

**SKIPTON BUSINESS FINANCE LIMITED**

## DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER 2001

(Registered Number 4171724)



# SKIPTON BUSINESS FINANCE LIMITED

## DIRECTORS' REPORT

The directors present their annual report and audited accounts for the six months ended 31st December 2001.

### PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the company is that of factoring and invoice discounting services and it will continue to be so for the foreseeable future.

### BUSINESS REVIEW

The company was incorporated in the name of Inhoco 2280 Limited on 2 March 2001 before being renamed Skipton Business Finance Limited.

The company began trading on 11 July 2001. The results for the year are shown in the profit and loss account and notes thereto. No interim dividend has been paid during the year. The directors do not recommend the payment of a final dividend.

### DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year and their beneficial interests in the share capital of the company at the balance sheet date and at the start of the period were as follows:

	No. Ordinary Shares of £1 each
J G Goodfellow (appointed 3/5/01)	
R J McCormick (appointed 3/5/01)	
R A Walker (appointed 3/5/01)	24,000
P M Craddock (appointed 11/7/01)	
J D Walkden (appointed 11/7/01)	20,000
G M Bell (appointed 11/7/01)	6,000
R Lee (appointed 11/7/01)	

Mr J G Goodfellow and Mr R J McCormick 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 other directors of the company as at 31st December 2001 had no interest in the shares of any other group undertaking at any time during the year.

### 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 payment in accordance with agreed terms and any other legal obligations. At 31 December 2001 creditor days were 0 days.

By order of the board

J W Dawson  
Secretary

28th January 2002

# SKIPTON BUSINESS FINANCE LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SKIPTON BUSINESS FINANCE LIMITED

We have audited the accounts on pages 4 to 10.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company are not disclosed.

## BASIS OF AUDIT 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 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 policies are appropriate to the company's circumstances, consistently applied and 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 of the state of the company's affairs as at 31st December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Leeds

28th January 2002

# SKIPTON BUSINESS FINANCE LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2001

	Notes	2001 £s
Turnover	1	35,266
Cost of sales		(102,097)
Gross loss		(66,831)
Administrative expenses		(324,220)
Operating loss		(391,051)
Interest receivable	2	9,472
Interest payable	3	(6,200)
Profit/(Loss) on ordinary activities before taxation	4	(387,779)
Taxation on loss on ordinary activities	6	113,801
Profit/(Loss) on ordinary activities after taxation		(273,978)
Retained profit brought forward		-
Retained loss carried forward		(273,978)

In the current year the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in the current year 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 7 to 10 form part of these accounts.

## BALANCE SHEET

	Notes	2001	
		£s	£s
<b>Fixed assets</b>			
Tangible assets	7		52,522
<b>Current assets</b>			
Debtors	8	1,354,862	
<b>Creditors: Amounts falling due within one year</b>	9	(1,481,362)	
<b>Net current assets/(liabilities)</b>			(126,500)
<b>Net assets/(liabilities)</b>			(73,978)
<b>Capital and reserves</b>			
Called up equity share capital	11		200,000
Profit and loss account			(273,978)
<b>Equity shareholders' funds</b>	12		(73,978)

These accounts were approved by the board of directors on 28th January 2002

J G Goodfellow )  
 ) Directors  
R A Walker )

The notes on pages 7 to 10 form part of these accounts.

# SKIPTON BUSINESS FINANCE LIMITED

## CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31ST DECEMBER 2001

2001

£s

**Net Cash Inflow/(Outflow) from Operating Activities** (990,328)

**Returns on Investment and servicing of finance**

Interest Received 9,472

Interest Paid (4,264)

**Net cash inflow/(outflow) for returns on investment and servicing of finance** 5,208

**Taxation** 961

**Capital expenditure and financial investment**

Purchase of tangible fixed assets (58,967)

**Net cash outflow from capital expenditure and financial investment** (58,967)

**Financing**

Proceeds from issue of share capital 200,000

Increase in loan debt 824,384

**Net cash inflow from financing** 1,024,384

**Increase/(Decrease) in cash for the period** (18,742)

**Reconciliation of operating loss to net cash outflow from operating activities**

Operating loss (391,051)

Depreciation charges 6,445

Increase in Bad Debt Provision 69,454

Decrease/(Increase) in Debtors (1,302,804)

Decrease/(Increase) in Prepayments (8,672)

Increase/(Decrease) in Creditors 572,062

Increase/(Decrease) in Accruals and deferred income 64,238

**Net cash inflow/(outflow) from operating activities** (990,328)

**Analysis of Net Debt**

Overdrafts 18,742

Intercompany Debt 824,384

**Total Net Debt** 843,126

# SKIPTON BUSINESS FINANCE LIMITED

## NOTES TO THE ACCOUNTS

### 1. Principal 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 historic cost convention and in accordance with applicable accounting standards. The company's parent undertaking has confirmed that they will continue to provide financial support to the company and on the strength of this assurance the accounts have been prepared on a going concern basis.

#### (b) Turnover

Turnover represents fees charged excluding VAT. All earnings are within the United Kingdom.

#### (c) 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.

#### (d) Depreciation

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

Computer hardware	5 years
Motor Vehicles	25% of net book value

#### (e) Pensions

The majority of the company's employees 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.



# SKIPTON BUSINESS FINANCE LIMITED

## NOTES TO THE ACCOUNTS

### 2. Interest receivable

	2001
	£s
Bank interest receivable	544
Other interest receivable	160
Factoring and Invoice Discounting interest receivable	8,768
	<u>9,472</u>

### 3. Interest payable

	2001
	£s
Bank charges	163
Payable to parent undertaking	6,037
	<u>6,200</u>

### 4. Profit on ordinary activities before taxation

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

	2001
	£s
Depreciation on tangible fixed assets	6,445
Auditors' and their associates' remuneration and expenses:	
For audit work	4,875
For non-audit work	-
Directors' emoluments (note 5)	144,055

### 5. Staff numbers and costs

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

	2001
Directors	3
Others	4
	<u>7</u>

The aggregate payroll costs of these persons were as follows:

	2001
	£s
Wages and salaries	190,346
Social security costs	18,848
Other pension costs	6,304
	<u>215,498</u>

Directors' Emoluments:

	2001
	£s
Remuneration as directors	144,055
	<u>144,055</u>

The emoluments of the highest paid director was £60,250.

# SKIPTON BUSINESS FINANCE LIMITED

## NOTES TO THE ACCOUNTS

### 6. Taxation on profit on ordinary activities

	2001 £s
The taxation charge for the year comprises:	
UK corporation tax calculated at 30% on the (loss)/profit for the year	(96,934)
Deferred tax for the year	(16,867)
	<u>(113,801)</u>

### 7. Tangible fixed assets

	Computer Hardware	Motor Vehicles	Total
	£s	£s	£s
<b>Cost</b>			
Opening	-	-	-
Additions	5,474	53,493	58,967
At 31st December 2001	<u>5,474</u>	<u>53,493</u>	<u>58,967</u>
<b>Depreciation</b>			
Opening	-	-	-
Charged in year	439	6,006	6,445
At 31st December 2001	<u>439</u>	<u>6,006</u>	<u>6,445</u>
<b>Net book value</b>			
At 31st December 2001	<u>5,035</u>	<u>47,487</u>	<u>52,522</u>

### 8. Debtors

	2001 £s
Gross debtors	1,302,804
Less provision for bad debts	(69,454)
Taxation	112,840
Prepayments and accrued income	8,672
	<u>1,354,862</u>

### 9. Creditors: Amounts falling due within one year

	2001 £s
Client retention	572,062
Overdraft	18,742
Trade Creditors	-
Amounts owed to parent undertaking	824,384
Accruals and deferred income	66,174
	<u>1,481,362</u>

# SKIPTON BUSINESS FINANCE LIMITED

## NOTES TO THE ACCOUNTS

### 10. Related party transactions

At 31st December 2001 the directors had no outstanding loans or deposits with the Society or transactions during the period with any group companies.

During the year ended 31st December 2001 the following related party transactions were entered into with Skipton Building Society:

General Business Recharge	£271,134	Balance outstanding as at 31st December 2001 £154,384.
Interest paid and accrued	£449	
Funding	£670,000	Balance outstanding as at 31st December 2001 £670,000.
Interest paid and accrued	£5,588	

### 11. Deferred Taxation

The potential deferred taxation asset at 30% (2000: 30%) comprises:

	2001 Amount Provided £
General Mortgage Provision	16,867
	<u>16,867</u>

### 12. Equity share capital

	2001 £s
Authorised, allotted, called up and fully paid share capital	
200,000 ordinary shares of £1 each	200,000
100 ordinary shares of £1 each were issued at par on incorporation with a subsequent 199,900 ordinary shares of £1 each issued at par on 11 July 2001.	

### 13. Reconciliation of movement in shareholders' funds

	2001 £s
At 1st January	-
Retained profit/(loss) for the financial year	(273,978)
<u>At 31st December</u>	<u>(273,978)</u>

### 14. Ultimate parent undertaking

The company is a 75% owned subsidiary of Skipton Building Society, registered in the United Kingdom.  
A copy of the group annual report and accounts into which the results of the company are consolidated is available from:

The Secretary,  
Skipton Building Society,  
The Bailey,  
Skipton,  
North Yorkshire,  
BD23 1DN.