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MBO 1994 LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE 12 MONTHS ENDED

31 DECEMBER 2007

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CONTENTS

	Page
Company Information	2
Directors' Report	3
Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements	4
Report of the Independent Auditors to the Members of MBO 1994 Limited	5 - 6
Income Statement	7
Balance Sheet	8
Cash Flow Statement	9
Notes to the Financial Statements	10-14

Directors	S W Haggerty P J Shuttleworth D J Cutter J G Goodfellow
Company Secretary	G Davidson
Registered Office	The Bailey Skipton North Yorkshire BD23 1DN
Bankers	National Westminster Bank plc 1 Princes Street London EC2R 8PA
Auditors	KPMG Audit Plc Chartered Accountants Registered Auditor 1 Canada Square Canary Wharf London E14 5AG United Kingdom

The Directors have pleasure in presenting their Report and the audited Financial Statements for the 12 months ended 31 December 2007.

Principal Activities

The principal activity of the company relates to its holding in Sterling International Brokers Limited, a money broking company.

Results

The results for the year are shown in the Income Statement and notes thereto.

Dividends

The Directors do not recommend the payment of a final ordinary dividend (2006 - £Nil).

Creditor Payment Policy

The Company's policy concerning the payment of suppliers for the next financial year is to agree terms of payment in advance and to make the payment in accordance with agreed terms and any other legal obligations.

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/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

A resolution to re-appoint KPMG Audit Plc as auditors will be proposed at the next Annual General Meeting.

By Order of the Board

G Davidson
Secretary

29 January 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the Company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the Directors are required to:

- select suitable accounting polices and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF MBO 1994 LIMITED

We have audited the financial statements of MBO 1994 Limited for the 12 months ended 31 December 2007 which comprise the income statement, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting polices set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditor's 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

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standard on Auditing (UK and Ireland) 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 polices 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, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2007 and of its profits for the 12 months then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc KPMG Audit Plc
Chartered Accountants
Registered Auditor
1 Canada Square
Canary Wharf
London
E14 5AG
United Kingdom

Date

MBO 1994 LIMITED

INCOME STATEMENT
For the 12 months ended 31 December 2007

	Notes	12 Months ended 31.12.2007 £	18 Months ended 31.12.2006 £
Investment income	2	10,195	1,228,942
Finance costs		-	-
Profit Before Tax		10,195	1,228,942
Tax credit/(expense)	6	3,481	(3,481)
Profit for the Period		13,676	1,225,461

In both the current and preceding period the Company made no material acquisitions and had no discontinued operations.

There were no recognised income and expense items in the current year (2006:£Nil) other than those reflected in the above Income Statement.

The Income Statement is prepared on an unmodified historical cost basis.

The notes on pages 10 to 14 form part of these financial statements.

MBO 1994 LIMITED

BALANCE SHEET
As at 31 December 2007

	Notes	12 Months ended 31 December 2007 £	18 Months ended 31 December 2006 £
Fixed Assets			
Investments	5	290,494	290,494
		290,494	290,494
Current Assets			
Preference dividend receivable		13,859	3,686
Cash and cash equivalents	10	8,233	8,211
Total Assets		312,586	302,391
Current Liabilities			
Trade and other payables		-	-
Tax payable	6	-	3,481
Total Liabilities		-	3,481
Equity			
Share capital	7	88,267	88,267
Reserves			
Retained earnings	7	212,586	198,910
Other reserves	7	11,733	11,733
		312,586	298,910
Total Equity and Liabilities		312,586	302,391

These accounts were approved by the Board of Directors on 29 January 2008 and signed on its behalf by:

S W Haggerty
Director

P J Shuttleworth
Director

The notes on pages 10 to 14 form part of these accounts.

MBO 1994 LIMITED

CASH FLOW STATEMENT
For the 12 months ended 31 December 2007

	Notes	12 Months ended 31 December 2007 £	18 Months ended 31 December 2006 £
Cash Flows from Operating Activities			
Profit before taxation		10,195	1,228,942
Adjustments for:			
Ordinary dividends received	2	-	(1,217,338)
Preference dividend received	2	(10,195)	(11,604)
Increase in receivables		(10,173)	(3,687)
Net Cash from Operating Activities		(10,173)	(3,687)
Cash Flows from Investing Activities			
Dividends received	2	-	1,217,338
Interest income	2	10,195	11,604
Net Cash from Investing Activities		10,195	1,228,942
Cash Flows from Financing Activities			
Dividends paid	3	-	(1,191,789)
Purchase of own shares	6	-	(25,255)
Net Cash from Financing Activities		-	(1,217,044)
Net increase in cash and cash equivalents		22	8,211
Cash and cash equivalents at 1 January/1 July		8,211	-
Cash and Cash Equivalents at 31 December 2007		8,233	8,211

The notes on pages 10 to 14 from part of these financial statements.

1. Accounting Policies

The following accounting polices have been applied consistently in dealing with items which are considered material in relation to the Company's accounts:

a. Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) in issue that have either been endorsed by the EU and effective at 31 December 2007.

The financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the EU and effective at 31 December 2007.

The Directors have adopted IAS 1 *Presentation of Financial Statements - Capital Disclosure* and IFRS 7 *Financial Instruments: Disclosure* The Directors have not adopted IAS 1 *Presentation of Financial Statements (2007)* or IFRS 8 *Operating Segments* which although endorsed by the EU, are currently not mandatory until 2008. Similarly, the Directors have not adopted early IFRIC 14 IAS 19 *The limit on a defined Benefit Assets Minimum Funding Requirements and their interaction,* which is effective from 1 January 2008.

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

b. Revenue Recognition

Investment income represents preference dividend receivable.

Interest income is recognised in accordance with IAS 39 on an effective yield basis.

c. Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes, in accordance with IAS 12, Income Taxes.

d. Cash and cash equivalents

For the purpose of the cash flow statement, cash comprises cash in hand and loans and advances to credit institutions repayable on demand, and cash and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

The cash flow statement has been prepared using the indirect method

e. Financial Instruments

A financial instrument is recognised if the Company becomes party to the contractual provisions of the instrument Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire, or if the Company transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

2. Investment Income

	12 Months ended 31.12.2007 £	18 Months ended 31.12.2006 £
Ordinary dividends received	-	1,217,338
Preference dividend receivable	10,195	11,604
	10,195	1,228,942

3. Dividends Paid

	12 Months ended 31.12.2007 £	18 Months ended 31.12.2006 £
Amounts recognised as distributions to equity holders in the period:		
Ordinary interim	-	1,191,789

4. Operating Expenses

The Company does not employ any staff and does not have any operating expenses. The audit fee for this Company is borne by another group undertaking.

5. Investments

Cost at 1 January 2007 and 31 December 2007	£290,494

The Company holds 100% of the ordinary share capital and 100% of the cumulative preference shares of Sterling International Brokers Limited, a company registered in England and Wales, whose principal activity is that of a money broker. The Company also holds 100% of the ordinary share capital of SIB Trustee Company Limited, a Company registered in England and Wales, which is dormant.

6. Taxation

A reconciliation of current tax on profit/(loss) on ordinary activities at the standard UK corporation tax rate to the actual current tax (credit)/expense is as follows:

	12 Months ended 31.12.2007 £	18 Months ended 31.12.2006 £
a. Analysis of tax (credit)/expense in the year at 30%		
Current tax		
Current tax at 30%	-	3,481
Adjustment for prior years	(3,481)	-
Total current tax	(3,481)	3,481

6. Taxation (continued)

b. Factors affecting total tax (credit)/expense in the year

The charge for the year can be reconciled to the profit per the income statement as follows:

Profit on ordinary activities before tax	10,195	1,228,942
Tax on profit/(loss) on ordinary activities at UK standard rate of 30% (2006:30%)	3,059	368,683
Effects of:		
- Origination and reversal of temporary differences	-	-
- expenses not deductible for tax purposes	-	-
- utilisation of tax losses	(7)	-
- adjustment to tax expense/(credit) in respect of prior periods	(3,481)	-
- income not taxable	(3,052)	(365,202
Total tax (credit)/expense	(3,481)	3,481

The tax charge for the period includes the one-off effect on the Company's deferred tax balances of the reduction in the corporation tax rate from 30% to 28% which is effective from 1 April 2008.

7. Reconciliation of Movement in Capital and Reserves

	Share Capital	Retained Earnings	Capital Redemption Reserve	Total Equity
	£	£	£	£
Authorised share capital at 31 December 2006	250,000			
Authorised share capital at 31 December 2007	250,000			
Balance at 1 January 2007	88,267	198,910	11,733	298,910
Repurchase of shares	-	-	-	-
Profit for the period	-	13,676	-	13,676
Balance at 31 December 2007	88,267	212,586	11,733	312,586
Balance at 1 July 2005	89,067	190,493	10,933	290,493
Repurchase of shares	(800)	(24,455)	-	(25,255)
Profit for the period	-	1,225,461	-	1,225,461
Dividends to shareholders	-	(1,191,789)	-	(1,191,789)
Transfer to Capital Redemption Reserve	-	(800)	800	-
Balance at 31 December 2006	88,267	198,910	11,733	298,910

8. Related Party Transactions

The Company has a related party relationship with Skipton Building Society and Sterling International Brokers Limited.

During the 12 months to 31 December 2007, the following related party transactions were entered into with related parties:

a. Sales of Goods and Services

	Amount		Outstanding Balance	
	2007	2006	2007	2006
	£	£	£	£
Sale of Goods:	-	-	-	-
Sale of Services:				
Sterling International Brokers Limited				
- Preference dividend receivable	10,195	11,604	13,859	3,687
	10,195	11,604	13,859	3,687

b. Year-End Balances

Receivables from related parties	13,859	3,687	-	-
Payables to related parties	-	-	-	-

9. Capital Commitments

There were no capital commitments contracted or authorised by the Directors at the balance sheet date (2006 – Nil).

10. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity

Cash and cash equivalents

Surplus cash balances are invested with financial institutions. Any credit risk associated with the financial institutions being invested is managed by ensuring that the credit ratings of the institutions concerned are acceptable. There is no significant interest rate risk as the profitability of the Company is not dependent on interest income. There is no currency risk as all cash balances are held in Sterling.

The company does not use any other wholesale financial instruments.

The comparison of the book and fair values of the Company's financial instruments as at 31 December 2007 is as follows:

	Positive book value	Positive fair value
	£	£
Cash and cash equivalents	8,233	8,233
Preference dividend receivable	13,859	13,859

11. Ultimate Parent Undertaking

The Company is a 90% owned subsidiary of Skipton Group Holdings Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. 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