

# **Amber Homeloans Limited**

Directors' report and financial statements

31 December 2011

(Registered number 2819645)

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# Amber Homeloans Limited

## Directors' report

The Directors present their Directors' Report and financial statements for the year ended 31 December 2011

## Principal activities and future developments

The principal activity of Amber Homeloans Limited ('the Company') is the advance of loans secured on residential property and will continue to be so for the foreseeable future

## Business review

### a) Overview

	2011 £000	2010 £000
(Loss) / profit before tax, as reported on the Statement of Comprehensive Income	(13,837)	1,397
Net assets as reported in the Statement of Financial Position	9,235	19,375

The Company ceased new lending in March 2008 and throughout the current year has focussed on managing its existing mortgage portfolios

Due to the continued economic downturn the number of properties taken into possession in the year has increased from 136 in 2010 to 165 in 2011

The number of cases in arrears has increased moderately from 1,124 in 2010 to 1,203 in 2011, with a small balance increase in 1 month+ from £231.3m in 2010 to £232.9m in 2011

### b) Objectives

With the Company having withdrawn from new lending and with the asset trading market effectively being closed, its principal objective is to manage the existing mortgage book hence to minimise the level of mortgage losses whilst always seeking to treat customers fairly and seek the best outcome for individual borrowers

### c) Key performance indicators

The main areas of focus for the Company have been reducing arrears levels and minimising mortgage losses

Year	Pre-tax (loss) / profit £000	Arrears capital balances £000	Mortgage losses £000
2009	(23,964)	229,274	32,831
2010	1,397	173,770	(1,324)
2011	(13,837)	179,233	9,843

The Company's performance has declined during 2011 with the downturn in market conditions and the increased cost of the LIBOR based funding it receives, generating negative net interest margin in the year. The Company has reported a pre-tax loss for the year compared with the profit generated in 2010, driven predominantly by increased mortgage losses and the reduced interest margin.

### d) Principal risks and uncertainties

The Company's objective is to manage appropriately all the risks that arise from its activities and conform to the parent Group's formal structure for managing risks

The principal risks faced by the Company and an outline of the methods used to reduce them are as follows

# Amber Homeloans Limited

## Directors' report (continued)

### d) Principal risks and uncertainties (continued)

**Liquidity risk** is the risk that the Company is unable to meet its current and future financial obligations as they fall due. These obligations include repayment of loans.

The Company is funded entirely by its parent, Skipton Building Society, which has confirmed its ongoing intention to continue to support the Company and the Directors believe this risk is therefore mitigated appropriately.

**Market risk** is the risk that the value of, or income from, the Company's assets and liabilities is impacted as a result of changes in market risk factors. The Company's principal market risk factor is interest rate risk.

*Interest rate risk* is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises from the mortgage products we offer. This risk is managed through the use of appropriate financial instruments, including derivatives, with established risk limits, reporting lines, mandates and other control procedures.

**Operational risk** is the risk of loss arising from inadequate or failed processes, people and systems or from external events.

For the purpose of managing operational risk we divide it into two discrete operational areas: performance and data and management information. Responsibility for managing operational risks lies with individual operational areas that identify and assess risk in line with the Group Operational Risk guidelines. An independent operational risk function is also provided by the Company's parent. These risks are reviewed on a quarterly basis and the outcomes from this review are reported to the Operational Board.

**Credit risk** is the risk that the number of customers who are unable to honour their obligations may increase disproportionately to the increased returns achieved through the interest margin.

Credit risk within our mortgage portfolio is driven by general UK economic pressures including rising unemployment, deterioration in household finances and further contraction in the UK property market leading to falling property values. A reversal of the economic recovery and the return to falls in house prices would affect the level of impairment losses.

As noted above, the Company has mitigated this risk by withdrawing from the new lending market.

The Company is represented on the Credit Risk Committee which meets monthly to agree impairment methodology and impairment provisioning, which is based on models used across the Skipton Group.

We consider forbearance options on a case by case basis in line with industry guidance and best practice. Such options include capitalisation of arrears, interest only concessions, payment holidays and term extensions where these are in the interests of the borrower and the Company. The impact of any such forbearance is recognised within our provisioning policy.

### Dividends

No interim dividend has been paid during the year (2010: £Nil). The Directors do not recommend the payment of a final dividend (2010: £Nil).

### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and financial position, are set out in the Business review on pages 1 to 2. The financial position of the Company, its cash flows and liquidity position are set out within the Company accounts on pages 6 to 9.

In addition, note 11 to the financial statements includes the Company's policies and processes for managing its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

## **Amber Homeloans Limited**

### **Directors' report (continued)**

#### **Going concern (continued)**

As described in the Directors' report on page 1, current economic conditions have impacted on the Company's financial performance with an operating loss being reported for the year. However, the Directors, having assessed the responses of the Directors of its parent, Skipton Building Society, to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group to continue as a going concern or its ability to continue to support the Company.

On the basis of this assessment the Company's Directors have 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.

#### **Directors**

The Directors who served throughout the year were

R S P Litten (resigned 5 December 2011)  
D J Cutter  
P Fenn  
R J Twigg

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.

#### **Creditor payment policy**

The Company's policy concerning the payment of suppliers is to agree terms of payment in advance and to make payment in accordance with those agreed terms and any other legal obligations. The Company's expenses are serviced largely through group companies and it therefore has no significant external suppliers, hence at 31 December 2011 creditor days were 0 days (2010: 0 days).

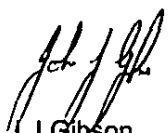
#### **Donations**

During the year the Company made no charitable donations (2010: £Nil). The Company has made no contributions for political purposes in the year (2010: £Nil).

#### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the Board



J J Gibson  
Secretary  
The Bailey  
Skipton  
North Yorkshire  
1 March 2012

## **Amber Homeloans Limited**

### **Statement of Directors' responsibilities in respect of the Directors' report and 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 IFRSs 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 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 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.

## **Independent Auditor's Report to the members of Amber Homeloans Limited**

We have audited the financial statements of Amber Homeloans Limited for the year ended 31 December 2011 set out on pages 6 to 27

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 auditor**

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 (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 website at [www.frc.org.uk/apb/scope/private.cfm](http://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 IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

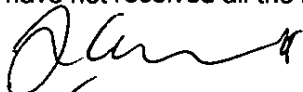
### **Opinion on other matter prescribed by the Companies Act 2006**

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



**J L Ellacott**  
**Senior Statutory Auditor**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
1 The Embankment  
Leeds LS1 4DW  
1 March 2012

## Amber Homeloans Limited

### Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Interest receivable and similar income	3	37,702	41,062
Interest payable and similar charges	4	(38,607)	(37,244)
<b>Net interest receivable</b>		<b>(905)</b>	<b>3,818</b>
Fair value gains and losses		(118)	307
Other operating income	5	1,133	1,535
Administration expenses	6	(4,104)	(5,587)
Impairment losses on loans and advances	13	(9,843)	1,324
<b>(Loss) / profit before tax</b>	2	<b>(13,837)</b>	<b>1,397</b>
Tax income / (expense)	8	3,663	(393)
<b>(Loss) / profit for the year</b>		<b>(10,174)</b>	<b>1,004</b>
<b>Other comprehensive income:</b>			
Deferred tax on items taken directly to equity	17	139	130
Current tax on items taken directly to equity		(105)	(111)
<b>Total comprehensive income for the year</b>		<b>(10,140)</b>	<b>1,023</b>
Attributable to			
<b>Equity holders of the parent</b>		<b>(10,140)</b>	<b>1,023</b>

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

The notes on pages 10 to 27 form part of these financial statements

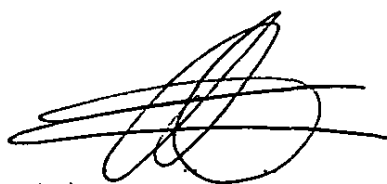
# Amber Homeloans Limited

## Statement of Financial Position

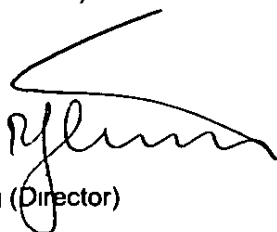
As at 31 December 2011

	Notes	2011 £000	2010 £000
<b>Assets</b>			
Loans and advances to credit institutions	10	3,306	3,123
Loans and advances to customers	12	1,129,938	1,206,635
Investment in subsidiary undertakings	14	26	26
Property, plant and equipment	15	-	-
Current tax assets		1,828	-
Deferred tax assets	17	2	2
Other assets		560	604
<b>Total assets</b>		<b>1,135,660</b>	<b>1,210,390</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to the parent</b>			
Share capital	18	33,674	33,674
Retained earnings		(24,439)	(14,299)
		<b>9,235</b>	<b>19,375</b>
<b>Liabilities</b>			
Amounts owed to credit institutions	16	1,119,395	1,181,425
Amounts owed to fellow group undertakings		271	436
Derivative financial instruments	11	3,934	5,185
Current tax liabilities		-	750
Deferred tax liabilities	17	397	536
Other liabilities		2,428	2,683
		<b>1,126,425</b>	<b>1,191,015</b>
<b>Total equity and liabilities</b>		<b>1,135,660</b>	<b>1,210,390</b>

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



P Fenn (Director)



R J Twigg (Director)

Company registration number 2819645

The notes on pages 10 to 27 form part of these financial statements



## Amber Homeloans Limited

### Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital £000	Retained earnings £000	Total equity £000
Balance at 1 January 2011	33,674	(14,299)	19,375
Total comprehensive income for the year	-	(10,140)	(10,140)
<b>Balance at 31 December 2011</b>	<b>33,674</b>	<b>(24,439)</b>	<b>9,235</b>

Balance at 1 January 2010	3,674	(15,322)	(11,648)
Issue of 30 0m ordinary £1 shares	30,000	-	30,000
Total comprehensive income for the year	-	1,023	1,023
<b>Balance at 31 December 2010</b>	<b>33,674</b>	<b>(14,299)</b>	<b>19,375</b>

The notes on pages 10 to 27 form part of these financial statements

# Amber Homeloans Limited

## Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 £000	2010 £000
<b>Cash flows from operating activities</b>			
(Loss) / profit for the year before tax		(13,837)	1,397
Adjustments for			
Impairment losses	13	9,843	(1,324)
Loans and advances written off, net of expenses	13	(11,417)	(11,078)
Non-cash movements		1,370	1,769
<b>Operating (loss) before changes in working capital and provisions</b>		<b>(14,041)</b>	<b>(9,236)</b>
Net decrease in loans and advances to customers		76,901	94,890
Net decrease in amounts owed to credit institutions		(62,030)	(118,314)
Net decrease in derivatives		(1,251)	(2,075)
Net decrease / (increase) in other assets		44	(477)
Net decrease in other liabilities		(420)	(15)
<b>Cash (expended) from operations</b>		<b>(797)</b>	<b>(35,227)</b>
Income taxes received		980	5,679
<b>Net cash received from operating activities</b>		<b>183</b>	<b>(29,548)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	18	-	30,000
<b>Net cash from financing activities</b>		<b>-</b>	<b>30,000</b>
Net increase in cash and cash equivalents		183	452
Cash and cash equivalents at 1 January		3,123	2,671
<b>Cash and cash equivalents at 31 December</b>		<b>3,306</b>	<b>3,123</b>

All cash and cash equivalents are held as "Loans and advances to credit institutions"

The notes on pages 10 to 27 form part of these financial statements

# **Amber Homeloans Limited**

## **Notes to the financial statements**

### **1. Accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below

The Statement of Financial Position has been prepared to give a non-classified presentation on the liquidity basis, as the Directors believe that such a presentation provides information that is reliable and more relevant than a current / non-current presentation

#### **(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 Company is incorporated and domiciled in the UK

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

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1(b)

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

#### **Adoption of new and revised IFRSs**

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*)

#### **Measurement convention**

The financial statements have been prepared under the historical cost convention as modified by derivatives and other financial assets at fair value through the Statement of Comprehensive Income

#### **(b) Key areas of estimation**

The preparation of financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

The estimates and underlying assumptions are reviewed periodically. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods

Key areas of estimation are

*Loans and receivables* - in calculating effective interest rates, the Company estimates future cash flows based on its experience of customers' behaviour considering all contractual terms of the financial instrument. The estimates of future cash flows are reviewed on a regular basis

## **Amber Homeloans Limited**

### **Notes to the financial statements (continued)**

#### **(b) Key areas of estimation (continued)**

The impact of a one month increase in the expected lives of the financial instruments would result in an increase of £0.6m in interest income

*Impairment of loans and advances* - the Company reviews its loan portfolio on a quarterly basis to assess the level of impairment. In determining whether an impairment loss should be recorded in the Statement of Comprehensive Income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable impairment loss. Where such evidence is identified it is used to revise the assumptions, such as probability of default rates and the emergence of loss period, which underpin the impairment calculations.

To the extent that actual losses incurred differ from that estimated by 10%, the impairment provision on loans and advances would change by an estimated £3.0m.

To the extent that actual HPI movements incurred differ from that estimated by 10%, the impairment provision on loans and advances would change by an estimated £3.9m. The Company assumes HPI will be flat over the next two years.

To the extent that the actual emergence period experienced differs from that estimated by 3 months, the impairment provision on loans and advances would change by an estimated £1.9m.

#### **(c) Investment in subsidiaries**

Subsidiaries are entities controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are held on the Statement of Financial Position at cost, less the value of any impairment recognised at the Financial Position date.

#### **(d) Consolidation**

These financial statements are separate statements prepared for the Company alone. The Company meets all of the conditions for exemption set out in IAS 27, *Consolidated and Separate Financial Statements* and so has not prepared consolidated financial statements incorporating the results of its subsidiary companies.

#### **(e) Interest receivable and payable**

Interest receivable in respect of loans and advances to customers, which are measured at amortised cost, is recognised in the Statement of Comprehensive Income using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant expected life of the asset or liability. The effective interest rate is the rate that exactly discounts the estimated future cash flows over the expected life or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Any costs incurred or income received in respect of new loans advanced to customers or acquired from third parties (pre-completion costs or income) are included within Loans and advances to customers and amortised against interest receivable over the expected lives of the loans concerned. These items include procurement fees, mortgage incentive payments, higher lending charges and application fees receivable.

Interest payable is also accounted for on an effective interest rate basis.

## **Amber Homeloans Limited**

### **Notes to the financial statements (continued)**

#### **(f) Revenue recognition**

Other operating income, which excludes value added tax, represents fees and commissions and other invoiced sales of the Company, recognised on an accruals basis

#### **(g) Derivative financial instruments and hedge accounting**

The Company uses derivative financial instruments in order to hedge its exposure to interest rate risk in respect of certain fixed rate loans to customers

Derivative financial instruments are initially recognised at fair value at the date on which the derivative contract is entered into and are subsequently remeasured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising fair value gains or losses depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Company designates certain derivatives as either hedges of the fair value of recognised assets or firm commitments (fair value hedges), or hedges of probable future cash flows attributable to a recognised asset or a forecast transaction (cash flow hedges). Hedge accounting is used for derivatives designated in this way provided that certain criteria are met.

The Company documents the relationship between hedging instruments and hedged items, together with its risk management objective and strategy for undertaking the hedge, at the inception of each transaction. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges - changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised to profit or loss over the period to maturity.

Derivatives that do not qualify for hedge accounting - Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify are recognised immediately in the Statement of Comprehensive Income.

## **Amber Homeloans Limited**

### **Notes to the financial statements (continued)**

#### **(h) Property, plant and equipment**

Property, plant and equipment are stated in the Statement of Financial Position at cost less accumulated depreciation. Depreciation is charged so as to write off the cost of assets over their estimated useful lives on the following bases:

Equipment, fixtures and fittings	Over 2 to 5 years on a straight line basis
Motor vehicles	At 25% of net book value

Gains and losses on the disposal of assets are included within the depreciation charge except where these are material, where they are separately disclosed.

#### **(i) Impairment of loans and advances secured on residential property or land**

Individual assessments are made of all mortgage loans where objective evidence indicates losses are likely or the property is in possession or where fraud or negligence has been identified. Objective evidence of impairment may include indications that the borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments or the debt being renegotiated to reduce the burden on the borrower. The key drivers influencing the objective evidence predominantly relate to affordability issues driven by unemployment and the increased costs of living. Based upon these assessments an individual impairment reduction of these assets is made.

In addition, a collective impairment provision is made against the remaining group of loans and advances where objective evidence indicates that credit losses have been incurred but not yet identified at the balance sheet date. The impairment value is calculated by applying various economic factors to pools within our mortgage portfolio that have similar characteristics. These factors take into account the Group's experience of default rates, the loss emergence periods, the effect of regional movements in house prices based on a recognised index and adjustments to allow for ultimate forced sales values and realisation costs. In addition the collective impairment provision takes into account the level of forbearance applied to loans, such as, payment reductions, term extensions, conversion to interest only and capitalisation of arrears, and reflects the relative performance of each of these pools. The impairment provision also considers macro-economic indicators affecting affordability such as unemployment rates and interest rates.

Impairment provisions are recognised in the Statement of Comprehensive Income and reflected as a deduction against the carrying value of the asset on the balance sheet. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment losses to decrease, the decrease in impairment loss is recognised through the Statement of Comprehensive Income.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Statement of Comprehensive Income.

#### **(j) Taxation**

Income tax on the profits for the year comprises current tax and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except where items are recognised directly in equity, in which case the associated income tax asset or liability is recognised via equity.

Current tax is the expected tax payable on the income for the year, using tax rates enacted or substantively enacted at the period end and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, which recognises temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse, based on tax rates and laws enacted or substantively enacted at the period end.

## Amber Homeloans Limited

### Notes to the financial statements (continued)

#### (k) Pensions

The employees of the Company are eligible to join the Skipton Building Society stakeholder pension scheme, which is a defined contribution scheme whose assets are held separately from the Company. The Company contributes a percentage of the employees' salary cost each year. Obligations for contributions are recognised as an expense in the Statement of Comprehensive Income as incurred.

#### (l) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual right to cash flows expires or the financial asset is transferred to another party and the right to receive cash flows is also transferred.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or has expired.

#### (m) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, 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 Statement of Cash Flows has been prepared using the indirect method.

<b>2 (Loss) / profit before tax</b>	<b>2011 £000</b>	<b>2010 £000</b>
(Loss) / profit before tax has been arrived at after charging		
Staff costs (see note 7)	166	464
Auditor's remuneration and expenses (excluding VAT)		
Audit services	18	18

### Notes to the financial statements (continued)

<b>3. Interest receivable and similar income</b>	<b>2011 £000</b>	<b>2010 £000</b>
On loans and advances to customers	40,735	46,474
Net interest expense on derivative financial instruments	(3,033)	(5,412)
	<b>37,702</b>	<b>41,062</b>

Included within the interest receivable and similar income is interest accrued on impaired financial assets of £5.0m (2010: £4.7m).

<b>4. Interest payable and similar charges</b>	<b>2011 £000</b>	<b>2010 £000</b>
Interest payable to group undertakings	38,607	37,244
<b>5. Other operating income</b>	<b>2011 £000</b>	<b>2010 £000</b>
Fees and commissions receivable	436	234
Sundry income	697	1,301
	<b>1,133</b>	<b>1,535</b>

# Amber Homeloans Limited

## Notes to the financial statements (continued)

<b>6 Administration expenses</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Staff costs (see note 7)	166	464
Other administrative expenses	3,938	5,123
	<b>4,104</b>	<b>5,587</b>

## 7. Staff numbers and costs

The employees of Amber Homeloans Limited were transferred to the parent company, Skipton Building Society on 30 April 2011. The average monthly number of persons employed by the Company during the year was as follows

	<b>2011</b>	<b>2010</b>
Average number of employees	5	14

The aggregate payroll costs of these persons were as follows

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	137	368
Social security costs	12	37
Other pension costs		
Defined contribution plans	17	59
	<b>166</b>	<b>464</b>

The Company was recharged £0.1m (2010: £0.1m) in respect of its 4 Directors (2010: 4) whose services were provided by Skipton Building Society. The Company was recharged £0.1m (2010: £Nil) in respect of staff services provided by Skipton Building Society from 1 May 2011 onwards.

## 8. Tax (income) / expense

<b>(a) Analysis of (credit) / charge in the year</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax (credit) / charge</b>		
Current tax at 26.5% (2010: 28%)	(3,663)	393
Tax (income) / expense	<b>(3,663)</b>	<b>393</b>

The UK corporation tax rate changed from 28% to 26% on 1 April 2011, resulting in an effective tax rate of 26.5% for the current year.

## (b) Factors affecting current tax credit in the year

The credit for the year can be reconciled to the loss per the Statement of Comprehensive Income as follows

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
(Loss) / profit on ordinary activities before tax	(13,837)	1,397
Tax on loss on ordinary activities at UK standard rate of 26.5% (2010: 28%)	(3,667)	391
Effects of		
Expenses not deductible for tax purposes	4	2
Tax (income) / expense	<b>(3,663)</b>	<b>393</b>



## Amber Homeloans Limited

### Notes to the financial statements (continued)

#### 9. Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010 £Nil)

#### 10. Loans and advances to credit institutions

Loans and advances to credit institutions have remaining maturities as follows

	2011 £000	2010 £000
Repayable on demand	3,306	3,123

#### 11. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Company is a retailer of financial instruments in the form of mortgages. The Company uses wholesale financial instruments to help manage the risks arising from its operations.

Instruments used for risk management purposes include derivative financial instruments ('derivatives'). Derivatives are instruments whose value is derived from one or more underlying price, rate or index (such as interest rates, exchange rates or stock market indices) but tend to have a smaller or no initial net investment relative to financial assets and liabilities offering the same risk and return, as cash flows are generally settled at a future date.

Derivatives are used by the Company to reduce the risk of loss arising from changes in interest rates and are used by the Company for non-trading purposes only.

##### (a) Types of derivative

The principal derivatives used by the Company are interest rate swaps, used to hedge Statement of Financial Position exposures.

The key significant activity undertaken by the Company in this respect relates to fixed rate mortgage lending, where the Company has a risk in respect of its sensitivity to increases in interest rates. This risk is managed through the use of fixed to floating interest rate swaps, which are accounted for using fair value hedging methods.

##### (b) Control of derivatives

The Skipton Building Society Group has a formal structure of managing risk, including established risk limits, reporting requirements, mandates and other control procedures. This structure is reviewed regularly by the Group's Asset and Liability Committee ('ALCO'), which is charged with the responsibility for managing and controlling the Statement of Financial Position exposures of the Group. The minutes of ALCO are presented to the Group Board.

The Board has authorised the use of certain derivatives in accordance with Section 9A (4) of the Building Societies Act 1986, in line with the policies of the parent company.

The accounting policies for derivatives are described in Note 1 (g) to the financial statements.

##### (c) Financial risks

All of the Company's derivative activity is conducted through the parent company's Treasury function. The Company has no direct dealings with third party financial institutions.

The financial risks faced by the Company include market risk, credit risk and liquidity risk.

# Amber Homeloans Limited

## Notes to the financial statements (continued)

### 11. Financial instruments (continued)

#### Market risk

Interest rate risk exists where interest rates on assets and liabilities are either set according to different bases or reset at different times. The Company holds a mixture of fixed and floating rate mortgages which are linked to LIBOR or Bank of England Base Rate and is therefore exposed to movements in interest rates.

The Company is funded by its parent entity, Skipton Building Society, through an intercompany balance bearing variable interest determined by the Skipton Building Society Group to be at a market rate. Therefore, although the Company has an exposure to interest rate risk, this is managed at the Group level, by ensuring that the interest rate characteristics of the Group's assets and liabilities are similar and using derivative financial instruments to mitigate any residual interest rate risk.

The Skipton Building Society Group monitors interest rate risk daily by determining the effect on the Group's current net fair value of assets and liabilities for a shift in interest rates equivalent to 2% for all maturities. The effect is compared to limits set by the Board and is formally reported to ALCO and the Board on a monthly basis.

The Company is exposed to movements in interest rates and manages this exposure on a continuous basis, within limits set by the Board, using financial instruments.

#### Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Company's exposure to credit risk has been limited by the decision to stop new lending with effect from March 2008. When the Company was lending, the risk was managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk was also managed in part by obtaining collateral and corporate and personal guarantees.

Impairment provisions are provided for losses that have been incurred at the date of the Statement of Financial Position. However, significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Company's portfolio, could result in losses that are different from those provided for at the period end. Management therefore carefully manages its exposure to credit risk.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2011	2010
	£000	£000
Loans and advances to customers	1,129,938	1,206,635
Other receivables	560	604
Investment in subsidiaries	26	26
Current tax	1,828	-
Deferred tax	2	2
Loans and advances to credit institutions	3,306	3,123
	1,135,660	1,210,390

The most significant credit risk which the Company is exposed to is in relation to Loans and advances to customers and the majority of these loans are secured on UK residential properties. The mortgage book includes lending to households across the UK with no particular geographic concentrations. At the end of the period there were no other significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position.

# Amber Homeloans Limited

## Notes to the financial statements (continued)

### 11. Financial instruments (continued)

#### Credit risk (continued)

##### Loans and advances to customers

The tables below provide further information on types of lending and geographical split

<b>Lending analysis</b>	<b>2011 £000s</b>	<b>2010 £000s</b>
Prime	184,142	195,764
Buy-to-let	135,857	142,306
Self certified	583,481	623,830
Sub prime	255,290	273,771
	<b>1,158,770</b>	<b>1,235,671</b>

<b>Geographical analysis</b>	<b>2011 £000s</b>	<b>2010 £000s</b>
North	35,819	38,138
Yorkshire	78,729	82,884
East Midlands	80,042	84,387
East Anglia	79,053	84,184
London	177,214	186,760
South East	271,855	292,095
South West	89,252	95,084
West Midlands	80,026	85,875
North West	114,697	121,616
Wales	49,164	53,726
Scotland	69,148	73,702
Northern Ireland	33,726	37,175
Channel Islands	45	45
	<b>1,158,770</b>	<b>1,235,671</b>

Loan-to-value information on the Group's loans and advances to customers is set out as follows

	<b>2011 %</b>	<b>2010 %</b>
Less than 70%	12.3	13.5
70% to 80%	6.0	6.1
80% to 90%	11.7	12.7
90% to 100%	22.9	24.5
Over 100%	47.1	43.2
Average indexed loan-to-value	<b>82.1</b>	<b>80.0</b>

	<b>2011 £000's</b>	<b>2010 £000's</b>
Less than 70%	142,057	167,373
70% to 80%	69,751	74,982
80% to 90%	135,506	156,656
90% to 100%	265,391	302,586
Over 100%	546,065	534,074
	<b>1,158,770</b>	<b>1,235,671</b>

## Amber Homeloans Limited

### Notes to the financial statements (continued)

#### 11. Financial instruments (continued)

##### Credit risk (continued)

The indexed loan-to-value is updated on a quarterly basis to reflect changes in the Halifax house price index which is applied to the portfolio on a regional basis

The table below provides further information on residential loans by payment due status

	2011		2010	
	£000	%	£000	%
Neither past due nor individually impaired	908,446	78.4	990,812	80.2
Past due but not individually impaired				
Up to 3 months	9,653	0.8	7,936	0.6
3 - 6 months	2,930	0.3	2,991	0.2
6 - 9 months	667	0.1	1,113	0.1
9 - 12 months	1,095	0.1	945	0.1
Over 12 months	2,007	0.2	1,878	0.2
	924,798	79.9	1,005,675	81.4
Individually impaired	217,132	18.7	216,421	17.5
Possessions	16,840	1.4	13,575	1.1
	1,158,770	100.0	1,235,671	100.0

Where appropriate for customers' needs, the Company applies a policy of forbearance and may grant a concession to borrowers. This may be applied where actual or apparent financial stress of the customer is deemed short term with a potential to be recovered. A concession may involve arrears capitalisation, a reduction in the monthly payment, a conversion to interest only or a mortgage term extension. These strategies are undertaken in order to achieve reduced long term arrears and allow the best outcome for both the customer and the business by dealing with arrears at an early stage. The customer accounts are monitored to ensure that these strategies remain appropriate.

Capitalisation is only offered where all other forbearance options (transfer to interest only, reduce payment, mortgage extension) have been exhausted and is the right option for the customer. The Company policy, after obtaining the customer's consent, is to capitalise arrears once the customer has made at least six consecutive contractual monthly mortgage repayments following the instance of non-payment.

The table over the page provides further information on the residential loans existing at the 2011 reporting date by types of account renegotiations applied to our customers over two years since January 2010. This includes renegotiations regardless of whether or not our customer has experienced financial difficulty in repaying their loan with the Company. For clarity, this table illustrates all balances which have had their terms renegotiated in the last two years, regardless of whether the renegotiation is still in place or whether the loan has reverted to its original terms.

# Amber Homeloans Limited

## Notes to the financial statements (continued)

### 11. Financial instruments (continued)

#### Credit risk (continued)

	2011 £000	Capitalisation £000	Reduced Payment £000	Transfer to interest only £000	Term extension £000	Total renegotiations £000	%
Neither past due nor individually impaired	908,446 0	62,792 9	7,377 7	12,688 1	753 2	83,611.9	9.2
Past due but not individually impaired							
Up to 3 months	9,653 0	1,104 8	113 2	353 9	-	1,571.9	16 3
3 - 6 months	2,930 0	339 5	174 7	148 4	3 6	666.2	22 7
6 - 9 months	667 0	207 7	-	103 0	-	310.7	46.6
9 - 12 months	1,095 0	-	-	105 1	-	105 1	9 6
Over 12 months	2,007.0	-	310 4	520 3	-	830.7	41.4
	924,798 0	64,444 9	7,976.0	13,918.8	756 8	87,096 5	9 4
Individually Impaired	217,132 0	52,367 6	11,359 9	12,130 3	130 2	75,988.0	35 0
Possessions	16,840 0	2,092 4	661 2	583 2	-	3,336 8	19.8
	1,158,770	118,904 9	19,997.1	26,632.3	887.0	166,421 3	14.4
Collective Impairment	(4,959.0)	(1,720 0)	(683 1)	(234 7)	(22 0)	(2,659.8)	53 6
Individual Impairment	(27,300 0)	(2,665 9)	(2,098 5)	(1,925 9)	(4 0)	(6,694 3)	24 5
	1,126,511 0	114,519.0	17,215 5	24,471 7	861.0	157,067.3	13.9

A collective impairment allowance is made against performing loans where objective evidence indicates that it is likely that credit losses have been incurred but not yet identified at the reporting date. This impairment allowance is calculated by applying various economic factors to our mortgage portfolio exposures and incorporates the relative credit risk assessment of the account renegotiation categories shown above.

Individual assessments are made of all mortgage loans where objective evidence indicates losses are likely or the property is in possession or where fraud or negligence has been identified.

The table below provides further information on the book value of residential loans and the fair value of collateral held.

	Positive book value £000	Positive fair value £000
<b>2011</b>		
Not individually impaired	924,798	1,183,472
Individually impaired	217,132	212,518
Possessions	16,840	14,920
	1,158,770	1,410,910
<b>2010</b>		
Not individually impaired	1,005,675	1,317,014
Individually impaired	216,421	216,171
Possessions	13,575	11,831
	1,235,671	1,545,016

The collateral held consists predominantly of residential properties. The use of such collateral is in line with terms that are usual and customary to standard lending activities.

# Amber Homeloans Limited

## Notes to the financial statements (continued)

### 11. Financial instruments (continued)

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indices of similar assets.

#### Liquidity risk

Liquidity risk is that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost.

The Company is funded entirely by its parent, Skipton Building Society, which has confirmed its ongoing intention to continue to support the Company.

Liquidity is managed by the Company's parent, Skipton Building Society, on a Group basis. The Group's liquidity policy is to maintain sufficient liquid resources to cover imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Group and to enable the Group to meet its financial obligation as they fall due. Full details are contained within the Group annual report and accounts.

All of the Company's financial liabilities are represented by amounts due to the parent, which are repayable on demand as disclosed in note 16. Consequently no table of contractual cash flows has been disclosed.

#### (d) Hedge accounting

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability, or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For each main class of fair value hedge, documentation is produced in accordance with the requirements of IAS 39, *Financial Instruments: Recognition and Measurement*.

At the year end the Company had only fair value hedging in place.

#### (e) Fair values of financial instruments

The table below is a comparison of the book and fair values of the Company's financial instruments by category as at the period end. Where available, market values have been used to determine fair values.

Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates. These values do not necessarily represent the amounts which would be realised in the event that these financial instruments were to be sold in the open market.

	Positive book value £000	Positive fair value £000	Negative book value £000	Negative fair value £000	Notional value £000
<b>2011</b>					
Cash and cash equivalents	3,306	3,306	-	-	3,306
Loans and advances to customers	1,129,938	1,101,355	-	-	1,151,029
Interest rate swaps	-	-	(3,934)	(3,934)	506
Amounts owed to credit institutions	-	-	(1,119,395)	(1,119,395)	(1,119,395)
<b>2010</b>					
Cash and cash equivalents	3,123	3,123	-	-	3,123
Loans and advances to customers	1,206,635	1,181,433	-	-	1,223,366
Interest rate swaps	-	-	(5,185)	(5,185)	388
Amounts owed to credit institutions	-	-	(1,181,425)	(1,181,425)	(1,181,425)

## Amber Homeloans Limited

### Notes to the financial statements (continued)

#### 11. Financial instruments (continued)

##### (e) Fair values of financial instruments (continued)

##### Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements

**Level 1** - The most reliable fair values of derivative financial instruments are quoted market prices in an actively traded market

**Level 2** - These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed either when no active market exists or when there are quoted prices available for similar instruments in active markets

Basis risk derivatives are valued using discounted cash flow models, using observable market data and will be sensitive to benchmark interest rate curves

**Level 3** - These are valuation techniques for which any one or more significant input is not based on observable market data

The financial instruments within the table above have been valued using the level 2 technique

<b>12. Loans and advances to customers</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Loans fully secured on residential property	1,126,511	1,201,838
Fair value adjustment for hedged risk	3,427	4,797
	<b>1,129,938</b>	<b>1,206,635</b>
Repayable		
In not more than three months	1,280	370
In more than three months but not more than one year	3,643	1,975
In more than one year but not more than five years	30,203	26,214
In more than five years	1,127,071	1,211,909
	<b>1,162,197</b>	<b>1,240,468</b>
Less Impairment		
Individual impairment	27,300	25,450
Collective impairment	4,959	8,383
	<b>32,259</b>	<b>33,833</b>
	<b>1,129,938</b>	<b>1,206,635</b>

Included within the charge to the Statement of Comprehensive Income is the impact of the change in impairment charge due to the time value of money, amounting to £0.4m (2010: £0.4m)

## Amber Homeloans Limited

### Notes to the financial statements (continued)

<b>13. Impairment losses on loans and advances</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
At 1 January		
Individual impairment	25,450	36,605
Collective impairment	8,383	9,630
	<b>33,833</b>	<b>46,235</b>
Amounts written off during the year		
Individual impairment	(11,417)	(11,078)
	<b>(11,417)</b>	<b>(11,078)</b>
Statement of Comprehensive Income		
Impairment losses on loans and advances		
Individual impairment	13,497	344
Collective impairment	(3,424)	(1,247)
	<b>10,073</b>	<b>(903)</b>
Adjustment to impairment losses on loans and advances resulting from recoveries during the year		
Individual impairment	(230)	(421)
Charge / (Credit) for the year	<b>9,843</b>	<b>(1,324)</b>
At 31 December		
Individual impairment	27,300	25,450
Collective impairment	4,959	8,383
	<b>32,259</b>	<b>33,833</b>

Further analysis of the impairment provision as at 31 December 2011 is provided in note 11(c)

<b>14 Investment in subsidiaries</b>	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
At 1 January	26	26
<b>At 31 December</b>	<b>26</b>	<b>26</b>

<b>Name of subsidiary undertaking</b>	<b>Principal business activity</b>	<b>Types of shares held</b>	<b>Proportion of shares held</b>
Skipton Mortgages Limited	Dormant company	Ordinary	100% (direct)
Skipton Mortgage Corporation Limited	Dormant company	Ordinary	100% (direct)

All the above bodies are incorporated and registered in England and operate in the United Kingdom

All subsidiary undertakings are limited by shares



## Amber Homeloans Limited

### Notes to the financial statements (continued)

#### 15. Property, plant and equipment

	Equipment fixtures and fittings £000	Total £000
<b>Cost</b>		
At 1 January 2011	18	18
Disposed of in the year	(18)	(18)
At 31 December 2011	-	-
<b>Accumulated depreciation and impairment</b>		
At 1 January 2011	18	18
Written off in the year	(18)	(18)
At 31 December 2011	-	-
<b>Carrying amounts</b>		
At 1 January 2011	-	-
<b>At 31 December 2011</b>	-	-
<b>Cost</b>		
At 1 January 2010	18	18
Disposals	-	-
At 31 December 2010	18	18
<b>Accumulated depreciation and impairment</b>		
At 1 January 2010	18	18
Depreciation charge for the year	-	-
At 31 December 2010	18	18
<b>Carrying amounts</b>		
At 1 January 2010	-	-
At 31 December 2010	-	-

#### 16. Amounts owed to credit institutions

Amounts owed to credit institutions are due to the immediate parent undertaking and have remaining maturities as follows

	2011 £000	2010 £000
Repayable on demand	1,119,395	1,181,425

# Amber Homeloans Limited

## Notes to the financial statements (continued)

### 17. Deferred tax

The movement on the deferred tax account is as shown below

	2011 £000	2010 £000
At 1 January	534	664
Other components within Statement of Comprehensive Income	(139)	(130)
At 31 December	395	534
<b>Analysis of deferred tax assets</b>		
Fixed asset temporary differences	2	2
At 31 December	2	2
<b>Analysis of deferred tax liabilities</b>		
Other short term timing differences	397	536
At 31 December	397	536
<b>Net deferred tax liability</b>	<b>395</b>	<b>534</b>

18. Share capital	2011 £000	2010 £000
At 1 January 33,674,132 ordinary shares of £1 each	33,674	3,674
Share Issue (2010 30,000,000 ordinary shares of £1 each)	-	30,000
At 31 December 33,674,132 ordinary shares of £1 each	33,674	33,674

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

### 19. Management of capital

The Company's capital is represented by the share capital and retained earnings

	2011 £000	2010 £000
Ordinary shares	33,674	33,674
Retained earnings	(24,439)	(14,299)
	<b>9,235</b>	<b>19,375</b>

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders

The Company is not subject to externally imposed capital requirements other than the minimum share capital required by the Companies Act, with which it complies

The period end capital position is reported to the Operational Board on a monthly basis. The capital position is also given due consideration when corporate plans are prepared, calculating the future requirements based upon the three year financial forecast

During the year, the Company saw its capital position decrease from £19m to £9m. The Company has received a letter of support from its parent undertaking, Skipton Building Society

# Amber Homeloans Limited

## Notes to the financial statements (continued)

### 20. Related party transactions

The Company has a related party relationship with its parent and fellow group subsidiaries as detailed below  
All such transactions are priced on an arms-length basis

During the year the following related party transactions were entered into with related parties

	2011		2010	
	Parent undertaking £000	Group subsidiary undertaking £000	Parent undertaking £000	Group subsidiary undertaking £000
<b>Net interest</b>				
Interest payable in respect of borrowings	38,607	-	37,244	-
	<b>38,607</b>	<b>-</b>	<b>37,244</b>	<b>-</b>
<b>Purchase of goods and services</b>				
Mortgage administration and related fees	-	3,198	-	4,165
Office rental and other support services	298	-	403	-
Software provision	-	81	-	143
	<b>298</b>	<b>3,279</b>	<b>403</b>	<b>4,308</b>
<b>Outstanding balances</b>				
Repayments in respect of borrowings	1,119,395	-	1,181,425	-
Purchase of goods and services				
Mortgage administration and related fees	-	271	-	420
Software provision	-	-	-	16
	<b>1,119,395</b>	<b>271</b>	<b>1,181,425</b>	<b>436</b>

Compensation to key management personnel is included in the payroll costs of the Company, recharged by Skipton Building Society, detailed in note 7

There are no provisions in respect of goods and services to related parties either at 31 December 2010 or at 31 December 2011

The Company is party to Group banking arrangements involving the pooling of funds with other Group companies

## **Amber Homeloans Limited**

### **Notes to the financial statements (continued)**

#### **21. Adoption of new and revised International Financial Reporting Standards**

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.

#### **22 Ultimate parent undertaking**

The Company is a wholly owned subsidiary of 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 will be available from its principal place of business.

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