

HOMELoAN MANAGEMENT LIMITED

DIRECTORS' REPORT & ACCOUNTS

31 DECEMBER 1997

(Registered Number 2214839)



## DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31 December 1997.

### PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the company in the year under review was that of mortgage administration and will continue to be so for the foreseeable future.

### BUSINESS REVIEW

The results for the year are shown in the profit and loss account and notes thereto. No interim dividend has been paid during the year under review (1996: £ nil). The directors do not propose the payment of a final dividend (1996: £ nil).

### DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:-

J R Skae (Chairman)

J G Goodfellow

R J McCormick

A B Meeks

W A L Lacon

S W Haggerty

R J Twigg (Resigned 17 January 1997)

Mr J G Goodfellow, Mr R J McCormick and Mr J R Skae are also 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.

No other director serving at 31 December 1997 held any interests in the shares of group undertakings during the year.


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DIRECTORS' REPORT (continued)

EMPLOYEES

The company's policy is to give all applications for employment from disabled persons full consideration in relation to the vacancy concerned. In the event of existing staff members becoming disabled, every effort is made to enable them to maintain their present position or to employ them in suitable work within another department.

All staff are briefed by their managers in meetings organised on a regular basis. The staff are represented by their Staff Association, the committee of which meets regularly both with and without management representatives.

By order of the board  
  
J W Dawson  
Secretary

23 February 1998

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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year 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 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.

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REPORT OF THE AUDITORS TO THE MEMBERS OF HOMELoAN  
MANAGEMENT LIMITED

We have audited the accounts on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

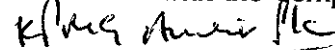
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG Audit Plc

Chartered Accountants  
Registered Auditor  
LEEDS

23 February 1998

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> £'000
TURNOVER	1	8,443	7,111
ADMINISTRATIVE EXPENSES		(7,444)	(6,639)
		—	—
OPERATING PROFIT		999	472
INTEREST RECEIVABLE & SIMILAR INCOME	2	198	166
		—	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,4	1,197	638
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	5	(402)	(198)
		—	—
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		795	440
RETAINED PROFIT BROUGHT FORWARD		177	(263)
		—	—
RETAINED PROFIT CARRIED FORWARD		972	177
		—	—

The notes on pages 7 to 15 form part of these accounts.

There were no recognised gains or losses in the current year (1996: £ nil) 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 AS AT 31 DECEMBER 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	6	956	465
CURRENT ASSETS			
Debtors	7	4,845	4,512
Cash at bank and in hand		148	134
		4,993	4,646
CREDITORS:			
Amounts falling due within one year	8	(1,941)	(1,810)
NET CURRENT ASSETS		3,052	2,836
TOTAL ASSETS LESS CURRENT LIABILITIES		4,008	3,301
CREDITORS:			
Amounts falling due after more than one year	9	(4)	(92)
NET ASSETS		4,004	3,209
CAPITAL AND RESERVES			
Called up equity share capital	12	2,852	2,852
Share premium account	13	180	180
Profit and loss account		972	177
EQUITY SHAREHOLDERS' FUNDS	14	4,004	3,209

A statement of movements in shareholders' funds is given in note 14.

These accounts were approved by the board of directors on 23 February 1998.

J G Goodfellow )  
A B Meeks )  
Directors

*J. G. Goodfellow*  
*AB*

The notes on pages 7 to 15 form part of these accounts.

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## NOTES TO THE ACCOUNTS

### 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) Basis of accounting

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

(b) Cashflow Statement

Under Financial Reporting Standard No 1 (Revised), the company is exempt from the requirement to prepare a cashflow statement as all of its voting rights are controlled by Skipton Building Society, whose group annual report and accounts are publicly available.

(c) Turnover

Turnover represents amounts invoiced in respect of services provided excluding value added tax. All sales are made within the United Kingdom. Income is recognised on fees receivable on the basis of work performed.

(d) Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets over their estimated useful lives as follows:-

Office and computer equipment	-	20% on cost
Motor vehicles	-	25% on written down value
Long leasehold buildings	-	2% on cost

Major fixed asset purchases are depreciated on a monthly basis from the date utilization commences. Other items receive a full year's depreciation charge in the year of purchase.

(e) Deferred Taxation

Provision is made using the liability method for taxation which is deferred as a result of items included in these accounts being dealt with in a different period for taxation purposes, to the extent that it is likely that such taxation will become payable in the foreseeable future.



NOTES TO THE ACCOUNTS (continued)

(f) Lease Contracts

Rentals payable under operating leases are charged to the profit and loss account when incurred.

(g) Pensions

The majority of the company's employees are members of the Skipton Building Society group defined benefit pension scheme, the assets of which are held separately from the company in an independently administered scheme. Contributions are transferred to the trustees on a regular basis to secure the benefits provided under the rules of the scheme. In addition, the company operates several defined contribution schemes, including a Skipton Building Society group scheme, the assets of which are held separately from the company in independently administered schemes. Contributions are charged to revenue and included in staff costs.

(h) Related Party Transactions

Under Financial Reporting Standard No 8 ('FRS 8'), the company is exempt from disclosing transactions with entities within the Skipton Building Society group as all of its voting rights are controlled by Skipton Building Society, whose group annual report and accounts are publicly available.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Received from parent undertaking	183	156
Bank interest receivable	15	10
	<hr/>	<hr/>
	198	166
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>1997</u> £'000	<u>1996</u> £'000
Depreciation of tangible fixed assets	233	184
Profit on sale of tangible fixed assets	(3)	(1)
Operating lease payments - office equipment	75	126
- land & buildings	606	586
Auditors' and its associates remuneration and expenses for - audit services	15	15
- for non audit work	-	3

4. STAFF NUMBERS AND COSTS

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

	<u>1997</u> Number	<u>1996</u> Number
Directors	6	7
Administration	283	234
	<hr/>	<hr/>
	289	241
	<hr/>	<hr/>

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

	<u>1997</u> £'000	<u>1996</u> £'000
Wages and salaries	3,415	2,723
Social security costs	208	191
Other pension costs	153	141
	<hr/>	<hr/>
	3,776	3,055
	<hr/>	<hr/>

## NOTES TO THE ACCOUNTS (continued)

	<u>1997</u> £'000	<u>1996</u> £'000
Directors' Emoluments:		
Remuneration as directors	235	244
Company contributions to money purchase pension schemes	4	4
	<hr/>	<hr/>
	239	248
	<hr/>	<hr/>

The emoluments of the highest paid director was £105,000 (1996: £95,000).

## Number of Directors

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	1	1
Defined benefit schemes	2	3
	<hr/>	<hr/>
	3	4
	<hr/>	<hr/>

5 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the year comprises:

	<u>1997</u> £'000	<u>1996</u> £'000
UK corporation tax calculated at 31.5% (1996: 33%) on the profit for the year	315	170
Corporation tax adjustment relating to previous years	2	(20)
Deferred taxation at 30% (1996: 33%)	48	34
Deferred tax adjustment relating to previous years	37	14
	<hr/>	<hr/>
	402	198
	<hr/>	<hr/>

## NOTES TO THE ACCOUNTS (continued)

6. TANGIBLE FIXED ASSETS

	Long Leasehold Land and Buildings £'000	Office & Computer Equipment £'000	Motor Vehicles £'000	Total £'000
COST				
At 1 January 1997	85	1,030	232	1,347
Additions	-	634	134	768
Transfer of assets from/(to) group undertakings	-	5	(35)	(30)
Disposals	-	-	(75)	(75)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	85	1,669	256	2,010
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 1997	22	746	114	882
Charge for year	2	173	58	233
Transfer of assets from/(to) group undertakings	-	2	(11)	(9)
Disposals	-	-	(52)	(52)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	24	921	109	1,054
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE	61	748	147	956
At 31 December 1997	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	63	284	118	465
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)

7. DEBTORS

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Trade debtors	1,088	847
Amounts owed by parent undertaking	3,240	2,486
Amounts owed by fellow subsidiary undertakings	94	101
Prepayments and accrued income	280	350
Corporation tax - group relief	-	500
Deferred taxation (note 11)	143	228
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	4,845	4,512
	<hr/>	<hr/>

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Trade creditors	182	123
Amounts owed to fellow subsidiary undertakings	129	92
Corporation tax	315	216
Other taxes	86	103
Other creditors	35	32
Accruals and deferred income	1,194	1,244
	<hr/>	<hr/>
	1,941	1,810
	<hr/>	<hr/>

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

	<u>1997</u>	<u>1996</u>
	£'000	£'000
Other creditors	4	92
	<hr/>	<hr/>

## NOTES TO THE ACCOUNTS (continued)

10. OBLIGATIONS UNDER LEASING CONTRACTS

The future annual obligations under operating lease contracts relating to office equipment to which the company is committed as at 31 December 1997 are as follows:-

	<u>1997</u> £'000	<u>1996</u> £'000
Repayments due on contracts expiring:		
Within one year	-	126
Within two to five years	20	-
	<hr/>	<hr/>
	20	126
	<hr/>	<hr/>

In addition the company is liable for rent on its leased premises totalling £606,000 per annum (1996: £586,000). The leases on such premises are short leases which expire more than five years after 31 December 1997.

11. PROVISIONS FOR LIABILITIES AND CHARGESDEFERRED TAXATION

Taxation deferred at 30% (1996: 33%) representing the full potential asset arises from:

	<u>1997</u> £'000	<u>1996</u> £'000
Short term timing differences	23	31
Accelerated depreciation over capital allowances	120	160
Trading losses	-	37
	<hr/>	<hr/>
Deferred tax asset (note 7)	143	228
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS (continued)

12. EQUITY SHARE CAPITAL

	<u>1997</u> £'000	<u>1996</u> £'000
AUTHORISED:		
3,000,000 £1 ordinary shares	3,000	3,000
	_____	_____
ALLOTTED, CALLED UP AND FULLY PAID:		
2,851,760 £1 ordinary shares	2,852	2,852
	_____	_____

13. SHARE PREMIUM ACCOUNT

	<u>1997</u> £'000	<u>1996</u> £'000
On shares issued	180	180
	_____	_____

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1997</u> £'000	<u>1996</u> £'000
At 1 January	3,209	2,769
Retained profit for the financial year	795	440
	_____	_____
At 31 December	4,004	3,209
	_____	_____

15. CAPITAL COMMITMENTS

At 31 December 1997 there were no outstanding capital commitments (1996: £ nil).

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NOTES TO THE ACCOUNTS (continued)

16. PENSIONS

The majority of the employees of the company are members of the Skipton Building Society group defined benefit pension scheme. The pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. The scheme was the subject of a full actuarial valuation at 1 April 1997 and particulars of this valuation are included in the annual report and accounts of Skipton Building Society.

The company also operates a number of defined contribution schemes, including a Skipton Building Society group scheme, the assets of which are held separately from those of the company in independently administered funds. The total pension cost for the year in respect of defined contribution schemes amounted to £48,000 (1996: £33,000). There were no outstanding or overpaid pension contributions at 31 December 1997 (1996: £ nil). The total pension cost for the company in the year and the prior year is shown in note 4.

17. RELATED PARTY TRANSACTIONS

There are no other related party transactions which require disclosure under FRS 8.

18. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Skipton Building Society, which is registered in the United Kingdom. Under Section 22 of the Building Societies Act 1986 the Society is obliged to discharge the liabilities of the company incurred prior to 11 June 1996, insofar as it is unable to do so out of its own assets, when this section was repealed.

A copy of the group annual report and accounts into which the results of this company are consolidated is available from:

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