

# SKIPTON MORTGAGE CORPORATION LIMITED

## DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER 1996

(Registered Number 2490160)



# SKIPTON MORTGAGE CORPORATION LIMITED

## DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31st December 1996.

### PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the company is investment in loans secured by mortgage.

The mortgage administrators and originators of the loans went into administrative receivership on 6th December 1994. The administration of the portfolio was removed from the receiver on 30th September 1996 and transferred to Homeloan Management Limited, which is a wholly owned subsidiary of Skipton Building Society.

### 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 (1995: £nil). The directors do not recommend the payment of a final dividend (1995: £nil).

### DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

J G Goodfellow

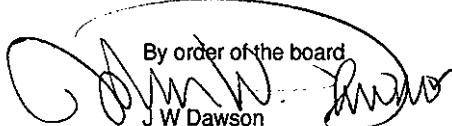
R J McCormick

G Jolly

A S MacDonald (appointed 22nd April 1996)

M R Smitheringale (appointed 21st October 1996)

Mr J G Goodfellow and Mr R J McCormick 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. The other directors of the company as at 31st December 1996 had no interest in the shares of any group undertaking at any time during the year.

By order of the board  
  
J W Dawson

24th February 1997

Secretary

# SKIPTON MORTGAGE CORPORATION LIMITED

## 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 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 AUDITOR TO THE MEMBERS OF SKIPTON MORTGAGE CORPORATION LIMITED

We have audited the accounts on pages 4 to 8.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described on page 2 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 accounts.

## OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st 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*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Leeds

24th February 1997

# SKIPTON MORTGAGE CORPORATION LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1996

	Notes	1996 £s	1995 £s
Income from fixed asset investments		603,361	500,498
Amounts written off investments		(31,487)	(378,665)
Interest payable and similar charges	2	(300,895)	(387,987)
Other income and charges	3	43,419	27,062
Administrative expenses		(133,031)	(58,971)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>4</b>	<b>181,367</b>	<b>(298,063)</b>
Taxation on profit/(loss) on ordinary activities	6	(59,851)	98,361
<b>Profit/(loss) on ordinary activities after taxation</b>		<b>121,516</b>	<b>(199,702)</b>
Accumulated losses brought forward		(1,134,123)	(934,421)
<b>Accumulated losses carried forward</b>		<b>(1,012,607)</b>	<b>(1,134,123)</b>

In both the current and preceding year the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in the current year (1995: £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.

The notes on pages 6 to 8 form part of these accounts.

# SKIPTON MORTGAGE CORPORATION LIMITED

## BALANCE SHEET


AT 31ST DECEMBER 1996

	Notes	1996		1995	
		£s	£s	£s	£s
<b>Fixed assets</b>					
Investments	7		3,423,786		4,201,775
<b>Current assets</b>					
Debtors	8	178,581		331,617	
Cash at bank and in hand		56,317		206	
		234,898		331,823	
<b>Creditors: Amounts falling due within one year</b>	9	(4,670,291)		(5,666,721)	
<b>Net current liabilities</b>			(4,435,393)		(5,334,898)
<b>Net liabilities</b>			(1,011,607)		(1,133,123)
<b>Capital and reserves</b>					
Called up equity share capital	11		1,000		1,000
Profit and loss account			(1,012,607)		(1,134,123)
<b>Equity shareholders' funds</b>	12		(1,011,607)		(1,133,123)

A reconciliation of the movement in shareholders' funds is given in note 12.

These accounts were approved by the board of directors on 24th February 1997.

J G Goodfellow )  
 ) Directors  
 R J McCormick )



The notes on pages 6 to 8 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.

The company's parent undertaking has confirmed that they will continue to provide financial support to the company and on the strength of this assurance the accounts have been prepared on a going concern basis.

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

(e) 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 90% or more of its voting rights are controlled within that group, whose annual report and accounts are publicly available.

(f) Cash flow statement

Under Financial Reporting Standard No 1 (Revised), which has been adopted early, the company is exempt from preparing a cash flow 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.

### 2. Interest payable and similar charges

	1996	1995
	£s	£s
Interest payable to group undertakings	300,895	387,987
	<b>300,895</b>	<b>387,987</b>

### 3. Other income and charges

	1996	1995
	£s	£s
Fees and commissions receivable	43,419	27,062
	<b>43,419</b>	<b>27,062</b>

### 4. Profit/(loss) on ordinary activities before taxation

	1996	1995
	£s	£s
The profit/(loss) on ordinary activities before taxation is stated after charging the following:		
Auditor and its associates remuneration and expenses:		
For audit work	4,700	3,600
For non - audit work	-	-

# SKIPTON MORTGAGE CORPORATION LIMITED

## NOTES TO THE ACCOUNTS

### 5. Staff numbers and costs

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

	1996	1995
Directors	4	3
The aggregate remuneration paid to the directors in the year was £nil (1995: £nil)		

### 6. Taxation on profit/(loss) on ordinary activities

	1996 £s	1995 £s
The taxation charge/(credit) for the year comprises:		
UK corporation tax charge/(credit) on the profit/(loss) for the year at 33% (1995: 33%)	59,851	(114,861)
Deferred taxation at 33% (1995: 33%) (note 10)	-	16,500
	59,851	(98,361)

### 7. Fixed asset investments

	1996 £s	1995 £s
<b>Cost</b>		
At 1st January	4,401,775	5,911,676
Additions	-	39,809
Disposals	(704,348)	(1,062,236)
Amounts written off	(40,641)	(487,474)
At 31st December	3,656,786	4,401,775
<b>Provision for diminution in value</b>		
At 1st January	200,000	269,000
Provided/(released) in the year	33,000	(69,000)
At 31st December	233,000	200,000
<b>Net book value</b>	<b>3,423,786</b>	<b>4,201,775</b>

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

### 8. Debtors

	1996 £s	1995 £s
Corporation tax - group relief	164,907	164,907
Other debtors	13,674	166,710
	178,581	331,617

### 9. Creditors : Amounts falling due within one year

	1996 £s	1995 £s
Amounts owed to parent undertaking	4,544,054	5,601,916
Other creditors including taxation and social security - corporation tax	59,851	-
Accruals and deferred income	66,386	64,805
	4,670,291	5,666,721



# SKIPTON MORTGAGE CORPORATION LIMITED

## NOTES TO THE ACCOUNTS

### 10. Deferred taxation

	1996	1995
	£s	£s
At 1st January	-	16,500
Charge in the year	-	(16,500)
<b>At 31st December</b>	<b>-</b>	<b>-</b>

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

### 11. Share capital

	1996	1995
	£s	£s
Authorised allotted, called up and fully paid share capital		
1,000 ordinary shares of £1 each	1,000	1,000

### 12. Reconciliation of movement in shareholders funds

	1996	1995
	£s	£s
At 1st January	(1,133,123)	(933,421)
Profit/(loss) for the financial year	121,516	(199,702)
<b>At 31st December</b>	<b>(1,011,607)</b>	<b>(1,133,123)</b>

### 13. Related party transactions

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

### 14. 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 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.