

Registration number: 3237167

Intersolve Limited

Directors' Report and Financial Statements
for the Year Ended 31 July 2006



Critchleys
Registered Auditors
Greyfriars Court
Paradise Square
Oxford
OX1 1BE

Intersolve Limited

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The following pages do not form part of the statutory financial statements:

Detailed profit and loss account	21 to 22
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Intersolve Limited
Officers and Advisers

Directors

D Lloyd

M Barge

Bankers

National Westminster Bank Plc

Auditors

Critchleys

Registered Auditors

Greyfriars Court

Paradise Square

Oxford

OX1 1BE

Intersolve Limited
Directors' Report for the Year Ended 31 July 2006

The directors present their report and the audited financial statements for the year ended 31 July 2006.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Directors are required by company law to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for the period ending on that date. In preparing those financial statements, directors are required to:

- select suitable accounting policies and 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 a 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 the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditors are unaware of.

Principal activity and business review

The company has three main businesses:

- Providing retail financial product development consultancy (including the design of new products) and software services to financial services companies
- Providing derivative related consultancy services to financial services companies
- Providing a retail financial product complaints handling/management service to consumers

Retail Financial Product Development Consultancy

The company has concentrated nearly all of its efforts in this division on a new mortgage product it developed some years ago. In August 2005 Intersolve Limited sold the IP rights in relation to this product to a new parent company.

Derivative Related Consultancy Services

These comprise the provision of independent valuation services of OTC derivative contracts and the provision of advice to the fund manager of a large protected investment fund. There was no growth in these businesses and, as in the latter case fees are dependent upon fund size, they have been declining as the fund has been steadily decreasing in size. However the division remains profitable.

Complaints Handling Services

Business volumes continued to grow during the first part of the year but were beginning to reach a steady state by the year end. Leads are sourced via the internet and so client acquisition costs are not fixed. The division was profitable.

Intersolve Limited
Directors' Report for the Year Ended 31 July 2006

The directors consider that the results for the year and the financial position at the end of the year were satisfactory.

Post balance sheet events

No events have occurred since the year end which require reporting or disclosing in the financial statements.

Results and dividend

The results for the company are set out in the financial statements.

An interim ordinary dividend of £10,000 was paid during the year.

Directors and their interests

The directors who held office during the year and their beneficial interest in the shares of the company were as follows:

	Ordinary A shares shares of £1 each	
	As at 31 July 2006	As at 1 August 2005
	No.	No.
D Lloyd	25,000	-
M Barge	25,000	-

	Ordinary B shares shares of £1 each	
	As at 31 July 2006	As at 1 August 2005
	No.	No.
D Lloyd	25,000	-
M Barge	25,000	-

	Ordinary shares shares of £1 each	
	As at 31 July 2006	As at 1 August 2005
	No.	No.
D Lloyd	-	50,000
M Barge	-	50,000

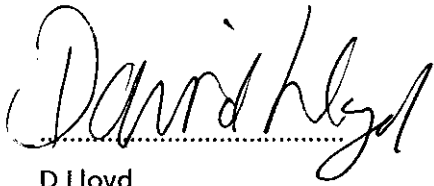
The interests of the directors in the shares of the parent company, Index Mortgage Solutions Limited, are disclosed in that company's accounts.

Election to dispense laying accounts

In accordance with s.252, Companies Act 1985, the company has elected to dispense with laying accounts before the members in general meeting. Members, however, may by notice in writing to the company at its registered office require that accounts are laid before the members in general meeting.

Approved by the Board and signed on its behalf by:

Intersolve Limited
Directors' Report for the Year Ended 31 July 2006

A handwritten signature in black ink, appearing to read 'D Lloyd', written over a horizontal dotted line.

D Lloyd
Director

Date: 31 October 2006

**Independent Auditors' Report to the Members of
Intersolve Limited**

We have audited the financial statements of Intersolve Limited for the year ended 31 July 2006 set out on pages 7 to 20. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of Directors' responsibilities on page 2, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an 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.

**Independent Auditors' Report to the Members of
Intersolve Limited**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Directors' Report is consistent with the financial statements.



Greyfriars Court
Paradise Square
Oxford
OX1 1BE

Critchleys
Registered Auditors
31 October 2006

Intersolve Limited
Profit and Loss Account for the Year Ended 31 July 2006

	Note	2006	2005
		£	as restated £
Turnover		648,954	382,029
Administrative expenses		(611,113)	(249,899)
Operating profit	2	37,841	132,130
Exceptional profit on sale of fixed assets	3	250,000	-
Other interest receivable and similar income		182	6
Profit on ordinary activities before taxation		288,023	132,136
Tax on profit on ordinary activities	6	(10,608)	(11,995)
Profit for the financial year		277,415	120,141
Dividends	7	(10,000)	(40,000)
Profit and loss reserve brought forward		79,205	(936)
Profit and loss reserve carried forward		346,620	79,205

Turnover and operating profit derive wholly from continuing operations.

There is no material difference between the result reported above and the result on an unmodified historical cost basis.

The notes on pages 11 to 20 form an integral part of these financial statements.

Intersolve Limited

Statement of Total Recognised Gains and Losses for the Year Ended 31 July 2006

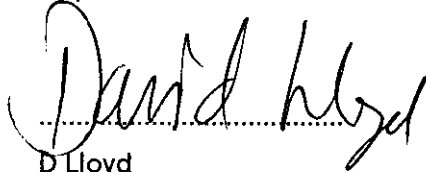
	2006	2005
	£	as restated £
Net profit for the year	<u>277,415</u>	<u>120,141</u>
Total gains for the year	<u>277,415</u>	<u>120,141</u>
Prior year adjustment	<u>10,000</u>	
Statement of total recognised gains since the last annual report	<u>287,415</u>	

The notes on pages 11 to 20 form an integral part of these financial statements.

Intersolve Limited
Balance Sheet as at 31 July 2006

		2006		2005 <i>as restated</i>	
		£	£	£	£
	Note				
Fixed assets					
Tangible assets	9		<u>15,247</u>		<u>6,559</u>
Current assets					
Debtors (£250,000 due after one year)	10	514,182		169,119	
Cash at bank and in hand		<u>28,105</u>		<u>53,108</u>	
		542,287		222,227	
Creditors: Amounts falling due within one year	11	(109,925)		(49,224)	
Net current assets			<u>432,362</u>		<u>173,003</u>
Total assets less current liabilities			447,609		179,562
Provisions for liabilities	12		<u>(989)</u>		<u>(357)</u>
Net assets			<u>446,620</u>		<u>179,205</u>
Capital and reserves					
Called up share capital	13		100,000		100,000
Profit and loss reserve	14		<u>346,620</u>		<u>79,205</u>
Equity shareholders' funds	15		<u>446,620</u>		<u>179,205</u>

Approved and authorised for issue by the Board on 31 October 2006 and signed on its behalf by:



D Lloyd
Director

The notes on pages 11 to 20 form an integral part of these financial statements.

Intersolve Limited
Cash Flow Statement for the Year Ended 31 July 2006

		2006		2005	
	Note	£	£	£	£
Net cash flow from operating activities	17		10,678		54,515
Returns on investment and servicing of finance	18		182		6
Taxation	18		(11,664)		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(12,868)		(5,790)	
			(12,868)		(5,790)
Equity dividends paid			(10,000)		(40,000)
Net cash flow			<u>(23,672)</u>		<u>8,731</u>

Intersolve Limited

Notes to the Financial Statements for the Year Ended 31 July 2006

1 Accounting policies

Basis of preparation

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

Going concern

These financial statements have been prepared on a going concern basis.

Turnover

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

Revenue recognition

For income receivable on a contingent basis, credit is only taken for this when there is evidence that income will actually be receivable.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Plant and machinery	25% straight line basis
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Deferred taxation

Deferred tax is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the balance sheet date and the exchange differences are included in the profit and loss account.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

Intersolve Limited
Notes to the Financial Statements for the Year Ended 31 July 2006

2 Operating profit

Operating profit is stated after charging:

	2006	2005
	£	£
Hire of other assets (Operating leases)	54,000	42,691
Auditors remuneration - audit services	4,028	4,000
Foreign currency losses	51	91
Depreciation of owned tangible fixed assets	<u>4,179</u>	<u>4,327</u>

3 Exceptional items

	2006	2005
	£	£
Exceptional profit on sale of fixed assets	<u>(250,000)</u>	<u>-</u>

This profit arose from the sale of internally generated assets to the parent company.

4 Particulars of employees

The average number of persons employed by the company (including directors) during the year was as follows:

	2006	2005
	No.	No.
Administration	<u>9</u>	<u>6</u>

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£	£
Wages and salaries	155,838	83,363
Social security	15,691	8,703
Other pension costs	200,000	-
	<u>371,529</u>	<u>92,066</u>

Intersolve Limited
Notes to the Financial Statements for the Year Ended 31 July 2006

5 Directors' emoluments

The directors' emoluments for the year are as follows:

	2006	2005
	£	£
Directors' emoluments (including benefits in kind)	20,000	-
Directors' pension contributions	200,000	-
	<u>220,000</u>	<u>-</u>

During the period the number of directors who were accruing benefits under company pension schemes was as follows:

	2006	2005
	No.	No.
Money purchase	<u>2</u>	<u>-</u>

Intersolve Limited
Notes to the Financial Statements for the Year Ended 31 July 2006

6 Taxation

Analysis of current period tax charge

	2006	2005
	£	£
Current tax		
Corporation tax charge	-	11,638
(Over)/under provision in previous year	26	-
Group relief payable/(receivable)	9,950	-
	<u>9,976</u>	<u>-</u>
UK Corporation tax	<u>9,976</u>	<u>11,638</u>
Deferred tax		
Origination and reversal of timing differences	<u>632</u>	<u>357</u>
Total tax on profit on ordinary activities	<u>10,608</u>	<u>11,995</u>

Factors affecting current period tax charge

The tax assessed on the profit on ordinary activities for the year is lower than (2005 - lower than) the standard rate of corporation tax in the UK of 19.00% (2005 - 19.00%).

The differences are reconciled below:

	2006	2005
	£	£
Profit on ordinary activities before taxation	<u>288,023</u>	<u>132,136</u>
Standard rate corporation tax charge	54,724	25,106
Expenses not deductible for tax purposes	3,384	184
Non-taxable income	(47,500)	-
Accelerated capital allowances	(657)	159
(Utilisation)/creation of tax losses	-	(13,811)
Prior year adjustment	25	-
Total current tax for the year	<u>9,976</u>	<u>11,638</u>

Intersolve Limited
Notes to the Financial Statements for the Year Ended 31 July 2006

7 Dividends

	2006	2005
	£	as restated
		£
Equity dividends		
Ordinary dividend paid	<u>10,000</u>	<u>40,000</u>

The directors are proposing a final dividend in respect of the financial year ending 31 July 2006 of £0 (2005 - £10,000).

The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

8 Prior year adjustment

Following the introduction of the accounting standard FRS21, it is no longer permitted to include proposed dividends as a liability in the accounts. Consequently the proposed dividend of £10,000 included in the 2005 accounts has been removed and recorded as paid in the current year. The comparatives have been adjusted accordingly.

9 Tangible fixed assets

	Plant and machinery
	£
Cost	
As at 1 August 2005	39,310
Additions	<u>12,868</u>
As at 31 July 2006	<u>52,178</u>
Depreciation	
As at 1 August 2005	32,751
Charge for the year	<u>4,180</u>
As at 31 July 2006	<u>36,931</u>
Net book value	
As at 31 July 2006	<u>15,247</u>
As at 31 July 2005	<u>6,559</u>

Intersolve Limited
Notes to the Financial Statements for the Year Ended 31 July 2006

10 Debtors

	2006	2005
	£	£
Trade debtors	171,625	96,705
Amounts owed by group undertakings	315,848	-
Other debtors	10,111	7,821
Director current accounts	-	37,578
Prepayments and accrued income	16,598	27,015
	<u>514,182</u>	<u>169,119</u>

Debtors includes £250,000 (2005 - none) receivable after more than one year.

This can be analysed as follows:

	2006	2005
	£	£
Amounts owed by group undertakings	<u>250,000</u>	<u>-</u>

11 Creditors: Amounts falling due within one year

	2006	2005
	£	as restated £
Trade creditors	-	8,487
Corporation tax	-	11,638
Social security and other taxes	22,435	17,419
Other creditors	2,590	7,680
Director current accounts	78,535	-
Accruals and deferred income	6,365	4,000
	<u>109,925</u>	<u>49,224</u>

Intersolve Limited
Notes to the Financial Statements for the Year Ended 31 July 2006

12 Provisions for liabilities

	Deferred tax provision £
As at 1 August 2005	357
Deferred tax provision charged to the profit and loss account	632
As at 31 July 2006	<u>989</u>

Deferred tax

Deferred tax is provided at 19.00% (2005 - 19.00%).

	2006 £	2005 £
Accelerated capital allowances	<u>989</u>	<u>357</u>

13 Share capital

	2006 £	2005 £
Authorised		
Equity		
50,000 (2005 - 0) Ordinary A shares shares of £1 each	50,000	-
50,000 (2005 - 0) Ordinary B shares shares of £1 each	50,000	-
0 (2005 - 100,000) Ordinary shares shares of £1 each	-	100,000
	<u>100,000</u>	<u>100,000</u>

Allotted, called up and fully paid

Equity		
50,000 (2005 - 0) Ordinary A shares shares of £1 each	50,000	-
50,000 (2005 - 0) Ordinary B shares shares of £1 each	50,000	-
0 (2005 - 100,000) Ordinary shares shares of £1 each	-	100,000
	<u>100,000</u>	<u>100,000</u>

The company's activities have been designated into two categories A and B. A and B shares have the rights to dividend and to participate on a surplus on winding up in respect of the profits or assets of the A and B businesses respectively. If a vote only affects either then A or B business then only the A or B shareholders can vote on that issue.

Intersolve Limited
Notes to the Financial Statements for the Year Ended 31 July 2006

14 Reserves

	Profit and loss reserve
	£
Balance at 1 August 2005	69,205
Prior year adjustment	10,000
At beginning of the year as restated	<u>79,205</u>
Transfer from profit and loss account for the year	277,415
Equity dividends paid	<u>(10,000)</u>
Balance at 31 July 2006	<u><u>346,620</u></u>

15 Reconciliation of movements in shareholders' funds

	2006	2005 as restated
	£	£
Profit attributable to members of the company	277,415	120,141
Dividends	<u>(10,000)</u>	<u>(40,000)</u>
	267,415	80,141
Opening equity shareholders' funds (originally £169,205 before adding prior year adjustment of £10,000)	179,205	99,065
Closing equity shareholders' funds	<u><u>446,620</u></u>	<u><u>179,205</u></u>

16 Operating lease commitments

As at 31 July 2006 the company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings	
	2006	2005
	£	£
Within one year	<u>55,620</u>	<u>54,000</u>

Intersolve Limited
Notes to the Financial Statements for the Year Ended 31 July 2006

17 Reconciliation of operating profit to operating cash flows

	2006	2005
	£	£
Operating profit	287,841	132,132
Depreciation, amortisation and impairment charges	4,180	4,327
Increase in debtors	(355,013)	(108,393)
Increase in creditors	73,670	26,449
Net cash inflow from operating activities	<u>10,678</u>	<u>54,515</u>

18 Analysis of cash flows

	2006	2005
	£	£
Returns on investment and servicing of finance		
Interest received	182	6
Taxation		
Taxation paid	<u>(11,664)</u>	<u>-</u>

19 Ultimate parent undertaking

The ultimate parent undertaking is Index Mortgage Solutions Limited.

Intersolve Limited

Notes to the Financial Statements for the Year Ended 31 July 2006

20 Related parties

Related party transactions

Transactions with the parent company, Index Mortgage Solutions Limited are not disclosed as Intersolve Limited is included in the publicly available consolidated accounts of Index Mortgage Solutions Limited.

As of 31 July 2006 the directors had current account balances in creditors. M Barge was owed £35,825 and D Lloyd £42,710.

Directors' loan accounts

The following balances owed by the directors were outstanding at the year end:

	Maximum Balance £	2006 £	2005 £
D Lloyd	18,789	-	18,789
M Barge	18,789	-	18,789
	<u>37,578</u>	<u>-</u>	<u>37,578</u>