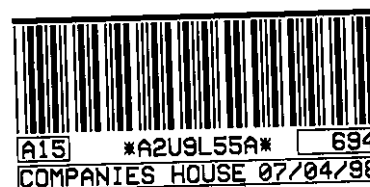


FIRST NATIONAL INDEPENDENT ADVISERS LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 1997



FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

COMPANY INFORMATION

Directors

F C Eve
I D Giles
S N Harrison

Secretary

G M Wellman

Company number

2171236

Registered office

Sir William Atkins House
Ashley Avenue
Epsom
Surrey
KT18 5AS

Auditors

Coopers & Lybrand
Melrose House
42 Dingwall Road
Croydon
Surrey CR0 2NE

FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

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FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 1997.

Principal activities and review of business

The principal activities of the company throughout the year continued to be providing investment advice and effecting investment transactions.

On 12 September 1997 the company changed its name from The Mortgage Corporation Direct Limited to First National Independent Advisers Limited.

The company became a wholly-owned subsidiary of Mortgage Trust Limited on 11 December 1997. Prior to this, the immediate parent undertaking was First National Building Society ("FNBS"). FNBS remains the ultimate parent undertaking.

Results and dividends

The company made a profit after tax of £27,799 for the year ended 31 December 1997 (1996 profit after tax - £19,102). The directors do not recommend payment of a dividend (1996 - £272,983).

Future developments

The company intends to expand its current operation through the use of direct mail and in processing referrals from its parent undertaking, Mortgage Trust Limited.

Directors and their interests

The directors who served during the year were:

B M Evans (Resigned 27/10/97)

F C Eve

C E Heard (Resigned 18/10/97)

D A Wynne (Resigned 24/12/97)

F C Eve was also a director of the parent undertaking, Mortgage Trust Limited as at 31 December 1997.

According to the Register of directors' interests, no director had any interest in the share capital of the company or other group companies at any time during the year.

S N Harrison and I D Giles were appointed as directors of the company on 16 February 1998 and 13 March 1998 respectively.

Charitable contributions

The company made no political or charitable contributions during the year.

FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1997

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 of the profit or loss for that year. In preparing these 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;

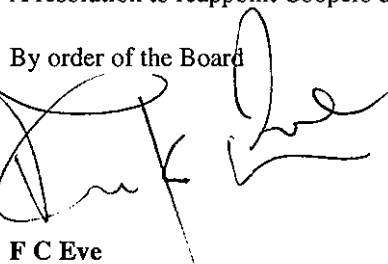
Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint Coopers & Lybrand as auditors will be put to the members at the next Annual General Meeting.

By order of the Board



F C Eve
Director

5 March 1998

AUDITORS' REPORT TO

THE MEMBERS OF FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

As described on page 2 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.

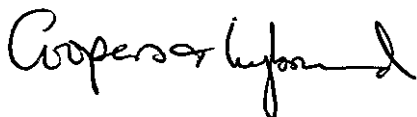
Basis of opinion

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 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 the company's affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Croydon

Date: 31 March 1998

FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

Continuing operations	Notes	1997	1996
		£	£
Turnover	2	108,110	122,284
Administrative expenses		(72,955)	(96,652)
Operating profit	3	35,155	25,632
Interest receivable		5,427	2,877
Profit on ordinary activities before taxation		40,582	28,509
Tax on profit on ordinary activities	5	(12,783)	(9,407)
Profit retained for the financial year		27,799	19,102
Dividends	6	-	(272,983)
Retained profit/(loss) for the financial year	9	27,799	(253,881)
Retained profit brought forward		68,102	321,983
Retained profit carried forward		95,901	68,102

There were no recognised gains or losses for 1997 or 1996 other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1997

<u>Assets</u>	Notes	1997 £	1996 £
Current assets			
Debtors	7	3,103	36,427
Cash at bank and in hand		170,355	53,508
Total assets		<u>173,458</u>	<u>89,935</u>
 <u>Liabilities and capital</u>			
Capital and reserves			
Share capital	8	1,000	1,000
Profit and loss account	9	95,901	68,102
Equity shareholders' funds	10	96,901	69,102
Creditors: amounts falling due within one year	11	76,557	20,833
Total liabilities and capital		<u>173,458</u>	<u>89,935</u>

The financial statements on pages 4 to 8 were approved by the Board on 5 March 1998 and signed on its behalf by:



F C Eve
Director

FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the current year and preceding year, are set out below:

Basis of accounting

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Under the provisions of Financial Reporting Standard No. 1 (Revised), the company has not prepared a cash flow statement because its ultimate parent undertaking, First National Building Society, has prepared consolidated financial statements which include the cash flows of the company of the year.

Under the provisions of Financial Reporting Standard No. 8 the company has taken advantage of the exemption provided (for subsidiary undertakings whose voting rights are controlled within the group) from disclosing group related party transactions. The consolidated financial statements of First National Building Society are publicly available.

Turnover

Turnover comprises insurance commission receivable.

Taxation

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

The tax charges and benefits arising from group relief are recognised in the financial statements of the surrendering and recipient group undertakings.

2 Turnover

The turnover was derived from the company's principal activity which was carried out wholly in the UK.

3 Operating profit

The operating profit is arrived at after charging:

	1997 £	1996 £
Auditors' remuneration	<u>2,750</u>	<u>3,000</u>

FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

4 Directors and employees

The company employed no staff during the year other than directors. The company incurred the following recharge from Mortgage Trust Limited in respect of expenditure incurred on behalf of the company:

	1997 £	1996 £
Wages and salaries	<u>54,394</u>	<u>69,480</u>

No remuneration was paid to the directors who served during the year (1996 - £nil).

5 Taxation

	1997 £	1996 £
Based on the profit for the year		
UK corporation tax at 31.5% (1996 - 33%)	<u>12,783</u>	<u>9,407</u>

6 Dividends

	1997 £	1996 £
Ordinary dividends - paid	<u>-</u>	<u>272,983</u>

7 Debtors

	1997 £	1996 £
Amounts falling due within one year:		
Other debtors	-	34,163
Prepayments and accrued income	<u>3,103</u>	<u>2,264</u>
	<u>3,103</u>	<u>36,427</u>

8 Share capital

	1997 £	1996 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted		
1,000 Allotted, called up and fully paid ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

FIRST NATIONAL INDEPENDENT ADVISERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1997

9 Reserves

	Profit and loss account
	£
At 1 January 1996	321,983
Loss for the year	(253,881)
At 1 January 1997	68,102
Profit for the year	27,799
At 31 December 1997	95,901

10 Reconciliation of equity shareholders' funds

	1997 £	1996 £
Profit for the financial year	27,799	19,102
Dividends	-	(272,983)
Increase/(decrease) in equity shareholders' funds	27,799	(253,881)
Opening equity shareholders' funds	69,102	322,983
Closing equity shareholders' funds	96,901	69,102

11 Creditors: Amounts falling due within one year

	1997 £	1996 £
Amounts owed to group undertakings	49,579	-
Corporation tax	12,783	9,407
Group relief payable	7,901	7,901
Accruals and deferred income	6,294	3,525
	76,557	20,833

12 Ultimate parent undertaking

Until 11 December 1997, the company was a wholly-owned subsidiary of First National Building Society, incorporated in the Republic of Ireland. On 11 December 1997 the company became a wholly-owned subsidiary of Mortgage Trust Limited, incorporated in England and Wales, the ultimate parent undertaking being First National Building Society.

The largest and smallest group in which the results of the company are consolidated is that headed by First National Building Society. Copies of the financial statements of First National Building Society are available to the public and may be obtained from:

The Secretary
Skehan House
Boosterstown
County Dublin
Republic of Ireland