



ALLTEL Mortgage Solutions Limited

Accounts 31 December 2000
together with directors' and auditors' reports

Registered number: 3960644



Directors' report

For the period ended 31 December 2000

The directors present their first annual report on the affairs of ALLTEL Mortgage Solutions Limited ("the company"), together with the accounts and auditors' report, for the period from incorporation to 31 December 2000.

Principal activity and business review

The company was incorporated on 30 March 2000 as Sureweb Limited through an agreement between ALLTEL Information Services International Holdings, Inc. ("AISIHI") and Bradford and Bingley Investments ("BBI"). AISIHI is a wholly owned subsidiary of ALLTEL Information Services, Inc. ("AIS") while BBI is a wholly owned subsidiary of Bradford and Bingley, plc ("BB"). On 7 July 2000 AISIHI acquired 749 B shares for £749 while BBI acquired 251 A shares for £251. AISIHI and BBI loaned the company a total of £5,000,000 for initial funding of the company's operations; they also committed to provide additional funding to the company as warranted as the company's initial operations progressed.

On 28 April 2000 the company changed its name to Alltel Mortgage Solutions Limited.

The company began actual operations on 10 July 2000. During the period, the company's principal activities consisted of providing consulting and other support services to its investee Bradford and Bingley Homeloans Management Limited ("BBHML"), performing development work on AIS' new residential lending software that is being developed for BB and the European market, and providing other additional consulting services to BB.

Since the period ended 31 December 2000 represents the initial period of operations for the company, the accompanying accounts are the first set of accounts for the company and include no comparatives.

Results and dividends

The results for the period are shown in the accompanying profit and loss account on page 6.

The directors do not recommend the payment of a dividend.

Directors and their interests

The following directors held office during the period:

Abogado Custodians Limited	(Appointed 4 April 2000, resigned 17 May 2000)
Abogado Nominees Limited	(Appointed 4 April 2000, resigned 17 May 2000)
Luciene James Limited	(Appointed 30 March 2000, resigned 4 April 2000)
Nicholas Woodcock	(Appointed 17 May 2000, resigned 7 July 2000)
James Milligan	(Appointed 17 May 2000)
Peter Kaplan	(Appointed 17 May 2000)
Jeff Fox	(Appointed 17 May 2000)
Sue Mosley	(Appointed 7 July 2000)
Christopher Rodrigues	(Appointed 7 July 2000)
Rosemary Thorne	(Appointed 7 July 2000)

Directors' report (continued)

Directors and their interests (continued)

None of the directors held any beneficial interests in the shares of the company during the period nor hold any interests in the shares of the company at present.

The directors' interests in the ultimate parent company, AIS, are disclosed in those accounts.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, monthly briefings and the company intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

Directors' report (continued)

Auditors

Arthur Andersen were appointed as auditors of the company on 21 July 2000. The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing period.

Liability insurance for company officers

As permitted by the Companies Act 1985, the company has purchased insurance cover for the directors against liabilities in relation to the company.

212 Main Street
Bingley
West Yorkshire
BD16 2HQ

By order of the Board,

Director

A handwritten signature in black ink, appearing to read 'Peter E Koplan', written in a cursive style.

25 January 2002

Independent Auditors' Report to the Shareholders of Alltel Mortgage Solutions Limited

We have audited the financial statements of ALLTEL Mortgage Solutions Limited for the period ended 31 December 2000 which comprise the primary financial statements such as the Profit and Loss Account, the Balance Sheet, Cash Flow Statement and the related Notes numbered 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information. We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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 judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company, 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.

Independent Auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2000 and of the company's loss and cashflows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 City Square

Leeds

LSI 2AL

25 January 2002

Profit and loss account

For the period ended 31 December 2000

	Notes	2000 (6 months) £
Turnover	1c	4,668,206
Cost of sales		<u>(5,630,252)</u>
Gross loss		(962,046)
Administrative expenses		<u>(2,289,800)</u>
Operating loss		(3,251,846)
Interest receivable (net)	5	<u>36,094</u>
Loss on ordinary activities before taxation	3	(3,215,752)
Tax on loss on ordinary activities	6	<u>410,935</u>
Loss on ordinary activities after taxation		<u>(2,804,817)</u>
Retained loss, carried forward	14	<u>(2,804,817)</u>

There are no recognised gains or losses in the period other than the loss for that period.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 2000

	Notes	2000 £
Fixed assets		
Investments	7	49
Tangible fixed assets	8	1,509,614
Intangible fixed assets	9	2,875,052
		<u>4,384,715</u>
Debtors: Amounts falling due within one period	10	5,489,294
Cash at bank and in hand		814,896
		<u>6,304,190</u>
Creditors: Amounts falling due within one period	11	(7,120,494)
Net current liabilities		<u>(816,304)</u>
Creditors: Amounts falling due after one period	11	(6,372,228)
Net liabilities		<u>(2,803,817)</u>
Capital and reserves		
Called-up equity share capital	12	1,000
Profit and loss account	14	(2,804,817)
Total equity shareholder deficit	13	<u>(2,803,817)</u>

The accounts on pages 6 to 17 were approved by the board of directors on 25 January 2002 and signed on its behalf by:

The accompanying notes are an integral part of this balance sheet.

25 January 2002

Director



Cash flow statement

For the period ended 31 December 2000

	Note	£
Net cash inflow from operating activities	16a	(995,935)
Returns on investments and servicing of finance	16b	36,094
Capital expenditures	16b	(4,598,491)
Cashflow before financing		<u>(5,558,332)</u>
Financing	16b	<u>6,373,228</u>
Increase in cash		<u>814,896</u>

Reconciliation of net debt

		2000 £
Increase in cash in the period	16c	814,896
Cash inflow from increase in debt		<u>(6,372,228)</u>
Net debt at end of period		<u>(5,557,332)</u>

The accompanying notes are an integral part of this cash flow statement.

Notes to the accounts

For the period ended 31 December 2000

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the period, are set out below.

a) Basis of accounting

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

b) Basis of preparation

The company incurred a loss of £2,804,817 during the period ended 31 December 2000 and had net liabilities of £2,803,817 at 31 December 2000. The company is dependent, in the absence of other funding, on the continued support of AISIH and BBI. The directors have received an undertaking from AISIH and BBI that further support will continue to be available to the company. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that might be necessary if further support is not provided.

c) Turnover and revenue recognition

Turnover consists of management fees charged to BBHML and consulting fees charged to BB and is attributable to the company's principal activities of providing consulting and other support services to BBHML and providing consulting services to BB. All turnover is earned within the United Kingdom.

d) Tangible fixed assets

Tangible fixed assets are shown at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life as follows:

Leasehold improvements	term of lease
Fixtures and fittings	3 to 5 periods
Computer equipment	3 periods
Motor vehicles	4 periods

e) Intangible Assets – Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the company is expected to benefit. This period is expected to be that when benefits accrue to the company, being the remaining life of the contracts which it supports. Provision is made for any impairment.

f) Taxation

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

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

Notes to the accounts (continued)

1 Accounting policies (continued)

g) Foreign currency

The accounting records of the company are maintained in pounds sterling. Transactions in foreign currencies are recorded in pounds sterling at exchange rates approximating those prevailing at the transaction dates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into pounds sterling at rates of exchange at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account.

h) Leases

The company enters into operating leases as described in note 15. Rentals under operating leases are charged on a straight-line basis over the lease term even if the payments are not made on such a basis.

i) Pension costs and other post retirement benefits

For the defined contribution scheme, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2 Pension costs

Employees of the company who were previously employed by BB are entitled to membership of the BB Group defined benefit scheme. Further details of the scheme are in the BB accounts. The pension cost charge for the period amounted to £282,737 with no amounts prepaid or accrued at 31 December 2000.

New employees are eligible to join the company's defined contribution scheme. No contributions were made during the period.

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2000 (6 months) £
Depreciation	213,825
Operating lease rentals	
- Office	400,000
Auditors' remuneration for audit services	33,852
Auditors' remuneration for non-audit services	6,447
Staff costs (see note 4)	2,817,232
Research and development expenditure	1,972,000
Foreign exchange	58,800
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Notes to the accounts (continued)

4 Staff costs

Particulars of employees are stated below.

	2000 (6 months) £
Employee costs during the period amounted to:	
Wages and salaries	2,358,668
Pension costs	282,737
Social security costs	175,827
	<u>2,817,232</u>

The average monthly number of employees (including executive directors) was as follows:

	2000 (6 months) Number
Administration and support	<u>109</u>

All of the directors are provided by AISIH and BBI, their remuneration is borne by those companies.

5 Interest receivable (net)

	2000 (6 months) £
Bank interest	<u>36,094</u>

6 Tax on loss on ordinary activities

The tax credit for the period comprises:

	2000 (6 months) £
Losses relieved to consortium	<u>410,935</u>
	<u>410,935</u>

At the end of the period, the company had unrelieved losses of £1,700,487.

Notes to the accounts (continued)

6 Tax on loss on ordinary activities (continued)

The effective rate is less than 30% as the whole of the loss could not be utilised.

The total amount of unprovided deferred tax is as follows:

	Unprovided 2000 £
Losses	510,146
Accelerated capital allowances	19,927
	<u>530,073</u>

7 Investments

The company has an investment in the following company at 31 December 2000:

	Country of incorporation and operation	Principal activity	Holding	%
BBHML	United Kingdom	Residential loan origination and processing services to BB	Direct	49

8 Tangible fixed assets

The movement in the period was as follows:

	Vehicles £	Leasehold Improvements £	Fixtures and fittings £	Computer equipment £	Total £
Cost					
On incorporation	-	-	-	-	-
Additions	185,273	195,740	735,000	607,426	1,723,439
End of period	<u>185,273</u>	<u>195,740</u>	<u>735,000</u>	<u>607,426</u>	<u>1,723,439</u>
Depreciation					
On incorporation	-	-	-	-	-
Charge	41,617	-	102,083	70,125	213,825
End of period	<u>41,617</u>	<u>-</u>	<u>102,083</u>	<u>70,125</u>	<u>213,825</u>
Net book value					
On incorporation	-	-	-	-	-
End of period	<u>143,656</u>	<u>195,740</u>	<u>632,917</u>	<u>537,301</u>	<u>1,509,614</u>

Notes to the accounts (continued)

9 Intangible fixed assets – Development costs

	Total £
Cost	
On incorporation	-
Additions	2,875,052
End of period	<u>2,875,052</u>
Amortisation	
On incorporation	-
Charge	-
End of period	<u>-</u>
Net book value	
On incorporation	-
End of period	<u>2,875,052</u>

The purpose of this development is to develop and enhance residential lending software to be sold and marketed in the United Kingdom and the rest of Europe. The company capitalizes eligible internally developed software costs upon establishing product technological feasibility. The net realizable value of capitalized software development costs is periodically evaluated by the company. This evaluation requires considerable judgement by management with respect to certain external factors, including, but not limited to, anticipated future revenues generated by the software, estimated economic life of the software and changes in software and hardware technologies.

10 Debtors

	2000 £
Amounts owed from affiliated companies	4,521,852
Amounts owed from parent undertaking	177,037
VAT recoverable	14,638
Prepayments	541,840
Accrued income	233,927
	<u>5,489,294</u>

Included within amounts owed from affiliated companies is £233,898 in respect of loss relief surrendered by the company. The amount owed from parent undertaking relates wholly to loss relief surrendered by the company.

Notes to the accounts (continued)

11 Creditors

Amounts falling due within one period

	2000 £
Amounts owed to parent undertaking	3,795,532
Deferred revenues	770,000
Other creditors and accruals	2,554,962
	<u>7,120,494</u>

Amounts falling due after one period

	2000 £
Amounts owed to parent undertaking	3,745,000
Amounts owed to affiliates	2,627,228
	<u>6,372,228</u>

12 Called-up equity share capital

	2000 £
<i>Authorised</i>	
1,000 ordinary shares of £1 each	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>	
1,000 ordinary shares of £1 each	<u>1,000</u>

On the 7 July the company issued 1000 shares.

13 Reconciliation of movement in equity shareholders' deficit

	2000 £
Loss for the period	(2,804,817)
Issue of share capital	1,000
Opening equity shareholders' funds	-
Closing equity shareholders' deficit	<u>(2,803,817)</u>

Notes to the accounts (continued)

14 Reserves

	Profit and loss account £
Beginning of period	-
Retained loss for the period	(2,804,817)
At 31 December 2000	<u>(2,804,817)</u>

15 Guarantees and other financial commitments

a) Capital commitments

At the end of the period, capital commitments contracted for but not provided for were £nil.

b) Lease commitments

The company leases certain office space, office equipment and motor vehicles. The future minimum annual rentals under the foregoing leases are as follows:

	Office £
Operating leases which expire:	
- within 1 period	-
- within 2-5 periods	-
- after 5 periods	800,000
	<u>800,000</u>

16a) Reconciliation of operating loss to net cash outflow from operating activities

	2000 £
Operating loss	(3,251,846)
Depreciation charges	213,825
Increase in debtors	(5,078,359)
Increase in creditors	7,120,445
Net cash outflow from operating activities	<u>(995,935)</u>

Notes to the accounts (continued)

16b) Cash flow notes

	2000 £
<i>Returns on investments and servicing of finance</i>	
Interest received	36,094
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<i>Capital expenditure</i>	2000 £
Payments to acquire intangible fixed assets	2,875,052
Payments to acquire tangible fixed assets	1,723,439
	<hr/>
	4,598,491
	<hr/>
<i>Financing</i>	2000 £
Issue of ordinary share capital	1,000
Funding from parent company	3,745,000
Funding from affiliated party	2,627,228
	<hr/>
	6,373,228
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16 c) Analysis and reconciliation of net debt

	Beginning of period £	Cashflow £	Other non- cash item £	31 December 2000 £
Cash	-	814,896	-	814,896
Debt due after one period	-	(6,372,228)	-	(6,372,228)
Net debt	-	(5,557,332)	-	(5,557,332)

17 Related Party Transactions

The company issued a total of 1,000 shares on 7 July 2000. AISIHI acquired 749 of these shares while BBI acquired 251. The company also received initial funding for operating capital from AISIHI and BBI that totalled £5,000,000. The company also had the following significant transactions with affiliates

	2000 £
Revenue earned from management fees from BBHML	4,273,285
Other revenues earned from BB	394,921

Notes to the accounts (continued)

18 Ultimate parent

The company's ultimate parent company is ALLTEL Corporation, which is incorporated in the United States. The smallest group in which the company's results are consolidated is that headed by its parent company, ALLTEL Information Services International Holdings, Inc. ("AISIH"). The largest group in which the results are consolidated is that headed by ALLTEL, whose principal place of business is One Allied Drive, Little Rock, Arkansas 72202. The consolidated accounts of ALLTEL are available to the public and may be obtained from this address.