

HOMELoAN MANAGEMENT LIMITED
DIRECTORS' REPORT & FINANCIAL STATEMENTS

31 DECEMBER 1996

(Registered Number 2214839)



DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITY 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.

DIVIDENDS

The Directors do not propose the payment of a final dividend (1995: £ 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 (appointed 1 April 1996, resigned 17 January 1997)

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

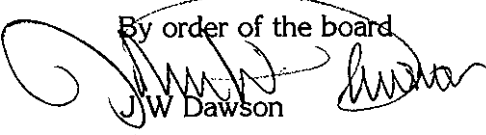
No other Director serving at 31 December 1996 held any interests in the shares of group undertakings during the year.

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

24 February 1997

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 and 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 AUDITOR TO THE MEMBERS OF HOMELoAN MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of Directors and auditor

As described on page 3 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.

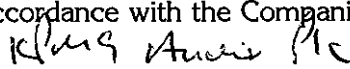
Basis of opinion

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 1996 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

24 February 1997

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u> £'000	<u>1995</u> £'000
TURNOVER	1	7,111	6,870
ADMINISTRATIVE EXPENSES		(6,639)	(6,131)
		—	—
OPERATING PROFIT		472	739
INTEREST RECEIVABLE & SIMILAR INCOME	2	166	193
		—	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,4,5	638	932
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6	(198)	(330)
		—	—
RETAINED PROFIT FOR THE FINANCIAL YEAR		440	602
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		(263)	(865)
		—	—
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		177	(263)
		—	—

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

There were no recognised gains or losses in the current year (1995: 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 AS AT 31 DECEMBER 1996

	Note	1996 £'000	1995 £'000
FIXED ASSETS			
Tangible assets	7	465	422
CURRENT ASSETS			
Debtors	8	4,512	4,585
Cash at bank and in hand		134	68
		4,646	4,653
CREDITORS:			
Amounts falling due within one year	9	(1,810)	(2,189)
NET CURRENT ASSETS		2,836	2,464
TOTAL ASSETS LESS CURRENT LIABILITIES		3,301	2,886
CREDITORS:			
Amounts falling due after more than one year	10	(92)	(117)
NET ASSETS		3,209	2,769
CAPITAL AND RESERVES			
Called up equity share capital	13	2,852	2,852
Share premium account	14	180	180
Profit and loss account		177	(263)
EQUITY SHAREHOLDERS' FUNDS	15	3,209	2,769

A statement of movements in shareholders' funds is given in note 15.

These financial statements were approved by the board of Directors on 24 February 1997

J G Goodfellow)

Directors

A B Meeks)

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

NOTES TO THE FINANCIAL STATEMENTS

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 financial statements:-

(a) Basis of accounting

The financial statements 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), which has been adopted early, the company is exempt from preparing a cashflow statement as 90% or more of its voting rights are controlled within the Skipton Building Society group, whose 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

(e) Deferred Taxation

Provision is made using the liability method for taxation which is deferred as a result of items included in these financial statements 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.

(f) Lease Contracts

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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, the company is exempt from disclosing transactions with entities within the Skipton Building Society group as 90% or more of its voting rights are controlled within the group, whose annual report and accounts are publicly available.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1996</u> £'000	<u>1995</u> £'000
Received from parent undertaking	156	177
Bank interest receivable	10	16
	<hr/>	<hr/>
	166	193
	<hr/>	<hr/>

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>1996</u> £'000	<u>1995</u> £'000
Depreciation of tangible fixed assets	184	168
Profit on sale of tangible fixed assets	(1)	(6)
Operating lease payments - office equipment	126	126
- land & buildings	586	586
Auditor and its associates remuneration - audit services	15	16
- other services	3	4

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DIRECTORS' EMOLUMENTS

Directors' emoluments, including pension contributions, amounted to £254,000 (1995: £235,000).

Excluding pension contributions, the chairman received £ nil (1995: £ nil), and the highest paid Director received £94,722 (1995: £99,304).

Directors' emoluments, including the above, stated exclusive of pension contributions were:

	<u>1996</u> Number	<u>1995</u> Number
£0-£5,000	3	5
£5,001-£10,000	-	1
£25,001-£30,000	1	1
£35,001-£40,000	-	1
£45,001-£50,000	-	1
£55,001-£60,000	1	-
£60,001-£65,000	1	-
£90,001-£95,000	1	-
£95,001-£100,000	-	1

5. 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>1996</u> Number	<u>1995</u> Number
Directors	7	7
Administration	234	210
	<hr/>	<hr/>
	241	217
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

STAFF NUMBERS AND COSTS (continued)

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

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Wages and salaries	2,723	2,643
Social security costs	191	195
Other pension costs	141	137
	<hr/>	<hr/>
	3,055	2,975
	<hr/>	<hr/>

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge for the year comprises:

	<u>1996</u>	<u>1995</u>
	£'000	£'000
UK corporation tax on the profit for the year at 33% (1995: 33%)	170	220
Corporation tax adjustment relating to previous years	(20)	19
Deferred taxation at 33% (1995: 33%)	34	107
Deferred tax adjustment relating to previous years	14	(16)
	<hr/>	<hr/>
	198	330
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. TANGIBLE FIXED ASSETS

	Long Leasehold Land and Buildings £'000	Office & Computer Equipment £'000	Motor Vehicles £'000	Total £'000
COST				
At 1 January 1996	85	837	230	1,152
Additions	-	193	54	247
Transfer of assets to group undertakings	-	-	(28)	(28)
Disposals	-	-	(24)	(24)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	85	1,030	232	1,347
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 1996	15	609	106	730
Charge for year	7	137	40	184
Transfer of assets to group undertakings	-	-	(17)	(17)
Disposals	-	-	(15)	(15)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1996	22	746	114	882
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 December 1996	63	284	118	465
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1995	70	228	124	422
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. DEBTORS

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Trade debtors	847	967
Amounts owed by parent undertaking	2,486	2,477
Amounts owed by fellow subsidiary undertakings	101	-
Prepayments and accrued income	350	385
Corporation tax - group relief	500	480
Deferred taxation (note 12)	228	276
	<hr/>	<hr/>
	4,512	4,585
	<hr/>	<hr/>

Prepayments include £ nil (1995: £44,000) which is due after more than one year.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Trade creditors	123	127
Amounts owed to fellow subsidiary undertakings	92	130
Corporation tax	216	225
Other taxes	103	132
Other creditors	32	75
Accruals and deferred income	1,244	1,500
	<hr/>	<hr/>
	1,810	2,189
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Other creditors	92	117
	<u> </u>	<u> </u>

11. 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 1996 are as follows:-

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Repayments due on contracts expiring:		
Within one year	126	-
Within two to five years	-	126
	<u> </u>	<u> </u>
	126	126
	<u> </u>	<u> </u>

In addition the company is liable for rent on its leased premises totalling £586,000 per annum (1995: £586,000). The leases on such premises are short leases which expire more than five years after 31 December 1996.

12. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

Taxation deferred at 33% (1995: 33%) representing the full potential asset arises from:

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Short term timing differences	31	44
Accelerated depreciation over capital allowances	160	195
Trading losses	37	37
	<u> </u>	<u> </u>
Deferred tax asset (note 8)	228	276
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. CALLED UP EQUITY SHARE CAPITAL

	<u>1996</u> £'000	<u>1995</u> £'000
AUTHORISED:		
3,000,000 £1 ordinary shares	3,000	3,000
	<hr/>	<hr/>
ALLOTTED, CALLED UP AND FULLY PAID:		
2,851,760 £1 ordinary shares	2,852	2,852
	<hr/>	<hr/>

14. SHARE PREMIUM ACCOUNT

	<u>1996</u> £'000	<u>1995</u> £'000
On shares issued	180	180
	<hr/>	<hr/>

15. EQUITY SHAREHOLDERS' FUNDS

	<u>1996</u> £'000	<u>1995</u> £'000
At 1 January 1996	2,769	2,167
Retained profit for the financial year	440	602
	<hr/>	<hr/>
At 31 December 1996	3,209	2,769
	<hr/>	<hr/>

16. CAPITAL COMMITMENTS

At 31 December 1996 there were no outstanding capital commitments (1995: £ nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. 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 1994 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 £33,000 (1995: £20,000). There were no outstanding or overpaid pension contributions at 31 December 1996 (1995: £ nil).

18. RELATED PARTY TRANSACTIONS

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

19. 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, in so far 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