

MORTGAGE SYSTEMS LIMITED

DIRECTORS' REPORT & FINANCIAL STATEMENTS

31 DECEMBER 1995

(Registered Number 1764926)



DIRECTORS' REPORT

The Directors' present their annual report and the financial statements for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company has not traded during the year under review. However during the year the company received compensation for a contract cancellation, and settled litigation with the same client.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors during the year were:

J G Goodfellow

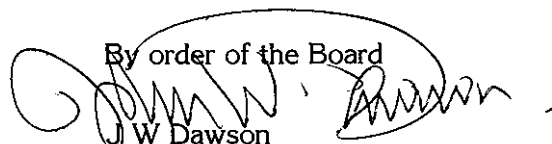
B J Field

R J McCormick (appointed 20 October 1995)

R S Blizzard (resigned 20 October 1995)

Mr J G Goodfellow and Mr R J McCormick are Directors of the ultimate parent undertaking Skipton Building Society. Their interests in the shares of group companies are not required to be recorded in the register maintained by this company.

Mr B J Field had no interests in the shares of group undertakings during the year.

By order of the Board

J W Dawson
Secretary

27 February 1996

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 and of its profit or loss 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to enable them to ensure that 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.

REPORT OF THE AUDITORS TO THE MEMBERS OF MORTGAGE SYSTEMS LIMITED

We have audited the financial statements on pages 4 to 9.

Respective responsibilities of Directors and auditors

As described on page 2 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 December 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors
LEEDS

27 February 1996

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>Note</u>	<u>1995</u> £'000	<u>1994</u> £'000
OTHER OPERATING INCOME	2	901	-
		=====	=====
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		901	-
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	3	(297)	-
		-----	-----
RETAINED PROFIT FOR THE FINANCIAL YEAR		604	-
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		(1,327)	(1,327)
		-----	-----
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		(723)	(1,327)
		=====	=====

The notes on pages 7 to 9 form part of these financial statements.

There were no recognised gains or losses in the current year (1994: none) other than those reflected in the above profit and loss account.

The profit and loss account is prepared on an unmodified historical cost basis.

In both the current and preceding year, the company made no material acquisitions and had no discontinued operations.

BALANCE SHEET AT 31 DECEMBER 1995

	<u>Note</u>	<u>1995</u> £'000	<u>1994</u> £'000
CREDITORS: Amounts falling due within one year	4	(297)	-
NET CURRENT LIABILITIES		(297)	-
CREDITORS: Amounts falling due after more than one year	5	(416)	(1,317)
NET LIABILITIES		(713)	(1,317)
CAPITAL AND RESERVES			
Called up share capital	6	10	10
Profit and loss account		(723)	(1,327)
EQUITY SHAREHOLDERS' FUNDS		(713)	(1,317)

A statement of movements in shareholders' funds is given in note 7 to the financial statements.

These financial statements were approved by the board of Directors on 27 February 1996.

J G Goodfellow - Director



The notes on pages 7 to 9 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1995

No transactions have occurred in either the current or prior year which have resulted in a cash flow. Accordingly a cash flow statement has not been included within these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

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

2. OTHER OPERATING INCOME

During the year the company received compensation for a contract cancellation, in accordance with the terms therein, and settled outstanding litigation with the same client. Since the company has had no resources since January 1993, its servicing obligations under the contract had been performed, up to the date of contract cancellation, by a sister company.

3. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<u>1995</u>	<u>1994</u>
	£'000	£'000

The taxation charge for the year is as follows:-

UK corporation tax at 33% (1994 - 33%)	297	-
	=====	=====

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1995</u>	<u>1994</u>
	£'000	£'000

Corporation tax	297	-
	=====	=====

5. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1995</u>	<u>1994</u>
	£'000	£'000

Amounts owed to parent undertaking	416	1,317
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. CALLED UP SHARE CAPITAL

	<u>1995</u> £'000	<u>1994</u> £'000
Authorised 101,000 ordinary shares of 10p each	10	10
	=====	=====
Allotted, issued and fully paid 101,000 ordinary shares of 10p each	10	10
	=====	=====

7. EQUITY SHAREHOLDERS' FUNDS

	<u>1995</u> £'000	<u>1994</u> £'000
Balance at 1 January 1995	(1,317)	(1,317)
Retained profit for the financial year	604	-
	-----	-----
Balance at 31 December 1995	(713)	(1,317)
	=====	=====

8. CONTINGENT LIABILITY

The company formerly traded as a mortgage administrator, and from 1 October 1991 the transactions of the company have been dealt with in the accounts of Homeloan Management Limited, a fellow subsidiary undertaking of Skipton Building Society.

A number of the company's former clients have made claims against the company in respect of losses suffered as a result of alleged non-performance under the terms of its management agreements. The Directors, having taken legal advice, will defend such claims vigorously and do not consider that they will result in any additional liabilities other than those already provided in the financial statements of Homeloan Management Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. ULTIMATE PARENT UNDERTAKING

The company is a wholly-owned subsidiary of Skipton Building Society, which is registered in the United Kingdom. The Building Societies Act 1986 requires that Building Societies should support their subsidiaries. As a consequence all debts owed by the company are guaranteed by the ultimate parent undertaking.

A copy of the group financial statements into which the results of this company are consolidated is available from:

The Secretary
Skipton Building Society
The Bailey
Skipton
North Yorkshire BD23 1DN