

MORTGAGE INTELLIGENCE LIMITED

Report and Financial Statements

31 July 1999



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

REPORT AND FINANCIAL STATEMENTS 1999

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REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

S D Watson

REGISTERED OFFICE

12 Appold Street
London
EC2A 2AA

AUDITORS

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

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 July 1999.

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 (1998 : £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 1999 and 31 July 1998 were as follows:

	Ordinary shares of £1 each	
	1999	1998
Mrs S A Laker	-	-
Mr S J Royal	250	250
Mr R D Sellers	-	-
Mr P J Stone	-	-

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; 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 D Watson

Secretary

Date : 23rd September, 1999



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 8.

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

Date: 23rd September, 1999

PROFIT AND LOSS ACCOUNT
Year ended 31 July 1999

	Note	1999 £	1998 £
TURNOVER: continuing operations	1	784,366	451,596
Distribution and selling expenses		414,735	376,958
Administrative expenses		343,183	291,241
		<u>757,918</u>	<u>668,199</u>
OPERATING PROFIT/(LOSS): continuing operations	3	26,448	(216,603)
Other interest receivable and similar income		-	38
Interest payable and similar charges	5	<u>(21,577)</u>	<u>(22,576)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		4,871	(239,141)
Tax on profit/(loss) on ordinary activities	6	<u>(2,627)</u>	<u>71,786</u>
RETAINED PROFIT/(LOSS) FOR THE YEAR	12	<u>2,244</u>	<u>(167,355)</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

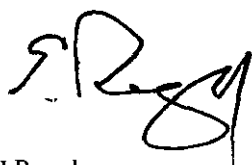
BALANCE SHEET

31 July 1999

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	7	35,583	24,358
CURRENT ASSETS			
Debtors	8	69,249	121,381
Cash at bank and in hand		21,651	27,961
		90,900	149,342
CREDITORS: amounts falling due within one year	9	(472,428)	(521,889)
NET CURRENT LIABILITIES		(381,528)	(372,547)
TOTAL ASSETS LESS CURRENT LIABILITIES		(345,945)	(348,189)
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	(510,615)	(512,859)
TOTAL EQUITY SHAREHOLDERS' FUNDS DEFICIT	12	(345,945)	(348,189)

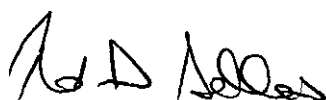
These financial statements were approved by the Board of Directors on 23rd September, 1999

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 1999

RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1999 £	1998 £
Operating profit/(loss)	26,448	(216,603)
Depreciation of tangible fixed assets	11,600	7,354
(Increase)/decrease in debtors	(19,794)	44,326
(Decrease)/increase in creditors	(3,547)	168,403
Net cash inflow from operating activities	<u>14,707</u>	<u>3,480</u>

CASH FLOW STATEMENT

	Notes	1999 £	1998 £
Net cash inflow from operating activities		<u>14,707</u>	<u>3,480</u>
Returns on investments and servicing of finance			
Interest received		-	38
Interest paid		<u>(1,592)</u>	<u>-</u>
Net cash (outflow)/inflow from returns on investments and servicing of finance		<u>(1,592)</u>	<u>38</u>
Capital expenditure			
Payments to acquire tangible fixed assets		<u>(19,425)</u>	<u>(10,135)</u>
Decrease in cash	13,14	<u>(6,310)</u>	<u>(6,617)</u>

NOTES TO THE ACCOUNTS**Year ended 31 July 1999****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 straight line basis over their estimated useful lives. The following rates are used:

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

The method of depreciation was changed in the year from the reducing balance method to the straight line method, to reflect a fairer presentation of fixed assets. This change in the method of depreciation has resulted in an increase in the depreciation charge for the year of £3,949.

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 PROFIT/(LOSS)

	Note	1999 £	1998 £
Operating profit/(loss) is stated after charging:			
Depreciation of owned tangible fixed assets	7	11,600	7,354
Auditors' remuneration			
- audit fees		4,110	4,100
- other services		1,185	3,135
		<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1999 £	1998 £
Directors' emoluments		
Total emoluments	140,308	109,819
	<u> </u>	<u> </u>
Average number of persons employed	No.	No.
Administration	7	6
	<u> </u>	<u> </u>
	£	£
Staff costs during the period (including directors)		
Wages and salaries	202,156	171,058
Social security costs	31,267	17,077
	<u> </u>	<u> </u>
	233,423	188,135
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Loan interest	21,577	22,576
	<u> </u>	<u> </u>

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1999 £	1998 £
Group relief receivable	-	(71,926)
Corporation tax - prior year	2,627	140
	<u> </u>	<u> </u>
	2,627	(71,786)
	<u> </u>	<u> </u>

No tax charge arises on the results for the year due to the availability of revenue losses brought forward.

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

7. TANGIBLE FIXED ASSETS

	Motor vehicles £	Office equipment and furniture £	Total £
Cost			
At 1 August 1998	20,750	13,099	33,849
Additions	6,800	16,025	22,825
	<u>27,550</u>	<u>29,124</u>	<u>56,674</u>
Accumulated depreciation			
At 1 August 1998	6,137	3,354	9,491
Charge for the year	6,142	5,458	11,600
	<u>12,279</u>	<u>8,812</u>	<u>21,091</u>
Net book value			
At 31 July 1999	<u>15,271</u>	<u>20,312</u>	<u>35,583</u>
At 31 July 1998	<u>14,613</u>	<u>9,745</u>	<u>24,358</u>

8. DEBTORS

	1999 £	1998 £
Trade debtors	42,896	16,003
Other debtors	12,122	22,094
Value added tax	-	9,236
Corporation tax	-	71,926
Prepayments and accrued income	14,231	2,122
	<u>69,249</u>	<u>121,381</u>

All amounts are due within one year.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £	1998 £
Trade creditors	71,636	131,832
Amounts due to parent company	315,000	304,688
Other tax and social security	9,987	8,527
Other creditors	3,400	-
Accruals and deferred income	72,405	76,842
	<u>472,428</u>	<u>521,889</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.

NOTES TO THE ACCOUNTS

Year ended 31 July 1999

10. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The amounts of deferred taxation unprovided in the accounts are as follows:

	Not Provided 1999 £	Not Provided 1998 £
Revenue losses	(81,756)	(85,492)

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

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 MOVEMENTS IN SHAREHOLDERS' FUNDS DEFICIT

	Share capital £	Share premium account £	Profit and loss account £	Total share- holders' funds deficit £
Balance at 1 August 1998	1,000	163,670	(512,859)	(348,189)
Profit for the year	-	-	2,244	2,244
Balance at 31 July 1999	1,000	163,670	(510,615)	(345,945)

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

	1999 £	1998 £
Decrease in cash in the period	(6,310)	(6,617)
Change in net funds	(6,310)	(6,617)
Net funds at 1 August 1998	27,961	34,578
Net funds at 31 July 1999	21,651	27,961

NOTES TO THE ACCOUNTS
Year ended 31 July 1999

14. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 1998 £	Cash Flow £	At 31 July 1999 £
Cash at bank and in hand	27,961	(6,310)	21,651

15. 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.

16. TRANSACTIONS WITH RELATED PARTIES

Balances with Close Brothers Group plc at 31 July 1999 and 31 July 1998 are disclosed in note 9. Interest payable on the loan amounted to £21,577 (1998 : £22,576). All transactions were entered into on an arm's length basis.

Included in other debtors is an amount due from Mr S Royal, a director of the company, of £1,592 (1998 : £nil). The maximum amount owing during the period was £1,592 (1998 : £nil). 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 £8,610 (1998 : £23,139) 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 £9,670 (1998 : £21,670). All transactions were entered into on an arm's length basis.

Mrs C Royal, the wife of Mr S Royal, trades as CR Public Relations. Payments totalling £12,000 (1998 : £12,500) were made to CR Public Relations on a commercial basis.