

MORTGAGE INTELLIGENCE LIMITED

Report and Financial Statements

31 July 2001

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



REPORT AND FINANCIAL STATEMENTS 2001

CONTENTS

Page

Officers and professional advisers	1
Directors' report	2
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the accounts	8

REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mrs S A Laker
Mr R D Sellers
Mr L M Bland

SECRETARY

Mr S S Cope

REGISTERED OFFICE

10 Crown Place
London
EC2A 4FT

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 2001.

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, and are confident that the company will remain profitable in the future.

DIVIDENDS

The directors do not recommend the payment of a dividend (2000 : £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 2001 and 1 August 2000 were as follows:

	Ordinary shares of £1 each	
	2001	2000
Mrs S A Laker	-	-
Mr S J Royal (resigned 19 February 2001)	-	-
Mr R D Sellers	-	-
Mr L M Bland	-	-

Mr R D Sellers and Mr L M Bland are directors of Close Brothers Limited and accordingly their 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.

Mr S D Watson resigned as company secretary on 13 July 2001, and Mr S S Cope was appointed in his place.

AUDITORS

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

DIRECTORS' REPORT (continued)

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; and
- 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 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.

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



S S Cope

Secretary

20 September 2001

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MORTGAGE INTELLIGENCE LIMITED

We have audited the financial statements of Mortgage Intelligence Limited for the year ended 31 July 2001 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 July 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and
Registered Auditors

20 September 2001

MORTGAGE INTELLIGENCE LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 July 2001

20 September 2001	Note	2001 £	2000 £
TURNOVER: continuing operations	2	1,557,472	1,165,731
Distribution costs		(529,387)	(345,371)
Administrative expenses		(907,943)	(498,060)
		<u>(1,437,330)</u>	<u>(843,431)</u>
OPERATING PROFIT: continuing operations	3	120,142	322,300
Other interest receivable and similar income		15,037	355
Interest payable and similar charges	5	<u>(11,874)</u>	<u>(22,431)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		123,305	300,224
Tax on profit on ordinary activities	6	<u>(44,461)</u>	<u>(10,213)</u>
RETAINED PROFIT FOR THE YEAR	12	<u><u>78,844</u></u>	<u><u>290,011</u></u>

There are no recognised gains and losses for the current financial year and preceding financial year other than as stated above. Accordingly no statement of total recognised gains and losses has been prepared.

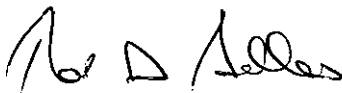
MORTGAGE INTELLIGENCE LIMITED

BALANCE SHEET 31 July 2001

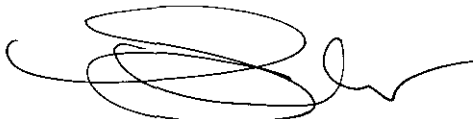
	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	90,723	79,561
CURRENT ASSETS			
Debtors	8	115,622	108,531
Cash at bank and in hand		231,481	141,720
		347,103	250,251
CREDITORS: amounts falling due within one year	9	(414,916)	(385,746)
NET CURRENT LIABILITIES		(67,813)	(135,495)
TOTAL ASSETS LESS CURRENT LIABILITIES		22,910	(55,934)
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Share premium account	12	163,670	163,670
Profit and loss account	12	(141,760)	(220,604)
TOTAL EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)	12	22,910	(55,934)

These financial statements were approved by the Board of Directors on 20 September 2001.

Signed on behalf of the Board of Directors



R D Sellers
Director



S A Laker
Director

MORTGAGE INTELLIGENCE LIMITED

CASH FLOW STATEMENT

Year ended 31 July 2001

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	120,142	322,300
Depreciation of tangible fixed assets	32,598	24,303
Loss/(profit) on sale of tangible fixed assets	10,506	(5,203)
Increase in debtors	(7,091)	(39,282)
Increase/(decrease) in creditors	21,558	(96,895)
Net cash inflow from operating activities	<u>177,713</u>	<u>205,223</u>

CASH FLOW STATEMENT

	Notes	2001 £	2000 £
Net cash inflow from operating activities		<u>177,713</u>	<u>205,223</u>
Returns on investments and servicing of finance			
Interest received		15,037	355
Interest paid		(11,874)	(22,431)
Net cash inflow/(outflow) from returns on investments and servicing of finance		<u>3,163</u>	<u>(22,076)</u>
Taxation		<u>(36,849)</u>	<u>-</u>
Capital expenditure			
Payments to acquire tangible fixed assets		(88,406)	(80,718)
Receipts from sale of tangible fixed assets		34,140	17,640
Net cash outflow from capital expenditure		<u>(54,266)</u>	<u>(63,078)</u>
Increase in cash	13,14	<u>89,761</u>	<u>120,069</u>

NOTES TO THE ACCOUNTS**Year ended 31 July 2001****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.

Turnover

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

Tangible fixed assets

Depreciation is calculated to write off the cost of fixed assets on a straight line 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 relates to the UK market.

3. OPERATING PROFIT

	Note	2001 £	2000 £
Operating profit is stated after charging:			
Depreciation of owned tangible fixed assets	7	32,598	24,303
Auditors' remuneration			
- audit fees		7,015	4,550
- other services		750	-
Loss/(profit) on disposal of fixed assets		10,506	(5,203)

MORTGAGE INTELLIGENCE LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 July 2001

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 £	2000 £
Directors' emoluments		
Total emoluments	185,203	173,613
	<u> </u>	<u> </u>
Average number of persons employed	No.	No.
Administration	18	10
	<u> </u>	<u> </u>
	£	£
Staff costs during the period (including directors)		
Wages and salaries	528,730	296,553
Social security costs	48,381	32,541
	<u> </u>	<u> </u>
	577,111	329,094
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Group company loan interest	11,874	21,818
Bank interest	-	613
	<u> </u>	<u> </u>
	11,874	22,431
	<u> </u>	<u> </u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
United Kingdom corporation tax at 30%	44,461	10,213
	<u> </u>	<u> </u>

The tax charge is high due to the disallowances during the year.

NOTES TO THE ACCOUNTS
Year ended 31 July 2001

7. TANGIBLE FIXED ASSETS

	Motor vehicles £	Office equipment and furniture £	Total £
Cost			
At 1 August 2000	46,795	63,207	110,002
Additions	33,251	55,155	88,406
Disposals	(48,546)	(11,073)	(59,619)
At 31 July 2001	<u>31,500</u>	<u>107,289</u>	<u>138,789</u>
Accumulated depreciation			
At 1 August 2000	7,324	23,117	30,441
Charge for the year	9,778	22,820	32,598
Disposals	(8,571)	(6,402)	(14,973)
At 31 July 2001	<u>8,531</u>	<u>39,535</u>	<u>48,066</u>
Net book value			
At 31 July 2001	<u>22,969</u>	<u>67,754</u>	<u>90,723</u>
At 31 July 2000	<u>39,471</u>	<u>40,090</u>	<u>79,561</u>

8. DEBTORS

	2001 £	2000 £
Trade debtors	16,896	72,114
Amounts owed by group undertakings	4,242	-
Other debtors	2,965	1,592
Prepayments and accrued income	91,519	34,825
	<u>115,622</u>	<u>108,531</u>

All amounts are due within one year.

NOTES TO THE ACCOUNTS

Year ended 31 July 2001

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Trade creditors	81,187	57,608
Amounts owed to parent company	100,617	224,422
Amounts owed to other group undertakings	-	6,929
Corporation tax	17,825	10,213
Other taxation and social security	16,344	13,271
Other creditors	39,510	-
Accruals and deferred income	159,433	73,303
	<u>414,916</u>	<u>385,746</u>

The amounts owed to the 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. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The amounts of deferred taxation not provided in the accounts are as follows:

	Not provided 2001 £	Not provided 2000 £
Capital allowances in excess of depreciation	<u>(764)</u>	<u>528</u>

No provision was made for deferred taxation as this 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 2001

11. CALLED UP SHARE CAPITAL

	Authorised £	Allotted, issued and fully paid £
Ordinary shares of £1 each	1,000	1,000

12. STATEMENT OF MOVEMENT IN RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS/(DEFICIT)

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' (deficit)/ funds £
Balance at 1 August 2000	1,000	163,670	(220,604)	(55,934)
Profit for the year	-	-	78,844	78,844
Balance at 31 July 2001	1,000	163,670	(141,760)	22,910

13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2001 £	2000 £
Increase in cash in the year	89,761	120,069
Change in net funds	89,761	120,069
Net funds at 1 August 2000	141,720	21,651
Net funds at 31 July 2001	231,481	141,720

14. ANALYSIS OF NET FUNDS

	At 1 August 2000 £	Cash flow £	At 31 July 2001 £
Cash at bank and in hand	141,720	89,761	231,481

15. ULTIMATE PARENT COMPANY

The company's ultimate parent company and ultimate controlling party is Close Brothers Group plc, which is registered in England and Wales. The immediate parent company is CBM Holdings Limited.

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

NOTES TO THE ACCOUNTS

Year ended 31 July 2001

16. TRANSACTIONS WITH RELATED PARTIES

Amounts owed to Close Brothers Group plc at 31 July 2001 of £100,617 (2000: £224,422) are disclosed in note 9. Interest payable on the loan amounted to £11,874, (2000 : £21,818). All transactions were entered into on an arm's length basis.

Amounts owed to Close Mortgages Limited, a fellow group company, of £nil (2000: £6,929) are disclosed in note 9.

Amounts owing from Close Mortgages Limited of £79 (2000: £nil) are included in note 8. Amounts owing from Close Direct Limited, a fellow group company, of £4,163 (2000: £nil) are included in note 8.

Fixed assets of £20,687 (2000: £nil) were transferred to the company at net book value from Close Mortgages Limited, a fellow group company.

Included in other debtors is an amount due from Mr S Royal, formerly a director of the company, of £412 (2000: £1,592). The maximum amount owing during the year was £1,592 (2000: £1,154). This amount is interest free and repayable on demand.

Mr S Royal has a material interest in the share capital of The Information Corporation (UK) Limited. Management charges of £900 (2000: £8,651) were payable to The Information Corporation (UK) Limited during the year. Included within other debtors are amounts due from The Information Corporation (UK) Limited of £2,306 (2000: £nil). All transactions were entered into on an arm's length basis.

Mr S Royal purchased a motor car from the company for £14,137 (2000: £nil) on normal commercial terms.

Mrs C Royal, the wife of Mr S Royal, trades as CR Public Relations. Payments totalling £nil (2000: £12,000) were made to CR Public Relations on a commercial basis. Mrs C Royal received payment of £8,925 (2000: £nil) in respect of public relations activities during the year.

During the year management charges of £78,623 (2000: £65,545) were received from Close Mortgages Limited.

17. CAPITAL COMMITMENTS

At the year end, the company was committed to capital expenditure of £90,000 (2000: £nil).