

LEEK UNITED HOME LOANS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 1998

REGISTERED NUMBER: 2277333



LEEK UNITED HOME LOANS LIMITED

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LEEK UNITED HOME LOANS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report and the audited financial statements of the company for the year ended 31 December 1998.

BUSINESS OBJECTIVES AND PRINCIPAL ACTIVITIES

The principal activities of the company are to acquire, hold and dispose of debts secured on land, to make advances on the security of such land and to acquire, hold and dispose of mortgage finance rights.

REVIEW OF THE BUSINESS

The company purchased a mortgage portfolio from Colonial Mutual for £8,637,807 on 1 April 1998.

The funding for this purchase was provided by the company's parent undertaking, Leek United Building Society. At 31 December 1998 the amount owed to Leek United Building Society was £8,833,179.

At 31 December 1998 the company was a direct wholly owned subsidiary of Leek United Building Society.

RESULTS FOR THE PERIOD

The loss on ordinary activities after tax for the period which has been transferred to reserves was £66,562 (1997: £29,451).

DIRECTORS

The directors who served during the year were:

E W Hodkinson
N McFadden
P Marriott

DIRECTORS' INTERESTS

No director has any beneficial interest in the share capital of the company, all of which is owned by Leek United Building Society. None of the directors is or has been interested during the year in any contracts with the company. All of the directors are directors of Leek United Building Society and their interests are shown in the statutory accounts of the Society.

CREDITOR PAYMENT POLICY

For all trade creditors it is the company's policy to agree the terms of payment at the start of trading with that supplier and to pay in accordance with its contractual and other legal obligations.

YEAR 2000

The company uses the Leek United Building Society's systems and has not incurred any expenditure relating to Year 2000 issues. All costs have been incurred by, and the relevant disclosure made in the accounts of, Leek United Building Society.

Progress of the Year 2000 project is also disclosed in the group accounts.

DIVIDENDS

No dividends have been paid during the year ended 31 December 1998 and none are proposed.

AUDITORS

A resolution proposing the re-appointment of PricewaterhouseCoopers as auditors to the company will be put to the Annual General Meeting.



BY ORDER OF THE BOARD

J B STEVENSON
Secretary

18 FEBRUARY 1999

LEEK UNITED HOME LOANS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

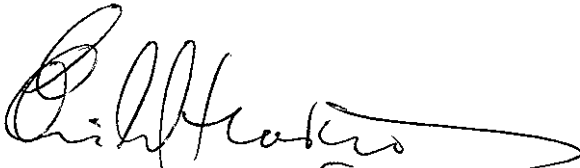
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:-

- * 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;
- * 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The ultimate parent sets out its standards on corporate governance in its statutory accounts.

BY ORDER OF THE BOARD



E W HODKINSON

Chairman

18 FEBRUARY 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF LEEK UNITED HOME LOANS LIMITED

We have audited the financial statements on pages 6 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including as described on page 4 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

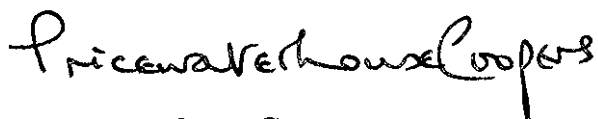
BASIS OF OPINION

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 irregularities 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham

18 FEBRUARY 1999

<p style="text-align: center;">LEEK UNITED HOME LOANS LIMITED</p>
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Profit and Loss Account for the year ended 31 December 1998

	Note	1998 £	1997 £
Interest receivable	1	589,040	70,688
Interest payable	2	<u>(539,454)</u>	<u>(59,351)</u>
Gross profit		49,586	11,337
Administrative expenses		<u>(116,148)</u>	<u>(40,788)</u>
Loss on ordinary activities before tax	4	(66,562)	(29,451)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
Loss for the financial year		<u><u>(66,562)</u></u>	<u><u>(29,451)</u></u>

The above profit and loss account is in respect of continuing operations.

The company has no recognised gains and losses during the year other than the amounts stated above, and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before tax and retained for the year stated above, and their historical cost equivalents.

LEEK UNITED HOME LOANS LIMITED

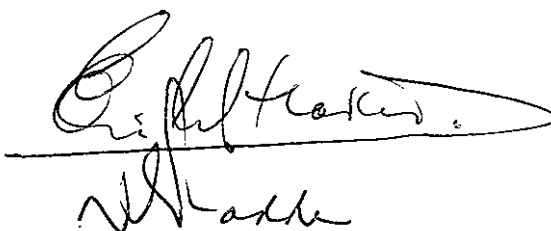
Balance Sheet as at 31 December 1998

	Note:	1998 £	1997 £
Current assets:			
Cash at Bank		160,667	233,207
Mortgage advances	6	8,493,877	866,256
Debtors		7,010	-
Premium on acquisition of mortgages		<u>76,000</u>	<u>-</u>
Total current assets:		8,737,554	1,099,463
Creditors: amounts falling due within one year	7	<u>(8,833,467)</u>	<u>(1,128,814)</u>
Net current (liabilities)		<u>(95,913)</u>	<u>(29,351)</u>
Total assets less current liabilities		<u><u>(95,913)</u></u>	<u><u>(29,351)</u></u>
Equity shareholders funds:			
Called up share capital	8	100	100
Profit and loss account	9	<u>(96,013)</u>	<u>(29,451)</u>
Total equity shareholders' funds		<u><u>(95,913)</u></u>	<u><u>(29,351)</u></u>

The accounts on pages 6 to 10 were approved by board of directors on 18 February 1999 and signed on its behalf by:

E W HODKINSON
N McFADDEN

Chairman
Director



LEEK UNITED HOME LOANS LIMITED

Notes to the Accounts - for the year ended 31 December 1998

1. Accounting Policies

(a) Basis of accounting

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom, which have been consistently applied.

(b) Accounting for revenue.

Interest receivable is credited to profit and loss monthly in relation to balances outstanding.

(c) Turnover

Turnover represents gross interest receivable for the company's principal activity. All turnover is derived from within the United Kingdom.

(d) Tax

The tax charge is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

(e) Provisions for losses on loans and advances.

Provision is made for all anticipated losses on loans and advances based upon a year end appraisal of commercial assets.

Specific provisions are made on a case by case basis.

(f) Cash flow statement.

No cash flow is included as the results of the company are consolidated in the group accounts of its parent undertaking. Cash flows arising are reported within appropriate classifications within the Consolidated Statement of Source and Application of Funds.

(g) Premium on acquisition of mortgages.

Premiums arising on the acquisition of mortgages are amortised over a five year period.

LEEK UNITED HOME LOANS LIMITED

Notes to the Accounts for the year ended 31 December 1998

	1998 £	1997 £
2. Interest payable		
On balances due to parent undertaking	<u>539,454</u>	<u>59,351</u>

3. Directors' Emoluments

None of the directors received any remuneration for services to the company during the year. The company has no employees.

	1998 £	1997 £
4. Loss on Ordinary activities before taxation		
This is stated after charging:		
Auditors' remuneration	3,525	1,410
Other management costs	<u>112,623</u>	<u>39,378</u>
	<u>116,148</u>	<u>40,788</u>

	1998 £	1997 £
5. Tax on loss on ordinary activities		
Current	<u>-</u>	<u>-</u>

	1998 £	1997 £
6. Mortgage advances		
Advances secured on residential property	8,310,204	685,256
Advances secured on land	<u>183,673</u>	<u>181,000</u>
	<u>8,493,877</u>	<u>866,256</u>

The advances are in general for a period of 5 to 25 years are payable in full at the end of that period and may be redeemed at any time at the option of the borrower.

LEEK UNITED HOME LOANS LIMITED

Notes to the Accounts for the year ended 31 December 1998

7. Creditors: amounts falling due within one year

	1998	1997
	£	£
Amounts owed to parent undertaking	8,833,179	1,121,126
Other creditors	288	188
Accruals	-	7,500
	8,833,467	1,128,814

8. Called up share capital

	1998	1997
	£	£
Authorised, issued and fully paid		
Ordinary shares of £1 each	100	100

9. Profit and loss account

	1998	1997
	£	£
At 1 January	(29,451)	-
Loss for financial year	(66,562)	(29,451)
At 31 December	(96,013)	(29,451)

10. Reconciliation of movements on equity shareholders' funds

	1998	1997
	£	£
Loss for the year	(66,562)	(29,451)
Equity shareholders' funds at 1 January	(29,351)	100
Equity shareholders' funds at 31 December	(95,913)	(29,351)

11. Ultimate parent undertaking

The ultimate parent undertaking is Leek United Building Society which is registered under the Building Societies Act 1986.

The Report and Accounts of the ultimate parent undertaking may be obtained from the secretary at the registered office of the company.

The registered office of the company is 50, St Edward Street, Leek, Staffordshire.
ST13 5DH

12. Related party transactions

Full disclosure of transactions and balances with the ultimate parent undertaking, which are eliminated on consolidation, are not made in these accounts.

Classification of such transactions and balances in other notes to these accounts are disclosed as appropriate.

A service for the administration of mortgage assets was provided by the parent undertaking.