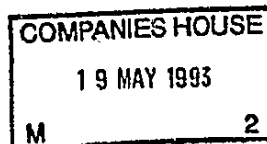


CIBC MORTGAGES PLC  
REPORT AND ACCOUNTS FOR THE YEAR ENDED

31ST OCTOBER 1992

Registered No. 1989335



## CIBC MORTGAGES PLC

### DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31st October 1992.

#### PRINCIPAL ACTIVITIES

The principal activity of the company throughout the year was in relation to the granting of mortgage loans secured on residential properties within the United Kingdom.

#### BUSINESS REVIEW

The residential mortgage market continues to be affected by asset deflation and the general economic environment. The directors believe that falling interest rates will take time to work through into greater confidence and a more stable business for this company. In this context, the operating loss was £2.97 million.

#### RESULTS

The results for the year are shown in the profit and loss account on page 4. The directors recommend no final dividend (1991: £NIL). Total dividends for the year ended 31st October 1992 are £Nil (1991: £NIL).

#### DIRECTORS

The Directors who served during the year were:

P. Chrystall  
W. D. Drysdale (resigned 30th September 1992)  
D. S. Ferguson  
R. E. G. Wright  
D. J. Holmes (appointed 12th May 1992)

The directors had no beneficial interests in the shares of the company, nor in the shares of any other company in the CIBC Group in the United Kingdom, throughout the year.

#### DIRECTORS' MATERIAL INTEREST IN CONTRACTS

Throughout the year TRINITY ASSOCIATES LIMITED ("Trinity") and CIBC MORTGAGES PLC (the "Company") have maintained an agreement whereby the Company has appointed Trinity as distributor for the Mortgage Borrower and Application System developed by the Company such that Trinity retains 30% of the licence fees invoiced by them and returns the remaining 70% of fees to the Company. TRINITY is a limited liability company whose major shareholders include Mr. W. D. Drysdale and Mr. R. E. G. Wright. The value of this contract to Trinity in the year ended 31st October 1992 was £NIL (1991: £165,000).

CIBC MORTGAGES PLC

DIRECTORS' REPORT

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG Peat Marwick as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

BY THE ORDER OF THE BOARD



D. S. Ferguson  
Chairman  
Cottons Centre  
Cottons Lane  
London  
SE1 2QL

REPORT OF THE AUDITORS, KPMG PEAT MARWICK, TO THE

MEMBERS OF CIBC MORTGAGES PLC

We have audited the accounts on pages 4 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st October 1992 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON

2 April 1993

*KPMG Peat Marwick*  
KPMG Peat Marwick  
Chartered Accountants  
Registered Auditors

CIBC MORTGAGES PLC

'PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST OCTOBER 1992

|   |             | <u>12 months</u><br><u>ended</u><br><u>31 October</u> | <u>14 months</u><br><u>ended</u><br><u>31 October</u> |
|---|-------------|---|---|
|   | <u>Note</u> | <u>1992</u><br><u>£000</u>                            | <u>1991</u><br><u>£000</u>                            |
| Interest income   |             | 87,866  | 171,740   |
| Interest expense  | 2           | (89,784)  | (162,363)   |
| NET INTEREST INCOME                                     |             | ( 1,918)  | 9,377   |
| Other operating income:                                 |             |   |   |
| Income from securitisation vehicles                     | 17          | 12,649  | 13,442  |
| Other income  |             | 2,288   | 4,235   |
| TOTAL OPERATING INCOME                                  |             | 13,019  | 27,054  |
| Operating expenses                                      |             | (15,992)  | (26,966)  |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES<br>BEFORE TAXATION | 3           | ( 2,973)  | 88  |
| Tax credit on (loss)/profit on<br>ordinary activities   | 5           | 2,894   | 30  |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR                    |             | (79)  | 118   |
| Retained profit brought forward                         |             | 806   | 688   |
| RETAINED PROFIT CARRIED FORWARD                         |             | 727   | 806   |

The notes on pages 6 to 15 form part of these accounts

CIBC MORTGAGES PLC

BALANCE SHEET AS AT 31ST OCTOBER 1992

|   | Note | <u>As at 31st October</u><br><u>1992</u> |             | <u>As at 31st October</u><br><u>1991</u> |             |
|---|------|--|-------------|--|-------------|
|   |      | <u>£000</u>                              | <u>£000</u> | <u>£000</u>                              | <u>£000</u> |
| FIXED ASSETS                                      |      |  |             |  |             |
| Tangible Assets                                   | 6    |  | 410         |  | 538         |
| MORTGAGE ASSETS                                   | 7    |  | 755,342     |  | 907,834     |
| CURRENT ASSETS                                    |      |  |             |  |             |
| Debtors   | 8    | 38,378                                   |             | 24,455                                   |             |
| Investments                                       | 9    | -  |             | 159                                      |             |
| Cash at bank and in hand                          |      | 3,001                                    |             | 4,419                                    |             |
|   |      | -----                                    |             | -----                                    |             |
|   |      |  | 41,379      |  | 29,033      |
| CREDITORS: AMOUNTS FALLING<br>DUE WITHIN ONE YEAR | 10   |  | (785,487)   |  | (922,309)   |
|   |      |  | -----       |  | -----       |
| TOTAL ASSETS LESS CURRENT<br>LIABILITIES          |      |  | 11,644      |  | 15,096      |
| Provisions for liabilities<br>and charges         | 11   |  | (10,667)    |  | (14,040)    |
|   |      |  | -----       |  | -----       |
|   |      |  | 977         |  | 1,056       |
|   |      |  | =====       |  | =====       |
| CAPITAL AND RESERVES                              |      |  |             |  |             |
| Called up share capital                           | 12   |  | 250         |  | 250         |
| Profit and loss account                           |      |  | 727         |  | 806         |
|   |      |  | -----       |  | -----       |
|   |      |  | 977         |  | 1,056       |
|   |      |  | =====       |  | =====       |

These accounts were approved by the Board of Directors on 2 April, 1993  
and signed on its behalf by:

..... (Director)

D. Ferguson

..... (Director)

D. Holmes

The notes on pages 6 to 15 form part of these accounts.

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST OCTOBER 1992

1. **PRINCIPAL ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts:

(a) **Accounting convention**

The accounts have been prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable Accounting Standards, qualified as set out in note (b) below.

(b) **Turnover**

Turnover and cost of sales, as prescribed in the Companies Act 1985 do not have meaningful equivalents for the business of the company and are therefore not defined in these accounts. The precise format requirements of the Companies Act 1985 have also been varied as in the opinion of the directors this is necessary in order to show a true and fair view of the company's position.

(c) **Depreciation**

Depreciation is provided on cost in equal half yearly instalments over the lives of the assets, based on the following estimates of useful life:

|                    |          |
|--------------------|----------|
| Computer equipment | 7 years  |
| Office equipment   | 7 years  |
| Motor vehicles     | 5 years  |
| Furniture          | 15 years |

(d) **Income Recognition**

Interest and other income (including that from securitisation vehicles) is recognised on an accruals basis. Allowances for interest which may ultimately not be collectable (non-accruals) are included within loan loss provisions.

(e) **Loan losses and Loan loss provision**

Loan losses are charged against profits as soon as they are identified. In addition provisions based on mortgage loans outstanding are maintained and charged against profits to allow for losses in the existing portfolio of loans. The provisions for loan losses include accrued interest which may ultimately not be collectable (non-accruals). To the extent that losses are covered by insurance arrangements, no provision is made.

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST OCTOBER 1992

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(f) Pension contributions

The company contributes to a defined benefit pension plan operated by CIBC for the benefit of all its U.K. employees aged thirty years and over. The assets of the plan are administered by Trustees and are separate from CIBC. Independent actuaries complete valuations at least every three years and, in accordance with their recommendations, annual contributions are paid to the plan so as to secure the benefits set out in the rules. Pension costs are charged to the profit and loss account on a systematic basis over the estimated remaining service lives of the current employees in the plan.

CIBC has established a contracted-out group money purchase arrangement for employees between twenty and thirty years old. Employees may elect to leave the State Earnings Related Pension Scheme (SERPS) and the National Insurance rebate is invested in an individual money purchase account invested with London and Manchester (Pensions) Limited.

(g) Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences, to the extent that it is probable that liabilities will crystallise in the foreseeable future.

(h) Mortgage Assets

Mortgage assets include accrued interest. Repossessed properties represent properties taken over from borrowers and are stated at the lower of outstanding mortgage balance and recoverable amounts.

(i) Pool Insurance

Insurance premiums paid on the origination of new mortgages are amortised over four years from the date of origination. The unamortised balance at the balance sheet date is treated as a prepayment.



CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST OCTOBER 1992

2. INTEREST EXPENSE

Interest expense represents amounts payable on short term borrowings from CIBC London branch.

3. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after charging the following:

|   |             | <u>12 months<br/>ended<br/>31 October</u> | <u>14 months<br/>ended<br/>31 October</u> |
|---|-------------|---|---|
|   | <u>Note</u> | <u>1992<br/>£000</u>                      | <u>1991<br/>£000</u>                      |
| Loss on disposal of fixed assets          |             | 9   | 8   |
| Depreciation                              | 6           | 109                                       | 143                                       |
| Auditors' remuneration                    |             | 78  | 69  |
| Provision for loan losses and non accrual |             | 24,450                                    | 28,844                                    |

4. DIRECTORS AND EMPLOYEES

|   | <u>12 months<br/>ended<br/>31 October</u> | <u>14 months<br/>ended<br/>31 October</u> |
|---|---|---|
|   | <u>1992<br/>£000</u>                      | <u>1991<br/>£000</u>                      |
| Directors' emoluments:  |   |   |
| Fees  | Nil                                       | Nil                                       |
| Other emoluments (including pension contributions and benefits in kind) | 120                                       | 227                                       |
| Fees to third parties in respect of directors' services                 | Nil                                       | 12  |
|   | ---                                       | ---                                       |
|   | 120                                       | 239                                       |
|   | ===                                       | ===                                       |

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST OCTOBER 1992

4. DIRECTORS AND EMPLOYEES (continued)

Fees and other emoluments (excluding pension contributions) include amounts paid to:

|                           | <u>12 months</u><br><u>ended</u><br><u>31 October</u><br><u>1992</u><br><u>£000</u> | <u>14 months</u><br><u>ended</u><br><u>31 October</u><br><u>1991</u><br><u>£000</u> |
|---------------------------|---|---|
| The Chairman              | Nil<br>===  | Nil<br>===  |
| The highest paid director | 65<br>===   | 108<br>===  |

The emoluments of all the directors were within the following ranges:

|                     | <u>12 months</u><br><u>ended</u><br><u>31 October</u><br><u>1992</u> | <u>14 months</u><br><u>ended</u><br><u>31 October</u><br><u>1991</u> |
|---------------------|--|--|
| £ 0 - £ 5,000       | 3  | 5  |
| £ 10,001 - £ 15,000 | -  | 1  |
| £ 20,001 - £ 25,000 | -  | 1  |
| £ 35,001 - £ 40,000 | -  | 1  |
| £ 50,001 - £ 55,000 | 1  | -  |
| £ 60,001 - £ 65,000 | 1  | 1  |
| £105,001 - £110,000 | -  | 1  |

The average number of persons (including directors) employed within the company during the year, analysed by category, was:

|            | <u>12 months</u><br><u>ended</u><br><u>31 October</u><br><u>1992</u> | <u>14 months</u><br><u>ended</u><br><u>31 October</u><br><u>1991</u> |
|------------|--|--|
| Management | 6  | 8  |
| Operations | 15   | 67   |
|            | --   | --   |
|            | 21   | 75   |
|            | ==   | ==   |

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST OCTOBER 1992

## 4. DIRECTORS AND EMPLOYEES (continued)

The aggregate payroll costs of these persons were as follows:-

|                       | <u>12 months</u><br><u>ended</u><br><u>31 October</u> | <u>14 months</u><br><u>ended</u><br><u>31 October</u> |
|-----------------------|---|---|
|                       | <u>1992</u><br><u>£000</u>                            | <u>1991</u><br><u>£000</u>                            |
| Wages and salaries    | 603   | 1,760   |
| Social security costs | 76  | 127   |
| Other pension costs   | 45  | 117   |
|                       | -----   | -----   |
|                       | 724   | 2,004   |
|                       | =====   | =====   |

## 5. TAXATION

Taxation credit based on the (loss)/profit for the year of the company:

|   | <u>12 months</u><br><u>ended</u><br><u>31 October</u><br><u>1992</u><br><u>£000</u> | <u>14 months</u><br><u>ended</u><br><u>31 October</u><br><u>1991</u><br><u>£000</u> |
|---|---|---|
| UK corporation tax at 33% (1991:33½%)   |   |   |
| - current tax                           | (987)   | 23  |
| - deferred tax                          | 6   | 7   |
|   | ---   | ---   |
|   | (981)   | 30  |
| Prior year and group relief adjustments | (1,913)   | (60)  |
|   | -----   | -----   |
|   | (2,894)   | (30)  |
|   | =====   | =====   |

Pursuant to group relief provisions, tax losses for the period would be covered by profits elsewhere in the UK group. Related group relief payments between the companies are included in the above figures.

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST OCTOBER 1992

**DEFERRED TAXATION**

The amounts of deferred taxation accounted for at the balance sheet date were as follows:-

|                                     | <u>As at</u><br><u>31st October</u><br><u>1992</u><br><u>£000</u> | <u>As at</u><br><u>31st October</u><br><u>1991</u><br><u>£000</u> |
|-------------------------------------|---|---|
| Capital allowances and depreciation | 32<br>===   | 26<br>===   |

**6. FIXED ASSETS**

|                                  | <u>Computer</u><br><u>equipment</u><br><br><u>£000</u> | <u>Furniture</u><br><u>&amp; Office</u><br><u>machinery</u><br><br><u>£000</u> | <u>Motor</u><br><u>vehicles</u><br><br><u>£000</u> | <u>Total</u><br><br><u>£000</u> |
|----------------------------------|--|--|--|---------------------------------|
| <b>Cost:</b>                     |  |  |  |                                 |
| As at 1st November 1991          | 491  | 275  | 146  | 912                             |
| Disposals                        | ---  | -  | (65)   | (65)                            |
| As at 31st October 1992          | 491<br>===   | 275<br>===   | 81<br>===  | 847<br>===                      |
| <b>Accumulated depreciation:</b> |  |  |  |                                 |
| As at 1st November 1991          | 236  | 68   | 70   | 374                             |
| Charge for the year              | 66   | 19   | 24   | 109                             |
| Disposals                        | ---  | -  | (46)   | (46)                            |
| As at 31st October 1992          | 302<br>===   | 87<br>===  | 48<br>===  | 437<br>===                      |
| <b>Net book value:</b>           |  |  |  |                                 |
| As at 31st October 1992          | 189<br>===   | 188<br>===   | 33<br>===  | 410<br>===                      |
| As at 31st October 1991          | 255<br>===   | 207<br>===   | 76<br>===  | 538<br>===                      |

# CIBC MORTGAGES PLC

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST OCTOBER 1992

### 7. MORTGAGE ASSETS

Mortgage assets comprise loans secured on residential properties in the United Kingdom:

|   | <u>As at 31 October</u><br><u>1992</u><br><u>£000</u> | <u>As at 31 October</u><br><u>1991</u><br><u>£000</u> |
|---|---|---|
| At the beginning of the year                        | 909,673   | 1,119,138   |
| Advances  | 10,820  | 91,175  |
| Redemptions, repayments and realisation of security | (135,650)   | (199,226)   |
| Sales (to)/from third parties                       | (25,284)  | (101,464)   |
| At the end of the year                              | 759,559   | 909,673   |
| Accrued Interest                                    | 24,872  | 19,911  |
| Mortgage assets (incl. accrued interest)            | 784,431   | 929,584   |
| Provisions for non accrual and loan loss            | (29,089)  | (21,750)  |
|   | 755,342   | 907,834   |
|   | =====   | =====   |

In addition to the provisions shown above, further provisions are maintained in provisions for liabilities and charges (see note 11).

Included in mortgage assets as at 31st October 1992 are repossessed properties of £46,247,813 (1991: £18,991,486).

Under pool insurance underwritten in the UK, 68% (1991: 68%) of the Company's mortgage advances are substantially protected against losses, save only the self-insurance equal to the first 0.5% of the insured portfolio.

Insured mortgage advances include £5,000,423 (1991: 4,841,560) outstanding from mortgage indemnity insurers on account of losses from the disposal of repossessed properties.

### 8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|   | <u>As at 31 October</u><br><u>1992</u><br><u>£000</u> | <u>As at 31 October</u><br><u>1991</u><br><u>£000</u> |
|---|---|---|
| Amounts due from MAES companies               | 33,296  | 19,215  |
| Other debtors, prepayments and accrued income | 1,606   | 4,618   |
| Amounts due from group undertakings           | 3,476   | 622   |
|   | 38,378  | 24,455  |
|   | =====   | =====   |

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST OCTOBER 1992

9. INVESTMENTS

|  | <u>As at 31 October</u><br><u>1992</u><br><u>£000</u> | <u>As at 31 October</u><br><u>1991</u><br><u>£000</u> |
|--|---|---|
| Mortgage backed floating rate notes                          | -   | 159   |
|  | ===   | ===   |
| The above notes were listed on the Luxembourg Stock Exchange |   |   |

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                      | <u>As at 31 October</u><br><u>1992</u><br><u>£000</u> | <u>As at 31 October</u><br><u>1991</u><br><u>£000</u> |
|--------------------------------------|---|---|
| Balances due to CIBC London Branch   |   |   |
| Short term loans                     | 773,800   | 913,050   |
| Accrued interest on short term loans | 7,210   | 6,719   |
|                                      | -----   | -----   |
|                                      | 781,010   | 919,769   |
| Bank overdrafts                      | 12  | -   |
| Amounts owed to group undertakings   | 2,941   | 1,955   |
| Accruals and deferred income         | 345   | 353   |
| Other creditors                      | 1,179   | 232   |
|                                      | -----   | -----   |
|                                      | 785,487   | 922,309   |
|                                      | =====   | =====   |

11. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges include amounts in respect of the company's liability for loan losses on the securitised mortgages (see note 16) as well as further provisions in respect of the UK mortgage business as follows:-

|                              | <u>As at 31 October</u><br><u>1992</u><br><u>£000</u> | <u>As at 31 October</u><br><u>1991</u><br><u>£000</u> |
|------------------------------|---|---|
| At the beginning of the year | 14,040  | 1,392   |
| Movement in period           | (3,373)   | 12,648  |
|                              | -----   | -----   |
| At the end of the year       | 10,667  | 14,040  |
|                              | =====   | =====   |

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST OCTOBER 1992

12. SHARE CAPITAL

|  | <u>As at 31 October</u><br><u>1992</u><br><u>£000</u> | <u>As at 31 October</u><br><u>1991</u><br><u>£000</u> |
|--|---|---|
| Authorised<br>250,000 ordinary shares of £1 each | 250<br>===  | 250<br>===  |
| Allotted, called up and fully paid               | 250<br>===  | 250<br>===  |

13. IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The company's immediate holding company is CIBC (UK) Holdings Limited, a company registered in England and Wales, and its ultimate holding company is Canadian Imperial Bank of Commerce which is incorporated in Canada. Copies of Group accounts for both companies are available from Cottons Centre, Cottons Lane, London SE1 2QL.

14. CAPITAL AND OTHER COMMITMENTS

|  | <u>As at 31 October</u><br><u>1992</u><br><u>£000</u> | <u>As at 31 October</u><br><u>1991</u><br><u>£000</u> |
|--|---|---|
| Mortgage advances on offer (subject to acceptance and contract) at the end of the financial year | -<br>===  | 113<br>===  |

15. PENSIONS

The Company made contributions to a group scheme known as the Canadian Imperial Bank of Commerce U.K. Pension Plan. Plan assets are invested in the Managed Funds of Provident Mutual Life Assurance Association (diversified fund) and in a portfolio managed by Brown Shipley Portfolio Management Limited. The contribution rate has been determined by an independent actuary, Towers, Perrin, Forster and Crosby Inc., using the aggregate method. Employees are not required to contribute to the Plan.

Group Companies have not been contributing to the plan since November 1988. The contribution holiday was recommended by the actuary in order to reduce the surplus in the plan. The actuary has recommended that the annual pension expense should be 8.51% of pensionable salary in order to comply with the accounting policy for pension contribution. A provision has been set up in the Company to reflect this.

The latest formal actuarial valuation was carried out as at 1st April, 1990 when the market value of the plan was £13,871,401. At that date the surplus amounted to 28% of the actuarial liabilities. The principal assumptions applied in the valuation were that investments would earn a yield of 9% per annum; that salaries will increase by 8.5% per annum; and that Government Benefits increase by 8% per annum.

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST OCTOBER 1992

**16. CONTINGENT LIABILITIES**

Under arrangements entered into with the securitisation vehicles the company provided escrow deposits, totalling £3,500,000. At 31st October 1992 the remaining value was £165,000 (1991: £1,889,403) which is included within cash at bank and in hand against which the securitisation vehicles can draw in the event that they suffer loan loss to a maximum of this amount. A provision of £165,000 (1991: £1,889,403) has been made against this amount (see note 11).

**17. SECURITISATION VEHICLES**

A substantial proportion of the mortgage portfolio originated by CIBC Mortgages PLC has been securitised within the MAES group of companies (MAES (Holdings) Limited and its subsidiaries). The income derived from these securitisation vehicles comprises deferred consideration, origination fees and administration fees.