

Smith Partnership

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REPORT OF THE AUDITORS TO THE DIRECTORS OF
LANCASHIRE MORTGAGE CORPORATION LIMITED
IN ACCORDANCE WITH PARAGRAPH 10 OF SCHEDULE 8
OF THE COMPANIES ACT 1985

In our opinion the directors are entitled under Sections 247-249 of the Companies Act 1985 to deliver modified accounts in respect of the period ended 31st December 1987 and the modified accounts on pages 2 and 3 have been properly prepared in accordance with Schedule 8 of that Act.

On 17th May 1988, we reported as auditors of Lancashire Mortgage Corporation Limited to the members on the company's financial statements prepared under Section 227 of the Companies Act 1985 for the period ended 31st December 1987 and our audit opinion was as follows:-

"We have audited the financial statements on pages 3 to 7. Our audit was conducted in accordance with approved Auditing Standards having regard to the matters referred to in the following paragraph.

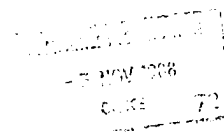
In common with many businesses of similar size and organisation, the company's system of control is dependent upon the close involvement of the directors who are major shareholders. Where independent confirmation of the completeness of the accounting records was therefore not available, we have accepted assurances from the directors that all the company's transactions have been reflected in the accounting records.

Subject to the foregoing, in our opinion the financial statements which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31st December 1987 and of its profit and source and application of funds for the period then ended and comply with the Companies Act 1985."

Date: 17th May 1988

Smith Partnership

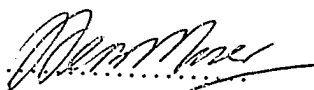
Chartered Accountants,
Midland Bank Chambers,
26 Cross Street,
Manchester, M2 1ND.



LANCASHIRE MORTGAGE CORPORATION LIMITED
MODIFIED BALANCE SHEET AS AT 31st DECEMBER 1987

	<u>Notes</u>	<u>£</u>
<u>CURRENT ASSETS</u>		
Debtors		274,448
<u>CREDITORS: Amounts falling due within one year</u>	2	272,379
<u>NET CURRENT ASSETS</u>		<u>2,069</u>
<u>CAPITAL AND RESERVES</u>		
Called Up Share Capital	3	2
Profit & Loss Account		2,067
		<u>2,069</u>

We have relied on Sections 247-249 of the Companies Act 1985 as entitling us to deliver modified accounts on the ground that the company is entitled to the benefit of those sections as a small sized company.

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Directors

Date: 17th May 1988

LANCASHIRE MORTGAGE CORPORATION LIMITED
NOTES TO THE MODIFIED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31st DECEMBER 1987

1. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts have been prepared under the historical cost convention.

b) Interest Receivable

Interest on money lending agreements entered into with customers is credited to the Profit and Loss Account evenly over the period of the loan.

c) Deferred Taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

2. Creditors falling due within one year includes £209,048 due to Factfocus Limited, a company registered in England and controlled by D.L. and G.M. Moser.

3. CALLED UP SHARE CAPITAL

Authorised

£

1,000 Ordinary Shares of £1 Each

1,000

Allotted, Issued & Fully Paid

2 Ordinary Shares of £1 Each

2

4. COMPANIES UNDER COMMON CONTROL

D.L. and G.M. Moser control Factfocus Limited, a company registered in England and to which Lancashire Mortgage Corporation Limited owe £209,048 at 31st December 1987.