

SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER 1994

(Registered Number 2490160)

RECEPTION DESK



SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and the accounts for the year ended 31st December 1994.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is investment in loans secured by mortgage. 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 (1993: £nil). The directors do not recommend the payment of a final dividend. (1993: £nil).

The mortgage administrators and originators of the loans went into administrative receivership on 6th December 1994. The directors do not believe that this will impact on the future performance of the business.

FIXED ASSETS

Movements in the fixed assets of the company are shown in note 6 to the accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The directors during the year were :

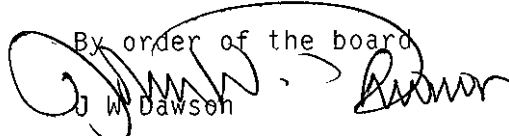
J G Goodfellow
G Jolly
R J McCormick
R J Steel

Mr J G Goodfellow and Mr R J McCormick were directors of the ultimate parent undertaking, Skipton Building Society at 31st December 1994. Mr J G Goodfellow's and Mr McCormick's interests in the shares of group undertakings are not required to be recorded in the register maintained by this company. All other directors of the company as at 31st December 1994 had no interest in the shares of any group undertaking at any time during the year.

AUDITORS

On 6th February 1995 our auditors changed the name under which they practice to KPMG and accordingly have signed their report in their new name.

In accordance with the Companies Act 1985, a resolution concerning the re-appointment of KPMG as auditors will be proposed at the forthcoming annual general meeting.

By order of the board

J W Dawson

Secretary

24th February 1994

SKIPTON MORTGAGE CORPORATION 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, 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 which are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

REPORT OF THE AUDITORS
TO THE MEMBERS OF
SKIPTON MORTGAGE CORPORATION LIMITED

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

As described above 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 31st December 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
Bradford

23rd February 1995

SKIPTON MORTGAGE CORPORATION LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1994

| | <u>Note</u> | <u>1994</u> <u>£</u> | <u>1993</u> <u>£</u> |
|---|-------------|-------------------------|-------------------------|
| Income from fixed asset investments | | 454,040 | 715,958 |
| Amounts written off investments | | (133,396) | (846,000) |
| Interest payable and similar charges | 2 | (382,570) | (571,344) |
| Administrative expenses | | (24,749) | (29,306) |
| | | ----- | ----- |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | (86,675) | (730,692) |
| Tax on loss on ordinary activities | 5 | 28,603 | 241,127 |
| | | ----- | ----- |
| LOSS ON ORDINARY ACTIVITIES AFTER TAXATION | | (58,072) | (489,565) |
| RETAINED LOSS BROUGHT FORWARD | | (876,349) | (386,784) |
| | | ----- | ----- |
| RETAINED LOSS CARRIED FORWARD | | (934,421) | (876,349) |
| | | ===== | ===== |

The loss for the financial year was derived wholly from continuing operations.

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.

The notes on pages 7 to 11 form part of these accounts.

SKIPTON MORTGAGE CORPORATION LIMITED

BALANCE SHEET AT 31ST DECEMBER 1994

| | Note | £ | 1994 £ | £ | 1993 £ |
|---|------|-------------|-------------|-------------|-------------|
| FIXED ASSETS | | | | | |
| Investments | 6 | | 5,642,676 | | 7,605,779 |
| CURRENT ASSETS | | | | | |
| Debtors | 7 | 645,931 | | 438,399 | |
| Cash at bank and in hand | | 206 | | 206 | |
| | | ----- | | ----- | |
| | | 646,137 | | 438,605 | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 8 | (7,222,234) | | (8,919,733) | |
| | | ----- | | ----- | |
| NET CURRENT LIABILITIES | | | (6,576,097) | | (8,481,128) |
| | | | ----- | | ----- |
| NET LIABILITIES | | | (933,421) | | (875,349) |
| | | | ===== | | ===== |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 10 | | 1,000 | | 1,000 |
| Profit and loss account | | | (934,421) | | (876,349) |
| | | | ----- | | ----- |
| EQUITY SHAREHOLDERS FUNDS | | | (933,421) | | (875,349) |
| | | | ===== | | ===== |

A reconciliation of the movement in shareholders' funds is given in note 11.

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

J G Goodfellow)
) Directors
R J McCormick)

J. G. Goodfellow
R. J. McCormick

The notes on pages 7 to 11 form part of these accounts.

SKIPTON MORTGAGE CORPORATION LIMITED
CASH FLOW STATEMENT AT 31ST DECEMBER 1994

| | <u>Note</u> | <u>1994</u> | <u>1993</u> |
|--|-------------|-------------|-------------|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 12a | (1,880,475) | (2,593,499) |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | 465,338 | 709,276 | |
| Interest paid | (382,570) | (571,344) | |
| | ----- | ----- | |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | 82,768 | 137,932 |
| TAXATION | | | |
| Corporation tax paid | - | (18,465) | |
| | ----- | ----- | |
| | | - | (18,465) |
| INVESTING ACTIVITIES | | | |
| Receipts from sales of fixed asset investments | 1,797,707 | 2,474,032 | |
| | ----- | ----- | |
| NET CASH INFLOW FROM INVESTING ACTIVITIES | | 1,797,707 | 2,474,032 |
| | | ----- | ----- |
| CHANGE IN CASH AND CASH EQUIVALENTS | 12b/c | -- ===== | -- ===== |

The notes on pages 7 to 11 form part of these accounts.

SKIPTON MORTGAGE CORPORATION LIMITED

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 are drawn up under the historic cost convention and in accordance with applicable accounting standards.

(b) Provisions

Fixed assets comprise the company's investment in loans secured by mortgage. Provisions for the diminution in value of these assets are made based upon an appraisal of the assets. To the extent that the loans are not believed to be recoverable they have been fully written off.

(c) Interest

Receipts and payments of interest are accounted for on an accruals basis.

(d) Deferred Tax

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 only to the extent that it is likely that such taxation will become payable in the foreseeable future.

2. INTEREST PAYABLE AND SIMILAR CHARGES

| | <u>1994</u> | <u>1993</u> |
|--|-------------|-------------|
| | £ | £ |
| Interest payable to group undertakings | 382,570 | 571,344 |
| | ===== | ===== |

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities is stated after charging the following:

| | <u>1994</u> | <u>1993</u> |
|--------------------------------------|-------------|-------------|
| | £ | £ |
| Auditors' remuneration and expenses: | | |
| - For audit work | 7,210 | 5,075 |
| - For non-audit work | 347 | 61 |
| | ===== | ===== |

4. STAFF NUMBERS AND COSTS

The average number of persons employed by the Company (including directors) during the year was as follows:

| | <u>1994</u> | <u>1993</u> |
|-----------|-------------|-------------|
| Directors | 4 | 3 |
| | = | = |

The aggregate remuneration paid to these persons was £nil (1993: £nil).

5. TAXATION

| | <u>1994</u> | <u>1993</u> |
|---|-------------|-------------|
| | £ | £ |
| The taxation credit for the year comprises: | | |
| Group relief | 50,046 | 242,018 |
| Deferred tax | (21,443) | 9,893 |
| Under provision in previous year | - | (10,784) |
| | ----- | ----- |
| | 28,603 | 241,127 |
| | ===== | ===== |

6. FIXED ASSETS

| <u>Investments</u> | <u>1994</u> | <u>1993</u> |
|------------------------------------|-------------|-------------|
| | £ | £ |
| Cost: | | |
| At 1st January | 9,201,779 | 11,675,811 |
| Disposals | (1,797,707) | (2,474,032) |
| Amounts written off | (1,492,396) | - |
| | ----- | ----- |
| At 31st December | 5,911,676 | 9,201,779 |
| | ----- | ----- |
| Provision for diminution in value: | | |
| At 1st January | 1,596,000 | 750,000 |
| (Released)/Provided in the year | (1,327,000) | 846,000 |
| | ----- | ----- |
| | 269,000 | 1,596,000 |
| | ----- | ----- |
| Net book value | 5,642,676 | 7,605,779 |
| | ===== | ===== |

The investments represent a portfolio of second mortgages purchased by the company.

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

7. DEBTORS

| | <u>1994</u> | <u>1993</u> |
|------------------------------------|-------------|-------------|
| | £ | £ |
| Deferred tax asset (note 9) | 16,500 | 37,943 |
| Amounts owed by group undertakings | 443,820 | 393,774 |
| Other debtors | 185,611 | 6,682 |
| | ----- | ----- |
| | 645,931 | 438,399 |
| | ===== | ===== |

8. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

| | <u>1994</u> | <u>1993</u> |
|------------------------------------|-------------|-------------|
| | £ | £ |
| Amounts owed to group undertakings | 7,147,141 | 8,814,515 |
| Accruals and deferred income | 75,093 | 105,218 |
| | ----- | ----- |
| | 7,222,234 | 8,919,733 |
| | ===== | ===== |

9. DEFERRED TAX

| | <u>1994</u> | <u>1993</u> |
|-----------------------------------|-------------|-------------|
| | £ | £ |
| At 1st January | 37,943 | 28,050 |
| (Charge)/credit in year | (21,443) | 9,893 |
| | ----- | ----- |
| Balance at 31st December (note 7) | 16,500 | 37,943 |
| | ===== | ===== |

The deferred tax asset has arisen as a result of a short term timing difference on a general provision made in respect of losses on the fixed asset investment portfolio.

10. SHARE CAPITAL

| | <u>1994</u> | <u>1993</u> |
|--|-------------|-------------|
| | £ | £ |
| Authorised share capital allotted, called up and fully paid | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| | ===== | ===== |

11. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | <u>1994</u> | <u>1993</u> |
|-----------------------------|-------------|-------------|
| | £ | £ |
| At 1st January | (875,349) | (385,784) |
| Loss for the financial year | (58,072) | (489,565) |
| | ----- | ----- |
| At 31st December | (933,421) | (875,349) |
| | ===== | ===== |

12. NOTE TO CASH FLOW STATEMENT

a) RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW

| | <u>1994</u> | <u>1993</u> |
|--|-------------|-------------|
| | £ | £ |
| Operating loss | (158,145) | (875,306) |
| Increase in debtors | (190,227) | - |
| Decrease in creditors | (1,697,499) | (2,564,193) |
| Increase in provision | 165,396 | 846,000 |
| | ----- | ----- |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | (1,880,475) | (2,593,499) |
| | ===== | ===== |

b) ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

| | <u>1994</u> | <u>1993</u> |
|------------------|-------------|-------------|
| | £ | £ |
| At 1st January | 206 | 206 |
| Net cash flow | -- | -- |
| | ----- | ----- |
| At 31st December | 206 | 206 |
| | ===== | ===== |

c) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

| | <u>1994</u> | <u>1993</u> | <u>Change in year</u> |
|--------------------------|-------------|-------------|-----------------------|
| | £ | £ | £ |
| Cash at bank and in hand | 206 | 206 | - |
| | === | === | === |

13. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Skipton Building Society, which is registered in the United Kingdom. Under the Building Societies Act 1986, the Society is obliged to discharge the liabilities of the company insofar as it is unable to do so out of its own assets.

A copy of the group 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.