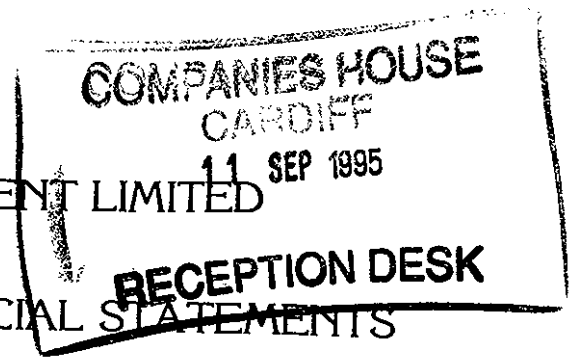
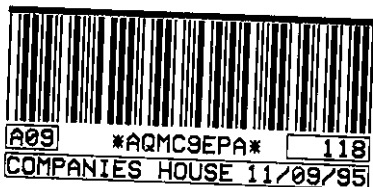


HOMELoAN MANAGEMENT LIMITED
DIRECTORS' REPORT & FINANCIAL STATEMENTS



31 DECEMBER 1994

(Registered Number 2214839)



HOMELoAN MANAGEMENT LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of mortgage administration.

BUSINESS REVIEW

The results for the year are summarised as follows:

	<u>1994</u>	<u>1993</u>
	£'000	£'000
Turnover	8,909	10,436
Administrative expenses	(8,683)	(10,080)
	<hr/>	<hr/>
Trading profit	226	356
Restructuring costs	(2,024)	-
Net interest receivable	121	43
	<hr/>	<hr/>
(Loss)/profit before tax	(1,677)	399
	<hr/>	<hr/>

The restructuring costs represent the costs of consolidating the company's operation onto one site.

FIXED ASSETS

Significant movements in fixed assets are shown in note 9 to the financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:-

R S Blizzard (Chairman)
 J G Goodfellow
 R J McCormick
 R A Stockdale
 A B Meeks
 B D Smith
 W A L Lacon (appointed 1 May 1994)
 S C A Smith (resigned 26 August 1994)
 T Thorpe (resigned 6 January 1995)

HOMELoAN MANAGEMENT LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND DIRECTORS' INTERESTS (continued)

Mr J G Goodfellow, Mr R S Blizzard, Mr R J McCormick and Mr R A Stockdale 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 1994 held any interests in the shares of group undertakings during the year.

SHARE CAPITAL

During the year the company's authorised share capital was increased to 3,000,000 £1 ordinary shares and 2,850,000 £1 ordinary shares were issued at par for cash to the ultimate parent undertaking in order to strengthen the company's capital base.

DIVIDENDS

The directors do not propose the payment of a final dividend (1993: £ nil).

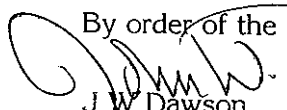
EMPLOYEES

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.

AUDITORS

On 6 February 1995, our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

J W Dawson
Secretary

23 February 1995

HOMELoAN MANAGEMENT LIMITED

DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE PREPARATION OF THE FINANCIAL STATEMENTS

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.

HOMELoAN MANAGEMENT LIMITED

REPORT OF THE AUDITORS, KPMG, TO THE MEMBERS OF
HOMELoAN MANAGEMENT LIMITED

We have audited the financial statements on pages 5 to 18.

Respective responsibilities of directors and auditors

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 affairs of the company at 31 December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG

Chartered Accountants

Registered Auditors

BRADFORD

23 February 1995

HOMELoAN MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	Note	<u>1994</u> £'000	<u>1993</u> £'000
TURNOVER	1	8,909	10,436
ADMINISTRATIVE EXPENSES		(8,683)	(10,080)
RESTRUCTURING COSTS	2	(2,024)	-
		<hr/>	<hr/>
TOTAL ADMINISTRATIVE EXPENSES		(10,707)	(10,080)
		<hr/>	<hr/>
OPERATING (LOSS)/PROFIT		(1,798)	356
INTEREST RECEIVABLE & SIMILAR INCOME	3	121	78
INTEREST PAYABLE	4	-	(35)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5,6,7	(1,677)	399
TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES	8	531	(122)
		<hr/>	<hr/>
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR	17	(1,146)	277
		<hr/>	<hr/>

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

There were no recognised gains or losses in the current year (1993: 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.

A statement of movements on reserves and in shareholders' funds is given in note 17.

HOMELoAN MANAGEMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1994

	Note	1994 £'000	1993 £'000
FIXED ASSETS			
Tangible assets	9	455	801
CURRENT ASSETS			
Debtors	10	3,888	3,728
Cash at bank and in hand		137	613
		4,025	4,341
CREDITORS:			
Amounts falling due within one year	11	(2,003)	(4,679)
NET CURRENT ASSETS/(LIABILITIES)		2,022	(338)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,477	463
CREDITORS:			
Amounts falling due after more than one year	12	(310)	-
NET ASSETS		2,167	463
CAPITAL AND RESERVES			
Called up share capital	15	2,852	2
Share premium account	16	180	180
Profit and loss account	17	(865)	281
		2,167	463

These accounts were approved by the board of Directors on 23 February 1995.

J G Goodfellow)

Directors

A B Meeks)

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

HOMELoAN MANAGEMENT LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1994

	Note	<u>1994</u>		<u>1993</u>	
		£'000	£'000	£'000	£'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	22		(3,584)		248
RETURNS ON INVESTMENTS & SERVICING OF FINANCE					
Interest received		121		78	
Interest paid		-		(35)	
			121		43
TAXATION					
Corporation tax paid		(17)		(9)	
Group relief paid		-		(308)	
			(17)		(317)
INVESTING ACTIVITIES					
Purchase of tangible fixed assets		(173)		(200)	
Transfer of fixed assets from group undertakings		(28)		-	
Proceeds of sale of tangible fixed assets		45		82	
			(156)		(118)
NET CASH OUTFLOW BEFORE FINANCING			(3,636)		(144)
FINANCING					
Increase in creditors: amounts falling due after more than one year		310		-	
Issue of shares		2,850		-	
			3,160		-
Net decrease in cash & cash equivalents	23, 24		(476)		(144)

HOMELoAN MANAGEMENT LIMITED

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) 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.

(c) 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

(d) 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.

(e) Lease Contracts

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

HOMELoAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) 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, the assets of which are held separately from the company in independently administered schemes. Contributions are charged to revenue and included in staff costs.

2. RESTRUCTURING COSTS

Restructuring costs comprise redundancy costs, dead rent provisions and other costs arising as a result of the company's decision to consolidate its operation onto one site.

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	1994 £'000	1993 £'000
Received from group undertakings	107	64
Bank interest receivable	14	14
	<hr/>	<hr/>
	121	78
	<hr/>	<hr/>

HOMELoAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. INTEREST PAYABLE

	1994 £'000	1993 £'000
Payable to group undertakings	-	35
	<u> </u>	<u> </u>

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

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

	1994 £'000	1993 £'000
Depreciation of tangible fixed assets	320	352
Loss/(profit) on sale of tangible fixed assets	167	(12)
Operating lease payments - office equipment	135	126
- land & buildings	586	586
Auditors' remuneration and expenses	17	17
Auditors' remuneration in respect of taxation services	4	8
Directors' emoluments including pension contributions	267	241
Restructuring costs (note 2)	2,024	-

6. DIRECTORS' EMOLUMENTS

Excluding pension contributions, the chairman received £ nil (1993: £ nil), and the highest paid director received £75,267. (1993: £64,158).

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

	1994 Number	1993 Number
£0 - £5,000	4	5
£15,001-£20,000	-	1
£30,001-£35,000	1	-
£35,001-£40,000	1	-
£40,001-£45,000	1	1
£50,001-£55,000	-	1
£55,001-£60,000	-	1
£60,001-£65,000	-	1
£65,001-£70,000	1	-
£75,001-£80,000	1	-

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. STAFF NUMBERS AND COSTS

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

	1994 Number	1993 Number
Directors	8	8
Administration	293	348
	<hr/>	<hr/>
	301	356
	<hr/> <hr/>	<hr/> <hr/>

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

	1994 £'000	1993 £'000
Wages and salaries	3,706	4,478
Social security costs	319	397
Other pension costs	151	187
	<hr/>	<hr/>
	4,176	5,062
	<hr/> <hr/>	<hr/> <hr/>

8. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The taxation (credit)/charge for the year comprises:

	1994 £'000	1993 £'000
UK corporation tax on the (loss)/profit for the year at 33% (1993: 33%)	(425)	77
Corporation tax adjustment relating to previous years	2	(57)
Deferred taxation at 33% (1993: 33%)	(108)	61
Deferred tax adjustment relating to previous years	-	41
	<hr/>	<hr/>
	(531)	122
	<hr/> <hr/>	<hr/> <hr/>

The company has corporation tax losses carried forward in one of its trading divisions of £156,000 (1993: £156,000).

HOMELoAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TANGIBLE FIXED ASSETS

	Long Leasehold Land and Buildings £'000	Office & Computer Equipment £'000	Motor Vehicles £'000	Total £'000
COST				
At 1 January 1994	85	4,276	308	4,669
Additions	-	105	53	158
Transfer of assets from group undertakings	-	-	37	37
Disposals	-	(3,657)	(123)	(3,780)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1994	85	724	275	1,084
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 1994	9	3,737	122	3,868
Charge for year	2	251	67	320
Transfer of assets from group undertakings	-	-	9	9
Disposals	-	(3,494)	(74)	(3,568)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1994	11	494	124	629
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 December 1994	74	230	151	455
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1993	76	539	186	801
	<hr/>	<hr/>	<hr/>	<hr/>

HOMELoAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. DEBTORS

	1994 £'000	1993 £'000
Trade debtors	1,290	1,234
Amounts owed by group undertakings	1,715	1,764
Other debtors	-	174
Prepayments and accrued income	399	297
Corporation tax	117	-
Deferred taxation (note 14)	367	259
	<hr/>	<hr/>
	3,888	3,728
	<hr/>	<hr/>

Prepayments include £132,000 (1993: £ nil) which is due after more than one year.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994 £'000	1993 £'000
Trade creditors	135	14
Amounts owed to group undertakings	21	3,171
Corporation tax	-	323
Other taxes	187	282
Other creditors	366	-
Accruals and deferred income	1,294	889
	<hr/>	<hr/>
	2,003	4,679
	<hr/>	<hr/>

HOMELoAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	1994 £'000	1993 £'000
Other creditors	310	-
	<u> </u>	<u> </u>

13. 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 1994 are as follows:-

	1994 £'000	1993 £'000
Repayments due on contracts expiring:		
Within one year	9	-
Within two to five years	126	126
	<u> </u>	<u> </u>
	135	126
	<u> </u>	<u> </u>

In addition the company is liable for rent on its leased premises totalling £586,000 per annum (1993: £586,000). The leases on such premises are short leases which expire more than five years after 31 December 1994.

HOMELoAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES

DEFERRED TAXATION

Taxation deferred at 33% (1993: 33%) representing the full potential asset arises from:

	1994 £'000	1993 £'000
Short term timing differences	80	-
Accelerated depreciation over capital allowances	250	222
Trading losses	37	37
	<hr/>	<hr/>
Deferred tax asset (note 10)	367	259
	<hr/> <hr/>	<hr/> <hr/>

15. SHARE CAPITAL

	1994 £'000	1993 £'000
AUTHORISED:		
3,000,000 (1993: 2,000) £1 ordinary shares	3,000	2
	<hr/> <hr/>	<hr/> <hr/>
ALLOTTED, CALLED UP AND FULLY PAID:		
2,851,760 (1993: 1,760) £1 ordinary shares	2,852	2
	<hr/> <hr/>	<hr/> <hr/>

During the year the authorised share capital was increased to 3,000,000 £1 ordinary shares and £2,850,000 £1 ordinary shares were issued at par for cash to the ultimate parent undertaking in order to strengthen the company's capital base.

HOMELoAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. SHARE PREMIUM ACCOUNT

	1994 £'000	1993 £'000
On shares issued	180	180
	<u> </u>	<u> </u>

17. PROFIT AND LOSS ACCOUNT

	1994 £'000	1993 £'000
Balance at 1 January 1994	281	4
Retained (loss)/profit for the financial year	(1,146)	277
	<u> </u>	<u> </u>
Balance at 31 December 1994	(865)	281
	<u> </u>	<u> </u>

18. CAPITAL COMMITMENTS

At 31 December 1994 there were no outstanding capital commitments (1993: £nil).

19. PENSIONS

The majority of the employees of the company are members of the Skipton Building Society pension scheme which is a defined benefit scheme. The pension costs are assessed in accordance with the advice of independent 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 financial statements of Skipton Building Society.

The company also operates a number of defined contribution schemes, the assets of which are held separately from those of the company in independently administered funds. The total pension cost for the year amounted to £60,000 (1993: £80,000). There were no outstanding or overpaid pension contributions at 31 December 1994 (1993: £ nil).

HOMELoAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. CONTINGENT LIABILITY

A number of the company's 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 consider that any liabilities are not likely to exceed the provisions contained within these financial statements.

21. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Skipton Building Society, an organisation registered within the United Kingdom. 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

HOMELoAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

22. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	1994 £'000	1993 £'000
Operating (loss)/ profit	(1,798)	356
Depreciation charge	320	352
Loss/(Profit) on sale of tangible fixed assets	167	(12)
Decrease/(increase) in debtors	65	(1,230)
(Decrease)/increase in creditors	(2,338)	782
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(3,584)	248
	<hr/> <hr/>	<hr/> <hr/>

23. ANALYSIS OF CHANGES IN CASH & CASH EQUIVALENTS

	1994 £'000	1993 £'000
Balance at 1 January 1994	613	757
Net cash outflow	(476)	(144)
	<hr/>	<hr/>
Balance at 31 December 1994	137	613
	<hr/> <hr/>	<hr/> <hr/>

24. ANALYSIS OF THE CHANGES OF CASH & CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>1994</u> £'000	<u>1993</u> £'000	Change in year £'000
Cash at bank	137	613	(476)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>