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TARGET HOME LOANS LIMITED

REPORT AND ACCOUNTS

30th September 1987



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DIRECTORS' REPORT

The directors have pleasure in submitting their report and accounts for the nine months ended 30th September 1987.

Activity

The company's activity is the provision of variable rate residential mortgages in Great Britain. The directors foresee no material change in the nature or scope of the company's activity.

Change of year end

The company is an associated company of Target Group PLC. On 11th August 1987, TSB Group plc, became the majority shareholder of Target Group PLC. As a consequence all companies in the Target Group, including the company, have changed their year end to 30th September.

Results

The results of the company are shown in the profit and loss account. The directors do not recommend the payment of a dividend (1986 : £Nil).

Directors

The directors of the company since 1st January 1987 have been:

John Stone	("A" director)	
Paul Taylor	("A" director)	
Brian Weston	("B" director)	
Robin Landor	("B" director)	(appointed 30th October 1987)
Sir Peter Parker	("B" director)	(resigned 30th September 1987)

None of the directors had any beneficial interest in shares of the company during the period.

Auditors

The auditors, Peat Marwick McLintock, are willing to continue in office and a resolution concerning their reappointment and remuneration will be submitted to the annual general meeting.

By order of the Board



Secretary

8th January 1988

Target House  
Gatehouse Road  
Aylesbury  
Buckinghamshire  
HP19 3EB

PROFIT AND LOSS ACCOUNT

		For nine months ended 30th September 1987 £000	For year ended 31st December 1986 £000
	Notes		
Income from fixed asset investments		10,531	4,789
Interest payable	2	(9,498)	(4,731)
Gross profit		1,033	58
Other operating income		233	171
Administrative expenses		(1,005)	(222)
Profit on ordinary activities before tax	3 & 4	261	7
Tax on profit on ordinary activities	5	(91)	(7)
Profit on ordinary activities after tax	9	170	-

The accounting policies and notes on pages 5 and 6 form part of these accounts.

BALANCE SHEET

	Notes	As at 30th September 1987 £000	As at 31st December 1986 £000
<b>FIXED ASSETS</b>			
Investments - Mortgages on property	6	159,621	90,754
<b>CURRENT ASSETS</b>			
Other debtors		2,498	1,138
Cash at bank and in hand		-	1
		<u>2,498</u>	<u>1,139</u>
<b>CREDITORS</b>			
Amounts falling due within one year			
Amounts due to related companies		(3,658)	(1,002)
Group relief		(91)	-
Other creditors and accruals		(29)	(14)
Accrued interest		(1,887)	(1,040)
Bank overdraft		(3,327)	(1,030)
		<u>(8,992)</u>	<u>(3,086)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(6,494)</u>	<u>(1,947)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>153,127</b>	<b>38,807</b>
<b>CREDITORS</b>			
Amounts falling due after more than one year			
Bank loans	7	(153,000)	(88,850)
		<u>127</u>	<u>(43)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	8	1	1
Profit and loss account	9	126	(44)
<b>SHAREHOLDERS' FUNDS</b>		<u>127</u>	<u>(43)</u>

  


Director

Director

These accounts were approved by the Board of Directors on 8th January 1988. The accounting policies and notes on pages 5 and 6 form part of these accounts.

TARGET HOME LOANS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDS

	For nine months ended 30th September 1987 £000	For year ended 31st December 1986 £000
SOURCE OF FUNDS		
Profit before tax	261	7
FUNDS FROM OTHER SOURCES		
Bank loan advances	64,150	79,550
Redemption of mortgage loans	10,282	3,962
	<u>74,693</u>	<u>83,519</u>
APPLICATION OF FUNDS		
Mortgage advances	(79,149)	38,711
	<u>(4,456)</u>	<u>(5,193)</u>
	=====	=====
INCREASE/(DECREASE) IN WORKING CAPITAL		
Increase/(decrease) in debtors	1,360	(2,188)
Increase in creditors	(3,518)	(1,959)
	<u>(2,158)</u>	<u>(4,147)</u>
Movement in net liquid funds:		
Decrease in cash at bank and in hand	(1)	(16)
Increase in bank overdraft	(2,297)	11,030
	<u>(4,456)</u>	<u>(5,193)</u>
	=====	=====

The accounting policies and notes on pages 5 and 6 form part of these accounts.

TARGET HOME LOANS LIMITEDNOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

## a) Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with s228 of, and Schedule 4 to, the Companies Act 1985.

## b) Mortgages on property

Mortgages on property are included in the balance sheet at cost.

## 2. INTEREST PAYABLE

	For nine months ended 30th September 1987 £000	For year ended 31st December 1986 £000
Interest payable on bank overdrafts and loans repayable within five years	-	272
Interest payable on loans repayable after five years	9,498	4,459
	-----	-----
	9,498	4,731
	=====	=====

## 3. TRADING PROFIT

	For nine months ended 30th September 1987 £000	For year ended 31st December 1986 £000
Trading profit is stated after charging:		
Auditors' remuneration	14	9
Exceptional expenditure on loyalty bonuses	45	-
	=====	=====

## 4. EMPLOYEES' AND DIRECTORS' EMOLUMENTS

All employees' contracts of employment are with a related company, Target Holdings Limited, and details relating to staff numbers and costs are disclosed in the accounts of that company.

The directors received no emoluments in respect of the nine months to 30th September 1987 (1986 : £Nil).

## 5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	For nine months ended 30th September 1987 £000	For year ended 31st December 1986 £000
Group relief payable at an average rate of 35% (1986 - 36.25%)	91	-
Prior year adjustments	-	4
	-----	-----
	91	7
	=====	=====

NOTES TO THE ACCOUNTS (continued)

6. FIXED ASSET INVESTMENTS -- Mortgages on property

	£000
At 1st January 1987	90,754
Additions	79,299
Redemptions	(10,282)
Provision for doubtful mortgage loans	(150)
	-----
At 30th September 1987	159,621
	=====

7. BANK LOANS

The bank loans at 30th September 1987 of £153,000,000 relate to drawings under a term loan facility repayable in 1994. The facility is secured by a fixed and floating charge on the company's assets.

Under the terms of the loan facility, Target Group PLC has underwritten up to 5% of losses arising in the underlying portfolio of mortgages. Target Group PLC has also indemnified the lenders against any deficiency arising in the net worth of the company.

8. SHARE CAPITAL

Authorised, allotted, issued and fully paid:

	As at 30th September 1987 and as at 31st December 1986	
	No.	£
Ordinary £1 shares	10	10
Preferred Ordinary £1 shares	40	40
5% Non-cumulative 'A' Preference £1 shares	50	50
1% Non-cumulative 'B' Preference £1 shares	900	900
		-----
		1,000
		=====

9. PROFIT AND LOSS ACCOUNT

	£000
At 1st January 1987	(44)
Retained profit for period	170
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At 30th September 1987	126
	=====

10. COUNTRY OF INCORPORATION

The company is incorporated in Great Britain and registered in England.



AUDITORS' REPORT TO THE MEMBERS OF TARGET HOME LOANS LIMITED

We have audited the financial statements on pages 2 to 6 in accordance with approved Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the company at 30th September 1987 and of the profit and source and application of funds for the nine months then ended and have been properly prepared in accordance with the Companies Act 1985.

*Robert Mervin McIntosh*

Chartered Accountants

London

8th January 1988