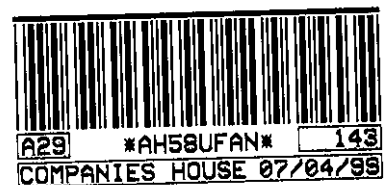


MORTGAGE INTELLIGENCE LIMITED

Report and Financial Statements

31 July 1998

**Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ**



MORTGAGE INTELLIGENCE LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S J Royal
R D Sellers
P J Stone
Mrs S A Laker

SECRETARY

S D Watson

REGISTERED OFFICE

12 Appold Street
London
EC2A 2AA

AUDITORS

Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 July 1998.

ACTIVITIES

The principal activity of the company is that of sales and marketing services to the financial services industry with regard to the provision of mortgages.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors feel that the results for the year are in line with their expectations of the development of the business, but are confident that the company will become profitable in the future.

DIVIDENDS

The directors do not recommend the payment of a dividend (1997 : £Nil).

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the year together with their interests in the share capital of the company at 31 July 1998 and 31 July 1997 or date of appointment were as follows:

	Ordinary shares of £1 each	
	1998	1997
Mr S J Royal	250	250
Mr R D Sellers	-	-
Mr P J Stone	-	-
Mrs S A Laker (appointed 17 December 1997)	-	-

Mr P J Stone was a director of Close Brothers Group plc, the ultimate parent undertaking, throughout the year and accordingly his interests in the share capital of that company are shown in its financial statements. Mr R D Sellers is a director of Close Brothers Limited and accordingly his interests are dealt with in the report of that company. None of the other directors who served in the year held shares in the ultimate parent undertaking.

YEAR 2000

The directors have considered the impact of the year 2000 issue on the operations of the company and are seeking assurances from the company's suppliers on the integrity of their systems. The directors believe that no significant additional costs will be incurred as a result of this matter.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

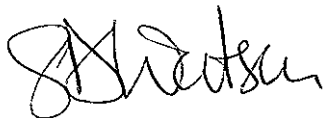
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company 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
- 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 to enable them to ensure that the financial statements comply with the Companies Act. 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.

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



S D Watson

Secretary

Date: 24 September 1998



Chartered Accountants

Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton SO15 2BZ

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International + 44 1703 334124
Fax (Gp. 3): 01703 330948

AUDITORS' REPORT TO THE MEMBERS OF MORTGAGE INTELLIGENCE LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 3 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 July 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

Date: 24 September 1998

MORTGAGE INTELLIGENCE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 July 1998

	Note	Year ended 31 July 1998 £	1 April 1996 to 31 July 1997 £
TURNOVER	1	451,596	254,812
Distribution and selling expenses		376,958	235,883
Administrative expenses		291,241	279,539
		<u>668,199</u>	<u>515,422</u>
OPERATING LOSS	3	(216,603)	(260,610)
Other interest receivable and similar income		38	1,287
Interest payable and similar charges	5	<u>(22,576)</u>	<u>(4,312)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(239,141)	(263,635)
Tax on loss on ordinary activities	6	<u>71,786</u>	<u>24,101</u>
RETAINED LOSS FOR THE PERIOD	11	<u>(167,355)</u>	<u>(239,534)</u>

The company's turnover and expenses all relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 July 1998

	Year ended 31 July 1998 £	1 April 1996 to 31 July 1997 £
Loss for the financial period	(167,355)	(239,534)
Discount on issue of shares	-	(1,000)
Total recognised gains and losses	<u>(167,355)</u>	<u>(240,534)</u>

MORTGAGE INTELLIGENCE LIMITED

BALANCE SHEET 31 July 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible assets	7	<u>24,358</u>	<u>21,577</u>
CURRENT ASSETS			
Debtors	8	121,381	93,921
Cash at bank and in hand		<u>27,961</u>	<u>34,578</u>
		149,342	128,499
CREDITORS: amounts falling due within one year	9	<u>(521,889)</u>	<u>(330,910)</u>
NET CURRENT LIABILITIES		<u>(372,547)</u>	<u>(202,411)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(348,189)</u>	<u>(180,834)</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,000	1,000
Share premium account		163,670	163,670
Profit and loss account	11	<u>(512,859)</u>	<u>(345,504)</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS DEFICIT	11	<u>(348,189)</u>	<u>(180,834)</u>

These financial statements were approved by the Board of Directors on 24 September 1998

Signed on behalf of the Board of Directors

S J Royal

Director

R D Sellers

Director

MORTGAGE INTELLIGENCE LIMITED

CASH FLOW STATEMENT

Year ended 31 July 1998

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 July 1998 £	1 April 1996 to 31 July 1997 £
Operating loss	(216,603)	(260,610)
Depreciation of tangible fixed assets	7,354	2,137
Decrease/(increase) in debtors	44,326	(31,462)
Increase in creditors	190,979	289,018
Net cash inflow/(outflow) from operating activities	<u>26,056</u>	<u>(917)</u>

CASH FLOW STATEMENT

	Notes	Year ended 31 July 1998 £	1 April 1996 to 31 July 1997 £
Net cash inflow/(outflow) from operating activities		<u>26,056</u>	<u>(917)</u>
Returns on investments and servicing of finance			
Interest received		38	1,093
Interest paid		<u>(22,576)</u>	<u>(4,312)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(22,538)</u>	<u>(3,219)</u>
Capital expenditure			
Payments to acquire tangible fixed assets		<u>(10,135)</u>	<u>(23,714)</u>
Decrease in cash	A, B	<u>(6,617)</u>	<u>(27,850)</u>

MORTGAGE INTELLIGENCE LIMITED

CASH FLOW STATEMENT

Year ended 31 July 1998

A. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Year ended 31 July 1998 £	1 April 1996 to 31 July 1997 £
Decrease in cash in the period	(6,617)	(27,850)
Change in net debt	(6,617)	(27,850)
Net cash at 1 August 1997	34,578	62,428
Net cash at 31 July 1998	27,961	34,578

B. ANALYSIS OF CHANGES IN NET DEBT

	At 1 August 1997 £	Cash Flow £	At 31 July 1998 £
Cash at bank and in hand	34,578	(6,617)	27,961

NOTES TO THE ACCOUNTS

Year ended 31 July 1998

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

The financial statements have been prepared on a going concern basis. The adoption of this basis assumes that the financial support of the company's shareholders will continue. The shareholders have confirmed their support. The financial statements do not include any adjustments that would result from a withdrawal of support by the shareholders.

Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers.

Depreciation

Depreciation is calculated to write off the cost of fixed assets on a reducing balance basis over their estimated useful lives. The following rates are used:

Motor vehicles	25%
Office equipment and furniture	20% - 33%

Deferred taxation

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

2. SEGMENTAL INFORMATION

The company operates in the UK and the whole of its turnover is to the UK market.

3. OPERATING LOSS

	Year ended 31 July 1998 £	1 April 1996 to 31 July 1997 £
Operating loss is stated after charging:		
Depreciation of tangible fixed assets	7,354	2,137
Auditors remuneration		
- audit fees	4,100	4,000
- other services	3,135	3,233
	<u>7,354</u>	<u>2,137</u>

MORTGAGE INTELLIGENCE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 July 1998

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 July 1998 £	1 April 1996 to 31 July 1997 £
Directors' emoluments		
Total emoluments	109,819	58,413
Average number of persons employed	No.	No.
Administration	6	3
	£	£
Staff costs during the period (including directors)		
Wages and salaries	171,058	74,752
Social security costs	17,077	7,434
	188,135	82,186

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 July 1998 £	1 April 1996 to 31 July 1997 £
Bank overdraft	-	114
Loan interest	22,576	4,198
	22,576	4,312

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 July 1998 £	1 April 1996 to 31 July 1997 £
Group relief receivable	71,926	24,101
Corporation tax - prior period	(140)	-
	71,786	24,101

No provision for deferred tax has been made in the accounts since it would result in the creation of a deferred tax asset, the realisation of which is not reasonably certain.

MORTGAGE INTELLIGENCE LIMITED

NOTES TO THE ACCOUNTS Year ended 31 July 1998

7. TANGIBLE FIXED ASSETS

	Motor vehicles £	Office equipment and furniture £	Total £
Cost			
At 1 August 1997	20,750	2,964	23,714
Additions	-	10,135	10,135
	<u>20,750</u>	<u>13,099</u>	<u>33,849</u>
At 31 July 1998			
Accumulated depreciation			
At 1 August 1997	1,937	200	2,137
Charge for the year	4,200	3,154	7,354
	<u>6,137</u>	<u>3,354</u>	<u>9,491</u>
At 31 July 1998			
Net book value			
At 31 July 1998	<u>14,613</u>	<u>9,745</u>	<u>24,358</u>
At 31 July 1997	<u>18,813</u>	<u>2,764</u>	<u>21,577</u>

8. DEBTORS

	1998 £	1997 £
Trade debtors	16,003	44,976
Other debtors	22,094	22,574
Value added tax	9,236	-
Corporation tax	71,926	24,101
Prepayments and accrued income	2,122	2,270
	<u>121,381</u>	<u>93,921</u>

All amounts are due within one year.

NOTES TO THE ACCOUNTS

Year ended 31 July 1998

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Trade creditors	131,832	44,095
Amounts due to parent company	304,688	130,698
Other tax and social security	8,527	26,675
Accruals and deferred income	76,842	129,442
	<u>521,889</u>	<u>330,910</u>

The amounts due to parent company represent finance made available and are repayable on demand. Interest is charged at the rate of 2% per annum above one month LIBOR.

10. CALLED UP SHARE CAPITAL

	Authorised £	Allotted, issued and fully paid £
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

11. STATEMENT OF MOVEMENT IN RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' funds £
Balance at 1 August 1997	1,000	163,670	(345,504)	(180,834)
Loss for the year	-	-	(167,355)	(167,355)
Balance at 31 July 1998	<u>1,000</u>	<u>163,670</u>	<u>(512,859)</u>	<u>(348,189)</u>

12. ULTIMATE PARENT COMPANY

The ultimate parent company and the ultimate controlling party is Close Brothers Group plc which is registered in England and Wales.

Copies of the consolidated financial statements of Close Brothers Group plc can be obtained from 12 Appold Street, London, EC2A 2AA.

13. TRANSACTIONS WITH RELATED PARTIES

Balances with Close Brothers Group plc at 31 July 1998 and 31 July 1997 are disclosed in note 9. Interest payable on the loan amounted to £22,576 (1997 : £4,198). All transactions were entered into on an arms length basis.

Mr S Royal, a director of Mortgage Intelligence Limited, has a material interest in the share capital of The Information Corporation (UK) Limited. Management charges of £23,139 (1997 - £91,900) were payable to The Information Corporation (UK) Limited during the year. Included within other debtors as amounts due from The Information Corporation (UK) Limited of £21,670 (1997 - £21,670). All transactions were entered into on an arms length basis.