**MBO 1994 LIMITED**

**COMPANY REGISTRATION NUMBER: 2963574**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2012**

**MBO 1994 LIMITED**
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**MBO 1994 LIMITED**
**DIRECTORS' REPORT**

The Directors have pleasure in presenting their Report and the audited Financial Statements for the year ended 31 December 2012

## Principal Activities

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

## Business Review

During 2012, the Company's parent, Skipton Group Holdings Limited, subscribed for further Preference Shares in the Company amounting to £1,300,000. This capital injection was used to support Skipton SIBL Limited, the Company's subsidiary, by subscribing for £1,300,000 of Ordinary Shares in that Company. This was as a result of further difficult trading conditions in Skipton SIBL Limited

On 22 February 2013 Skipton SIBL Limited sold its trade and certain assets to BGC Partners for a consideration of £1 and consequently that company ceased trading. The Company now has no active investments, is not expected to trade in the future and the accounts have therefore been prepared on a non going concern basis

## 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 (2011: £Nil).

## Directors

The Directors of the company during the year were:

D C P Kuan (resigned 13 February 2013)
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 (2011 £nil).

## Creditor Payment Policy

The Company's policy concerning the payment of suppliers for the next financial year is to make the payment in accordance with agreed terms and any other legal obligations As at 31 December 2012, creditor days were nil days due to there being minimal outstanding balances (2011: Nil days)

**MBO 1994 LIMITED**
**DIRECTORS' REPORT**

## 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 subsidiary'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

As described in the Directors' report on page 2, the current economic environment is difficult and the Company has reported a loss for the year as it has written down its investment in its subsidiary. The Company is not expected to generate positive cash flows on its own account for the foreseeable future, however, the Company's parent, Skipton Building Society, has confirmed that it will continue to provide financial support to the Company.

As described above, the Company now has no active investments, is not expected to trade in the future and the accounts have therefore been prepared on a non going concern basis.

In accordance with IFRS, the carrying values of the Company's assets and liabilities have been stated at their net realisable value.

## 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

28 March 2013

**MBO 1994 LIMITED**
**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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 year. 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 do not believe the going concern basis to be appropriate and these financial statements have therefore been prepared on a wind up basis.

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

**MBO 1994 LIMITED**
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MBO 1994 LIMITED**

We have audited the financial statements of MBO 1994 Limited for the year ended 31 December 2012 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 4, 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 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 Financial Reporting Council's website at www.frc.org uk/auditscopeukprivate.

## 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 2012 and of its profit 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.

As explained in the basis of preparation note 1 on page 11, on 22 February 2013 the directors sold the trading operations of the Company's principal operating subsidiary to a third party and that subsidiary company ceased trading immediately. Accordingly, these financial statements are prepared on a non going concern basis of accounting and the carrying values of the Company's assets and liabilities are stated at their net realisable value.

## 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

MBO 1994 LIMITED
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MBO 1994 LIMITED**

**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

28 March 2013

**MBO 1994 LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Note | 31.12.2012<br>£ | 31.12.2011<br>£ |
|---|---|---|---|
| (Expense) / Revenue | 2 | (24,000) | 45,000 |
| Impairment of investment in subsidiary undertaking | 1h | (1,390,048) | (1,646,136) |
| Interest income / (Expense) | 4 | 24,855 | (47,252) |
| **Loss Before Tax** | | **(1,389,193)** | **(1,648,388)** |
| Tax Credit / (Expense) | 7 | 5,879 | (10,926) |
| **Loss for the year** | | **(1,383,314)** | **(1,659,314)** |

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.

**MBO 1994 LIMITED**
**STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2012**

| | Notes | 31 December 2012 £ | 31 December 2011 £ |
|---|---|---|---|
| **Fixed Assets** | | | |
| Investments | 6 | - | 90,048 |
| | | **-** | **90,048** |
| **Current Assets** | | | |
| Amounts due from subsidiary undertakings | | - | 24,000 |
| Cash and cash equivalents | 12 | 6,857 | 6,857 |
| Corporation tax receivable | | 5,879 | - |
| **Total Assets** | | **12,736** | **120,905** |
| **Current Liabilities** | | | |
| Amounts owed to subsidiary undertakings | | 10,927 | - |
| Trade and other payables | 8 | - | 35,782 |
| **Non-Current Liabilities** | | | |
| Preference shares | 9 | 2,750,000 | 1,450,000 |
| **Total Liabilities** | | **2,760,927** | **1,485,782** |
| **Equity** | | | |
| Share capital | | 88,267 | 88,267 |
| Reserves | | | |
| Retained earnings | | (2,848,191) | (1,464,877) |
| Other reserves | | 11,733 | 11,733 |
| | | **(2,748,191)** | **(1,364,877)** |
| **Total Equity and Liabilities** | | **12,736** | **120,905** |

These financial statements were approved by the Board of Directors on 28 March 2013 and signed on its behalf by:

A C Robinson
Director

R J Twigg
Director

Company registration number 2963574

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

**MBO 1994 LIMITED**
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Share Capital | Retained Earnings | Capital Redemption Reserve | Total Equity |
|---|---|---|---|---|
| | £ | £ | £ | £ |
| Balance at 1 January 2011 | 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)** |
| Loss for the year | - | (1,383,314) | - | (1,383,314) |
| Balance at 31 December 2012 | **88,267** | **(2,848,191)** | **11,733** | **(2,748,191)** |

**MBO 1994 LIMITED**
**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2012**

| | Notes | 31 December 2012 £ | 31 December 2011 £ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Loss before taxation | | (1,389,193) | (1,648,388) |
| Adjustments for | | | |
| Decrease/(Increase) in receivables | | 24,000 | (24,000) |
| Decrease/(Increase) in amounts owed to parent undertakings | | (24,855) | 24,855 |
| Increase in amounts owed to subsidiary undertakings | | 10,926 | - |
| Provision for impairment of investment | | 1,390,048 | 1,646,136 |
| Taxation Paid | | (10,926) | - |
| **Net Cash used in Operating Activities** | | **-** | **(1,397)** |
| **Cash Flows from Investing Activities** | | | |
| Increase investments in subsidiary | 6 | (1,300,000) | (1,450,000) |
| Proceeds from issue of Preference Shares | 9 | 1,300,000 | 1,450,000 |
| **Net Cash from Investing Activities** | | **-** | **-** |
| Net decrease in cash and cash equivalents | | - | (1,397) |
| Cash and cash equivalents at 1 January | | 6,857 | 8,254 |
| **Cash and cash equivalents at 31 December 2012** | | **6,857** | **6,857** |

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

**MBO 1994 LIMITED**
**NOTES TO THE 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

Note 13 to the accounts sets out details of the forthcoming standards and interpretations, which are relevant to the Company, and have been adopted by the EU but are not effective as at 31 December 2012

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 2012.

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

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

Subsequent to the year end, the Company's only trading subsidiary, Skipton SIBL Limited has ceased trading As a result the financial statements of MBO 1994 Limited have not been prepared on a going concern basis and all assets and liabilities are stated at their net realisable value

### Adoption of new and revised International Financial Reporting Standards

There have been no new accounting policies adopted in the year.

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 fees are 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.

**MBO 1994 LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**

**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

**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

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| | £ | £ |
| Management (Expense) / Income | (24,000) | 45,000 |

## 3. Dividends

There were no distributions to equity holders in the year (2011 - £Nil).

## 4. Interest Expense

The preference share dividend payable is a credit this year as the 2011 provision was written back in 2012 due to reserves not being available to pay the interest.

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| | £ | £ |
| Preference dividend payable | 24,855 | (47,252) |

## 5. Operating expenses

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

## 6. Investments

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| | £ | £ |
| Cost | 290,494 | 290,494 |
| Ordinary Shares | 2,750,000 | 1,450,000 |
| Provision for impairment | (3,040,494) | (1,650,446) |
| | - | 90,048 |

The investment in Skipton SIBL Limited has been fully impaired in the year

## 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:

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| | £ | £ |
| **a. Analysis of credit in the year** | | |
| **Current tax credit** | | |
| Current tax at 24.50% | (5,879) | 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:

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| Profit/Loss on ordinary activities before tax | (1,389,193) | (1,648,388) |
| Tax on results from ordinary activities at UK standard rate of 24 50% (2011 26 50%) | (340,314) | (436,710) |
| Effects of | | |
| - expenses not deductible for tax purposes | 340,524 | 448,632 |
| - income not taxable for tax purposes | (6,089) | - |
| - utilisation of tax losses | - | (996) |
| Income tax | (5,879) | 10,926 |

**MBO 1994 LIMITED**
**NOTES TO THE FINANCIAL STATEMENTS**

## 8. Trade and other payables

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| | £ | £ |
| Amounts owed to parent undertaking | - | 24,855 |
| Corporation tax payable | - | 10,926 |
| Other creditors | - | 1 |
| | - | 35,782 |

## 9. Preference shares

| | 31.12.2012 | 31.12.2011 |
|---|---|---|
| | £ | £ |
| 'A' Preference Shares | 2,750,000 | 1,450,000 |

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

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, £500,000 on 30 November 2016, £500,000 on 31 January 2017, £500,000 on 31 August 2017 and £300,000 on 31 December 2017.

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.

MBO 1994 LIMITED
NOTES TO THE FINANCIAL STATEMENTS

## 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

| | 2012 Parent £ | 2012 Subsidiary Undertaking £ | 2011 Parent £ | 2011 Subsidiary Undertaking £ |
|---|---|---|---|---|
| Skipton SIBL Limited | | | | |
| - Management Charge | | | | |
| | - | 24,000 | - | (45,000) |
| | - | 24,000 | - | (45,000) |

### b. Net interest

| | 2012 £ | 2012 £ | 2011 £ | 2011 £ |
|---|---|---|---|---|
| Skipton Group Holdings Limited | | | | |
| - Preference Dividend Payable | (24,855) | - | 47,252 | - |

### c. Outstanding balances

| | 2012 £ | 2012 £ | 2011 £ | 2011 £ |
|---|---|---|---|---|
| Skipton SIBL Limited | | | | |
| - Corporation Tax/Management Charge | - | 10,927 | - | (24,000) |
| Skipton Group Holdings Limited | | | | |
| - Preference Share Dividend Payable | - | - | 24,855 | - |
| | - | 10,927 | 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 (2011 £Nil)

## 12. Financial risk management

The principal financial risk 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 2012 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

There have been no new standards or interpretations adopted during the year.

Disclosed below are the new IFRS and amendments which at 31 December 2012 have been endorsed by the EU but were not effective and have therefore not been applied in preparing these financial statements

- Amendments to IAS 1, Presentation of items of Other Comprehensive Income. This amendment is effective from 1 January 2013 and requires entities to group items presented in the Statement of Other Comprehensive Income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods. The impact of this amendment on the financial statements will be immaterial to the Company.

- Amendments to IAS 19, Employee Benefits. This amendment is effective from 1 January 2013 and updates the recognition, presentation and disclosures of retirement benefit plans. This amendment is not expected to have an impact for the Company.

- IFRS 10 - 12. These standards are a package of three new and revised standards addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvement with other entities These standards are not expected to have an impact for the Company.

- IFRS 13, Fair Value Measurement Effective from 1 January 2013, this new standard defines fair value and sets out in a single framework comprehensive guidance for measuring fair value. It will also require increased disclosure about fair value measurements but does not change the requirements with regards to which financial and non-financial assets and liabilities will be measured at fair value This amendment is not expected to have an impact for the Company

The Company notes that there are also new accounting standards on the horizon, which are neither adopted by the EU nor effective at 31 December 2012 including IFRS 9 IFRS 9 is still subject to EU endorsement, the timing of which is uncertain, but is currently expected to be effective for annual periods beginning on or after 1 January 2015 As such the Company is monitoring developments and considering the associated impact on the Company financial statements.

## 14. Ultimate parent undertaking

The Company is a 100% 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