

CIBC MORTGAGES PLC

REPORT AND ACCOUNTS FOR THE 14 MONTHS ENDED

31ST OCTOBER 1991

Registered No. 1989335

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COMPANIES HOUSE
29 MAY 1992
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CIBC MORTGAGES PLC

DIRECTORS' REPORT

The directors present their annual report and audited accounts for the 14 months ended 31st October 1991. The company has changed its accounting reference date to 31st October to conform with that of its ultimate holding company.

PRINCIPAL ACTIVITIES

The principal activity of the company throughout the period was granting mortgage loans secured on residential properties within the United Kingdom.

BUSINESS REVIEW

CIBC Mortgages plc continued to advance funds in respect of residential mortgages but at a significantly reduced volume compared to the previous financial year. New lending is expected to curtail further in the next period. During the period the Company sold more than £150 million of mortgage assets to third parties in a continuation of the Company's policy to sell assets to facilitate mortgage-backed securitisation issues. In what has been an extremely difficult year for the mortgage industry, the Directors are pleased to confirm a break-even trading performance.

RESULTS

The results for the period are shown in the profit and loss account on page 4. The directors recommend no final dividend (1990: £NIL). Total dividends for the period ended 31st October 1991 are £Nil (1990: £NIL).

DIRECTORS

The Directors who served during the period were:

P. Chrystall	(appointed 10th July 1991)
R. A. Coleman	(resigned 6th September 1991)
J. D. Cooper	(resigned 31st July 1991)
W. D. Drysdale	
D. Ferguson	(appointed 6th September 1991)
B. Gaitskell	(resigned 18th January 1991)
D. P. Gladdy	(resigned 31st May 1991)
H. Kluge	(resigned 22nd April 1991)
D. A. Newman	(resigned 6th September 1991)
R. E. G. Wright	

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 period.

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 1991 was £165,000.

CIBC MORTGAGES PLC

DIRECTORS' REPORT

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment 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

A handwritten signature in dark ink, appearing to read 'A T L Murray', with a long horizontal flourish extending to the right.

A T L Murray
Secretary

Cottons Centre
Cottons Lane
London
SE1 2QL

REPORT OF THE AUDITORS, TO THE
MEMBERS OF ABC MORTGAGES PLC

We have audited the accounts on pages 4 to 18 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 1991 and of its profit and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON

11 May 1992

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditor

CIBC MORTGAGES PLC
PROFIT AND LOSS ACCOUNT
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

		<u>14 months ended 31 October</u>	<u>12 months ended 31 August</u>
	<u>Note</u>	<u>1991 £000</u>	<u>1990 £000</u>
Interest income		171,740	159,377
Interest expense	2	(162,363)	(158,620)
NET INTEREST INCOME		9,377	757
Other operating income:			
Income from securitisation vehicles	17	13,442	5,750
Other income		4,235	4,272
TOTAL OPERATING INCOME		27,054	10,779
Operating expenses		(26,966)	(11,343)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	88	(564)
Tax credit on profit/(loss) on ordinary activities	5	30	126
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		118	(438)
Retained profit brought forward		688	1,126
RETAINED PROFIT CARRIED FORWARD		806	688

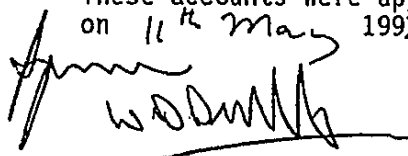
The notes on pages 8 to 18 form part of these accounts

CIBC MORTGAGES PLC

BALANCE SHEET AS AT 31ST OCTOBER 1991

	Note	<u>As at 31st October</u>		<u>As at 31st August</u>	
		<u>1991</u>		<u>1990</u>	
		<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
FIXED ASSETS					
Tangible Assets	6		538		683
MORTGAGE ASSETS	7		907,834		1,141,495
CURRENT ASSETS					
Debtors	8	24,455		20,754	
Investments	9	159		500	
Cash at bank and in hand		4,419		5,971	
		-----		-----	
			29,033		27,225
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10		(922,309)		(1,167,073)
			-----		-----
TOTAL ASSETS LESS CURRENT LIABILITIES			15,096		2,330
Provisions for liabilities and charges	11		(14,040)		(1,392)
			-----		-----
			1,056		938
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	12		250		250
Profit and loss account			806		688
			-----		-----
			1,056		938
			=====		=====

These accounts were approved by the Board of Directors
on 11th May 1992

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The notes on pages 8 to 18 form part of these accounts.

CIBC MORTGAGES PLC
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

		<u>14 months ended</u> <u>31 October 1991</u>	<u>12 months ended</u> <u>31 August 1990</u>
	<u>Note</u>	<u>£000</u>	<u>£000</u>
SOURCE OF FUNDS			
Profit/(Loss) on ordinary activities before taxation		88	(564)
Adjustment for items not involving the movement of funds:			
Depreciation		143	116
Loan loss provision and non-accrual		27,137	5,650
Loss on disposal of repossessed properties		1,707	801
Loss on disposal of fixed assets		8	14
		-----	-----
		28,995	6,581
		-----	-----
FUNDS GENERATED FROM OPERATIONS		29,083	6,017
FUNDS FROM OTHER SOURCES:			
Mortgage redemptions, repayments and repossessions	7	194,762	169,307
Proceeds from new securitisations and other sales to securitisation vehicles		194,829	45,999
Proceeds on disposal of fixed assets		10	46
Proceeds from sale of venture capital fund		-	610
Movement on accrued interest on mortgage assets		12,414	-
		-----	-----
		402,015	215,962
		-----	-----
		431,098	221,979
APPLICATION OF FUNDS			
Purchase of fixed assets	6	16	226
Purchase of venture capital fund and investments	9	-	615
Mortgage advances	7	91,175	518,332
Repurchases from securitised vehicles		93,365	61,118
Movement on accrued interest on mortgage assets		-	21,319
Tax paid		599	-
		-----	-----
		(185,155)	(601,610)
		-----	-----
INCREASE/(DECREASE) IN WORKING CAPITAL		245,943	(379,631)
		=====	=====

CIBC MORTGAGES PLC
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991 (continued)

	<u>14 months ended</u> <u>31 October 1991</u>		<u>12 months ended</u> <u>31 August 1990</u>	
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
COMPONENTS OF INCREASE/(DECREASE)				
IN WORKING CAPITAL				
(Decrease)/Increase in cash at bank and in hand		(1,552)		1,163
Decrease/(Increase) in short term borrowings		238,139		(387,325)
Increase in debtors		5,149		8,659
Decrease/(Increase) in creditors and accruals		4,548		(2,128)
Redemption of floating rate note investments		(341)		-
		-----		-----
		245,943		(379,631)
		=====		=====

The notes on pages 8 to 18 form part of these accounts.

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

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, as amended by the Companies Act 1989 and applicable accounting standards.

(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 14 MONTHS ENDED 31ST OCTOBER 1991

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. 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.

(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) Financial Futures

Profits and losses arising on closed future contracts are spread forward over the three months following the fixing date.

(j) 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.

(k) Systems development costs

Systems development costs are being amortised over two years, the unamortised balance being treated as a prepayment.

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

2. INTEREST EXPENSE

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

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

Profit/(loss) on ordinary activities before taxation is stated after charging the following:

		<u>14 months ended 31 October</u>	<u>12 months ended 31 August</u>
	<u>Note</u>	<u>1991 £000</u>	<u>1990 £000</u>
Loss on disposal of fixed assets		8	14
Depreciation	6	143	116
Auditors' remuneration		59	76
Provision for loan losses and non accrual		27,137	5,650
Loss on disposal of repossessed properties		1,707	801
		=====	=====

4. DIRECTORS AND EMPLOYEES

		<u>14 months ended 31 October</u>	<u>12 months ended 31 August</u>
		<u>1991 £000</u>	<u>1990 £000</u>
Directors' emoluments:			
Fees		Nil	Nil
Other emoluments (including pension contributions and benefits in kind)		227	283
Fees to third parties in respect of directors' services		12	
		---	---
		239	283
		===	===

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

4. DIRECTORS AND EMPLOYEES (continued)

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

	<u>14 months</u> <u>ended</u> <u>31 October</u> <u>1991</u> <u>£000</u>	<u>12 months</u> <u>ended</u> <u>31 August</u> <u>1990</u> <u>£000</u>
The Chairman	Nil ===	Nil ===
The highest paid director	108 ===	89 ===

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

	<u>14 months</u> <u>ended</u> <u>31 October</u> <u>1991</u>	<u>12 months</u> <u>ended</u> <u>31 August</u> <u>1990</u>
£ 0 - £ 5,000	5	4
£ 10,001 - £ 15,000	1	-
£ 20,001 - £ 25,000	1	1
£ 35,001 - £ 40,000	1	-
£ 45,001 - £ 50,000	-	1
£ 60,001 - £ 65,000	1	2
£ 85,001 - £ 90,000	-	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>14 months</u> <u>ended</u> <u>31 October</u> <u>1991</u>	<u>12 months</u> <u>ended</u> <u>31 August</u> <u>1990</u>
Management	8	8
Operations	67 --- 75 ===	66 --- 74 ===

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

4. DIRECTORS AND EMPLOYEES (continued)

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

	<u>14 months</u> <u>ended</u> <u>31 October</u>	<u>12 months</u> <u>ended</u> <u>31 August</u>
	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Wages and salaries	1,760	2,096
Social security costs	127	162
Other pension costs	117	230
	-----	-----
	2,004	2,488
	=====	=====

5. TAXATION

Taxation credit based on the profit/(loss) for the 14 months of the company:

	<u>14 months</u> <u>ended</u> <u>31 October</u> <u>1991</u>	<u>12 months</u> <u>ended</u> <u>31 August</u> <u>1990</u>
	<u>£000</u>	<u>£000</u>
UK corporation tax at 33½% (1990:35%)		
- current tax	23	1,504
- deferred tax	7	(1,630)
	-----	-----
Prior years adjustments	30 (60)	(126) -
	-----	-----
	(30)	(126)
	=====	=====

It is anticipated that the taxable profits of the company will be relieved by losses elsewhere in the group and that corporation tax liabilities will be settled by group relief payments.

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

DEFERRED TAXATION

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

	<u>As at</u> <u>31st October</u> <u>1991</u> <u>£000</u>	<u>As at</u> <u>31st August</u> <u>1990</u> <u>£000</u>
Capital allowances and depreciation	26	59
Loan loss provision and other timing differences	-	(2,106)
	====	=====
	26	(2,047)
	====	=====

6. FIXED ASSETS

	<u>Computer</u> <u>equipment</u> <u>£000</u>	<u>Furniture</u> <u>& office</u> <u>machinery</u> <u>£000</u>	<u>Motor</u> <u>vehicles</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Cost:				
As at 1st September 1990	493	273	177	943
Additions	-	2	14	16
Disposals	(2)	-	(45)	(47)
	---	---	---	---
As at 31st October 1991	491	275	146	912
	===	===	===	===
Accumulated depreciation:				
As at 1st September 1990	152	45	63	260
Charge for the period	85	23	35	143
Disposals	(1)	-	(28)	(29)
	---	---	---	---
As at 31st October 1991	236	68	70	374
	===	===	===	===
Net book value:				
As at 31st October 1991	255	207	76	538
	===	===	===	===
As at 31st August 1990	341	228	114	683
	===	===	===	===

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

7. MORTGAGE ASSETS

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

	<u>As at 31 October</u> <u>1991</u> <u>£000</u>	<u>As at 31 August</u> <u>1990</u> <u>£000</u>
At the beginning of the period	1,119,188	755,845
Advances	91,175	518,332
Redemptions, repayments and realisation of security	(199,226)	(170,108)
Transfer (to)/from third parties	(101,464)	15,119
	-----	-----
At the end of the period	909,673	1,119,188
Accrued interest	19,911	32,325
	-----	-----
Mortgage assets (incl. accrued interest)	929,584	1,151,513
Provisions for non accrual and loan loss	(21,750)	(10,018)
	-----	-----
	907,834	1,141,495
	=====	=====

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 1991 are repossessed properties of £18,991,486 (1990 £14,354,000).

Under pool insurance underwritten in the UK, 68% (1990: 73%) 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 £4,841,560 (1990: NIL) 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> <u>1991</u> <u>£000</u>	<u>As at 31 August</u> <u>1990</u> <u>£000</u>
Amounts due from MAES companies	19,215	6,768
Other debtors, prepayments and accrued income	4,618	11,939
Deferred taxation (note 5)	-	2,047
Amounts due from group undertakings	622	-
	-----	-----
	24,455	20,754
	=====	=====

CIBC MORTGAGES PLC
NOTES TO THE ACCOUNTS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

9. INVESTMENTS

	<u>As at 31 October</u> <u>1991</u> <u>£000</u>	<u>As at 31 August</u> <u>1990</u> <u>£000</u>
Mortgage backed floating rate notes	159 ===	500 ===

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>As at 31 October</u> <u>1991</u> <u>£000</u>	<u>As at 31 August</u> <u>1990</u> <u>£000</u>
Balances due to CIBC London Branch		
Short term loans	913,050	1,141,005
Accrued interest on short term loans	6,719	16,818
Current account	-	85
	----- 919,769	----- 1,157,908
Bank overdrafts	-	147
Amounts owed to group undertakings	1,955	5,995
Accruals and deferred income	353	2,161
Other creditors	232	862
	----- 922,309 =====	----- 1,167,073 =====

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> <u>1991</u> <u>£000</u>	<u>As at 31 August</u> <u>1990</u> <u>£000</u>
At the beginning of the period	1,392	-
Movement in period	12,648	1,392
	-----	-----
At the end of the period	14,040 =====	1,392 =====

CIBC MORTGAGES PLC
NOTES TO THE ACCOUNTS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

12. SHARE CAPITAL

	<u>As at 31 October</u>	<u>As at 31 August</u>
	<u>1991</u>	<u>1990</u>
	<u>£000</u>	<u>£000</u>
Authorised		
250,000 ordinary shares of £1 each	250	250
	===	===
Allotted, called up and fully paid	250	250
	===	===

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>	<u>As at 31 August</u>
	<u>1991</u>	<u>1990</u>
	<u>£000</u>	<u>£000</u>
Mortgage advances on offer (subject to acceptance and contract) at the end of the financial period	113	39,516
	=====	=====

15. PENSIONS

The company makes 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. The contribution rate has been determined by an independent actuary, Towers, Perrin, Forster and Crosby Inc., using the aggregate method.

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

15. PENSIONS

The company has not contributed 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 recommended at that time, the annual pensions expense should be 9.28% of pensionable salary in order to comply with the accounting policy for pension contributions. The pension cost for the period was £117,000 (1990: £230,000). Accrued pension costs of £457,000 (1990: £340,000) are included in other creditors (note 10).

The latest formal actuarial valuation was carried out as at 1st April, 1990, when the market value of the plan was £14,954,526. At that date the surplus amounted to 39% of the actuarial liabilities. The principal assumptions applied in the valuation were that investments would earn a yield of 8.5% per annum; that salaries will increase by 7.5% per annum; and the Government Benefits increase by 7% per annum. The actuary recommended that future annual pension expense should be 13.6% of pensionable salary in order to comply with the accounting policy for pension contributions.

16. CONTINGENT LIABILITIES

Under arrangements entered into with the securitisation vehicles the company provided escrow deposits, totalling £3,500,000. At 31st October 1991 the remaining value was £1,889,403 (1990: £3,500,000) 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 £1,889,403 (1990: £1,392,000) has been made against this amount (see note 11).

During the year the company securitised £150,700,000 of mortgages. The mortgages were already insured prior to the securitisation and were subject to the company meeting a 0.5% first loss in respect of its entire insured portfolio. These insurance arrangements remain in place notwithstanding the securitisation.

In the normal course of business, the company may have various outstanding contracts such as interest rate future contracts. These items are not reflected in the statement of assets and liabilities and the management of the company does not anticipate any material loss as a result of these transactions. The total value of contracts outstanding, valued at market rates at 31st October 1991 was £NIL (1990: £57,950,551).

CIBC MORTGAGES PLC

NOTES TO THE ACCOUNTS
FOR THE 14 MONTHS ENDED 31ST OCTOBER 1991

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.