrative and debt collection skills on behalf of other financial services providers. I am pleased to report that in July 1995 we agreed to administer and collect on a portfolio of unsecured loan balances on behalf of a major US bank. This increased the number of accounts under administration by 11,000, approximately a third, and provides valuable fee income as well as extending our operational skills beyond the residential first mortgage market into unsecured lending. We shall seek opportunities to enhance earnings from similar sources in the future.

Nigel S Terrington

Chief Executive, 12 December 1995

Directors' Report

The directors submit their Report and Accounts for the year ended 30 September 1995 which were approved by the Board on 12 December 1995.

PRINCIPAL ACTIVITY

The Company is a Holding Company co-ordinating the activities of its subsidiary companies. The principal activity of the Group continues to be the operation of its residential mortgage business.

The Chairman's Statement and the Chief Executive's Review on pages 3 to 7 contain a review of the Group's business during the financial year, its current position and future prospects.

RESULTS AND DIVIDENDS

The results for the year are shown in the Consolidated Profit and Loss Account on page 15. The directors propose a final dividend of 1.0p per share. No interim dividend was paid and no dividend was proposed or paid during the year ended 30 September 1994. After dividends, retained profits of £14.2 million have been transferred to reserves (1994 : £11.3m).

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

STATEMENT OF COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company complied with all the recommendations of the Code of Best Practice of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) during the year.

SYSTEM OF CORPORATE GOVERNANCE

The Board of Directors

The Board of Directors comprises four executive and four non-executive directors, all of whom bring to the Company a broad and valuable range of experience. Jonathan Perry has been Executive Chairman since February 1992 and Nigel Terrington, formerly Finance Director, was appointed Chief Executive on 5 June 1995. There is a clear division of executive responsibilities at the head of the Company and strong non-executive representation on the Board, including William Hulton who has been nominated as the senior non-executive director. This provides effective balance and challenge. The Board meets regularly throughout the year and is responsible for overall Group strategy, for approving major agreements, transactions and other financing matters and for monitoring the progress of the Group against budget.

The non-executive directors are independent of management and are appointed for fixed terms. They fulfil a vital role in helping the executive to take the Company forward, are kept fully informed of all relevant operational and strategic issues and bring a strongly independent and experienced judgement to bear on these issues.

Standing Committees

The Board also operates through a number of committees covering certain specific matters, these being:

- The Executive Committee, consisting of the four executive directors and chaired by the Executive Chairman. It meets regularly and operates as a general management committee.
- The Remuneration Committee, consisting of all the non-executive directors and chaired by William Hulton. The Report of the Remuneration Committee is on page 12.
- The Audit Committee, consisting of all of the non-executive directors and chaired by Professor Andrew Chambers. The committee meets three times per year. It monitors the adequacy of the Group's audit arrangements and provides a forum through which the Group's external and internal audit functions report to the non-executive directors.
- The Asset and Liability Committee, consisting of the four executive directors and chaired by Nigel Terrington, the Chief Executive. It meets regularly and monitors Group interest rate risks, currency risks and treasury counterparty exposures.
- The Credit Committee, consisting of two executive directors, the Company Secretary, the Director of Lending and chaired by Nigel Terrington. It meets regularly and is responsible for establishing credit policy and monitoring compliance.

Internal Financial Control

The directors are responsible for the system of internal financial control throughout the Group. Such a system can provide reasonable, but not absolute, assurance that assets are safeguarded against unauthorised use or disposition, that proper accounting records are maintained and that financial information used within the business and for publication is reliable. In assessing what constitutes reasonable assurance, the directors have regard to the relationship between the cost and benefits from particular aspects of the control system.

The system of internal financial control includes documented procedures covering accounting, personnel matters and operations, clear reporting lines, delegation of authority through a formal structure of mandates, a formalised budgeting, management reporting and review process, the use of key performance indicators throughout the company and regular meetings of the Executive, Asset and Liability and Credit Committees and senior management.

The system of internal financial control is monitored by management and by an internal audit function that concentrates on the areas of greatest risk and reports its conclusions regularly to management and the Audit Committee. The internal audit work plan is approved annually by the Audit Committee, which reviews the effectiveness of the system of internal financial control annually and reports its conclusions to the Board.

DIRECTORS

Mr D D Martin-Jenkins and Mr C French resigned from the Board on 28 April and 5 June 1995 respectively.

Mr D F Banks and Mr N Keen were appointed to the Board on 28 April and 5 June 1995 respectively.

The interests of the directors in the share capital of the Company, all beneficially held, were as follows:

		At 30 September 1995	At 30 September 1994 or date of appointment	
		Ordinary Shares of 10p each	Ordinary Shares of 15p each	7.5% Convertible Preference Shares
J P L	Perry	**187,000**	100,000	250,000
N S	Terrington	**66,000**	-	100,000
M J R	Kelly	**20,500**	-	-
N	Keen	**-**	-	-
D F	Banks*	**20,000**	**	**
A D	Chambers*	**20,744**	2,000	30,765
D A	Hoare*	**26,400**	-	40,000
F W	Hulton*	**32,500**	45,000	115,000

* *Non-executive Directors*

**At the date of his appointment, Mr D F Banks had an interest in 20,000 Ordinary Shares of 10p each.

In addition, certain directors had interests in the share capital of the Company by virtue of options granted under the Executive Share Option Scheme details of which are given in Note 18 on page 29.

There has been no change in the directors' interests in the share capital of the Company since 30 September 1995.

The directors have no interests in the shares or debentures of the Company's subsidiary companies.

In accordance with the Articles of Association, Mr N Keen, Mr D F Banks and Mr D A Hoare will retire and, being eligible, will offer themselves for re-appointment at the forthcoming Annual General Meeting. None of these directors has a service contract with the Company requiring more than 12 months notice of termination to be given.

Mr D A Hoare is a Director and Principal of Talisman Management Limited which during the year received consultancy and advisory fees of £341,000 (1994 : £295,000) from the Company. Save for this, none of the directors had, either during or at the end of the year, any material interest in any contract of significance with the Company or its subsidiaries.

SUBSTANTIAL SHAREHOLDINGS

As at 15 November 1995, being a date not more than one month before the date of the notice convening the forthcoming Annual General Meeting, the Company had been notified of the following interests of more than 3% in the nominal value of the ordinary share capital of the Company:

	Ordinary Shares	% Held
Schroder Investment Management Limited	15,898,200	18.10
M & G Investment Management Limited	11,914,500	13.57
Fidelity Investment Services Limited	5,860,000	6.67
National Westminster Bank PLC	3,960,000	4.50
The Equitable Life Assurance Society	3,029,149	3.45
Threadneedle Street Asset Management Limited	2,658,061	3.03

FIXED ASSETS

Movements in tangible fixed assets during the year are shown in Note 10.

EMPLOYEES' INVOLVEMENT

The directors recognise the benefits of keeping employees informed of the progress of the business. Employees have been provided with regular information on the performance and plans of the Group, and the financial and economic factors affecting it, through both information circulars and management presentations.

EMPLOYMENT OF DISABLED PERSONS

Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. The Group has continued its policy of providing appropriate training and career development to such persons.

CHARITABLE CONTRIBUTIONS

Contributions to charitable institutions in the United Kingdom amounted to £1,960.

CLOSE COMPANY STATUS

So far as the directors are aware, the Company is not a Close Company for taxation purposes.

INSURANCE FOR DIRECTORS AND OFFICERS

During the year the Company has purchased and maintained effective insurance for directors and officers against liabilities in relation to the Company.

AUDITORS

A resolution to re-appoint Touche Ross & Co as Auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.

J G Gemmell, *Company Secretary,*
12 December 1995

Report of the Remuneration Committee

The Committee determines the Company's policy on executive remuneration and specific compensation packages for each of the executive directors.

Remuneration policy

The Company's policy is to ensure that executive directors are fairly rewarded for their individual contributions to overall performance, having regard to the importance of retention and motivation.

The remuneration packages of the individual executive directors have been assessed after a review of their individual performances and an assessment of comparable positions in the financial sector.

All executive directors are remunerated by means of salary, bonus, pension scheme contributions, benefits in kind (in most cases principally the provision of a company car) and by the award of share options from time to time under the Executive Share Option Scheme. Bonuses are earned under performance related schemes based on individual performance and that of the Group as a whole. Bonuses are normally paid in October or November but are accrued in the year to which they relate. All executive directors are either members of the Group Retirement Benefits Plan, to which the company contributes at the same rate as for all members, or the Company pays monthly contributions to their personal pension schemes.

All the executive directors hold one year rolling contracts, the terms of which the Remuneration Committee reviews regularly.

The information on directors' remuneration and share options contained in notes 4 and 18 to the accounts forms part of this report.

Approved by the Remuneration Committee and signed on behalf of the Committee.

F W Hulton, *Remuneration Committee Chairman*
12 December 1995

Statement of Directors' Responsibilities

in relation to 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 and the Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements (on pages 15 to 33), 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 financial statements 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.

Auditors' Report

To the members of National Home Loans Holdings PLC

We have audited the financial statements on pages 15 to 33 which have been prepared under the accounting policies set out on page19.

Respective responsibilities of directors and auditors

As described on page 13 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, 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 30 September 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross & Co. Touche Ross & Co.

12 December 1995

Touche Ross & Co.
Chartered Accountants and Registered Auditors
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

Consolidated Profit and Loss Account

for the year to 30 September 1995

	Notes	1995 Continuing Operations £m	1994 Continuing Operations £m	1994 Discontinued Operations £m	1994 Total £m
Interest receivable		164.0	180.5	42.6	223.1
Interest payable and similar charges	3	(125.0)	(134.9)	(25.2)	(160.1)
Net interest income		39.0	45.6	17.4	63.0
Other operating income		6.5	6.6	1.4	8.0
Total operating income		45.5	52.2	18.8	71.0
Operating expenses		(19.6)	(17.0)	(6.2)	(23.2)
Provisions for losses		(10.8)	(23.8)	(12.6)	(36.4)
Operating profit being profit on ordinary activities before taxation	5	15.1	11.4	-	11.4
Tax charge on operating profit	6	-			(0.1)
Profit on ordinary activities after taxation		15.1			11.3
Dividend	8	(0.9)			-
Retained profit		14.2			11.3
Earnings per share	9	22.5p			28.2p
Adjusted earnings per share	9	17.1p			12.8p

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historic cost basis. There are no material recognised gains and losses other than the profit for the year.

Movement in Shareholders' Funds

	1995	1994
Profit attributable to shareholders	15.1	11.3
Dividend	(0.9)	-
Net proceeds of rights issue	50.2	-
Net movement in shareholders' funds	64.4	11.3
Opening shareholders' funds	(24.8)	(36.1)
Closing shareholders' funds	39.6	(24.8)

Consolidated Balance Sheet

at 30 September 1995

	Notes	1995 £m	1995 £m	1994 £m	1994 £m
Assets employed:					
Fixed assets					
Tangible assets	*10*	**23.1**		24.4	
Mortgage loans	*11*	**1,364.4**		1,586.1	
			1,387.5		1,610.5
Other loans	*12*	**7.4**		-	
Bank loans	*12*	**(7.4)**		-	
			-		-
Current assets					
Investments	*13*	**1.0**		1.1	
Debtors falling due within one year	*15*	**9.0**		14.9	
Debtors falling due after more than one year	*15*	**-**		0.6	
Cash at banks and in hand		**157.7**		204.1	
			167.7		220.7
			1,555.2		1,831.2
Financed by:					
Shareholders' funds					
Called up share capital	*16*	**8.8**		114.1	
Reserves	*17*	**30.8**		(138.9)	
		39.6		(24.8)	
Equity shareholders' funds			**39.6**		(24.8)
Non-equity shareholders' funds			**-**		-
			39.6		(24.8)
Creditors					
Amounts falling due within one year	*19*	**114.0**		19.3	
Amounts falling due after more than one year	*19*	**1,401.6**		1,836.7	
			1,515.6		1,856.0
			1,555.2		1,831.2

Approved by the Board of Directors on 12 December 1995
Signed on behalf of the Board of Directors

N S Terrington, *Chief Executive*

N Keen, *Finance Director*

Holding Company Balance Sheet

at 30 September 1995

	Notes	1995 £m	1995 £m	1994 £m	1994 £m
Assets employed:					
Fixed assets					
Investments	*14*		77.6		60.7
Current assets					
Debtors falling due within one year	*15*		53.4		1.7
Debtors falling due after more than one year	*15*		-		0.2
			131.0		62.6
Financed by:					
Shareholders' funds					
Called up share capital	*16*	8.8		114.1	
Reserves	*17*	30.8		(138.9)	
		39.6		(24.8)	
Equity shareholders' funds			39.6		(24.8)
Non-equity shareholders' funds			-		-
			39.6		(24.8)
Creditors					
Amounts falling due within one year	*19*	7.4		3.4	
Amounts falling due after more than one year	*19*	84.0		84.0	
			91.4		87.4
			131.0		62.6

Approved by the Board of Directors on 12 December 1995
Signed on behalf of the Board of Directors

N S Terrington, *Chief Executive*

N Keen, *Finance Director*

Consolidated Cash Flow Statement

for the year to 30 September 1995

	Notes	1995 £m	1995 £m	1994 £m	1994 £m
Net cash inflow from operating activities	*20*		**24.6**		51.3
Taxation					
Net corporation tax (including advance corporation tax) received			**4.1**		7.1
Investing activities					
Net decrease in mortgage assets		**210.9**		375.4	
Net decrease in finance leases and hire purchase receivables		-		24.7	
Expenditure on other fixed assets		**(0.8)**		(0.8)	
Proceeds from sale of tangible fixed assets		**0.2**		0.4	
Proceeds from sale of investment		**0.2**		-	
Sale of businesses	*20*	-		(20.5)	
Net cash inflow from investing activities			**210.5**		379.2
Net cash inflow before financing			**239.2**		437.6
Financing					
Net proceeds of rights issue			**50.2**		-
Decrease in loans from banks and others	*20*		**(335.7)**		(494.8)
Net cash inflow from financing			**(285.5)**		(494.8)
Decrease in cash and cash equivalents	*20*		**(46.3)**		(57.2)

Notes to the Accounts

for the year to 30 September 1995

1. ACCOUNTING POLICIES

The accounts and notes have been prepared in accordance with applicable accounting standards. The particular policies adopted are described below.

(a) Accounting convention

The accounts are prepared under the historical cost convention, as adjusted for the revaluation of certain fixed assets.

(b) Basis of consolidation

The consolidated accounts deal with the accounts of the Company and all its subsidiaries made up to 30 September 1995.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less accumulated depreciation.

(d) Depreciation

Depreciation is provided on cost in equal annual instalments over the lives of the assets. The rates of depreciation are as follows:

Long leasehold premises	2% per annum
Short leasehold premises	over the life of the lease
Computer equipment	25% per annum
Furniture, fixtures and office equipment	15% per annum
Motor vehicles	25% per annum

(e) Mortgage loans

Mortgage loans are stated at cost less provision for diminution in value after taking into account the existence of insurances, guarantees and indemnities. Cashbacks and discounts are amortised over the penalty interest periods of the related mortgages.

(f) Fixed assets - investments

The Company's investments in subsidiary companies are valued by the directors at the Company's share of the book value of their underlying net tangible assets.

(g) Linked presentation for assets financed by non-recourse loans

Where assets are purchased using finance which will be repaid solely from the benefits generated by those assets, the finance liability is deducted from the gross assets on the face of the balance sheet, in accordance with the linked presentation provisions of Financial Reporting Standard 5 - 'Reporting the Substance of Transactions'.

(h) Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items of income and expenditure for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

(i) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year or at other rates where covered by forward currency contracts.

(j) Pension costs

The expected cost of providing pensions within the funded defined benefit scheme, as calculated periodically by professionally qualified actuaries using the projected unit method, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme.

(k) Funding costs

Initial costs incurred in arranging funding facilities are amortised over the period of the facility. Unamortised initial costs are deducted from the associated liability. In addition, profits on the early repurchase of loan notes are included within interest payable and similar charges.

The realised profits or losses on financial instrument transactions for hedging purposes are credited or charged to the profit and loss account over the life of the associated contract.

(l) Operating leases

Rental costs under operating leases are charged to the profit and loss account over the period of the leases.

2. DISCONTINUED ACTIVITIES

On 29 September 1994, the Group sold its interest in The National Mortgage Bank PLC. Further details of this transaction are included in note 20(b).

3. INTEREST PAYABLE AND SIMILAR CHARGES

	1995 Continuing Operations £m	1994 Continuing Operations £m	1994 Discontinued Operations £m	1994 Total £m
On loans repayable after more than five years				
Mortgage backed loan notes	**95.8**	95.4	4.8	100.2
Mortgage backed bank loans	**-**	2.6	-	2.6
Other loans	**0.8**	0.8	-	0.8
On bank loans, overdrafts and other loans repayable within five years	**28.4**	36.1	20.4	56.5
	125.0	134.9	25.2	160.1

4. DIRECTORS AND EMPLOYEES

	1995 £000	1994 £000
Directors' emoluments		
Fees	**71**	80
Salaries and benefits in kind	**696**	545
Performance related bonuses	**455**	288
Compensation for loss of office	**17**	-
	1,239	913
Pension contributions	**71**	46
	1,310	959

Particulars of directors' emoluments, excluding pension contributions, are as follows:

	1995 Number	1994 Number
£5,001 - £10,000	1	-
£10,001 - £15,000	1	-
£15,001 - £20,000	3	4
£80,001 - £85,000	1	-
£90,001 - £95,000	-	1
£115,001 - £120,000	-	1
£125,001 - £130,000	1	-
£185,001 - £190,000	1	-
£225,001 - £230,000	-	1
£310,001 - £315,000	1	-
£400,001 - £405,000	-	1
£440,001 - £445,000	1	-

Individual director's remuneration

The remuneration packages in respect of directors in office at the end of the year were:

	Salary and fees £000	Benefits in kind £000	Annual bonus £000	Pension contributions £000	Total £000	1994 Total £000
Executive:						
J P L Perry	232	3	208	23	466	426
N S Terrington	170	9	130	14	323	239
N Keen	37	3	86	3	129	-
M J R Kelly	159	-	30	23	212	95
Non-executive:						
D F Banks	7	-	-	-	7	-
Professor A D Chambers	17	-	-	-	17	17
D A Hoare	17	-	-	-	17	17
F W Hulton	17	-	-	-	17	17

Mr J P L Perry is the Chairman and highest paid director.

A house purchase loan had been granted, within the terms of the staff mortgage scheme, to Mr N Keen prior to his appointment as a director. At 30 September 1995, Mr N Keen had a loan of £81,145 (£81,776 on appointment) with interest payable at the NHL staff rate which is half of the three monthly London Interbank Offered Rate (LIBOR), subject to a minimum of 5% per annum, until 31 July 1995. From that date interest was payable at the standard rate for new mortgages. The maximum amount outstanding during the year was that shown at the date of his appointment.

The average numbers of persons (including directors) employed by the Group were as follows:

	1995 Number	1994 Number
Continuing operations	404	397
Discontinued operations	-	93
	404	490

Staff costs incurred during the year in respect of these employees were:

	1995 Continuing Operations £m	Continuing Operations £m	Discontinued Operations £m	1994 Total £m
Ongoing wages and salaries	**8.5**	7.1	2.2	9.3
Redundancy costs	**0.6**	-	0.1	0.1
Social Security costs	**0.7**	0.6	0.2	0.8
Pension costs	**0.4**	0.4	-	0.4
	10.2	8.1	2.5	10.6

The most recent actuarial valuation of the Group Pension Scheme was completed as at 1 March 1995 using the projected unit method at which date the market value of the assets was £4.7m. The principal assumption used in the latest valuation was that the annual return on investment would be 2.0 per cent higher than the annual increase in salaries. The valuation revealed that the actuarial value of assets was sufficient to cover 100 per cent of the benefits that had accrued to members after allowing for future increases in earnings.

5. PROFIT BEFORE TAXATION

	1995 Continuing Operations £m	Continuing Operations £m	Discontinued Operations £m	1994 Total £m
Profit on ordinary activities before taxation is after charging:				
Depreciation	**1.6**	1.4	-	1.4
Auditors' remuneration - audit services	**0.2**	0.2	-	0.2
- non audit services	**0.5**	0.4	0.1	0.5
Hire of plant and machinery	**0.6**	0.6	0.1	0.7
Property rents	**1.6**	1.4	-	1.4
Reorganisation costs	**0.8**	-	-	-

6. TAXATION

	1995 £m	1994 £m
UK corporation tax based on the profit for the year		
Current at 33%	-	-
Deferred at 33%	-	0.3
	-	0.3
Prior year adjustments		
Current tax	-	(0.1)
Deferred tax	-	(0.3)
	-	(0.4)
	-	(0.1)

The taxation charge for the year has been increased by £1.1m (1994 : £0.4m) in respect of expenditure not qualifying for tax relief and reduced by £6.1m (1994 : reduced by £4.3m) in respect of movements in unprovided deferred tax assets. There are losses carried forward to offset against future income of appropriate Group companies of £83m (1994 : £95m). In addition the Group has capital losses of £75m which are available to offset against future capital gains in the relevant companies.

Deferred Taxation

The potential liability for deferred taxation and the amounts for which provision has been made are:

(a) The Group

	1995 Potential Liability £m	1995 Provided £m	1994 Potential Liability £m	1994 Provided £m
Capital allowances in excess of depreciation	**1.3**	**1.3**	1.6	1.6
Other timing differences	**(24.1)**	**(1.3)**	(30.9)	(1.6)
	(22.8)	**-**	(29.3)	-

The majority of other timing differences arise from trading losses that are being carried forward to set off against future taxable trading profits.

(b) The Company

	1995 Potential Liability £m	1995 Provided £m	1994 Potential Liability £m	1994 Provided £m
Other timing differences	**(3.0)**	**-**	(2.8)	-

7. PROFIT ATTRIBUTABLE TO MEMBERS OF NATIONAL HOME LOANS HOLDINGS PLC

The parent company's profit for the financial year amounted to £10.7m (1994: £11.3m). A separate profit and loss account has not been prepared for the holding company under the provisions of Section 230 Companies Act 1985.

8. DIVIDEND

	Per share 1995	Per share 1994	1995 £m	1994 £m
On ordinary shares				
Proposed final dividend	**1.00p**	-	**0.9**	-

9. EARNINGS PER SHARE

The earnings per share for the year ended 30 September 1995 has been calculated after adjusting for the capital restructuring and rights issue which took place on 8 March 1995. Comparative figures have been restated accordingly to reflect the capital restructuring. The weighted average number of new ordinary shares for the year was 67,085,912 and for the previous year was 39,919,071.

The adjusted earnings per share figures have been calculated on the full number of new ordinary shares in issue at 30 September 1995, 87,821,955, as if they had been in issue throughout both years.

The earnings per share and adjusted earnings per share have been calculated on the basis of profits of £15,068,000 (1994 : £11,257,000).

10. TANGIBLE FIXED ASSETS

	Long Leasehold Premises £m	Short Leasehold Premises £m	Plant and Machinery £m	Total £m
Cost or valuation				
At 1 October 1994	22.9	0.9	5.5	29.3
Additions	-	0.2	0.6	0.8
Disposals	-	-	(1.5)	(1.5)
At 30 September 1995	**22.9**	**1.1**	**4.6**	**28.6**
Cost	-	1.1	4.6	5.7
Valuation	22.9	-	-	22.9
Accumulated depreciation				
At 1 October 1994	1.7	0.5	2.7	4.9
Charge for the year	0.4	-	1.2	1.6
On disposals	-	-	(1.0)	(1.0)
At 30 September 1995	**2.1**	**0.5**	**2.9**	**5.5**
Net book value				
At 30 September 1995	**20.8**	**0.6**	**1.7**	**23.1**
At 30 September 1994	21.2	0.4	2.8	24.4

Comparable amounts determined according to the historic cost convention:

	Long Leasehold Premises £m	Short Leasehold Premises £m	Plant and Machinery £m	Total £m
Cost	16.0	1.1	4.6	21.7
Accumulated depreciation	(1.4)	(0.5)	(2.9)	(4.8)
Net book value				
At 30 September 1995	**14.6**	**0.6**	**1.7**	**16.9**
At 30 September 1994	14.8	0.4	2.8	18.0

The long leasehold premises at Homer Road in Solihull were revalued during 1990 by chartered surveyors on an open market value for existing use basis at £22.9m. The remainder of the fixed assets above are stated at cost.

11. MORTGAGE LOANS

	1995 £m	1994 £m
Cost		
At 1 October 1994	**1,586.1**	2,269.9
Additions	**53.6**	1.4
Other debits	**138.1**	201.2
Repayments and redemptions	**(413.4)**	(614.4)
Sale of The National Mortgage Bank PLC	**-**	(272.0)
At 30 September 1995	**1,364.4**	1,586.1

12. OTHER LOANS

The £7.4m bank loan is secured on a non-recourse basis against £7.4m of unsecured loans which are administered by the Group through a subsidiary company.

13. INVESTMENTS

Investments comprise:

	1995 £m	1994 £m
Care UK Plc	**0.9**	1.0
Other	**0.1**	0.1
	1.0	1.1

The Group holds, as a trade investment, 8.1% of the shares of Care UK Plc, a listed company engaged in the provision of residential nursing and healthcare services to the public and private sectors in the United Kingdom. The market value of the investment at 30 September 1995 was £2.2m.

The other investment represents a 5.4% holding in Midland Residential Corporation plc, a residential property rental company.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	1995 £m	1994 £m
Shares in Group companies:		
At 1 October 1994	**60.7**	64.2
Revaluation:		
credited/(charged) to the profit and loss account	**4.7**	(3.5)
credited to the revaluation reserve	**4.4**	-
	69.8	60.7
Loans to Group companies:		
Additions during the year	**7.8**	-
At 30 September 1995	**77.6**	60.7

Principal operating subsidiaries comprise:

	Holding	Principal Activity
Direct subsidiaries of National Home Loans Holdings PLC		
Residential Loan Finance Limited	100%	Holding company
The National Home Loans Corporation plc (NHLC)	100%	Residential mortgages
Homer Finance (No. 2) PLC	100%	Residential mortgages
Homer Finance (No. 3) PLC	100%	Residential mortgages
NHL (2) Securities PLC	100%	Residential mortgages
NHL (3) Securities PLC	100%	Residential mortgages
Homeloans Direct Limited	100%	Holding company
Subsidiaries of Residential Loan Finance Limited		
Collateralised Mortgage Securities (No. 1) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 2) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 3) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 4) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 5) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 6) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 7) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 8) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 9) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 10) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 11) PLC	100%	Residential mortgages
Collateralised Mortgage Securities (No. 12) PLC	100%	Residential mortgages
Homer Finance (No. 1) PLC	100%	Residential mortgages
Subsidiary of The National Home Loans Corporation plc		
NHL Finance (Nederland) BV (Incorporated and operating in Holland)	100%	Finance
Subsidiary of Homeloans Direct Limited		
Homeloans Direct Funding PLC	100%	Residential mortgages

The issued share capital of all subsidiaries consists of Ordinary Share Capital except that the subsidiaries of Residential Loan Finance Limited have, in addition, each issued one special share of £1, with limited rights, to the Trustees of the mortgage backed loan notes.

The financial year end of all of the above companies is 30 September, and they are registered and operate in England and Wales unless otherwise stated.

15. DEBTORS

	Group		Company	
	1995	1994	**1995**	1994
Amounts due within one year:	**£m**	£m	**£m**	£m
Amounts owed by group companies	**-**	-	**52.6**	1.4
Other debtors	**3.3**	3.7	**0.2**	0.3
Tax debtors	**4.3**	8.8	**0.2**	-
Prepayments and accrued income	**1.4**	2.4	**0.4**	-
	9.0	14.9	**53.4**	1.7
Amounts due after more than one year:				
Other debtors	**-**	0.6	**-**	0.2

16. CALLED-UP SHARE CAPITAL

	1995 £m	1994 £m
Authorised:		
125,000,000 Ordinary Shares of 10p each	12.5	-
145,088,656 Ordinary Shares of 15p each	-	21.8
98,622,252 7.5% Convertible Preference Shares of £1 each	-	98.6
	12.5	120.4
Allotted and paid-up:		
87,821,955 Ordinary Shares of 10p each	8.8	-
103,431,928 Ordinary Shares of 15p each	-	15.5
98,586,260 7.5% Convertible Preference Shares of £1 each	-	98.6
	8.8	114.1

During the year, the Company carried out a rights issue, capital reorganisation and capital reduction as follows:

(i) Each issued Convertible Preference Share of £1 was converted into three Ordinary Shares of 15p and 55 Deferred Shares of 1p and all accumulated amounts of unpaid preferential dividends were cancelled.

(ii) Each issued Ordinary Share of 15p, including those arising on the conversion of the Convertible Preference Shares, were subdivided and converted into one Ordinary Share of 1p and 14 Deferred Shares of 1p.

(iii) Every 10 ordinary shares of 1p were consolidated into one Ordinary Share of 10p.

(iv) In order to provide capital in support of the Company's lending activities a rights issue of 47,902,884 Ordinary Shares of 10p, with a nominal value of £4,790,288.40, took place at 110p per Ordinary Share raising £52,693,172.40.

(v) Following the confirmation of the Court, all the Deferred Shares were cancelled, thereby reducing the aggregate nominal value of shares then in issue by £110.1 million to £8.8 million (following the rights issue) and £31.6 million of the amount standing to the credit of the Company's share premium account (which increased to £48.2 million following the rights issue) was cancelled.

Under the capital reduction, the aggregate reserve of £141.7 million arising from the cancellation of the Deferred Shares and the reduction of the share premium account was used to eliminate the deficit on the Company's profit and loss account as at 30 September 1994.

17. RESERVES

	Share Premium Account £m	Capital Redemption Reserve £m	Merger Reserve £m	Revaluation Reserve £m	Profit and Loss Account £m	Total £m
(a) The Group						
Balance at 1 October 1994	19.8	0.8	57.9	6.4	(223.8)	(138.9)
Additional depreciation on revalued assets	-	-	-	(0.2)	0.2	-
Rights issue premium (note 16)	47.9	-	-	-	-	47.9
Rights issue costs (note 16)	(2.5)	-	-	-	-	(2.5)
Capital reduction (note 16)	(31.6)	-	-	-	141.7	110.1
Profit for the year	-	-	-	-	14.2	14.2
Capital reduction in subsidiary	(17.0)	(0.8)	(129.4)	-	147.2	-
Balance at 30 September 1995	16.6	-	(71.5)	6.2	79.5	30.8

During the year NHLC carried out a capital reduction. Since the Group's restructuring in 1989, the Group has merger accounted for NHLC. The effects of NHLC's capital reduction have therefore been reflected in the merger reserve.

The cumulative amount of goodwill on acquisition written off to reserves is £1.3m (1994: £1.3m). The potential liability for deferred taxation of £1.2m (1994 : £1.2m) on the revaluation of the long leasehold premises is included in the other timing differences in note 6(a) but available capital losses would reduce this liability to £nil.

	Share Premium Account £m	Revaluation Reserve £m	Profit and Loss Account £m	Total £m
(b) The Company				
Balance at 1 October 1994	2.8	-	(141.7)	(138.9)
Rights issue premium (note 16)	47.9	-	-	47.9
Rights issue costs (note 16)	(2.5)	-	-	(2.5)
Capital reduction (note 16)	(31.6)	-	141.7	110.1
Revaluation of investments in subsidiaries	-	4.4	-	4.4
Profit for the year	-	-	9.8	9.8
Balance at 30 September 1995	16.6	4.4	9.8	30.8

18. SHARE OPTION SCHEMES

Options are outstanding under the executive share option scheme, the all employee share option scheme and the Sharesave Scheme to purchase 3,791,794 Ordinary Shares of 10p each as follows:

Number	Period exercisable	Price
384,384	11/03/96 to 11/03/2000	27.08p
428,113	11/03/96 to 11/03/2000	10.83p
40,070	11/03/96 to 11/03/2000	37.5p
1,525	07/12/96 to 06/06/1997	940p
9,166	07/12/96 to 07/12/2000	90p
184,676	07/12/96 to 07/12/2000	72.5p
4,978	02/02/97 to 02/02/2001	205p
875	02/02/97 to 02/02/2001	37.5p
100,797	02/02/97 to 02/02/2001	145.83p
9,357	02/02/97 to 02/02/2001	10.83p
8,401	02/02/97 to 02/02/2001	27.08p
1,976,725	13/03/98 to 13/03/2005	101.5p
318,000	31/03/98 to 31/03/2005	91p
293,757	14/06/98 to 14/06/2005	108p
30,970	04/07/98 to 04/07/2005	101.5p

A number of the above options are granted to former employees whose rights terminate at the later of twelve months following redundancy or forty-two months after the issue of the options.

Details of individual options, including those granted in the year, held by the directors at 30 September 1995:

Date from which exercisable	Expiry date	Option price	J P L Perry	N S Terrington	N Keen	M J R Kelly
11/03/96	11/03/2000	27.08p	50,411	50,411	25,205	-
11/03/96	11/03/2000	10.83p	56,145	56,145	28,073	-
11/03/96	11/03/2000	37.5p	5,254	5,254	2,627	-
07/12/96	07/12/2000	72.5p	24,000	24,000	12,000	-
07/12/96	07/12/2000	90p	1,200	1,200	600	-
02/02/97	02/02/2001	145.83p	-	-	-	65,278
02/02/97	02/02/2001	205p	-	-	-	3,227
At 30 September 1994			137,010	137,010	68,505	68,505
13/03/98	13/03/2005	101.5p	400,504	250,504	125,252	319,009
14/06/98	14/06/2005	108p	-	100,000	193,757	-
At 30 September 1995			537,514	487,514	387,514	387,514

Options held by the directors at 30 September 1994 have been converted in accordance with the terms of the capital reorganisation which was effected during the year (*see note 16*).
No options held by directors were exercisable during the year.
At 30 September 1995 the National Home Loans Holdings PLC share price was 98.5p and the range during the year then ended was 98p to 133p.
Options held by Mr C French at 30 September 1994 lapsed during the year.

19. CREDITORS

	Group 1995 £m	Group 1994 £m	Company 1995 £m	Company 1994 £m
Amounts falling due within one year:				
Bank loans and overdrafts	**1.0**	1.1	**0.1**	-
Mortgage backed loan notes	**100.0**	-	-	-
Other loans	-	0.3	-	-
Amounts owed to group companies	-	-	**4.7**	2.6
Proposed dividend	**0.9**	-	**0.9**	-
Corporation tax	**0.3**	0.7	**0.2**	-
Accruals	**11.8**	17.2	**1.5**	0.8
	114.0	19.3	**7.4**	3.4
Amounts falling due after more than one year:				
Secured DM loan notes due 1995	-	72.6	-	-
Secured US$ loan notes due 1995	-	21.8	-	-
Bank loans and notes	**208.5**	199.6	-	-
Mortgage backed loan notes	**1,192.8**	1,542.7	-	-
Amounts owed to group companies	-	-	**84.0**	84.0
Accruals	**0.3**	-	-	-
	1,401.6	1,836.7	**84.0**	84.0

Under the terms of the refinancing of NHLC's bank facilities, in the agreement dated 19 January 1995, the US$ noteholders were repaid and the liability to the DM noteholders was extinguished through the deposit of cash into a separate trust for the sole benefit of the noteholders.

The bank loans and notes includes sterling loans to NHLC of £142.5m (1994 : £173.3m) which are secured on certain assets of the Company and all the assets of NHLC, and sterling loans to Homeloans Direct Funding PLC of £48.1m (1994 : £nil) which are secured on all the assets of that company. Of the remaining bank loans, £17.8m (1994 : £17.5m), are drawn under liquidity facilities by certain securitisation vehicles and are redeemable in part from time to time as receipts from mortgages allow. Although not repayable within 5 years, it is likely that a substantial amount of the loans will be repaid within that period. Interest is payable at various rates between 0.3% and 0.9% over the prevailing London Interbank Offered Rate for 3 month sterling deposits. Notes outstanding at 30 September 1994 of £8.8m, denominated in US dollars, originally maturing on 31 December 1995 were repaid as part of the refinancing on 15 March 1995.

The mortgage backed loan notes and mortgage backed bank loans are secured on portfolios of variable and fixed rate mortgage loans. These mortgage loans are secured by first charges over residential properties within England and Wales. The notes and loans are redeemable in part from time to time for an amount equal to the net capital receipts in respect of the mortgages. It is likely that a substantial proportion of the notes and the loans will be repaid within 5 years. Interest is payable on the notes and the loans at various rates between 0.18% and 2.00% over the London Interbank Offered Rate for three month sterling deposits.

19. Creditors continued

Under the terms of the refinancing of NHLC's bank facilities dated 29 June 1992, it was agreed that a "success fee" will become payable to the banks and noteholders on 31 December 1998. Following the capital reconstruction of the Company, this is now based on 0.83 per cent of the difference between the average share price of the Company during the thirty days prior to 25 November 1998 and 50 pence per share, multiplied by the number of ordinary shares of 15p each in issue on 29 June 1992.

	Group	
	1995 £m	1994 £m
Bank loans and notes repayable:		
between one and two years	**13.3**	182.1
between two and five years	**129.2**	-
after more than five years	**66.0**	17.5
	208.5	199.6

At 30 September 1995 the total of bank loans and overdrafts was £209.5m (1994: £200.7m).

The Company

Movements in the amounts owed by the Company to other group companies include:

	Company	
	1995 £m	1994 £m
Upstream Loan from NHLC:		
At 1 October 1994	**84.0**	99.1
Interest charged during the year	**12.9**	14.1
Interest paid during the year	**(12.9)**	(29.2)
At 30 September 1995	**84.0**	84.0

The Upstream Loan has a variable interest rate and no fixed maturity.

20. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash flows from operating activities:

	1995			1994
	Continuing Operations	Continuing Operations	Discontinued Operations	Total
	£m	£m	£m	£m
Operating profit	**15.1**	11.4	-	11.4
Provision for losses	**10.8**	23.8	12.6	36.4
Depreciation	**1.6**	1.4	-	1.4
Loss on disposal of fixed assets	**0.3**	-	-	-
Profit on disposal of investment	**(0.1)**	-	-	-
Decrease in debtors	**2.0**	4.7	11.2	15.9
Decrease in creditors	**(5.1)**	(13.3)	(0.5)	(13.8)
Net cash inflow from operating activities	**24.6**	28.0	23.3	51.3

(b) Sale of businesses:

Fixed assets	1.0
Mortgage loans	272.0
Debtors	70.2
Cash at banks and in hand	20.5
Goodwill	-
Creditors	(363.7)
	-
Loss on disposals	-
Total consideration	-
Cash consideration	-
Cash at banks and in hand sold	(20.5)
Net outflow of cash in respect of the sale of businesses	(20.5)

(c) Reconciliation of changes in loans and other creditors during the year:

	£m
Creditors at 1 October 1994	1,856.0
Decrease in loans from banks and others	(335.7)
Decrease in overdrafts	(0.1)
Decrease in Corporation Tax creditor	(0.4)
Increase in proposed dividend payable	0.9
Decrease in other creditors	(5.1)
Creditors at 30 September 1995	1,515.6

(d) Analysis of changes in cash and cash equivalents:

	1995 £m	1994 £m	Change in year £m
Cash at banks and in hand	157.7	204.1	(46.4)
less : Overdrafts	(1.0)	(1.1)	0.1
	156.7	203.0	(46.3)

21. CAPITAL COMMITMENTS

There were no capital commitments (1994: £nil) contracted but not provided for.

22. FINANCIAL COMMITMENTS

At 30 September 1995 the Group had commitments to make annual payments under operating leases which expire as follows:

	1995 £m	1994 £m
Plant and machinery		
Within one year	0.1	0.1
Between two and five years	0.2	0.3
Land and buildings		
Between two and five years	0.1	0.1
Over five years	1.7	1.6
	2.1	2.1

Notice of Annual General Meeting

TO: ALL SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the seventh Annual General Meeting of National Home Loans Holdings PLC will be held at Glaziers' Hall, 9 Montague Close, London Bridge, London SE1 9DD on 29 January, 1996 at 12.00 noon for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and consider the Company's Accounts for the year ended 30 September 1995 and the Reports of the Directors and the Auditors

2. To declare a dividend

3. To re-appoint as directors (a) N Keen (b) D F Banks and (c) D A Hoare

4. To re-appoint Touche Ross & Co as Auditors and to authorise the directors to fix their remuneration.

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions, the former as an ordinary resolution and the latter as a special resolution:

Ordinary Resolution

5. "THAT the Board be and it is hereby generally and unconditionally authorised (in substitution for all subsisting authorities to the extent unused) to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £3,014,700 PROVIDED THAT this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired". This resolution authorises the directors to allot 30,147,000 ordinary shares of 10p each, representing 34.3% of issued equity share capital. The directors have no present intention of exercising the authority granted by this resolution.

Special Resolution

6. "THAT, subject to the passing of the previous resolution, the Board be and it is hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, PROVIDED THAT this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders and in favour of all holders of any other class of equity security in accordance with the rights attached to such class where the equity securities respectively attributable to the interests of all such persons are proportionate to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in any territory or otherwise howsoever): and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £439,100, and shall expire upon the renewal of this power or, if earlier, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, 15 months from the date of the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired." This resolution authorises the directors to allot equity securities free of the pre-emption rights that would otherwise apply in the event of (a) a rights issue or (b) in any other case subject to a maximum of 4,391,000 ordinary shares of 10p each, representing 5% of issued equity share capital of the Company.

By Order of the Board
J G Gemmell
Company Secretary

Registered and Head Office:
St. Catherine's Court
Herbert Road
Solihull
West Midlands B91 3QE
12 December 1995
Registered in England No. 2336032

A member entitled to attend and vote at this meeting may appoint a proxy to attend on his behalf and, on a poll, to vote instead of such member. A proxy need not also be a member of the Company. A proxy form is enclosed for use in connection with the meeting. Proxy forms should be lodged with the Registrar of the Company at the address shown on the reverse of the proxy form not less than forty-eight hours before the time appointed for the holding of the meeting. The appointment of a proxy will not preclude a shareholder from attending and voting at the meeting.

The register of Directors' interests will be available for inspection during normal business hours on any weekday (Saturday and public holidays excepted) at the Registered Office of the Company from the date of this notice until the date of the Annual General Meeting and at the place of meeting from 10.00 am until the conclusion of the meeting. The Report and Accounts have been sent to the Company's Shareholders.

There are no service agreements between any of the Directors and the Company or any of the subsidiaries which are required to be made available for inspection at the meeting.

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