MBO 1994 LIMITED

COMPANY REGISTRATION NUMBER: 2963574

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011

The Directors have pleasure in presenting their Report and the audited Financial Statements for the year ended 31 December 2011.

Principal Activities

The principal activity of MBO 1994 Limited ('the Company') is as a holding company for its investment in Sterling International Brokers Limited, a money broking Company

Business Review

Risks and Uncertainties

As the Company's principal activity relates to its holding in Sterling International Brokers Limited, the main risks and uncertainties of the Company are aligned with those of its subsidiary. Details of those risks and uncertainties are provided within the annual report and accounts of Sterling International Brokers Limited.

Overview

During 2011, the Company's parent, Skipton Group Holdings Limited, subscribed for further Preference Shares amounting to £1,450,000. This capital injection was used to support Sterling International Brokers Limited, the Company's subsidiary, by subscribing for £1,450,000 of Ordinary Shares in that Company.

During the year, the Board took the decision to impair the carrying value of its investment in Sterling International Brokers Limited This impairment resulted in a write down of the investment by £1,647,000 This has been reflected through the Statement of Comprehensive Income (see Note 6 for further details).

In 2010, Sterling International Brokers revised its estimates of payments on its financial liabilities and now recognises the carrying amount of the Preference Shares to reflect these estimates in accordance with IAS 39, AG8. The carrying amounts of the Company's investments in Preference Shares have been calculated by computing the present value of estimated future cash flows These estimates were reviewed in 2011 and no further adjustments were considered necessary.

Results

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

Dividends

The Directors do not recommend the payment of a final ordinary dividend (2010: £Nil)

Directors

The Directors of the company during the year were·

D C P Kuan
E N Law (resigned 25 February 2011)
A C Robinson
R J Twigg

Mr R J Twigg is also a Director of the ultimate parent undertaking, Skipton Building Society.

Political and charitable contributions

The Company did not make any charitable donations or contributions for political purposes in the year (2010: £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. As at 31 December 2011, creditor days were Nil days due to there being minimal outstanding balances (2010 Nil days)

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

Going Concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on page 2.

The Company's parent, Skipton Building Society has confirmed that it will continue to provide financial support to the Company.

The Directors, having assessed the responses of the Directors of the Company's parent undertaking to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Skipton Building Society to continue as a going concern or its ability to continue with the current financial support to the Company

The Company's Directors have, therefore, a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Post Balance Sheet Event

On 25 January 2012, Skipton Group Holdings Limited subscribed for additional Preference Shares amounting to £500,000. On the same date, the Company provided further financial support to its subsidiary, Sterling International Brokers Limited by subscribing for additional Ordinary Shares amounting to £500,000.

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

J J Gibson
Secretary

1 February 2012

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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law

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 they have been prepared in accordance with IFRS 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 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We have audited the financial statements of MBO 1994 Limited for the year ended 31 December 2011 set out on pages 7 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 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 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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, and express an opinion on, 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/private.cfm.

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 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the EU; 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.

Andrew Walker (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants

15 Canada Square
Canary Wharf
London
E14 5GL
United Kingdom

1 February 2012

For the year ended 31 December 2011

	Notes	31.12.2011 £	31.12.2010 £
Revenue	2	45,000	-
Impairment of investment in subsidiary undertaking	1h	(1,646,136)	(4,310)
Interest expense	4	(47,252)	(23,196)
Loss Before Tax		**(1,648,388)**	**(27,506)**
Tax expense	7	(10,926)	-
Loss for the year		**(1,659,314)**	**(27,506)**

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

There were no other recognised items of income or expenditure during the year or prior year so a separate statement of recognised income and expenditure has not been presented.

The Statement of Comprehensive Income is prepared on an unmodified historical cost basis

The notes on pages 11 to 16 form part of these financial statements.

At 31 December 2011

	Notes	31 December 2011 £	31 December 2010 £
Fixed Assets			
Investments	6	90,048	286,184
		90,048	**286,184**
Current Assets			
Amounts due from subsidiary undertakings		24,000	-
Cash and cash equivalents	12	6,857	8,254
Total Assets		**120,905**	**294,438**
Current Liabilities			
Trade and other payables	8	35,782	1
Non-Current Liabilities			
Preference shares	9	1,450,000	-
Total Liabilities		**1,485,782**	**1**
Equity			
Share capital		88,267	88,267
Reserves			
Retained earnings		(1,464,877)	194,437
Other reserves		11,733	11,733
		(1,364,877)	**294,437**
Total Equity and Liabilities		**120,905**	**294,438**

These financial statements were approved by the Board of Directors on 1 February 2012 and signed on its behalf by

A C Robinson
Director

D C P Kuan
Director

Company registration number: 2963574

The notes on pages 11 to 16 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share Capital	Retained Earnings	Capital Redemption Reserve	Total Equity
	£	£	£	£
Balance at 1 January 2010	88,267	221,943	11,733	321,943
Loss for the year	-	(27,506)	-	(27,506)
Balance at 31 December 2010	**88,267**	**194,437**	**11,733**	**294,437**
Loss for the year	-	(1,659,314)	-	(1,659,314)
Balance at 31 December 2011	**88,267**	**(1,464,877)**	**11,733**	**(1,364,877)**

MBO 1994 LIMITED **STATEMENT OF CASH FLOW**

For the year ended 31 December 2011

	Notes	31 December 2011 £	31 December 2010 £
Cash Flows from Operating Activities			
Loss before taxation		(1,648,388)	(27,506)
Adjustments for:			
Preference dividend paid	4	-	23,196
(Increase)/decrease in receivables		(24,000)	23,196
Increase in amounts owed to parent undertakings		24,855	-
Provision for impairment of investment		1,646,136	4,310
Net Cash used in Operating Activities		**(1,397)**	**23,196**
Cash Flows from Investing Activities			
Increase in value of investment	6	(1,450,000)	-
Proceeds from issue of Preference Shares	9	1,450,000	-
Preference dividend		-	(23,196)
Net Cash from Investing Activities		**-**	**(18,886)**
Net decrease in cash and cash equivalents		(1,397)	-
Cash and cash equivalents at 1 January		8,254	8,254
Cash and cash equivalents at 31 December 2011		**6,857**	**8,254**

The notes on pages 11 to 16 form part of these financial statements

1. Accounting policies

MBO 1994 Limited is a company incorporated and domiciled in the UK.

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 are presented in accordance with International Financial Reporting Standards (IFRS) and its interpretations as adopted by the EU and effective at 31 December 2011.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years in these financial statements.

The annual accounts are presented in pounds Sterling and, except where otherwise indicated, have been rounded to the nearest pound.

Adoption of new and revised International Financial Reporting Standards

The Directors have adopted IAS 24, *Related Parties (Revised 2009)* and Defined Benefit Asset (Amendments to IFRIC 14 IAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction).*

The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale assets, derivatives and other financial assets at fair value through the Statement of Comprehensive Income.

b. Revenue recognition

Management fee is recognised on an accruals basis net of VAT.

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

c. Taxation

The charge for taxation is based on the results 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 Statement of Cash Flow, cash comprises cash in hand and loans and advances to credit institutions repayable on demand. 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 Statement of Cash Flow has been prepared using the indirect method

1. Accounting policies (continued)

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.

f. Critical accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected The main judgement used is the recoverability of investments in subsidiaries.

g. Investments in subsidiaries

Investments in subsidiaries are shown in the Statement of Financial Position of the Company at cost less impairment losses.

h. Impairment of investments

The company regularly reviews its subsidiary undertakings investments for objective evidence of impairment

In determining whether an impairment loss should be recognised in the Statement of Comprehensive Income, management compares the future cash flows of each subsidiary "undertaking" against its carrying value

The key assumptions used in these calculations are those regarding discount rates and future growth in the profitability of each of the subsidiary undertakings. The company estimates discount rates based on the subsidiary "undertakings" current cost of capital whilst future cash flows are based upon approved profit budgets for the next three years (adjusted for depreciation and amortisation) and assumed growth thereafter for the next 12 years in line with long term growth rates, currently 2.5%

i. Impairment of financial assets

Individual impairment provisions are made to reduce the value of financial assets to the amount that the Directors consider is likely ultimately to be received, based upon objective evidence.

2. Revenue

	31.12.2011	31.12.2010
	£	£
Management Fee	45,000	-

3. Dividends

There were no distributions to equity holders in the year (2010 - £Nil).

4. Interest Expense

	31.12.2011	31.12.2010
	£	£
Preference dividend payable	(47,252)	(23,196)

5. Operating expenses

The Company does not employ any staff and does not have any operating expenses.

6. Investments

	31.12.2011	31.12.2010
	£	£
Cost	290,494	290,494
Ordinary Shares	1,450,000	-
Provision for impairment	(1,650,446)	(4,310)
	90,048	286,184

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.

During 2011 the Company subscribed for 14,500,000 A Ordinary Shares of 10p each amounting to £1,450,000 in Sterling International Brokers Limited.

At the year end, in line with its accounting policy (Note 1h Impairment of Investments), the Board made a decision to impair the carrying value of this investment by £1,647,000 in order to reflect the current value of the future cash flows expected from this subsidiary.

In October 2010, each of the £175,000 issued cumulative Preference Shares of £1 held in Sterling International Brokers Limited were redesignated as non-voting, non-cumulative Preference Shares of £1 each In addition, accrued cumulative dividends amounting to £23,196 which were payable were irrevocably and unconditionally waived (refer to note 4). The revised carrying value of the Company's investments in Preference Shares is £171,554 following the provision for impairment of £3,446

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.

The Company also holds 100% of the ordinary share capital of Sterling Brokers Limited, a Company registered in England and Wales, which is dormant

7. Income tax

A reconciliation of current tax on results from ordinary activities at the standard UK corporation tax rate to the actual current tax expense is as follows:

	31.12.2011 £	31.10.2010 £
a. Analysis of credit in the year		
Current tax credit		
Current tax at 26.5%	10,926	-

b. Factors affecting total tax expense in the year

The charge for the year can be reconciled to the results per the Statement of Comprehensive Income as follows

Loss on ordinary activities before tax	(1,648,388)	(27,506)
Tax on results from ordinary activities at UK standard rate of 26.49%	(436,710)	(7,702)
Effects of:		
- expenses not deductible for tax purposes	448,632	7,702
- utilisation of tax losses	(996)	-
Income tax	10,926	-

8. Trade and other payables

	31.12.2011 £	31.12.2010 £
Amounts owed to parent undertaking	24,855	-
Corporation tax payable	10,926	-
Other creditors	1	1
	35,782	1

9. Preference shares

	31.12.2011 £	31.12.2010 £
'A' Preference Shares	1,450,000	-

1,450,000 'A' Preference Shares are held by the Company's immediate holding company, Skipton Group Holdings Limited.

The dividend payable on the 1,450,000 'A' Preference Shares is calculated based on 6 month LIBOR plus 6.5% and is payable on 28 February and 31 August.

The 'A' Preference Shares carry no rights to receive notice of, to attend or speak at, any general meeting of the Company. Shareholders of 'A' Preference Shares shall not be entitled to vote on any resolution at any general meeting of the Company in respect of their holdings.

'A' Preference Shares are redeemable as follows: £500,000 on 31 January 2016, £450,000 on 30 September 2016 and £500,000 on 30 November 2016.

On a winding up of the Company, the 'A' Preference Shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus any accrued dividend.

10. Related party transactions

The Company has a related party relationship with other subsidiaries within the Skipton Group as detailed below All such transactions are priced on an arms-length basis.

a. Sales of goods and services

	2011 Parent	2011 Subsidiary Undertaking	2010 Parent	2010 Subsidiary Undertaking
	£	£	£	£
Sterling International Brokers Limited - Management Charge	-	(45,000)	-	-
Sterling International Brokers Limited - Preference Dividend Payable	-	-	-	23,196
	-	(45,000)	-	23,196

b. Net interest

	2011	2011	2010	2010
	£	£	£	£
Skipton Group Holdings Limited - Preference Dividend Payable	47,252	-	-	-

c. Outstanding balances

	2011	2011	2010	2010
	£	£	£	£
Sterling International Brokers Limited - Management Charge	-	(24,000)	-	-
Skipton Group Holdings Limited - Preference Share Dividend Payable	24,855	-	-	-
	24,855	(24,000)	-	-

11. Capital commitments

There were no capital commitments contracted or authorised by the Directors at the Statement of Financial Position date (2010: £Nil).

12. Financial risk management

The principal financial risks to which the Company is exposed is credit risk.

Credit risk is the risk that a financial institution is unable to honour their obligations to the Company as they fall due.

Surplus cash balances are invested with financial institutions. Any credit risk associated with the financial institutions being invested in is managed by ensuring that the credit ratings of the institutions concerned are acceptable.

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 2011 is as follows:

	Book Value	Fair Value
	£	£
Cash and cash equivalents	6,857	6,857

13. Adoption of new and revised International Financial Reporting Standards

Disclosed below are new standards and interpretations which have been adopted during the year

IAS 24, *Related Parties (Revised 2009).* The revised standard must be applied for annual periods beginning on or after 1 January 2011 and amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities The revised standard has had no impact on these financial statements

Amendments to IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense These amendments have had no impact on these financial statements.

14. Post Balance Sheet Event

On 25 January 2012, Skipton Group Holdings Limited subscribed for additional Preference Shares amounting to £500,000 On the same date, the Company provided further financial support to its subsidiary, Sterling International Brokers Limited by subscribing for additional Ordinary Shares amounting to £500,000.

15. Ultimate parent undertaking

The Company is a 97 37% owned subsidiary of Skipton Group Holdings Limited. The Company's 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