

**DEALWISE LIMITED**

**DIRECTORS' REPORT AND ACCOUNTS**

**31ST DECEMBER 1998**

**(Registered Number 3220934)**



# DEALWISE LIMITED

## DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31 December 1998.

### PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the company is the provision of execution-only stockbroking services and will continue to be so for the foreseeable future.

### BUSINESS REVIEW

The results for the period are shown in the profit and loss account and notes thereto.

During the year the continuing increase in business volumes necessitated the acquisition of larger premises. Accordingly, the company's parent undertaking acquired the freehold of new office premises at Exchange Court in Leeds, with an area of 55,000 square feet, for occupation by the company. The move was accomplished in phases between late May and late August. Additional expenditure was incurred relating solely to dual site working, which has been fully written off. Additions to fixed assets, including those relating to fitting out the premises, together with the associated furnishing, computer equipment and communications infrastructure are included in note 9. Full provision has been made for commitments under the lease of the company's former premises up to the earliest surrender date in September 1999.

No interim ordinary dividend has been paid during the period under review. Preference dividends of £41,654 and £42,346 were paid in accordance with the terms of the shares on 7 May 1998 and 29 October 1998 respectively.

The directors do not recommend payment of any dividends in respect of the ordinary shares.

### DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the period were:

J G Goodfellow  
P F Barlow  
H W B Houghton (resigned 30 November 1998)  
J A Plowman  
J B Rawlings  
R H Robinson (resigned 15 April 1998)  
R J Steel

Messrs J G Goodfellow and J B Rawlings 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 interests of the other directors are as follows:

	C Ordinary Shares of 35 Pence	
	1 January 1998	31 December 1998
P F Barlow	9,900	9,900
J A Plowman	9,900	9,900

Other directors of the company as at 31 December 1998 had no interest in the shares of any group undertaking at any time during the period.

### CREDITOR PAYMENT POLICY

The company's policy regarding the payment of suppliers for the next financial year is to agree terms of payment in advance and to pay according to these agreed terms and any other legal obligations. At the year end there were an average of 11 days purchases outstanding.

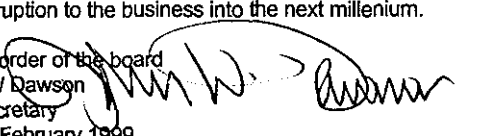
# DEALWISE LIMITED

## DIRECTORS' REPORT

### YEAR 2000

The company has recognised the importance of the year 2000 issue (Y2K), a full assessment of its impact on the company has been completed and resources committed to its resolution. Costs relating to the project relate mainly to the use of existing resources and consist of staff costs and hardware and software costs. Some of the hardware costs relate to the acceleration of normal expenditure. The total cost of Y2K is expected to be £78,000. The company has established procedures to confirm that where possible all of its suppliers are Y2K compliant and that where possible purchases are tested on site to ensure Y2K compliance. The directors are confident that the steps that are being taken are sufficient to address the Y2K issue and will avoid disruption to the business into the next millenium.

By order of the board  
J W Dawson  
Secretary  
22 February 1999



# **DEALWISE LIMITED**

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts for each financial period 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.

# DEALWISE LIMITED

## REPORT OF THE AUDITOR TO THE MEMBERS OF DEALWISE LIMITED

We have audited the accounts on pages 6 to 14.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As described on page 4 the 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 the accounts.

### OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor  
Leeds

22 February 1999

# DEALWISE LIMITED

## PROFIT AND LOSS ACCOUNT

### FOR THE PERIOD ENDED 31 DECEMBER 1998

	Note	1998 £	1997* £
Turnover	2	13,622,359	8,140,619
Cost of sales		(6,091,599)	(3,691,081)
<b>Gross profit</b>		<b>7,530,760</b>	<b>4,449,538</b>
<b>Administrative expenses</b>			
Amortisation of goodwill		(95,262)	(125,798)
Other		(4,882,848)	(2,421,217)
<b>Operating profit</b>		<b>2,552,650</b>	<b>1,902,523</b>
Other interest receivable		1,450,300	799,965
Interest payable to group undertakings		(573,257)	(400,578)
<b>Profit on ordinary activities before taxation</b>	3	<b>3,429,693</b>	<b>2,301,910</b>
Taxation on profit on ordinary activities	5	(1,102,194)	(772,780)
<b>Profit on ordinary activities after taxation</b>		<b>2,327,499</b>	<b>1,529,130</b>
Dividends paid and proposed (equity and non-equity)	6	(84,000)	(137,482)
<b>Retained profit for the financial period</b>		<b>2,243,499</b>	<b>1,391,648</b>

\* The prior period was from incorporation on 5 July 1996 to 31 December 1997. Trading commenced on 9 September 1996, giving a prior trading period of 68 weeks.

In the current year the company made no material acquisitions and had no discontinued operations. The results for the prior period arose from the trade acquired and there were no discontinued operations.

There were no recognised gains or losses in the current year (1997 £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 8 to 14 form part of these accounts.

# DEALWISE LIMITED

## BALANCE SHEET

AT 31 DECEMBER 1998

	Note	1998 £	1998 £	1997 £	1997 £
<b>Fixed assets</b>					
Intangible assets	8		1,684,175		1,779,436
Tangible assets	9		2,111,328		835,142
Investment	10		2		2
			3,795,505		2,614,580
<b>Current assets</b>					
Debtors	11	96,658,726		48,698,119	
Cash at bank and in hand	12	12,973,298		5,962,770	
			109,632,024	54,660,889	
<b>Creditors</b>					
Amounts falling due within one year	13	(106,572,482)		(52,682,921)	
<b>Net current assets</b>			3,059,542		1,977,968
<b>Total assets less current liabilities</b>			6,855,047		4,592,548
Provisions for liabilities and charges	14		(48,000)		(29,000)
<b>Net assets</b>			6,807,047		4,563,548
<b>Capital and reserves</b>					
Called up share capital	15		1,281,000		1,281,000
Share premium account			1,890,900		1,890,900
Profit and loss account			3,635,147		1,391,648
<b>Shareholders' funds</b>	16		6,807,047		4,563,548
An analysis of shareholders' funds between equity and non-equity interests is as follows:					
Equity			5,757,047		3,513,548
Non-equity			1,050,000		1,050,000
			6,807,047		4,563,548

A reconciliation of the movement in shareholders' funds is given in note 16.  
These accounts were approved by the board of directors on 22 February 1999.

J G Goodfellow

*J.G. Goodfellow*

Directors

J A Plowman

*J.A. Plowman*

The notes on pages 8 to 14 form part of these accounts.

# DEALWISE LIMITED

## NOTES TO 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:

#### (a) Basis of Accounting

These accounts are drawn up under the historical cost convention and in accordance with applicable accounting standards.

#### (b) Goodwill

The excess of the cost of acquisition over the fair value of the net tangible assets at the date of acquisition is included in the balance sheet as goodwill. Goodwill is written off over its useful economic life which is estimated to be 20 years.

#### (c) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their estimated useful lives as set out below:

Short leasehold premises	- period of lease
Equipment, fixtures and fittings	- 5 or 10 years
Motor vehicles	- 25% of net book value

#### (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) Commission Income

Credit for commissions is taken when bargains are executed.

#### (f) Leases

The rental charges under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

#### (g) Pensions

The majority of the company's employees who have opted to join a pension scheme are members of the Skipton Building Society group defined contribution pension scheme, the assets of which are held separately from the company in an independently administered scheme. Contributions are charged to revenue and included in staff costs. In addition, some employees are members of the Skipton Building Society group defined benefit pension scheme, the assets of which are held separately from the Society in an independently administered scheme. Contributions are transferred to the trustees on a regular basis to secure the benefits provided under the rules of the scheme.

#### (h) Related Party Transactions

Under Financial Reporting Standard No 8, the company is exempt from the requirement to disclose transactions with entities within the Skipton Building Society group as all of its voting rights are controlled within the Skipton Building Society, whose group annual report and accounts are publicly available.

#### (i) Cashflow Statement

Under Financial Reporting Standard No 1 (Revised), the company is exempt from the requirement to prepare a cashflow statement as all of its voting rights are controlled within the Skipton Building Society, whose group annual report and accounts are publicly available.



# DEALWISE LIMITED

## NOTES TO THE ACCOUNTS

### 2. Turnover

Turnover represents stockbroking commissions, PEP management charges and membership application fees, excluding VAT. All earnings are within the United Kingdom. The prior period was from incorporation on 5 July 1996 to 31 December 1997. Trading commenced on 9 September 1996, giving a prior trading period of 68 weeks.

### 3. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:

	1998 £	1997 £
Depreciation of tangible fixed assets	432,879	192,611
Loss/(profit) on disposal of tangible fixed assets	1,699	(3,029)
Auditor's and its associates' remuneration and expenses:		
For audit work	29,375	29,375
For non-audit work	5,558	25,851
Operating leases - land and buildings	304,417	108,140
Directors' emoluments (note 4)	494,173	461,344

### 4. Staff numbers and costs

The average numbers of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	No	No
Directors	6	8
Operations	161	64
Administration	18	8
	—	—
	185	80
	—	—

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	3,130,362	2,199,993
Social security costs	262,683	164,509
Other pension costs	36,935	43,954
	—	—
	3,429,980	2,408,456
	—	—
Directors' emoluments		
Remuneration as directors	484,173	448,844
Amounts receivable under long term incentive schemes	-	-
Company contributions to money purchase pension schemes	-	-
	—	—
	484,173	448,844
	—	—
Amounts paid to third parties in respect of directors' services	10,000	12,500

# DEALWISE LIMITED

## NOTES TO THE ACCOUNTS

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £142,888 (1997 - £145,927). He is a member of a defined benefit scheme, under which his accrued pension at the period end was £10,392 (1997 - £1,875).

Retirement benefits are accruing to 3 directors under defined benefit schemes.

### 5. Taxation on profit on ordinary activities

The taxation charge for the period comprises:

	1998 £	1997 £
UK corporation tax at 31% (1997 - 31.875%)		
Charge for the period	1,058,000	743,780
Under provided in previous period	25,194	-
Deferred taxation	19,000	29,000
	<hr/>	<hr/>
	1,102,194	772,780
	<hr/>	<hr/>

### 6. Dividends paid and proposed

Dividends comprise:

Half yearly payments of dividends on 8% preference shares (non-equity)	84,000	77,482
Dividend to holders of former B ordinary shares in accordance with shareholders' agreement (equity)	-	60,000
	<hr/>	<hr/>
	84,000	137,482
	<hr/>	<hr/>

### 7. Related party transactions

The shareholders' agreement includes an option entitling the C ordinary shareholders to require Skipton Building Society to purchase their shares at a price to be determined by an independent valuation of the company. This option can be exercised on various dates from 6 April 1998. Depending on the exercise date and the valuation of the company, a ratchet mechanism determines the price which Skipton Building Society must pay for the shares up to a maximum of 8.79% of the market value of the company.

On 30 November 1998 Skipton Building Society acquired 9,900 C ordinary shares from Mr H W B Houghton.

# DEALWISE LIMITED

## NOTES TO THE ACCOUNTS

### 8. Intangible fixed assets

Intangible fixed assets consist of goodwill arising on the acquisition of the trade and specified assets of the Dealwise division of Wise Speke Limited.

	1998 £	1997 £
<b>Cost</b>		
At 1 January (1997 - on incorporation)	1,905,234	-
Arising during the period	-	1,905,234
	<hr/>	<hr/>
At 31 December	1,905,234	1,905,234
	<hr/>	<hr/>
<b>Amortisation</b>		
At 1 January	125,798	-
Amortisation for the period	95,261	125,798
	<hr/>	<hr/>
At 31 December	221,059	125,798
	<hr/>	<hr/>
<b>Net book value</b>	1,684,175	1,779,436
	<hr/>	<hr/>

### 9. Tangible fixed assets

Cost	Motor vehicles £	Equipment fixtures & fittings £	Total £
At 1 January	129,321	890,391	1,019,712
Additions	69,269	1,665,033	1,734,302
Disposals	(45,970)	-	(45,970)
	<hr/>	<hr/>	<hr/>
At 31 December	152,620	2,555,424	2,708,044
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 1 January	20,173	164,397	184,570
Charged	45,286	387,593	432,879
Eliminated on disposals	(20,733)	-	(20,733)
	<hr/>	<hr/>	<hr/>
At 31 December	44,726	551,990	596,716
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 December	107,894	2,003,434	2,111,328
	<hr/>	<hr/>	<hr/>
At 1 January	109,148	725,994	835,142
	<hr/>	<hr/>	<hr/>

# DEALWISE LIMITED

## NOTES TO THE ACCOUNTS

### 10. Investment

The investment consists of shares in the subsidiary undertaking, Wellington Street Nominees Limited, the ordinary shares of which are wholly owned by the company. The subsidiary acts as nominee shareholder to hold shares on behalf of customers of Dealwise Limited.

### 11. Debtors

Amounts falling due within one year:

	1998 £	1997 £
Market debtors	69,878,357	29,978,432
Client debtors	26,142,018	18,431,691
Other debtors	261,411	171,845
Prepayments and accrued income	376,940	116,151
	<hr/>	<hr/>
	96,658,726	48,698,119
	<hr/>	<hr/>

### 12. Cash at bank and in hand

Client money bank balances held for settlement  
in accordance with the Client Money Rules  
Other bank balances

	12,888,990	5,841,449
	84,308	121,321
	<hr/>	<hr/>
	12,973,298	5,962,770
	<hr/>	<hr/>

At 31 December 1998 the company held bank deposits totalling £42,370,137 (1997 - £12,048,198) on behalf of clients, other than for settlement, which are not included above.

### 13. Creditors

Amounts falling due within one year:

Bank loans and overdrafts	165,019	-
Market creditors	54,939,412	24,507,850
Client creditors	39,488,659	19,572,029
Amounts owed to group undertakings	9,424,133	7,144,153
Other creditors including taxation and social security	1,057,226	773,599
Accruals and deferred income	1,498,033	685,290
	<hr/>	<hr/>
	106,572,482	52,682,921
	<hr/>	<hr/>

# DEALWISE LIMITED

## NOTES TO THE ACCOUNTS

### 14. Provisions for liabilities and charges

	1998 £	1997 £
Deferred taxation in respect of short term timing differences		
At 1 January	29,000	-
Provided during the period	19,000	29,000
	<hr/>	<hr/>
At 31 December	48,000	29,000
	<hr/>	<hr/>

There are no deferred tax liabilities which are not provided for.

### 15. Share capital

Share capital is as follows:

	Authorised £	Issued and fully paid £
A ordinary shares of 35 pence each	220,605	220,605
C ordinary shares of 35 pence each	10,395	10,395
		<hr/>
		231,000
		<hr/>
Fixed term non-cumulative 8% preference shares of £1 each repayable 6 September 2001	1,050,000	1,050,000
		<hr/>

### 16. Shareholders' funds

Shareholders' funds may be analysed as follows:

	1998 £	1997 £
Equity shareholders' funds	5,757,047	3,513,548
Non-equity shareholders' funds	1,050,000	1,050,000
	<hr/>	<hr/>
	6,807,047	4,563,548
	<hr/>	<hr/>

Reconciliation of movement in shareholders' funds

At 1 January (1997 - at incorporation)	4,563,548	-
Issue of ordinary shares		
Nominal value	-	231,000
Share premium	-	1,890,900
Issue of preference shares	-	1,050,000
Profit on ordinary activities after taxation	2,327,499	1,529,130
Dividends paid and proposed	(84,000)	(137,482)
	<hr/>	<hr/>
At 31 December	6,807,047	4,563,548
	<hr/>	<hr/>

# DEALWISE LIMITED

## NOTES TO THE ACCOUNTS

### 17. Pensions

The majority of the employees of the company who have opted to join a pension scheme are members of the Skipton Building Society defined contribution pension scheme. The assets of the scheme are held separately from those of the Society.

In addition, some employees are members of the Skipton Building Society defined benefit pension scheme. The pension costs are assessed in accordance with the advice of independent, professionally qualified actuaries. The scheme was the subject of a full actuarial valuation at 1 April 1997 and particulars of this valuation are included in the annual report and accounts of Skipton Building Society. The total pension cost for the company in the period is shown in note 4.

### 18. Commitments

#### Capital commitments

	1998 £	1997 £
Authorised not contracted for	93,068	-
Contracted but not provided for	128,928	4,684

#### Operating leases

At 31 December the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1998 £	1997 £
Expiring within one year	81,578	-
Expiring in one to five years	-	81,578

### 19. Ultimate parent undertaking

The company is a subsidiary of Skipton Building Society, which is registered in the United Kingdom. Dealwise Limited is exempt from publishing group accounts and delivering them to the Registrar of Companies by virtue of Section 228, Companies Act 1985.

A copy of the group annual report and accounts into which the results of this company are consolidated may be obtained from:

J W Dawson  
The Secretary  
Skipton Building Society  
The Bailey  
Skipton  
North Yorkshire  
BD23 1DN