SPECIALIST INVESTMENT SERVICES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

REGISTERED NUMBER 2584562

30 APRIL 2009

Contents

Directors' Report

The Directors present their Directors' report and the audited accounts for the year ended 30 April 2009.

The company's immediate parent company, the Scarborough Building Society, transferred its engagements to Skipton Building Society ('Skipton') on 30 March 2009.

Principal Activities

The Company's business is investment holding and it specialises in the acquisition and holding of group companies and strategic operational assets.

Business Review

The company acquired £9.4 million of software and databases from Scarborough Building Society in August 2008. Following the merger with Skipton the value in use of these assets was reviewed and reduced to £nil, as the group has adopted Skipton software and databases.

The company disposed of the investment in 100% of the ordinary share capital of Scarborough Channel Islands Limited, a deposit taker based in Guernsey, to Scarborough Building Society during March 2009 at book value.

The company redeemed in full the zero coupon loan notes in March 2009.

The loss for the year before tax was £2.38 million (2008: £2.75 million).

Directors

Directors during the year were as follows:-

J J Carrier (Chairman) (resigned 31/12/08)

R S P Litten (Chairman 01/01/09-29/03/09) (resigned 30/03/09)

A C D Holmes (appointed 31/12/08, resigned 30/03/09)

D J Cutter (Chairman) (appointed 30/03/09)

R J Twigg (appointed 30/03/09)

Proposed Dividend

The Directors do not recommend the payment of a dividend (2008: £nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Reappointment of Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board

David J Cutter
Chairman
30 July 2009

The Bailey
Skipton
North Yorkshire
BD23 1DN

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

David J Cutter
Chairman
30 July 2009

Independent Auditors' Report to the Members of Specialist Investment Services Limited

We have audited the financial statements of Specialist Investment Services Limited for the year ended 30 April 2009 set out on pages 6 to 12. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2009 and of its loss for the year then ended;

- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

A J Walker (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

1 The Embankment

Neville Street

Leeds

LS1 4DW

30 July 2009

Profit and Loss Account
for the year ended 30 April 2009

	Note	**2009** £000	**2008** £000
Turnover		1,371	-
Administrative expenses		(1,236)	-
Operating Profit		135	-
Finance charge		(2,360)	(2,750)
Interest Payable		(160)	-
Loss on Ordinary Activities Before Taxation	3	(2,385)	(2,750)
Tax on loss on ordinary activities	5	-	-
Loss for the financial year	10,11	(2,385)	(2,750)

All amounts relate to continuing operations.

There are no recognised gains or losses other than those included in the profit and loss account above (2008: £nil).

The notes on pages 8 to 12 form part of these accounts.

Balance Sheet
as at 30 April 2009

	Note	2009 £000	2008 £000
Investments			
Investment in Subsidiaries	6	-	44,603
Intangible Assets	7	-	-
Current Liabilities			
Amounts due to parent entity		-	(309)
Net Current Assets		-	44,294
Creditors: Amounts falling due after more than one year	8	-	(41,527)
Net Assets		-	2,767
Equity Shareholders' Funds			
Called up share capital	9	-	-
Profit and loss account	11	-	(2,809)
Equity component of compound financial instrument		-	5,576
Total Shareholders' Funds	10	-	2,767

These accounts were approved by the board of Directors on 30 July 2009 and were signed on its behalf by:

David J Cutter
Chairman

The notes on pages 8 to 12 form part of these accounts.

Notes

(forming part of the accounts)

1 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.

Basis of Preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Under Financial Reporting Standard 1 (Revised) 'Cash flow Statements', the Company is exempt from the requirement to prepare a cash flow statement as all of its voting rights are controlled by Skipton Building Society, whose Group Annual Report and Accounts are publicly available from the address in note 2.

Under Financial Reporting Standard 8 'Related Parties', the Company is exempt from the requirement to disclose transactions with entities within the Skipton Building Society Group as all its voting rights are controlled by Skipton Building Society, whose Group Annual Report and Accounts are available from the address in note 2.

Financing Charge

The finance charge, which arises from the fair value of the financial instruments, is recognised on a straight line basis over the life of the financial instruments.

Intangible Assets – Software and Databases

Costs incurred in connection with purchase of software products and databases which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets as set out in FRS10 – Goodwill and Intangible Assets.

Amortisation is charged to the income statement on a straight line basis over the estimated useful life of the asset, which ranges from five to ten years. Amortisation commences when the asset is fully tested and implemented. These assets are reviewed for impairment annually.

Taxation

The charge for taxation is based on the profit or 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. Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19 'Deferred Tax'.

Consolidated financial statements

As the Company is a wholly owned subsidiary of Skipton Building Society, The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

NOTES *(continued)*

2 Ultimate Parent Undertaking

The Company is a wholly owned subsidiary of Skipton Building Society, a building society incorporated under the Building Societies Act 1986. The Group Annual Report and Accounts are available from the Society's Head Office, The Bailey, Skipton, North Yorkshire, BD23 1DN.

3 Loss on Ordinary Activities Before Taxation

Loss on ordinary activities before taxation is stated after charging:

	2009 £000	**2008** £000
Depreciation	1,034	-
Loss on disposal of intangible assets	150	-
Impairment of intangible assets	8,257	-
Intercompany loan written off	(8,205)	-

Auditors' remuneration in 2009 and 2008 was borne by Scarborough Building Society, the immediate parent undertaking in the period to 29 March 2009 and Skipton Building Society thereafter. These fees were £2,000 (2008: £2,000).

4 Staff Numbers and Costs

During the year no direct staff costs were incurred by the Company (2008: £nil). No Directors received any remuneration from the Company in their capacity as a Director (2008: £nil).
J J Carrier, A C D Holmes and R S P Litten were also directors of Scarborough Building Society, the parent undertaking, and did not specifically receive any remuneration in respect of their services to the Company. It was not possible to determine an appropriate proportion of their services on behalf of the Company. Accordingly disclosure regarding their total emoluments can be found in the cessation financial statements of the Society.

Notes *(continued)*

5 Taxation on Loss on Ordinary Activities

		2009	2008
		£000	£000
a)	Analysis of charge in year		
	Current tax	-	-
	Deferred tax:		
	Origination and reversal of timing differences	-	-
	Tax on loss on ordinary activities	-	-
b)	Factors affecting current tax credit in year		
	Loss on ordinary activities before tax	(2,385)	(2,750)
	Tax on loss on ordinary activities at UK standard rate	668	821
	Income not taxable for tax purposes	2,298	
	Utilisation of tax losses	(2,966)	(821)
	Current tax for year	-	-

Corporation Tax rate 28% (2008: 11 months at 30%, 1 month at 28%)

6 Investments

The company disposed of the investment in 100% of the ordinary share capital Scarborough Channel Islands Limited, a deposit taker based in Guernsey, to Scarborough Building Society during March 2009 at book value.

Notes *(continued)*

7 Intangible Assets

The company acquired £9.4 million of software and databases from Scarborough Building Society in August 2008 at net book value. Following the merger with Skipton the value in use of these assets was reviewed, as the Scarborough site adopted Skipton software and databases. It was determined that the intangible assets no longer had a value, and they have been written down to £nil.

Software and Databases	**2009**	**2008**
	£000	£000
Cost:		
At 1 May	-	-
Additions	9,441	-
Disposals	(175)	-
At 30 April	9,266	-
Depreciation:		
At 1 May	-	-
Charge for the period	1,034	-
Disposal	(25)	-
Impairment	8,257	-
At 30 April	9,266	-
Net book value at 30 April	-	-

8 Creditors

	2009	**2008**
	£000	£000
Amounts falling due after more than one year:		
Zero coupon convertible loan notes	-	41,527

The zero coupon convertible loan notes were redeemed in full for cash during March 2009.

Notes *(continued)*

9 Called Up Share Capital

	2009 £	2008 £
Authorised:		
44,500,000 ordinary equity shares of £1 each	44,500,000	44,500,000
Issued and fully paid		
2 ordinary equity shares of £1 each	2	2

10 Reconciliation of Movements in Shareholder's Funds

	2009 £000	2008 £000
Loss for the financial year	(2,385)	(2,750)
Equity component of compound financial instrument	(382)	-
Net deduction from shareholders' funds	(2,767)	(2,750)
Opening shareholder's funds	2,767	5,517
Closing shareholder's funds	-	2,767

11 Reserves

Profit and Loss Account

	2009 £000	2008 £000
At 1 May	(2,809)	(59)
Movement on equity reserve	5,194	-
Loss for the year	(2,385)	(2,750)
At 30 April	-	(2,809)

12 Capital Commitments

The Company had no capital or financial commitments at 30 April 2009 or 30 April 2008.