



Offering Circular

**LEEDS & HOLBECK  
BUILDING SOCIETY**

*(Incorporated in England under the Building Societies Act 1986)*

**£25,000,000**  
**13<sup>3</sup>/<sub>8</sub> per cent. Undated Mandatorily Convertible**  
**Subordinated Notes**  
convertible into  
**13<sup>3</sup>/<sub>8</sub> per cent. Permanent Interest Bearing Shares**

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange") for the issue of £25,000,000 13<sup>3</sup>/<sub>8</sub> per cent. Undated Mandatorily Convertible Subordinated Notes (the "Notes") of Leeds and Holbeck Building Society (the "Society") to be admitted to the Official List of the London Stock Exchange.

Application has also been made to the London Stock Exchange for the £25,000,000 13<sup>3</sup>/<sub>8</sub> per cent. Permanent Interest Bearing Shares (the "PIBS"), comprising 25,000 PIBS of £1,000 each, of the Society to be admitted to the Official List of the London Stock Exchange with effect from the Conversion Date (as defined in Condition 7 of the Notes).

The Notes will have no final maturity date and may be redeemed only in the event of a winding up of the Society, subject as provided herein. The Notes will be mandatorily converted into PIBS with effect from and including the Conversion Date.

Neither the Trust Deed constituting the Notes nor the Notes will contain any negative pledge, restriction on the conduct or on the transfer of the business of the Society or any event of default other than that set out in Condition 9(a) of the Notes. The Conditions of the Notes will not include, *inter alia*, a cross default provision. Attention is also drawn to the description under "Certain Provisions of the Building Societies Act and the Building Societies Commission" of the ways in which a building society can, without the consent of Noteholders, transfer its rights and obligations to another building society or convert into a company pursuant to the relevant legislation.

The Notes will be issued in registered form on or about 7th April, 1992.

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**Issue Price: 100.227 per cent.**

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The PIBS will be deferred shares in the Society for the purposes of section 119 of the Building Societies Act 1986 and will not be protected investments for the purposes of payments out of the Building Societies Investor Protection Fund. Attention is drawn to certain risk factors set out on page 20.

The PIBS will not be withdrawable at the option of the PIBS holders and will be repayable only in certain limited circumstances as described in "Special Conditions of Issue of the PIBS—Repayment".

**Hoare Govett Corporate Finance Limited Salomon Brothers International Limited**

The date of this Offering Circular is 31st March, 1992.

*This document contains particulars given in compliance with the listing rules made by the London Stock Exchange for the purpose of giving information with regard to the Society, the Notes and the PIBS. The Directors of the Society, whose names appear on page 28, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*No person is authorised to give any information or to make any representation not contained herein and any information or representation not contained herein must not be relied upon as having been authorised by the Society, Hoare Govett Corporate Finance Limited (the "Arranger") or Salomon Brothers International Limited ("Salomon Brothers"). Neither the delivery of this document nor any subscription, sale or purchase made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Society since the date hereof.*

*Copies of this document have been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of the Financial Services Act 1986.*

*The Notes and the PIBS have not been and will not be registered under the United States Securities Act of 1933 and may not be offered, sold or delivered, directly or indirectly, in the United States or to U.S. persons otherwise than in accordance with applicable U.S. securities laws and regulations.*

*This document does not constitute an offer of, or an invitation by or on behalf of the Society or the Arranger or Salomon Brothers to subscribe for or purchase, any of the Notes and/or the PIBS, when issued. The distribution of this document and the offering of the Notes and the PIBS in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Society, the Arranger and Salomon Brothers to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offering and sales of the Notes and the PIBS and on distribution of this document, see "Marketing Arrangements" below.*

**The information contained in this document is intended for sophisticated investors capable of understanding the nature of the Notes and the PIBS and the risks attaching to them. Accordingly, attention is drawn to certain risk factors set out on page 20.**

*In this document, unless otherwise specified or the context otherwise requires, references to "pounds", "penny", "sterling" and "£" are to the currency of Great Britain and Northern Ireland (the "United Kingdom") and to the "Act" are to the Building Societies Act 1986, which expression shall include, where applicable, any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such statutory modification or re-enactment.*

## TABLE OF CONTENTS

	<i>Page</i>
Conditions of the Notes	3
Summary of Certain Provisions of the Proposed Rules of the Society Relating to the PIBS	11
Special Conditions of Issue of the PIBS	14
Risk Factors	20
Certain Provisions of the Building Societies Act and the Building Societies Commission	21
Leeds and Holbeck Building Society	23
Financial Summary	26
Consolidated Capitalisation and Indebtedness	27
Board of Directors	28
Financial Statements	29
United Kingdom Taxation	50
Use of Proceeds	52
Marketing Arrangements	53
General Information	54

## CONDITIONS OF THE NOTES

*The following is the text of the Conditions of the Notes which (except for the paragraphs in italics and subject to amendment) will be endorsed on each certificate in respect of the Notes:*

The £25,000,000 13<sup>3</sup>/<sub>8</sub> per cent. Undated Mandatorily Convertible Subordinated Notes (the "Notes", which expression in these Conditions, unless the context otherwise requires, shall include any further notes issued pursuant to Condition 15 and forming a single series with the Notes) of Leeds and Holbeck Building Society (the "Society") are constituted by a trust deed (the "Trust Deed") dated 7th April, 1992 and made between the Society and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor thereto) as trustee for the holders of the Notes (the "Noteholders"). The issue of the Notes was authorised by a resolution of the Board of Directors of the Society passed on 23rd March, 1992. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the registrar's agreement (the "Registrar's Agreement") dated 7th April, 1992 and made between the Society, The Royal Bank of Scotland plc as initial registrar (the "Registrar", which expression shall include any successor thereto) and the Trustee are available for inspection during normal business hours at the principal office of the Trustee, being at the date hereof at Princes House, 95 Gresham Street, London EC2V 7LY, and at the specified office of the Registrar. The Noteholders are entitled to the benefit of, bound by, and deemed to have notice of, all the provisions of the Trust Deed and the Registrar's Agreement applicable to them.

### 1. Form and Denomination

- (a) The Notes are in registered form and are issued fully-paid in principal amounts of £1,000.
- (b) The Society, the Registrar and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the registered holder of any Note as the absolute owner for all purposes (whether or not the Note shall be overdue and notwithstanding any notice of ownership or writing on the certificate in respect of the Note or any notice of previous loss or theft of the certificate in respect of the Note).

### 2. Transfer

- (a) Title to the Notes will pass upon the registration of transfers in accordance with the provisions of the Registrar's Agreement and the Trust Deed.
- (b) *The Notes may be transferred in whole or in part by the transferor depositing the certificate in respect of the Notes to be transferred for registration of the transfer of the Notes at the specified office of the Registrar, with a form of transfer in any form approved by the Society duly completed and signed by or on behalf of the transferor, and upon the Registrar after due and careful enquiry being satisfied with such documents and the identity of the transferor and subject to such reasonable regulations as the Society and the Registrar may (with the prior approval of the Trustee) prescribe. Subject as provided herein, the Registrar will, within 14 London business days of such deposit (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), send by mail (at the risk of the transferee) to such address as the transferee may request a new certificate in respect of the Notes transferred. In the case of the transfer of some only of the Notes represented by a certificate, a new certificate in respect of the balance of the Notes not transferred will be so sent (at the risk of the transferor) to the transferor.*
- (c) In the event of the mandatory conversion of the Notes under Condition 7, the Society shall not be required to register or procure registration of the transfer of Notes during the period beginning on the fifteenth day before the Conversion Date (as defined in Condition 7) and ending on the Conversion Date (both inclusive).
- (d) Registration of transfers will be effected without charge by, or on behalf of, the Society or the Registrar, but subject to the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the transfer or registration.
- (e) The initial specified office of the initial Registrar is set out in Condition 17. The Society reserves the right, subject to the approval of the Trustee, at any time to vary or terminate the appointment of the Registrar and to appoint another Registrar provided that it will maintain a Registrar having

a specified office in a place approved by the Trustee so long as any of the Notes are outstanding (as defined in the Trust Deed). Notice of any termination or appointment and of any changes in the specified office will be given to the Noteholders promptly by the Society in accordance with Condition 12.

### **3. Status and Subordination**

- (a) The Notes and all amounts payable in respect thereof are direct, unsecured and subordinated obligations of the Society, conditional as described below, and rank and will rank *pari passu* without any preference among themselves. The claims of the Trustee and the Noteholders against the Society in respect of the Notes are and will be subordinated to:
- (i) the claims of all unsubordinated creditors of the Society, including, so long as the Society is a building society, members holding shares (which are not deferred shares (as defined in the Trust Deed)) in the Society as regards the principal and interest due in respect of those shares;
  - (ii) the claims of creditors of the Society whose claims are, or are expressed to be, subordinated to all unsubordinated creditors of the Society, including, so long as the Society is a building society, members holding shares (which are not deferred shares) in the Society as regards the principal and interest due in respect of those shares, but not further or otherwise; and
  - (iii) the claims (save those mentioned below) of other subordinated creditors of the Society, but are not and will not be subordinated to and rank and will rank *pari passu* and rateably with or, as the case may be, ahead of:
    - (iv) so long as the Society is a building society, the claims of members holding deferred shares in the Society;
    - (v) so long as the Society is a building society, the claims of members holding shares (which are not deferred shares) in the Society other than as regards the principal and interest due in respect of those shares; and
    - (vi) the claims of subordinated creditors of the Society which rank or are expressed to rank *pari passu* with, or junior to, the claims of the Trustee and/or the Noteholders against the Society in respect of the Notes.
- (b) No amount of principal or interest (including Arrears (as defined below)) in respect of the Notes shall be payable except on satisfaction of the following conditions and, in the case of sub-paragraphs (b)(i) and (iii), to the extent that:
- (i) the Society could make payment of such amount and still be solvent;
  - (ii) either (A) if, at the time for payment of such amount, the Society is a building society, the Board of Directors of the Society has not certified to the Trustee that it is of the opinion that there is, or, immediately after the making of the payment of the full amount which would but for this paragraph (b) be due and payable at such time, there would be, a failure by the Society to satisfy the first criterion of prudential management set out in section 45(3) of the Building Societies Act 1986 (the "Act") or (B) if, at the time for payment of such amount, the Society has transferred the whole of its business to a successor pursuant to sections 97 to 102 of the Act, a dividend has been declared or paid on any class of share capital of the successor in the six months immediately preceding such time for payment or, where the time for payment shall fall on or prior to the Interest Payment Date (as defined in Condition 4) following such transfer, either a dividend has been declared or paid since such transfer on any class of share capital of the successor or any payment of principal or interest in respect of the Notes has been made by the Society, in each case in the six months immediately preceding the time for such payment; and
  - (iii) the Society can make such payment, in whole or in part, rateably with payments in respect of Other *Pari Passu* Claims (as defined below) then payable,
- Provided that in a winding up of the Society in England the conditions referred to in sub-paragraphs (b)(ii) and (iii) shall not apply.

- (c) For the purposes of these Conditions:
- (i) the Society shall be solvent if (A) in the case of any determination as to solvency falling to be made prior to an order being made or an effective resolution being passed for the winding up of the Society, it is able to pay its debts as they fall due, and (B) in any case, its Assets exceed its Liabilities (each as defined below) and for these purposes a report as to the solvency of the Society by two Directors of the Society or (in certain circumstances described in the Trust Deed) the auditors of the Society or (if applicable) its liquidator shall, in the absence of proven error, be treated and accepted by the Society, the Trustee and the Noteholders as correct and sufficient evidence thereof;
  - (ii) "Assets" means the total assets of the Society and "Liabilities" means the total liabilities of the Society in respect of the claims to which the claims of the Trustee and/or the Noteholders against the Society in respect of the Notes are expressed to be subordinated in paragraph (a) above, all as shown by the then latest published audited balance sheet of the Society, but adjusted for contingencies and for subsequent events, all valued in such manner as the two Directors, the auditors or the liquidator (as the case may be) referred to in sub-paragraph (c)(i) above may determine; and
  - (iii) "Other Pari Passu Claims" means claims of creditors of the Society which are subordinated so as to rank (to the satisfaction of the Trustee) *pari passu* with the claims of the Trustee and the Noteholders against the Society in respect of the Notes.
- (d) Notwithstanding the provisions of paragraph (b) above, on any Interest Payment Date there may be paid in addition to any interest in respect of the Notes which is then payable in compliance with the conditions of paragraph (b) above, if and to the extent that the Society so elects, such interest (if any) then due on such Interest Payment Date but which is not payable only because of failure to satisfy either or both of the conditions set out in sub-paragraphs (b)(ii) and (b)(iii) above but the Society shall not have any obligation to make such further payment and any failure to do so shall not constitute a default by the Society for any purpose. Any interest due but not payable on an Interest Payment Date because of the conditions in paragraph (b) above shall, so long as the same remains unpaid, constitute "Arrears". Each amount of Arrears shall become due and payable on the first date on which, and to the extent that, the Society could pay such amount, in whole or in part, rateably with all other amounts of Arrears in compliance with all the conditions set out in paragraph (b) above.

Any reference in these Conditions to interest shall be deemed also to refer to any Arrears.

- (e) If at any time an order is made or an effective resolution is passed for the winding up (save as a result of an amalgamation, transfer of engagements or transfer of business under sections 93, 94 or 97 to 102 of the Act) in England of the Society at a time when the Society is a building society, each Note shall, subject as provided in paragraph (b) above, become immediately due and repayable and claims in respect of each Note shall be capable of proof in such winding up, but only to the extent of, and in, such amounts, if any, as would have been payable in respect of the Note if, on the day prior to the commencement of the winding up and thereafter, the holder of the Note was a holder of a deferred share in the Society issued on terms which carry a preferential right to a return of assets in the winding up over the holders of all other deferred shares for the time being in the Society and entitles the holder thereof to receive on a return of capital in such winding up an amount equal to the unpaid principal amount of the Note, any Arrears and interest accrued on the unpaid principal amount of the Note to the date of repayment.
- (f) If at any time an order is made or an effective resolution is passed for the winding up in England of the Society at a time when the Society has transferred the whole of its business to a successor pursuant to sections 97 to 102 of the Act, each Note shall, subject as provided in paragraph (b) above, become immediately due and repayable and claims in respect of each Note shall be capable of proof in such winding up, but only to the extent of, and in, such amounts, if any, as would have been payable in respect of the Note if, on the day prior to the commencement of the winding up and thereafter, the holder of the Note was a holder of a preference share in the capital of the successor having a preferential right to a return of assets in a winding up over the holders of all other classes of issued shares for the time being in the capital of the successor and entitling the holder thereof to receive on a return of capital in such winding up an amount equal to the

unpaid principal amount of the Note, any Arrears and interest accrued on the unpaid principal amount of the Note to the date of repayment.

*N.B. See also the provisions of Condition 14 in the event of a transfer of the business of the Society to a successor under sections 97 to 102 of the Act.*

#### **4. Interest**

The Notes bear interest from and including 7th April, 1992 (the "Issue Date") at the rate of 13 $\frac{3}{8}$  per cent. per annum (less tax where appropriate) payable, subject as provided in Condition 3, in arrear on:

- (i) 31st July, 1992 in respect of the period from and including the Issue Date to and including 31st July, 1992 amounting to £42.51 (less tax where appropriate) per Note;
- (ii) 31st January, 1993 in respect of the period from but excluding 31st July, 1992 to and including 31st January, 1993 amounting to £66.88 (less tax where appropriate) per Note;
- (iii) 31st July, 1993 in respect of the period from but excluding 31st January, 1993 to but excluding 31st July, 1993 amounting to £65.96 (less tax where appropriate) per Note; and
- (iv) thereafter by equal half-yearly instalments on 31st January and 31st July in each year (together with 31st July, 1992, 31st January, 1993 and 31st July, 1993, each an "Interest Payment Date").

Each Note will cease to bear interest from the date of repayment pursuant to Condition 3(e) or 3(f), as the case may be, or, if earlier, the Interest Payment Date immediately preceding the Conversion Date. The interest payment in respect of a period of less than a half-year will be calculated on the basis of the number of days elapsed and a year of 365 days and rounding the resultant figure to the nearest penny (half a penny being rounded upwards).

#### **5. Payments**

All payments in respect of the Notes will be made by sterling cheque drawn on a bank in the United Kingdom and posted on the day (other than a Saturday or a Sunday) on which banks are open for business in England immediately preceding the relevant due date, and made payable, to the sole or first named holder of the Notes appearing in the register of the Noteholders (the "Register") at the close of business on the date (the "Record Date") being the fifteenth day before the relevant due date at his address shown in the Register on the Record Date. Upon application of the sole or first named holder to the specified office of the Registrar, not less than ten days before the due date for any payment in respect of the Notes, the payment may be made by transfer on the due date to a sterling account maintained by the payee with a bank in the United Kingdom.

#### **6. Redemption and Purchase**

*N.B. In order that the Notes may be treated as supplementary capital of the Society for the purposes of the Building Societies (Supplementary Capital) Order 1988 made under the Act or as capital designated as perpetual subordinated debt (as referred to in the Bank of England Notice to institutions authorised under the Banking Act 1987 BSD/1990/2 of December 1990 as replaced, amended or supplemented from time to time), no purchase of Notes by, or on behalf of, the Society or any Subsidiary (as defined in the Trust Deed), may be made without the prior consent of the Building Societies Commission so long as the Society or any substituted principal debtor is a building society or of the Bank of England if the Society or any substituted principal debtor is or becomes an authorised institution under the Banking Act 1987, such consent being referred to herein and in the Trust Deed as the "Requisite Consent".*

- (a) The Society shall not be at liberty to redeem the Notes.
- (b) The Society or any Subsidiary may, provided that as at the date of purchase there are no existing Arrears, at any time purchase Notes in the open market or otherwise at any price provided that the Requisite Consent for the relevant purchase has been obtained prior to making any such purchase. In the case of purchases by tender, tenders must be available to all Noteholders alike. All Notes which are purchased by or on behalf of the Society or any Subsidiary (except purchases

made in the ordinary course of business of a dealer in securities) or which are repaid pursuant to Condition 3(e) or 3(f) will forthwith be cancelled and accordingly may not be either reissued or resold.

## **7. Conversion to PIBS**

On the date (the "Conversion Date") being the day immediately after the first Interest Payment Date after (i) the registration by the central office of the Registry of Friendly Societies of the new rules of the Society in the form or substantially the form (subject to Condition 13) described in the Trust Deed (the "New Rules") to permit the issue by the Society of deferred shares classified as permanent interest bearing shares or, if later, (ii) the date notified by the Society to the Registry of Friendly Societies as the date on which the Society intends the New Rules to take effect (expected to be in July 1992) and, subject as provided below and to the Society not having transferred its business to a successor in accordance with sections 97 to 102 of the Act and provided that there are no existing Arrears, the Notes will automatically convert into fully-paid 13<sup>3</sup>/<sub>8</sub> per cent. permanent interest bearing shares (the "PIBS") of the Society subject to and in accordance with the Trust Deed. The special conditions of issue of the PIBS will be in the form set out in the Trust Deed with such modifications as may be approved by the Trustee or the Noteholders in accordance with Condition 13. The registration of the Noteholders in the Register will be cancelled as from the Conversion Date, the Notes will be cancelled and the Society will register, or procure the registration of, each registered holder of a Note as the registered holder of a PIBS of £1,000 principal amount in a register of members of the Society. The Society will give the Noteholders not less than 21 nor more than 30 days' notice of the conversion in accordance with Condition 12 specifying the Conversion Date and the period during which transfers of Notes may not be made in accordance with Condition 2. The Society will also send a PIBS certificate to each registered holder of a PIBS (or the first named of joint holders) by mail within one month of the Conversion Date at the risk of the person entitled thereto together with instructions for the disposal of the certificates in respect of the Notes.

The Notes will not convert into PIBS if the Conversion Date does not occur on or before 1st February, 1993.

## **8. Unclaimed Interest Resulting in Void Notes**

A Note will become void if, during a period of twelve years, at least three interest payments in respect of the relevant Note have become payable, no interest payment in respect thereof has been claimed and no cheque in respect of interest in respect thereof has been cashed.

## **9. Event of Default and Enforcement**

- (a) If a default is made in the payment of any interest in respect of the Notes or any of them for a period of fourteen days or more after any date upon which such interest is due and payable (because all the conditions to such payment set out in Condition 3 are satisfied) the Trustee at its discretion may institute proceedings in England (but not elsewhere) for the winding up of the Society.
- (b) No remedy against the Society, other than the institution of proceedings for the winding up in England of the Society or the proving or claiming in any winding up of the Society, shall be available to the Trustee or the Noteholders for the recovery of amounts owing in respect of the Notes or under the Trust Deed (other than the Trustee's remuneration or expenses). For the avoidance of doubt, no payment of principal in respect of the Notes may be made by the Society nor may the Trustee accept the same otherwise than during or after the winding up of the Society.
- (c) Without prejudice to paragraph (b) above or to its rights under paragraph (a) above, the Trustee may, at its discretion and without further notice, institute such proceedings against the Society as it may think fit to enforce any obligation, condition or provision binding on the Society under the Notes or the Trust Deed (other than any obligation for the payment of any principal, interest or Arrears in respect of the Notes), provided that the Society shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest or Arrears in respect of the Notes sooner than the same would otherwise have been payable by it.

- (d) The Trustee shall not be bound to institute proceedings as referred to in paragraph (a) or (c) above to enforce the obligations of the Society under the Trust Deed or the Notes unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-third in principal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (e) No Noteholder shall be entitled to institute any of the proceedings referred to in paragraph (a) or (c) above, or to prove or claim in any winding up of the Society, except that if the Trustee, having become bound to proceed against the Society as aforesaid, fails to do so, or, being able to prove or claim in any winding up of the Society, fails to do so, in each case within a reasonable period and such failure is continuing, then any such holder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), himself institute such proceedings and/or prove or claim in any winding up of the Society to the same extent (but not further or otherwise) that the Trustee would have been entitled so to do in respect of his Notes.

#### **10. Covenants of the Society**

The Society has covenanted in the Trust Deed that:

- (i) so long as it remains a building society and any of the Notes is outstanding it will not issue any shares which are by their terms deferred or subordinated other than deferred shares; and
- (ii) it will propose and recommend to the members of the Society at the Annual General Meeting of the Society due to take place on 27th April, 1992 (or any adjourned such meeting) a special resolution to adopt the New Rules.

A breach of either of the covenants of the Society described above (or any other covenants on the part of the Society contained in the Trust Deed) will not, by reason only of such breach, constitute an event of default or result in the Society being obliged to pay any sum or sums representing or measured by reference to principal or interest or Arrears in respect of the Notes sooner than the same would otherwise be payable by it.

#### **11. Replacement of certificates in respect of Notes**

Should any certificate in respect of Notes be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar, or any other place approved by the Trustee and of which notice shall have been given in accordance with Condition 12, upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence, indemnity and security as the Society may reasonably require. Mutilated or defaced certificates in respect of Notes must be surrendered before replacements will be issued.

#### **12. Notices**

All notices to the Noteholders will be valid if sent by prepaid post to each person shown on the Register as being a holder of Notes (but only to the first named of joint holders). Such notices shall be deemed to have been given on the fourth London business day after the date of mailing.

#### **13. Meetings of Noteholders, Modification and Waiver**

- (a) The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of these Conditions or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that, at any meeting the business of which includes the modification of certain of these Conditions and/or certain provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in principal amount of the Notes for the time being outstanding and except also that, at any meeting the business of



which includes any direction or authority to the Trustee to institute proceedings for the winding up of the Society, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-half, in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

- (b) The Trustee may agree, without the consent of the Noteholders, to any modification (subject to certain exceptions) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed (including modification of the special conditions of issue of the PIBS) and modification of the form of the New Rules which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or to any modification thereof which is of a formal, minor or technical nature or is made to correct a manifest error. If the Building Societies Commission exercises its powers under section 45(5) of the Act specifying as a description of capital resources of building societies shares other than deferred shares which are by their terms deferred or subordinated, then any modification to these Conditions and the Trust Deed permitting the Society to issue such shares shall be deemed not to be materially prejudicial to the interests of the Noteholders provided that such shares will rank after the Notes, and the Trustee will agree to any such modification requested by the Society.
- (c) If the Building Societies Commission exercises its powers under section 45(5) of the Act specifying conditions or requirements (the "Requirements") to be satisfied for building society perpetual subordinated debt to be aggregated with building society reserves and the Notes do not satisfy the Requirements then the Trustee will, provided the modifications are, in the opinion of the Trustee, not materially prejudicial to the interests of the Noteholders, agree with the Society, without the consent of the Noteholders, to such modifications (the "Modifications") to these Conditions and the Trust Deed as are necessary, in the opinion of the Society, for the Notes to satisfy the Requirements.

In deciding whether the Modifications are or are not materially prejudicial to the interests of the Noteholders:

- (i) the Trustee shall not take into account whether undated subordinated issues are commercially available at that time or the terms of any other undated subordinated issues;
  - (ii) amendments to the subordination provisions of the Notes shall not by themselves be regarded as materially prejudicial provided that the ranking of the Notes is not adversely affected; and
  - (iii) insertion of provisions into these Conditions restricting the creation of subordinated debt ranking junior to the Notes shall not by itself be regarded as materially prejudicial to the interests of the Noteholders.
- (d) Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified to the Noteholders by the Society as soon as practicable thereafter in accordance with Condition 12.

#### **14. Substitution**

If the Society shall:

- (i) amalgamate with one or more building societies under section 93 of the Act or transfer all or some of its engagements (where such engagements include its liability as principal debtor under the Trust Deed and the Notes) to another building society under section 94 of the Act; or
- (ii) transfer its business to a successor in accordance with sections 97 to 102 of the Act,

the successor will, pursuant to such sections, automatically be substituted in place of the Society as principal debtor under the Trust Deed and the Notes without any prior approval thereof being required from the Noteholders or the Trustee and references to the Society herein shall be construed accordingly.

In the case of a substitution of an entity other than a building society in accordance with (ii) above, the Society shall procure that the successor will execute a deed supplemental to the Trust Deed in such form as shall, to the satisfaction of the Trustee, ensure that these Conditions and/or the Trust Deed shall be varied or supplemented so as to contain such other provisions as the Trustee may reasonably require provided that:

- (A) no such variations or supplements will be made which would or might cause any of the Notes to be excluded from the financial resources of the successor considered appropriate by the Bank of England for the purposes of paragraph 4(2) of schedule 3 to the Banking Act 1987; and
- (B) such variations or supplements are limited to dealing with matters arising out of the procedure by which the transfer takes place and the constitution of the successor, including a provision which ensures that the rights of the Noteholders are subordinated or postponed to the claims of the holders of qualifying shares (as defined in section 100(3) or (4) of the Act) in the Society in respect of the claims arising by virtue of section 100(2) (a) or (b) respectively of the Act and to the claims of other unsubordinated creditors of such successor.

In addition, notwithstanding (B) but subject to (A) above, if the successor is an authorised institution under the Banking Act 1987 these Conditions and/or the Trust Deed shall be varied or supplemented in any way in which the Trustee may reasonably require and to which the Bank of England consents.

*N.B. Attention is drawn to "Certain Provisions of the Building Societies Act and the Building Societies Commission" below.*

#### **15. Further Issues**

The Society shall be at liberty from time to time without the consent of the Noteholders to create and issue further notes or bonds either ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any deed supplemental thereto or upon such terms as to interest, conversion, redemption, premium, ranking and otherwise as the Society may at the time of the issue thereof determine. Any such further notes or bonds if they are to form a single series with the outstanding notes or bonds of any series constituted by the Trust Deed or any deed supplemental thereto shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

#### **16. Indemnification of the Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances.

#### **17. Registrar**

The Society has appointed The Royal Bank of Scotland plc at its specified office at P.O. Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR as the initial Registrar. The Registrar will send a certificate to each registered holder of the Notes (or to the first named of joint holders) by mail within one month of the Issue Date and, thereafter, following a transfer, in accordance with Condition 2(b), in each case at the risk of the person entitled thereto. No temporary documents of title will be issued.

#### **18. Governing Law**

The Trust Deed, the Notes and the Registrar's Agreement are governed by, and will be construed in accordance with, English law.

**SUMMARY OF CERTAIN PROVISIONS OF THE PROPOSED RULES OF THE SOCIETY RELATING TO THE PIBS (to be proposed for adoption at the next Annual General Meeting of the Society (the "New Rules"))**

Assuming adoption of the New Rules at the next Annual General Meeting of the Society, the rights and restrictions which will be attached to the PIBS will be set out in the Rules and in the special conditions of issue of the PIBS which appear on page 14. Set out below is a summary of certain provisions of the New Rules and certain provisions of the Act insofar as they relate to the PIBS. Terms defined in the New Rules will, unless the context otherwise requires, have the same meanings when used in this summary.

**1. General**

A PIBS holder will be a member of the Society. Each PIBS holder and all persons claiming through him or on his account shall be bound by the Rules and by the provisions of the Society's Memorandum.

A PIBS holder shall, on demand, be given a copy of the Rules and of the Society's Memorandum:

- (a) free of charge, if he has not previously been given a copy, or
- (b) upon payment of £1 or such other fee as may be duly prescribed from time to time by the Commission, if he has already been given a copy.

**2. Register**

The Society shall maintain records constituting the register of members in which shall be entered the name and address of each PIBS holder. Each PIBS holder will be obliged by the Rules to notify the Society immediately of any change of name or address and shall produce such evidence of any change of name as the Society may require.

Transfers of PIBS shall also be registered in the records of the Society.

*The Society intends to appoint The Royal Bank of Scotland plc as its registrar for the PIBS (see page 55).*

**3. Title**

Except as otherwise provided in the Rules, the Society shall be entitled to treat the registered holder of any PIBS as the absolute owner thereof, and accordingly it shall not, except as ordered by a court of competent jurisdiction or as required by statute, be bound to recognise any trust or equitable or other claim to or interest in or charge on or security over such PIBS (whether partial or otherwise) on the part of any other person whether or not it shall have express or other notice thereof nor be held responsible for omitting or neglecting to recognise any such claim.

**4. PIBS Certificates**

Each PIBS holder shall be furnished with a PIBS Certificate. Every PIBS Certificate shall be issued under the common seal of the Society.

**5. Replacement of PIBS Certificates**

A PIBS holder losing his PIBS Certificate shall immediately give notice in writing of such loss to the Society. If a PIBS Certificate is damaged, or is alleged to have been lost, stolen or destroyed, a new PIBS Certificate will be issued without charge to the PIBS holder upon request but subject to delivery up of the old PIBS Certificate or (if it is alleged to have been lost, stolen or destroyed) subject to compliance with such conditions as to evidence and indemnity as the Board may think fit and to the payment of any exceptional expenses of the Society incidental to its investigation of the evidence of such alleged loss, theft or destruction.

Where a holder of any PIBS Certificate has transferred part of his holding, he shall be entitled to a PIBS Certificate for the balance without charge.

## **6. Transfers**

A PIBS may be transferred to another person and no fee shall be charged for the registration of the transfer.

The transfer of a PIBS may be effected in any form approved by the Board. The transferor shall remain the holder of the PIBS until the transfer is registered in the records of the Society.

The registration of transfers of PIBS, or of any class of PIBS, may be suspended at such times and for such periods as the Board may determine but not for more than thirty days in any year and notice of such suspension shall be given by advertisement in at least one national daily newspaper.

Two or more persons may jointly hold a PIBS but no PIBS shall be issued to holders or be held by holders at any time as tenants in common.

The Board may decline to issue any PIBS to more than four persons jointly.

## **7. Meetings**

As members of the Society PIBS holders will, subject to the provisions of the Rules, be entitled to receive notice of, to attend, to be counted in a quorum and to vote at general meetings of the Society.

A member of the Society who holds PIBS at the voting date will be entitled to vote on a resolution (whether special or ordinary) other than a Borrowing Members' Resolution if he was entered in the Register as the holder of such PIBS at:

- (i) the end of the financial year before the voting date; or
- (ii) if the voting date falls during that part of the financial year following the conclusion of the annual general meeting commenced in that year, the beginning of the period of 56 days immediately preceding the voting date for members voting in person at a special general meeting,

and was a holder of PIBS with a principal amount of not less than £100 and he has not ceased to be a member at any time between the time referred to in (i) or (ii) (as applicable) and the voting date.

Each PIBS holder will have one vote at general meetings of the Society regardless of the principal amount of PIBS held by that holder.

At a general meeting of the Society ten members who are entitled to vote at the meeting may demand a poll.

The Rules may only be altered or rescinded or added to by passing a resolution as a special resolution.

## **8. Winding up and Dissolution**

If the Society shall be wound up or dissolved by consent (*other than in connection with the transfer of the business of the Society to a company or an amalgamation of the Society or a transfer of the Society's engagements*) the assets remaining after payment of the debts and liabilities of the Society and the costs of the winding up or dissolution shall be applied first, in repaying to the members the amounts paid up on the shares (including deferred shares) held by them respectively, according to their priority under their respective terms and conditions of issue. The balance (if any) shall be distributed as follows:

- (a) up to 20 per cent. to holders of all or some of the deferred shares (including PIBS). The proportion (if any) of such 20 per cent. to which any particular issue of deferred shares (including PIBS) is entitled shall be set forth in the terms and conditions of issue of that issue of deferred shares; and
- (b) the remainder of the balance will be distributed among the qualifying members (other than holders of deferred shares (including PIBS)) in proportion to the value of their shareholding.

If there are insufficient assets to repay all members the amounts paid up on their shares, no repayments shall be made in respect of any deferred share (including PIBS) until after all other members have been repaid in full.

*Holders of the PIBS which will be issued after the adoption of the New Rules will not be entitled to any of the balance referred to in paragraph (a) above.*

## **9. Unclaimed Interest**

In certain circumstances set out in the Rules, the Society shall be entitled to sell for the best price reasonably obtainable any PIBS in respect of which no interest has been claimed during a period of 12 years. The Society must first give written notice to the Quotations Department of the London Stock Exchange of its intention to sell the PIBS. The Society shall be obliged to account to the PIBS holder or another person entitled to the PIBS for the net proceeds of sale of the PIBS.

## **10. Disputes and Legal Proceedings**

Subject as set out below, section 85 of and Schedule 14 to the Act provide that no court other than the High Court of Justice in England shall have jurisdiction to hear and determine disputes between a building society and a member in his capacity as a member or a representative of a member in that capacity in respect of any rights or obligations arising from the Rules. Pursuant to section 1 of the Courts and Legal Services Act 1990, the County Court Jurisdictional Order 1991 No. 724 has been made which empowers the High Court to transfer cases over which it has jurisdiction to the County Court.

## **SPECIAL CONDITIONS OF ISSUE OF THE PIBS**

*The following are the special conditions of issue of the PIBS in the form in which they will appear on the reverse of each PIBS certificate:*

The PIBS (as defined below) are issued subject to, and with the benefit of, these special conditions of issue (the "Conditions").

### **1. General**

- (1) The "Society" means Leeds and Holbeck Building Society.
- (2) "PIBS" means the 13<sup>3</sup>/<sub>8</sub> per cent. Permanent Interest Bearing Shares of the Society and, unless the context otherwise requires, includes any further deferred shares issued pursuant to Condition 9 and forming a single series with the PIBS.
- (3) "Notes" means the £25,000,000 13<sup>3</sup>/<sub>8</sub> per cent. Undated Mandatorily Convertible Subordinated Notes of the Society convertible into PIBS.
- (4) Terms defined in the Rules of the Society (the "Rules") will, unless the context otherwise requires, have the same meanings when used in these Conditions.
- (5) PIBS holders are bound by, and are deemed to have notice of, the Rules.
- (6) **The PIBS:**
  - (a) **are deferred shares for the purposes of the Building Societies Act 1986 (the "Act");**
  - (b) **are not protected investments for the purposes of payments out of the Building Societies Investor Protection Fund provided for under the Act;**
  - (c) **are not withdrawable; and**
  - (d) **are permanent interest bearing shares for the purposes of the Rules.**
- (7) The expressions "Creditors" and "Relevant Supervisory Consent" shall have the meanings given thereto in Conditions 4(2) and 4(4) respectively.
- (8) Upon a transfer of a PIBS the Society will procure that the new PIBS holder is issued with a PIBS Certificate within 14 days after the lodgement of the instrument of transfer.

### **2. Form and Denomination**

The PIBS are in registered form and are available and transferable in accordance with the Rules in amounts and integral multiples of £1,000.

### **3. Interest**

- (1) The PIBS bear interest from and including the Conversion Date (as defined in Condition 7 of the Notes) at the rate of 13<sup>3</sup>/<sub>8</sub> per cent. per annum (less tax where appropriate) payable, subject as provided below, in arrear:
  - (i) on whichever is the first to occur of either 31st January, 1993 or 31st July, 1993 after the Conversion Date in respect of the period from and including the Conversion Date to but excluding such date amounting to £67.06 (less tax where appropriate) per PIBS (in the case of 31st January, 1993) or £66.88 (less tax where appropriate) per PIBS (in the case of 31st July, 1993), and
  - (ii) thereafter by equal half-yearly instalments on 31st January and 31st July in each year.

The period from the Conversion Date to whichever is the first to occur of either 31st January, 1993 or 31st July, 1993 after the Conversion Date and each half-yearly period is referred to as an "Interest Period". Interest on the PIBS is non-cumulative as described below.

The interest payment in respect of a period of less than a half-year will be calculated on the basis of the number of days elapsed and a year of 365 days and rounding the resultant figure to the nearest penny (half a penny being rounded upwards).

(2) Interest in respect of the PIBS shall not be paid or credited in respect of any Interest Period if the Society has at any time before the date for payment of the interest cancelled the payment of any interest or dividend upon:

(a) any other shares of any class (other than deferred shares (as defined in the Act)) of the Society; or

(b) any deposit with the Society,

which falls, in accordance with the terms of the share or deposit, to be paid or credited at any time before the end of the relevant Interest Period.

For the purposes of this paragraph (2):

(a) where the Society has deferred or suspended any payment it shall be taken to have cancelled the payment for so long as the payment remains outstanding; and

(b) a payment is to be taken to fall to be paid or credited in circumstances where it would have so fallen but for any provisions relating thereto entitling the Society to cancel, defer or suspend payment.

If, and to the extent that, the payment or crediting of interest is prohibited under this paragraph (2), interest in respect of the PIBS will be cancelled and PIBS holders will have no rights in respect of the cancelled interest.

(3) Interest in respect of the PIBS shall not be paid or credited for any Interest Period specified by the Board, if the Board is of the opinion that:

(a) there has been a failure by the Society to satisfy the first criterion of prudent management set out in section 45(3) of the Act and such failure is then continuing; or

(b) the payment or crediting of the interest or, as the case may be, the payment or crediting in full of the interest would cause or contribute to such a failure by the Society,

and in such case the Board passes a resolution cancelling or, as the case may require, reducing the interest to such extent as may be necessary to secure that there will be no failure to satisfy the first criterion of prudent management and on the passing of the resolution the PIBS holder shall cease to have any right to the interest for that period so cancelled or, as the case may be, any interest other than the reduced amount payable in accordance with that resolution.

#### **4. Repayment**

(1) The PIBS constitute permanent non-withdrawable deferred shares in the Society and have no specified final maturity.

(2) The PIBS will become repayable on the date that an instrument or order is made or an effective resolution is passed for the winding up or, otherwise than by virtue of section 93(5), section 94(10), section 97(9) or section 97(10) of the Act, dissolution of the Society but only if and subject to the condition that all sums due from the Society to Creditors claiming in the winding up or dissolution have been paid in full.

For the purposes of these Conditions, "Creditors" means all creditors (including all subordinated creditors) of the Society and members holding shares (other than deferred shares) as regards the principal and interest due in respect of those shares.

- (3) The claims of PIBS holders in a winding up or dissolution of the Society will be for the principal amount of their PIBS together, subject to Condition 3, with interest accrued to but excluding the date of repayment after all sums due from the Society to Creditors have been paid in full. PIBS holders will not be entitled to any share in any final surplus upon a winding up or dissolution of the Society.
- (4) The Society may, having obtained prior Relevant Supervisory Consent and, for so long as the PIBS are listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"), subject to and in accordance with the requirements from time to time of the London Stock Exchange, purchase any PIBS. In the case of purchases by tender, tenders shall be made available to all PIBS holders alike.

For the purposes of these Conditions, "Relevant Supervisory Consent" means consent to the relevant purchase given by the Building Societies Commission.

- (5) All PIBS repaid or purchased by the Society as aforesaid shall be cancelled forthwith and such PIBS may not be reissued or resold.

## **5. Payments**

All payments in respect of the PIBS will be made by sterling cheque drawn on a bank in the United Kingdom and posted on the day (other than a Saturday or a Sunday) on which banks are open for business in England immediately preceding the relevant due date, and made payable, to the PIBS holder or to the Representative Joint Shareholder appearing in the register of members of the Society at the close of business on the fifteenth day before the relevant due date (the "Record Date") at his address shown in the register of members of the Society on the Record Date. Upon application of the PIBS holder or the Representative Joint Shareholder to the Society, in the form from time to time prescribed by the Society, not less than ten days before the due date for any payment in respect of a PIBS, the payment may be made by transfer on the due date to a sterling account maintained by the payee with a bank in the United Kingdom.

## **6. Succession and Transfers**

- (1) Upon an amalgamation by the Society with another building society under section 93 of and Schedule 16 to the Act or a transfer of its engagements to any extent to another building society under section 94 of and Schedule 16 to the Act, the PIBS shall be deferred shares in the transferee building society without any alteration in their terms.
- (2) Upon a transfer by the Society of the whole of its business to a successor in accordance with section 97 of the Act the successor will, in accordance with section 100(2)(a) of the Act, assume as from the vesting date a liability (subject to this paragraph (2)) to every qualifying member of the Society as in respect of a deposit made with the successor corresponding in amount to the value of the qualifying shares held by the member in the Society.

The liability assumed by the successor in respect of each PIBS shall be as in respect of a non-transferable subordinated deposit carrying the same rate of interest as the PIBS (each a "Deposit").

Each Deposit will be applied on behalf of the holder in the subscription of a principal amount of perpetual subordinated bonds of the successor equivalent to the principal amount of the Deposit carrying the same rate of interest as the PIBS (the "Bonds").

In the case of a transfer by the Society of the whole of its business to a company which is an existing company (as defined in the Act) the application of each Deposit will occur on the vesting date (or as soon as reasonably practicable thereafter). In the case of a transfer by the Society of the whole of its business to a company which is a specially formed company (as defined in the Act) the application of each Deposit will occur either automatically on the date occurring five years after the vesting date (or as soon as reasonably practicable thereafter) or earlier subject to such conditions as the board of directors of the successor may require, including the receipt of a certificate in such form as they may reasonably require from the holder of any Deposit, that the



effect of the allotment of the Bonds would not be that more than the permitted proportion (as defined in section 101 of the Act) of the total indebtedness of the successor on its debentures would be held by, or by nominees for, the holder of each Deposit. The form of the certificate required will be sent to holders of PIBS prior to the vesting date.

The terms of each Deposit and the terms and conditions of the Bonds will be such as to secure in the opinion of the Board that they will be subordinated debt (as defined in the Building Societies (Designated Capital Resources) (Permanent Interest Bearing Shares) Order 1991).

The terms of the Deposits and the terms and conditions of the Bonds will, not later than the time at which notice is given to members of resolutions to be proposed to approve such transfer, be available for inspection by PIBS holders at the principal office of the Society at that time and, subject as provided above, will be determined by the Board in its absolute discretion.

- (3) The Society undertakes to procure that any amalgamation or transfer referred to in paragraph (1) or (2) above will comply with the provisions of paragraph (1) or, as the case may be, (2) above.

## **7. Variations of these Conditions**

- (1) These Conditions may only be varied by the Society with the consent in writing of the holders of three-quarters in principal amount of the PIBS for the time being outstanding, or with the sanction of a resolution passed at a separate meeting of the PIBS holders held in accordance with Condition 8 by a majority of three-quarters in principal amount of such holders voting in person or by proxy at such meeting.
- (2) The Society undertakes not to initiate any change to the Rules that is both (a) inconsistent with the provisions of these Conditions and (b) materially prejudicial to the interests of the PIBS holders.
- (3) These Conditions do not limit the rights of members to change the Rules.

Any amendment to the Rules that is both (a) inconsistent with the provisions of these Conditions and (b) materially prejudicial to the interests of the PIBS holders, shall not limit any rights of PIBS holders to bring an action for breach of contract against the Society in circumstances where the Society is in breach of these Conditions nor afford the Society any defence to any claim made in any such action.

## **8. Meetings of PIBS Holders**

- (1) The Society alone may at any time convene a separate meeting of the PIBS holders. Every meeting shall be held at such place as the Society may approve.
- (2) At least 21 clear days' notice specifying the place, day and hour of the meeting shall be given to the PIBS holders on the Society's register 35 days prior to the date specified for the meeting by sending it by post to the registered address of the PIBS holder or the Representative Joint Shareholder. The notice shall state generally the nature of the business to be transacted at the meeting and the terms of any resolution to be proposed to alter these Conditions.
- (3) Any person (who may but need not be a PIBS holder) nominated in writing by the Society shall be entitled to take the chair at every meeting but if no nomination is made or if at any meeting the person nominated shall not be present within fifteen minutes after the time appointed for holding the meeting the PIBS holders present shall choose one of their number to be chairman.
- (4) At any meeting one or more persons present in person or by proxy and holding or representing in the aggregate not less than one-third of the principal amount of the PIBS for the time being outstanding shall form a quorum for the transaction of business and no business (other than the choosing of a chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. Every question submitted to the meeting (other than the choosing of a chairman which will be decided by a simple majority) shall be decided by a poll

by one or more persons present and holding PIBS or being proxies and representing in aggregate three-quarters of the principal amount of the PIBS represented at such meeting voting in favour of such question.

- (5) If within 15 minutes after the time appointed for any meeting a quorum is not present the meeting shall stand adjourned for such period, being not less than 14 days nor more than 42 days, and at such place as may be appointed by the chairman and if at the adjourned meeting a quorum shall not be present within half an hour from the time appointed for the adjourned meeting the PIBS holders present in person or by proxy at the adjourned meeting shall be a quorum.
- (6) Notice of any adjourned meeting shall be given in the same manner as notice of an initial meeting but as if 10 were substituted for 21 in paragraph (2).
- (7) A poll shall be taken in such manner as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting.
- (8) The chairman may with the consent of (and shall if directed by) any meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (9) Any director or officer of the Society and its lawyers may attend and speak at any meeting. Save as provided above no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the PIBS holders unless he is the PIBS holder or the Representative Joint Shareholder or is a proxy thereof.
- (10) Subject as provided in paragraph (9), at any meeting every person who is present shall have one vote in respect of each £1,000 in principal amount of the PIBS so held or in respect of which he is a proxy.

Any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

- (11) A PIBS holder may by an instrument in writing in the form from time to time obtainable from the Society (a "form of proxy") signed by the PIBS holder, or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a "proxy") to act on his or its behalf in connection with any meeting or adjourned meeting of the PIBS holders. The proxies named in any form of proxy need not be PIBS holders.
- (12) The form of proxy and (if required by the Board) any authority under which it is executed or a copy of the authority, certified notarially or in some other manner approved by the Board, may be delivered to the Society at its principal office (or to such other place in the United Kingdom as may be specified in the notice convening the separate meeting or in any notice of any adjourned such meeting or, in either case, in any accompanying document) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the form of proxy proposes to vote, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, not less than 24 hours before the time appointed for the taking of the poll, and a form of proxy which is not so delivered shall be invalid. Any vote given in accordance with the terms of a form of proxy shall be valid notwithstanding the previous revocation or amendment of the form of proxy or of any of the PIBS holder's instructions in respect thereof, provided that no intimation in writing of the revocation or amendment shall have been received by the Society at its principal office at any time prior to 24 hours before the time appointed for holding the meeting or adjourned meeting at which the form of proxy is used.
- (13) Any resolution passed at a meeting of the PIBS holders duly convened and held hereunder shall be binding upon all the PIBS holders whether or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify the passing of the resolution. Notice of any resolution duly passed by the PIBS holders shall be given in writing to

each PIBS holder or the Representative Joint Shareholder by the Society within 14 days of the passing of the resolution, provided that the non-publication of the notice shall not invalidate the resolution.

- (14) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Society and any minutes purporting to be signed by the chairman of the meeting at which the resolutions were passed or proceedings had shall be conclusive evidence of the matters contained in the minutes and until the contrary is proved every meeting in respect of the proceedings of which minutes have been so made and signed shall be deemed to have been duly held and convened and all resolutions passed or proceedings had to have been duly passed or had.
- (15) The accidental omission to send notice of a separate meeting or to send any document required to be sent with the notice or otherwise before the meeting to, or the non-receipt of notice of a separate meeting or any such document as aforesaid by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

#### **9. Further Issues**

The Society shall be at liberty from time to time without the consent of the PIBS holders to create and issue further deferred shares either:

- (1) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding deferred shares of any series (including the PIBS); or
- (2) upon such other special terms of issue as the Society may at the time of issue determine provided that the Society shall not issue any deferred shares ranking ahead of the PIBS.

## RISK FACTORS

Investors should be aware that the Notes are undated and subordinated and that the terms of the PIBS vary considerably from the terms of ordinary building society share accounts. They should particularly note that:

- (a) the principal amount of the Notes and, when issued, the PIBS is not repayable and the PIBS are not withdrawable and accordingly the only way that the Notes and, when issued, the PIBS may be realised is by a sale at such price and on such terms as may from time to time be available in the market (which may mean that the investor does not recoup his investment) which may be subject to usual brokers' commissions and, in the case of the Notes, stamp duty;
- (b) in a winding up or dissolution of the Society, the claims of the PIBS holders will rank behind all other creditors of the Society and the claims of members holding shares (other than deferred shares) as to principal and interest;
- (c) claims in respect of the Notes will be subordinated to the claims of all unsubordinated creditors of the Society including, so long as the Society is a building society, members holding shares (other than deferred shares) of the Society in respect of principal and interest and all subordinated creditors of the Society except those ranking *pari passu* with, or junior to, the Notes;
- (d) neither the PIBS nor the Notes are protected investments for the purposes of the Building Societies Investor Protection Fund;
- (e) payments in respect of the Notes are conditional, as described in "Conditions of the Notes — Status and Subordination", on, *inter alia*, the Society being solvent at the time of payment and satisfying prescribed levels of capital;
- (f) interest in respect of the PIBS shall not be payable where to make payment would result in the Society's capital falling below prescribed levels if the Directors of the Society resolve that such interest should not be paid or where the Society has not paid interest in respect of deposits or shares (other than deferred shares);
- (g) if the Society does not make an interest payment in respect of the PIBS in accordance with paragraph (f) above such interest will be cancelled; and
- (h) subject as provided in Condition 7 of the Notes, the Notes will be mandatorily converted into PIBS with effect from and including the Conversion Date (as defined in Condition 7 of the Notes).

## **CERTAIN PROVISIONS OF THE BUILDING SOCIETIES ACT AND THE BUILDING SOCIETIES COMMISSION**

### **Amalgamation**

Section 93 of the Act permits a building society to amalgamate with one or more building societies by establishing a building society as their successor. Amalgamation requires approval by special resolutions of the members of each amalgamating society and by borrowing members' resolutions (as defined in Schedule 2 of the Act) of the borrowing members of each amalgamating society and confirmation by the Building Societies Commission (the "BSC"). The Act provides that on the date specified by the central office of the Registry of Friendly Societies (the "Central Office") all the property, rights and liabilities (which would include the Notes and, when issued, the PIBS) of each of the societies shall by virtue of the Act be transferred to and vested in the successor, whether or not otherwise capable of being transferred or assigned.

### **Transfer of Engagements**

Section 94 of the Act permits a building society to "transfer its engagements to any extent" to another building society which undertakes to fulfil such engagements. A transfer requires approval by special resolutions of the members of the transferor society and the transferee society, and by borrowing members' resolutions of the borrowing members of the transferor society and the transferee society. However, the resolutions of the transferee society are not required if the BSC consents to the transfer proceedings by a resolution of its board of directors only. The transfer must be confirmed by the BSC. The Act provides that on the date specified by the Central Office and to the extent provided in the instrument of transfer, the property, rights and liabilities of the transferor society shall by virtue of the Act be transferred to and vested in the transferee society, whether or not otherwise capable of being transferred or assigned. In the event of a transfer of all or part of the property and/or all or some of the liabilities of the Society the PIBS would, pursuant to their terms, become deferred shares in the transferee without any alteration of their terms.

### **Conversion**

Sections 97 to 102 of the Act permit a building society to transfer the whole of its business to a company which has been specially formed by the society wholly or partly for the purpose of assuming and conducting the society's business in its place or is an existing company which is to assume and conduct the society's business in its place. The transfer must be approved by special resolution of the members and by a borrowing members' resolution and the society must obtain the confirmation of the BSC to the transfer and its terms. If the BSC confirms the transfer then the Act provides that on the vesting date (as defined in the Act) all the property, rights and liabilities (which would include the Notes) of the society making the transfer, whether or not capable of being transferred or assigned, shall by virtue of the Act and in accordance with transfer regulations (then in force) be transferred to and vested in the successor. Pursuant to section 100(2)(a) of the Act the PIBS would be converted into deposits with the successor. The terms of the PIBS provide that the deposits will be subordinated and will be applied in the subscription of perpetual subordinated bonds of the successor subject as provided therein.

Where, in connection with any transfer, rights are to be conferred on members of the society to acquire shares in priority to other subscribers, the right is restricted to investing members of the society who have held their shares throughout the period of two years expiring on a qualifying day specified by the society in the transfer agreement. Also, all investing members' shares (including PIBS) are, as explained above, converted into deposits with the successor. If the transfer is to a company specially formed by the society, shareholders of the society who were eligible to vote on the transfer, are members on the qualifying day specified in the transfer agreement and who retain a deposit with the successor must be given rights to a priority liquidation distribution (as defined by the Act) should the successor be wound up. These rights are protected by the successor granting a charge over its property or undertaking. On any such transfer, investing members of the society who were members on the qualifying date but not entitled to vote on the transfer resolution will receive a cash bonus equal to their notional share of reserves of the society. If the transfer is to an existing company, any distribution of funds (apart from the statutory cash bonus referred to above) may only be made to certain investing members of the society who have held their shares for at least two years expiring on a qualifying day specified by the society in the transfer agreement.

The society may, as a result of an amalgamation, transfer of engagements or transfer of business as described above, be replaced, as the principal debtor under all or some of the Notes and the PIBS, by an entity substantially different in nature from the society at present or with a substantially different capital position. In all cases the confirmation of the BSC is required before any such change can take place.

**General**

The BSC is required to have regard to the position of the Noteholders and the PIBS holders pursuant to the provisions of section 1(4) of the Act which requires it to promote the protection by each building society of the investments of that building society's "shareholders and depositors", for which purpose the expression "shareholders" includes PIBS holders (if issued) and the expression "depositors" includes the Noteholders.

## LEEDS AND HOLBECK BUILDING SOCIETY

### 1. History and Description of the Society

The Society was formed in 1875. It was incorporated under the Building Societies Act 1874 as Leeds and Holbeck Permanent Building Society. In 1929, the word "Permanent" was removed from the name.

At 31st December, 1991, the Society and its subsidiaries (the "Group") was the eighteenth largest United Kingdom building society in terms of consolidated assets and operated from 78 branches. During the years ended 31st December, 1989, 1990 and 1991, the average number of persons employed by the Society was 569, 638 and 670 respectively.

At 31st December, 1991, the Group had approximately 358,000 investment accounts and 60,000 mortgage accounts. Total assets at that date were £2,236.5 million, of which loans secured by mortgage were £1,844.9 million.

### 2. Form, Status and Ownership

The Society is incorporated under the Act for an unlimited duration. It operates in accordance with the Act, regulations made thereunder and the Society's registered Rules and Memorandum. The Society is a building society within the meaning of the Act and is registered with the Central Office of the Registry of Friendly Societies in London, Register Number 320B. The affairs of the Society are conducted and managed by a Board of Directors who are elected and who serve in accordance with the Rules and Memorandum. The Board is responsible to the members for the proper conduct of the affairs of the Society and appoints and supervises executives who are responsible to the Board for the daily management of the Society.

The Society is a mutual organisation, with both retail investors and borrowers having membership. A member is entitled to vote (subject to certain conditions). It is therefore possible for one person to have both an investing member's vote and a borrowing member's vote. A PIBS holder who is an investing member other than by virtue of his holding a PIBS will only have one vote in the Society.

### 3. Business of the Society

#### (a) Mortgage lending business

The principal purpose of the Society, as stated in Clause 2 of its Memorandum, is to raise, primarily by the subscriptions of the members of the Society, a stock or fund for making to them advances secured on land for their residential use.

The Society obtains funds from the retail market through personal savings and deposit accounts and raises funds in the wholesale money markets. It advances funds so raised mainly to borrowers on the security of first mortgages on freehold and leasehold property.

The Society offers a variety of savings accounts and investment products to personal customers.

The Society has a strong regional identity based in Yorkshire with over half its branches situated within the region. The branch network ranges throughout the United Kingdom from Aberdeen in the North to Southampton in the South, 32 being within the boundaries of the Leeds Metropolitan area and a further 15 in North, South and West Yorkshire.

The Group's assets consist principally of residential mortgage loans. At 31st December, 1991, the Group's advances to residential borrowers totalled £1,813.8 million and £31.1 million to commercial borrowers.

Applications for mortgage loans may be submitted to any one of the Society's branches or directly to the Society's principal office. The Society follows a strict procedure prior to making an offer of advance which includes an inspection and valuation of the property by a qualified valuer. In the vast majority of cases, inspections and valuations are carried out by qualified valuers who are employees of the Society. The Society follows a conservative policy in respect of the level of mortgage indemnity guarantee insurance requested for loans advanced

in seeking to obtain, where possible, the maximum level of cover available. Where an advance exceeds 75 per cent. of the lower of valuation and cost of the property, the Society obtains additional protection through the use of mortgage indemnity guarantee insurance up to a maximum of 25 per cent. of the lower of valuation and cost. By following this policy, the Society's exposure in respect of individual advances, after taking account of mortgage indemnity guarantee insurance cover, is often reduced to between 60 and 65 per cent. of the lower of the property value and cost.

Lending in respect of commercial mortgages represents only a small proportion of total mortgage lending. At 31st December, 1991, total non-residential lending (Class 2 mortgage assets) represented 1.7 per cent. of total mortgage assets.

In the year ended 31st December, 1991, the Group's new mortgage advances totalled approximately £477 million which represented an increase of 1.2 per cent. over the previous year. The number of mortgages completed in the year was 8,086.

**(b) Loan loss experience on mortgage lending**

Historically, the Society's losses on lending have been minimal. However high interest rates in 1990 and 1991 have resulted in a greater number of borrowers being unable to meet their mortgage repayment commitments. In view of the poor state of the housing market, the Society has felt it necessary and prudent to make year end provisions amounting to £5.5 million to meet potential losses on the mortgage book. In addition, £3.4 million has been provided against doubtful interest on properties in possession.

The existing policy for providing for mortgage losses adopted by the Society is, in the belief of the Society, in line with current best practice as identified in the letter to the Chief Executives of all authorised building societies dated 4th December, 1991, issued by the Building Societies Commission.

**(c) Other business**

The Society's strategy has focussed on its core business and has not diversified away from activities traditionally carried out by building societies. Allied to this strategy has been the formation of a number of Appropriate Mortgage Companies (AMC) subsidiaries. The Society formed the AMCs to protect the existing origination of mortgages and to enable it to actively source new distribution channels. The first two AMCs, Leeds and Holbeck Mortgage Corporation Limited and Albion Home Loans Limited began trading in 1990 and 1991 respectively.

Other areas of business include:

*Life Assurance*

When appropriate, the Society offers relevant life assurance products to its customers in its capacity as tied agent. The Society became a tied agent of General Accident Life Assurance on 1st April, 1991.

*Unsecured personal loans*

The Society offers unsecured personal loans through its branch network. These loans are extended by Forward Trust Group Limited ("Forward Trust"), a subsidiary of Midland Bank plc. The Society takes no credit risk on this activity, but receives a fee from Forward Trust based on volume.

*Foreign exchange and travellers cheques*

The Society acts as an agent for The Thomas Cook Group Limited, a subsidiary of Midland Bank plc, in offering foreign exchange and travellers cheque issuance facilities to its customers. Once again, this activity has no credit or balance sheet implications for the Society.



**(d) Sources of Income**

The principal source of income for the Group is interest earned on mortgage advances. In the year ended 31st December, 1991, this income totalled £211 million including £2.7 million from lending by subsidiaries.

Income from the Group's liquid assets generated £38 million in that year. In addition, fees for insurance commission, rent and other sources generated £9m for the year.

**(e) Non Retail Funding Activities**

Savings from the personal sector are the primary source of funds for building societies. However, the Society has taken significant steps to raise funds from the wholesale money markets principally in the form of certificates of deposit, time deposits and bank loans.

The breakdown of wholesale and retail funding of the Society at 31st December, 1991 was as follows:

	(millions of pounds)
Certificates of deposit.....	107.3
Amounts owed to banks .....	196.1
Fixed rate notes .....	13.7
Subordinated bonds.....	10.0
Other deposit and loans.....	158.9
Shares .....	1,623.2
	<hr/>
Total .....	2,109.2
	<hr/> <hr/>

## FINANCIAL SUMMARY

The following is a summary of the Society's audited consolidated income and expenditure accounts for the three years ended 31st December, 1991:

	<i>Years ended 31st December,</i>		
	<i>Group 1991</i>	<i>Group 1990</i>	<i>Society 1989</i>
	<i>(in millions of pounds)</i>		
Interest receivable .....	249.0	240.1	170.9
Interest payable .....	220.8	209.4	142.6
<b>Net interest receivable</b> .....	<b>28.2</b>	<b>30.7</b>	<b>28.3</b>
<b>Other income and charges</b> .....	<b>9.2</b>	<b>6.3</b>	<b>6.1</b>
	<b>37.4</b>	<b>37.0</b>	<b>34.4</b>
<b>Management expenses</b> .....	<b>18.5</b>	<b>15.1</b>	<b>13.4</b>
<b>Profit before provisions and exceptional item</b> .....	<b>18.9</b>	<b>21.9</b>	<b>21.0</b>
<b>Provision for losses on loans and advances</b> .....	<b>5.5</b>	<b>0.3</b>	<b>—</b>
<b>Exceptional item</b> .....	<b>1.1</b>	<b>1.2</b>	<b>—</b>
	<b>12.3</b>	<b>20.4</b>	<b>21.0</b>
<b>Profit on ordinary activities before tax</b> .....	<b>4.2</b>	<b>7.0</b>	<b>7.2</b>
<b>Tax on profit on ordinary activities</b> .....	<b>8.1</b>	<b>13.4</b>	<b>13.8</b>
<b>Profit for the financial year</b> .....	<b>8.1</b>	<b>13.4</b>	<b>13.8</b>

The following is a summary of the Society's audited consolidated balance sheets as at the end of each of the three years ended 31st December, 1991:

	<i>Years ended 31st December,</i>		
	<i>Group 1991</i>	<i>Group 1990</i>	<i>Society 1989</i>
	<i>(in millions of pounds)</i>		
<b>Assets:</b>			
Liquid assets .....	364.8	285.1	266.0
Commercial assets			
Advances secured on residential property .....	1,813.8	1,498.1	1,198.2
Other advances secured on land .....	31.1	25.0	10.3
Tangible fixed assets .....	19.2	14.0	13.6
Other assets .....	7.6	5.6	1.1
<b>Total assets</b> .....	<b>2,236.5</b>	<b>1,827.8</b>	<b>1,489.2</b>
	<b>2,236.5</b>	<b>1,827.8</b>	<b>1,489.2</b>
<b>Liabilities and Reserves:</b>			
Shares and deposits			
Retail funds and deposits .....	1,598.0	1,351.8	1,145.9
Non retail funds and deposits .....	501.2	354.8	241.9
Other liabilities .....	29.1	34.6	28.2
Provisions for liabilities and charges .....	0.3	—	—
Subordinated liabilities .....	10.0	—	—
<b>Total liabilities</b> .....	<b>2,138.6</b>	<b>1,741.2</b>	<b>1,416.0</b>
Revaluation reserve .....	9.3	6.2	6.3
Reserves			
General reserve .....	88.6	80.4	66.9
<b>Total liabilities and reserves</b> .....	<b>2,236.5</b>	<b>1,827.8</b>	<b>1,489.2</b>
	<b>2,236.5</b>	<b>1,827.8</b>	<b>1,489.2</b>

*Note: The figures have been extracted from the audited accounts of the Society and have been rounded to one place of decimals for presentational purposes.*

## CONSOLIDATED CAPITALISATION AND INDEBTEDNESS

The following table is a summary of the Society's audited consolidated shareholders' funds and indebtedness as at 31st December, 1990 and 31st December, 1991:

	<i>1991</i>	<i>1990</i>
<i>(in millions of pounds)</i>		
<b>Shareholders' Funds:</b>		
Shares .....	1,602.9	1,328.3
General Reserve .....	88.6	80.4
Revaluation Reserve .....	9.3	6.2
<b>Total Shareholders' Funds</b> .....	<b>1,700.8</b>	<b>1,414.9</b>
<b>Indebtedness:</b>		
Deposits and loans from banks.....	196.1	145.0
Other deposits and loans .....	158.9	193.4
Certificates of deposit .....	107.3	15.1
Fixed rate notes.....	13.7	6.9
Other liabilities and provisions .....	49.7	52.5
Subordinated bonds .....	10.0	—
<b>Total Indebtedness</b> .....	<b>535.7</b>	<b>412.9</b>
<b>Total Capitalisation</b> .....	<b>2,236.5</b>	<b>1,827.8</b>

Save for the issue of the Notes (which have not been reflected above), at the date of this Offering Circular there has been no material change in the capitalisation of the Society and its subsidiaries since 31st December, 1991.

So far as is known to the Society no persons, directly or indirectly or jointly and severally, exercise or could exercise control over the Society or are interested, directly or indirectly, in 3 per cent. or more of the Society's shares.

No shares of the Society or any of its subsidiaries is under option or has been agreed to be put under option to any person.

## BOARD OF DIRECTORS

The names of the Directors of the Society, their responsibilities within the Society, their business occupation and other principal directorships as at the date of this Offering Circular are given below. The business address of each of the Directors is that of the Society given at the back of this document.

<i>Name</i>	<i>Responsibilities within the Society</i>	<i>Business Occupation and Other Directorships</i>
Paul D. Taylor	President (non-executive)	Chartered Accountant Wagon Industrial Holdings Plc John Foster & Son Plc Harrogate College Ltd (Limited by Guarantee) Sir George Martin Trust Company Ltd Oakwood (Batley) Nominees JGHT Nominees Spero Trustee Company Leeds Leeds and Holbeck Staff Pension Scheme Ltd
C. Edward Holroyd	Vice-President (non-executive)	Company Director Alfred Blackmore Group Ltd & subsidiaries Atalanta Engineering Ltd Holderness Investments Ltd & subsidiaries Holroyd Construction Group Ltd & subsidiaries Leeds and Holbeck Staff Pension Scheme Ltd Stonestride Ltd Sandbeck Productions Ltd & subsidiaries
J. Olav Arnold	Director (non-executive)	Retired Company Director None
Peter A. H. Hartley	Director (non-executive)	Company Director Yorkshire Housing Trust Plc Combined Concerns Ltd Yorkshire Commercial Properties Ltd
Arthur E. Stone	Director and Chief Executive	Building Society Chief Executive Leeds and Holbeck Staff Pension Scheme Ltd Leeds and Holbeck Mortgage Corporation Ltd Albion Home Loans Ltd Leeds and Holbeck Mortgage Funding Limited Burley Mortgage Finance Limited Headrow Home Loans Limited Leeds and Holbeck Limited The Leeds TEC Limited West Riding Trade Protection Association
Victor H. Watson	Director (non-executive)	Printer John Waddington Plc & subsidiaries John Foster & Son Plc <i>Yorkshire Television Holdings Plc</i> Yorkshire Television Ltd Leeds and Holbeck Mortgage Corporation Ltd Albion Home Loans Ltd Leeds and Holbeck Mortgage Funding Limited Burley Mortgage Finance Limited Headrow Home Loans Limited Leeds and Holbeck Limited Leeds Chamber of Commerce and Industry (Limited by Guarantee) The Leeds TEC Limited
T. George Turnbull	Director (non-executive)	Retired Solicitor West Riding Masonic Charities Ltd

The Financial Statements, Annual Business Statement and Directors' Report set out on pages 29 to 49 have been extracted from audited accounts of the Group for the year ended 31st December, 1991 (save for the figures for 1989 which have been extracted from the audited accounts of the Group for the year ended 31st December, 1990)

**FINANCIAL STATEMENTS**  
**GROUP INCOME AND EXPENDITURE ACCOUNT**

	<i>Notes</i>	<i>Group 1991</i>	<i>Group 1990</i>	<i>Society 1989</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Interest receivable .....	2	248,963	240,071	170,899
Interest payable .....	3	220,781	209,384	142,577
Net interest receivable .....		<u>28,182</u>	<u>30,687</u>	<u>28,322</u>
Other income and charges .....	4	9,171	6,284	6,085
Management expenses .....	5	<u>37,353</u> <u>18,500</u>	<u>36,971</u> <u>15,130</u>	<u>34,407</u> <u>13,444</u>
Profit before provisions and exceptional item .....		18,853	21,841	20,963
Provision for losses on loans and advances .....	11	5,478	270	—
Exceptional item .....	8	1,068	1,223	—
Profit on ordinary activities before tax .....		<u>12,307</u>	<u>20,348</u>	<u>20,963</u>
Tax on profit on ordinary activities .....	9	4,249	6,993	7,215
Profit for the financial year .....	19	<u>8,058</u>	<u>13,355</u>	<u>13,748</u>

**GROUP BALANCE SHEET**

	<i>Notes</i>	<i>Group 1991</i>	<i>Group 1990</i>	<i>Society 1989</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Assets</b>				
Liquid assets .....	10	364,834	285,130	265,967
Commercial assets				
Advances secured on residential property .....	11	1,813,803	1,498,059	1,198,251
Other advances secured on land .....	11	31,074	25,041	10,289
Other commercial assets .....	11	—	—	2
Tangible fixed assets .....	13	19,140	14,031	13,619
Other assets .....	14	7,621	5,549	1,097
Total assets .....		<u>2,236,472</u>	<u>1,827,810</u>	<u>1,489,225</u>
<b>Liabilities and Reserves</b>				
Shares and deposits				
Retail funds and deposits .....	15	1,597,988	1,351,820	1,145,876
Non retail funds and deposits .....	16	501,235	354,831	241,872
Other liabilities .....	17	29,079	34,613	28,256
Provisions for liabilities and charges .....	17	289	—	30
Subordinated liabilities .....	18	10,000	—	—
Total liabilities .....		<u>2,138,591</u>	<u>1,741,264</u>	<u>1,416,034</u>
Revaluation reserve .....	19	9,311	6,172	6,307
Reserves				
General reserve .....	19	88,570	80,374	66,884
Total liabilities and reserves .....		<u>2,236,472</u>	<u>1,827,810</u>	<u>1,489,225</u>

The notes on pages 32 to 41 form part of these Accounts.

## SOCIETY INCOME AND EXPENDITURE ACCOUNT

	<i>Notes</i>	<i>Society 1991</i>	<i>Society 1990</i>	<i>Society 1989</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
Interest receivable .....	2	248,546	239,990	170,899
Interest payable .....	3	220,781	209,384	142,577
Net interest receivable .....		27,765	30,606	28,322
Other income and charges .....	4	8,894	6,238	6,085
Management expenses .....	5	18,245	15,102	13,444
Profit before provisions and exceptional item .....		18,414	21,742	20,963
Provision for losses on loans and advances .....	11	5,468	270	—
Exceptional item .....	8	1,068	1,223	—
<b>Profit on ordinary activities before tax</b> .....		<b>11,878</b>	<b>20,249</b>	<b>20,963</b>
Tax on profit on ordinary activities .....	9	4,110	6,968	7,215
<b>Profit for the financial year</b> .....	19	<b>7,768</b>	<b>13,281</b>	<b>13,748</b>

## SOCIETY BALANCE SHEET

	<i>Notes</i>	<i>Society 1991</i>	<i>Society 1990</i>	<i>Society 1989</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Assets</b>				
Liquid assets .....	10	364,838	285,136	265,967
Commercial assets				
Advances secured on residential property .....	11	1,775,056	1,489,675	1,198,251
Other advances secured on land .....	11	31,074	25,041	10,289
Other commercial assets .....	11	38,397	8,279	2
Tangible fixed assets .....	13	19,140	14,031	13,619
Other assets .....	14	7,419	5,545	1,097
<b>Total Assets</b> .....		<b>2,235,924</b>	<b>1,827,707</b>	<b>1,489,225</b>
<b>Liabilities and Reserves</b>				
Shares and deposits				
Retail funds and deposits .....	15	1,597,988	1,351,820	1,145,876
Non retail funds and deposits .....	16	501,235	354,831	241,872
Other liabilities .....	17	28,895	34,584	28,256
Provisions for liabilities and charges .....	17	289	—	30
Subordinated liabilities .....	18	10,000	—	—
<b>Total Liabilities</b> .....		<b>2,138,407</b>	<b>1,741,235</b>	<b>1,416,034</b>
Revaluation reserve .....	19	9,311	6,172	6,307
Reserves				
General reserve .....	19	88,206	80,300	66,884
<b>Total Liabilities and Reserves</b> .....		<b>2,235,924</b>	<b>1,827,707</b>	<b>1,489,225</b>

The notes on pages 32 to 41 form part of these Accounts.

**GROUP STATEMENT OF SOURCE AND  
APPLICATION OF FUNDS**

	<i>Audited Accounts</i>		
	<i>Years Ended 31st December</i>		
	<i>Group 1991</i>	<i>Group 1990</i>	<i>Society 1989</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b>Source of Funds:</b>			
Increase in free capital.....	16,426	13,213	14,136
Advances and loans repaid by borrowers.....	149,312	156,005	173,364
Net receipts from retail funds and deposits.....	246,168	205,944	159,122
Net receipts from non-retail funds and deposits.....	146,404	112,959	144,353
Other items.....	—	1,877	6,790
<b>Total source of funds.....</b>	<b>558,310</b>	<b>489,998</b>	<b>497,765</b>
<b>Application of Funds:</b>			
Increase in liquid assets.....	79,704	19,163	39,380
Advances and loans made to borrowers.....	476,567	470,835	458,385
Other items.....	2,039	—	—
<b>Total application of funds.....</b>	<b>558,310</b>	<b>489,998</b>	<b>497,765</b>
<b>Increase in Free Capital</b>			
<b>Source of Funds</b>			
Profit on ordinary activities.....	8,058	13,355	13,748
<b>Adjustment for items not involving the movement of funds:</b>			
Depreciation of tangible fixed assets.....	909	869	661
Profit on disposal of freehold property.....	(28)	(63)	(538)
Increase in general provision for losses on loans and advances	200	270	—
<b>Funds generated from operations.....</b>	<b>9,139</b>	<b>14,431</b>	<b>13,871</b>
<b>Funds generated from Other Sources:</b>			
Disposal of tangible fixed assets.....	310	407	1,379
Issue of subordinated loan capital.....	10,000	—	—
<b>Application of Funds:</b>			
Purchase of tangible fixed assets.....	(3,023)	(1,625)	(1,114)
<b>Increase in Free Capital.....</b>	<b>16,426</b>	<b>13,213</b>	<b>14,136</b>

The notes on pages 32 to 41 form part of these Accounts.

# NOTES TO THE ACCOUNTS

## Accounting Policies

### (a) Basis of Accounting

- (i) The financial statements have been prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold properties and comply with applicable accounting standards except, as noted below, that depreciation is not provided on freehold and long leasehold properties.
- (ii) The financial statements have been prepared in accordance with the requirements of the Building Societies Act 1986 and the regulations made thereunder.
- (iii) The consolidated Income and Expenditure Account and Balance Sheet incorporate the Accounts of the Society and its trading subsidiary companies which are made up to 31st December. Uniform accounting policies are applied throughout the Group.
- (iv) The Income and Expenditure Account for 1990 included an extraordinary item of £1.223m less attributable taxation of £428,000, relating to abnormal costs in respect of the delay in the introduction of the Society's new computer installation. In order to reflect more closely the requirements of the relevant statement of standard accounting practice such expenditure has been re-classified as an exceptional item and the comparative figures for 1990 are adjusted accordingly.

### (b) Taxation

- (i) Corporation tax is charged in the accounts on the excess of income over expenditure as adjusted for taxation purposes.
- (ii) Provision is made for deferred taxation, using the liability method, to the extent that it is probable that a liability will crystallise in the foreseeable future.

### (c) Listed Securities

Listed securities are included at cost, adjusted to exclude accrued interest at the date of purchase. A similar adjustment is made on realisation. Where the adjusted purchase price differs from maturity value, the premium or discount is amortised or released over the period to maturity. Interest receivable at the year end is accrued.

### (d) Tangible Fixed Assets and Depreciation

- (i) Revaluation of freehold and long leasehold properties:  
Freehold and long leasehold properties are revalued every four years by an independent firm of valuers on an open market value for existing use basis. The surplus or deficit on revaluation is taken to revaluation reserve.
- (ii) Office premises:  
Freehold and long leasehold buildings are not

depreciated. This policy does not comply with Statement of Standard Accounting Practice No. 12. In the opinion of the directors the effect of non-compliance is not material. Short leasehold properties with less than 50 years unexpired are amortised in equal annual instalments over the unexpired period of the lease. Expenditure on structural alterations and additions is capitalised. Expenditure on repairs and renewals is charged to revenue as incurred.

- (iii) Office and computer equipment and other fixed assets:

These assets are written off over their estimated useful lives on the following bases:

Office equipment and fittings:	10% per annum.
Computer equipment:	20% per annum.
Motor vehicles:	25% per annum on the reducing balance.

Depreciation includes profits and losses on disposal of these assets.

### (e) Pension Commitments

The Society operates a pension scheme which is open to all permanent staff who have attained the age of 23. The scheme is administered by a trustee company and the funds are independent of the Society's finances. The scheme is funded by contributions from the Society and employees, and the Society's contributions and ancillary costs are charged to income and expenditure account as described in note 20(e) to the accounts. The fund is valued by consulting actuaries at intervals of not more than three years and the most recent valuation at 31 December 1990 showed the fund to be in surplus.

### (f) Leases

Rentals under operating leases are charged to management expenses in the year in which the expenditure is incurred. There are no material finance leases.

### (g) Losses on Mortgages

Provision for losses on mortgages, which includes both those specifically identified and those provided for on a general basis, is based upon a year end appraisal of commercial assets. The amount charged in the income and expenditure account represents losses written off in the year together with the net change in the ongoing provision. Interest charged to mortgage accounts relating to properties in possession which is considered to be irrecoverable is provided for and written off against interest receivable on secured advances together with actual interest written off in the year.

### (h) Non Retail Funds and Subordinated Liabilities

Premiums and discounts, commissions and other costs incurred in the raising of non retail funds and subordinated liabilities are amortised in equal instalments over the period to maturity.



**NOTES TO THE  
ACCOUNTS**

	Group 1991 £000	Group 1990 £000	Society 1991 £000	Society 1990 £000
<b>2 Interest Receivable</b>				
On secured advances	210,973	203,743	208,278	203,336
On lending to associated bodies	—	—	2,278	446
On fixed-interest liquid assets:				
interest	37,424	36,077	37,424	35,957
profits, net of losses	566	251	566	251
	<u>248,963</u>	<u>240,071</u>	<u>248,546</u>	<u>239,990</u>
<b>3 Interest Payable</b>				
On retail funds and deposits	170,500	172,707	170,500	172,707
On non-retail funds and deposits	49,670	36,677	49,670	36,677
On subordinated liabilities	611	—	611	—
	<u>220,781</u>	<u>209,384</u>	<u>220,781</u>	<u>209,384</u>
<b>4 Other Income and Charges</b>				
Commissions receivable	4,934	3,744	4,805	3,718
Commissions payable	(446)	(248)	(446)	(248)
Other operating income:				
Rent receivable	456	313	456	313
Profit on disposal of freehold property	28	63	28	63
Other	4,199	2,412	4,051	2,392
	<u>9,171</u>	<u>6,284</u>	<u>8,894</u>	<u>6,238</u>
<b>5 Management Expenses</b>				
Staff costs				
Wages and salaries	7,858	6,429	7,858	6,429
Social security costs	644	527	644	527
Other pension costs	201	375	201	375
Depreciation and other amounts written off tangible fixed assets	909	869	909	869
Operating lease rentals — land and buildings	578	345	578	345
— equipment	532	261	532	261
Remuneration of auditors	76	52	70	49
Other expenses	7,702	6,272	7,453	6,247
	<u>18,500</u>	<u>15,130</u>	<u>18,245</u>	<u>15,102</u>

**6 Staff Numbers**

The average number of persons employed during the year was as follows:

	Group and Society 1991		Group and Society 1990	
	Full Time	Part Time	Full Time	Part Time
Head Office	261	20	237	19
Branch Offices	244	145	242	140
	<u>505</u>	<u>165</u>	<u>479</u>	<u>159</u>

**NOTES TO THE  
ACCOUNTS**

	Society For services as a Director		Society For other services	
	1991 £	1990 £	1991 £	1990 £
<b>7 Directors</b>				
(a) Directors' Emoluments	92,000	85,500	118,108	96,858
Directors' Pension Contributions	—	—	14,366	12,066
Past Directors' Pensions	11,311	14,749	—	—
	<u>103,311</u>	<u>100,249</u>	<u>132,474</u>	<u>108,924</u>

The emoluments of the Chairmen amounted to:

	1991 £	1990 £
Chairman from 1.1.91 to 22.4.91	4,296	17,500
Chairman from 23.4.91 to 31.12.91	14,704	
	<u>19,000</u>	<u>17,500</u>

The emoluments of the highest paid full time director were £118,608 (1990 – £97,358).

The emoluments of the directors, excluding pension contributions were:

	Executive		Non-executive	
	1991	1990	1991	1990
£10,001 – £15,000	—	—	4	5
£15,001 – £20,000	—	—	2	1
£95,001 – £100,000	—	1	—	—
£115,001 – £120,000	1	—	—	—

(b) At 31 December 1991 there were three loan contracts with persons associated with directors as defined in Section 65 of the Building Societies Act 1986. The total amount outstanding was £90,089. A register is maintained at the Head Office of the Society and may be inspected by members.

	Group 1991 £000	Group 1990 £000	Society 1991 £000	Society 1990 £000
	<b>8 Exceptional Item</b>			
Abnormal costs in respect of the delay in the introduction of the Society's new computer installation	1,068	1,223	1,068	1,223

**9 Tax on Profit on Ordinary Activities**

Corporation tax on the profit for the year at 33.25%

(1990 – 34.25%)

Deferred taxation

	Group 1991	Group 1990	Society 1991	Society 1990
Corporation tax on the profit for the year at 33.25% (1990 – 34.25%)	3,960	7,023	3,821	6,998
Deferred taxation	289	(30)	289	(30)
	<u>4,249</u>	<u>6,993</u>	<u>4,110</u>	<u>6,968</u>

**NOTES TO THE  
ACCOUNTS**

	Group 1991 £000	Group 1990 £000	Society 1991 £000	Society 1990 £000
<b>10 Liquid Assets</b>				
(a) Cash in hand and with banks	299,285	251,049	299,289	251,055
UK Government securities	—	20,945	—	20,945
Other securities:				
Issued by public bodies	10,225	8,767	10,225	8,767
Issued by other bodies	55,324	4,369	55,324	4,369
	<u>364,834</u>	<u>285,130</u>	<u>364,838</u>	<u>285,136</u>
 (b) Repayable from the date of the balance sheet in the ordinary course of business as follows:				
Cash in hand and with banks:				
Cash in hand	1,344	961	1,344	961
Deposits				
On demand	41,315	21,965	41,319	21,971
In not more than three months	138,849	127,202	138,849	127,202
In more than three months but not more than one year	2,508	—	2,508	—
Certificates of deposit				
In not more than three months	36,298	30,035	36,298	30,035
In more than three months but not more than one year	64,819	45,571	64,819	45,571
In more than one year but not more than five years	14,152	25,315	14,152	25,315
	<u>299,285</u>	<u>251,049</u>	<u>299,289</u>	<u>251,055</u>
 UK Government Securities:				
In not more than one year	—	20,945	—	20,945
 Market value	<u>—</u>	<u>20,580</u>	<u>—</u>	<u>20,580</u>
 Other Securities:				
In not more than one year	26,090	4,911	26,090	4,911
In more than one year	39,459	8,225	39,459	8,225
	<u>65,549</u>	<u>13,136</u>	<u>65,549</u>	<u>13,136</u>

Other securities include listed investments of £31.241m (1990 – nil) with an aggregate market value of £31.210m (1990 – nil).

# NOTES TO THE ACCOUNTS

	Group 1991 £000	Group 1990 £000	Society 1991 £000	Society 1990 £000
<b>11 Commercial Assets</b>				
(a) Advances secured on residential property (class 1)	1,819,581	1,498,359	1,780,824	1,489,975
Deduct provision for losses	5,778	300	5,768	300
	<u>1,813,803</u>	<u>1,498,059</u>	<u>1,775,056</u>	<u>1,489,675</u>
(b) Other advances secured on land (class 2)	<u>31,074</u>	<u>25,041</u>	<u>31,074</u>	<u>25,041</u>
(c) Other commercial assets (class 3)				
Investment in associated bodies (Note 12)				
– Shares held in associated bodies	–	–	6	6
– Loans to associated bodies	–	–	38,391	8,273
	<u>–</u>	<u>–</u>	<u>38,397</u>	<u>8,279</u>
(d) Provision for losses				
<i>Provisions have been made as follows:</i>				
At 1 January 1991				
– general provision	300	30	300	30
– specific provision	–	–	–	–
	<u>300</u>	<u>30</u>	<u>300</u>	<u>30</u>
Charge for the year				
– general provision	200	270	200	270
– specific provision	5,278	–	5,268	–
	<u>5,478</u>	<u>270</u>	<u>5,468</u>	<u>270</u>
At 31 December 1991				
– general provision	500	300	500	300
– specific provision	5,278	–	5,268	–
	<u>5,778</u>	<u>300</u>	<u>5,768</u>	<u>300</u>

Irrecoverable interest written off in the year of £2.7m and the provision for doubtful interest on properties in possession at 31 December 1991 of £3.4m are offset against interest receivable on secured advances.

## 12 Investment in associated bodies

The principal subsidiaries of the Society are:

Name	Country of registration	Major activities	Class of shares held	Interest of Society
Leeds and Holbeck Mortgage Corporation Ltd	England	Provision of Mortgage Finance	Ordinary £1 Shares	100%
Albion Home Loans Ltd	England	Provision of Mortgage Finance	Ordinary £1 Shares	100%

The above subsidiaries operate in the United Kingdom and the interest is held directly by the Society.

**NOTES TO THE  
ACCOUNTS**

13 Tangible Fixed Assets	Land and buildings					Total
	Freehold premises	Long leasehold premises	Short leasehold premises	Office and computer equipment	Motor vehicles	
(a) Group and Society	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 January 1991	10,988	361	860	4,586	689	17,484
Additions	1,520	—	396	963	144	3,023
Disposals	(253)	—	(3)	(1)	(86)	(343)
Transfers	34	—	(63)	—	—	(29)
Revaluation	3,189	88	—	—	—	3,277
As at 31 December 1991	<u>15,478</u>	<u>449</u>	<u>1,190</u>	<u>5,548</u>	<u>747</u>	<u>23,412</u>
Depreciation						
At 1 January 1991	—	—	438	2,702	313	3,453
Charged in year	—	—	172	606	120	898
Disposals	—	—	(3)	(1)	(46)	(50)
Transfers	—	—	(29)	—	—	(29)
As at 31 December 1991	<u>—</u>	<u>—</u>	<u>578</u>	<u>3,307</u>	<u>387</u>	<u>4,272</u>
Net book value						
At 31 December 1991	<u>15,478</u>	<u>449</u>	<u>612</u>	<u>2,241</u>	<u>360</u>	<u>19,140</u>
At 31 December 1990	<u>10,988</u>	<u>361</u>	<u>422</u>	<u>1,884</u>	<u>376</u>	<u>14,031</u>

Freehold and long leasehold premises were revalued at 31 December 1991 by Donaldsons, Chartered Surveyors, on the basis of open market value for existing use.

	Group and Society	
	1991	1990
	£000	£000
(b) The amount of freehold and long leasehold premises (included above at valuation) determined according to the historical cost accounting convention is as follows:		
Freehold premises	6,253	4,815
Long leasehold premises	362	362
Net book value	<u>6,615</u>	<u>5,177</u>

14 Other Assets	Group	Group	Society	Society
	1991	1990	1991	1990
	£000	£000	£000	£000
Due within one year	7,216	5,362	7,014	5,358
Due after more than one year	405	187	405	187
	<u>7,621</u>	<u>5,549</u>	<u>7,419</u>	<u>5,545</u>

# NOTES TO THE ACCOUNTS

		Group and Society			
		1991	1990		
		£000	£000		
<b>15 Retail Funds and Deposits</b>					
(a) Retail funds and deposits comprise:					
Shares		1,591,465	1,342,097		
Deposits		6,523	9,723		
		<u>1,597,988</u>	<u>1,351,820</u>		
(b) Repayable from the date of the balance sheet in the ordinary course of business as follows:					
Shares:					
On demand		1,298,733	1,106,063		
In not more than three months		47,836	37,280		
In more than three months but not more than one year		189,444	198,754		
In more than one year but not more than five years		55,452	—		
		<u>1,591,465</u>	<u>1,342,097</u>		
Deposits:					
On demand		5,296	8,400		
In not more than three months		316	1,323		
In more than three months but not more than one year		911	—		
		<u>6,523</u>	<u>9,723</u>		
<b>16 Non-Retail Funds and Deposits</b>					
(a) Non-retail funds and deposits comprise:					
Amounts owed to banks		196,146	144,974		
Certificates of deposit		107,346	15,161		
Fixed rate notes		13,679	6,922		
Other deposits and shares		184,064	187,774		
		<u>501,235</u>	<u>354,831</u>		
(b) Repayable from the date of the balance sheet in the ordinary course of business as follows:					
	Amounts owed to banks	Certificates of deposit	Fixed rate notes	Other deposits and shares	Total
	£000	£000	£000	£000	£000
At 31 December 1991					
On demand	—	—	—	62,842	62,842
In not more than three months	25,689	60,286	6,876	79,174	172,025
In more than three months but not more than one year	24,852	31,350	6,803	29,550	92,555
In more than one year but not more than five years	145,605	15,710	—	12,498	173,813
	<u>196,146</u>	<u>107,346</u>	<u>13,679</u>	<u>184,064</u>	<u>501,235</u>
At 31 December 1990					
On demand	—	—	—	28,319	28,319
In not more than three months	47,569	15,161	6,922	140,481	210,133
In more than three months but not more than one year	17,339	—	—	17,541	34,880
In more than one year but not more than five years	75,050	—	—	1,433	76,483
In more than five years	5,016	—	—	—	5,016
	<u>144,974</u>	<u>15,161</u>	<u>6,922</u>	<u>187,774</u>	<u>354,831</u>

Other deposits and shares include shares amounting to £31.738m (1990 £4.060m) repayable on demand.

**NOTES TO THE  
ACCOUNTS**

	Group 1991 £000	Group 1990 £000	Society 1991 £000	Society 1990 £000
<b>17 Other Liabilities and Provisions for Liabilities and Charges</b>				
(a) Other Liabilities comprise:				
Corporation tax	3,577	6,913	3,440	6,888
Income tax	22,041	25,791	22,041	25,791
Other tax and social security	239	205	239	205
Other creditors	3,222	1,704	3,175	1,700
	<u>29,079</u>	<u>34,613</u>	<u>28,895</u>	<u>34,584</u>
(b) Provisions for liabilities and charges:				
Deferred taxation				
At 1 January 1991	—	30	—	30
Amount provided during year	289	—	289	—
Amount released during year	—	(30)	—	(30)
At 31 December 1991	<u>289</u>	<u>—</u>	<u>289</u>	<u>—</u>
The amounts provided for deferred taxation representing the full potential liability are set out below:				
Accrued interest	206	(367)	206	(367)
Excess of capital allowances over depreciation	106	89	106	89
Other timing differences	(23)	278	(23)	278
	<u>289</u>	<u>—</u>	<u>289</u>	<u>—</u>

- (c) No provision for deferred taxation has been made in respect of the surplus which arose on the revaluation of freehold and long leasehold premises and which is included in the revaluation reserve. If freehold and long leasehold premises were disposed of at the amounts at which they are included in the balance sheet, it is estimated that the liability for corporation tax would be £708,000 (1990 – nil).

**NOTES TO THE  
ACCOUNTS**

	Group 1991 £000	Group 1990 £000	Society 1991 £000	Society 1990 £000
<b>18 Subordinated Liabilities</b>				
Subordinated floating rate notes 2001	<u>10,000</u>	<u>—</u>	<u>10,000</u>	<u>—</u>

During the year the Society issued £10m subordinated floating rate notes repayable in instalments between 1997 and 2001. Interest is payable half yearly in arrears at a rate linked to the London Interbank offer rate. The notes have been issued to increase the Society's capital base and to provide capital backing for future developments.

**19 Reserves**

(a) Revaluation Reserve

The revaluation reserve represents the surplus arising from the revaluation of freehold and long leasehold premises at 31 December 1991. The movement on the reserve is:

At 1 January 1991	6,172	6,307	6,172	6,307
Realised gain transferred to general reserve	(138)	(135)	(138)	(135)
Surplus on revaluation at 31 December 1991	<u>3,277</u>	<u>—</u>	<u>3,277</u>	<u>—</u>
At 31 December 1991	<u>9,311</u>	<u>6,172</u>	<u>9,311</u>	<u>6,172</u>

(b) General Reserve

At 1 January 1991	80,374	66,884	80,300	66,884
Realised gain transferred from revaluation reserve	138	135	138	135
Profit for the financial year	<u>8,058</u>	<u>13,355</u>	<u>7,768</u>	<u>13,281</u>
At 31 December 1991	<u>88,570</u>	<u>80,374</u>	<u>88,206</u>	<u>80,300</u>



# NOTES TO THE ACCOUNTS

	<i>Group and Society 1991 £000</i>	<i>Group and Society 1990 £000</i>
<b>20 Guarantees and other Financial Commitments</b>		
(a) Building Societies Investor Protection Fund		
The Society has a contingent liability in respect of contributions to the Building Societies Investor Protection Fund provided for by the Building Societies Act 1986.		
(b) The Society is obliged under the Building Societies Act 1986 to discharge the liabilities of its subsidiary companies in so far as those bodies are unable to discharge the liabilities out of their own assets.		
(c) Capital commitments		
Capital commitments at 31 December 1991, for which no provision has been made in the accounts, were as follows:		
Contracted but not provided for	507	624
Authorised but not contracted for	334	1,187
	<b>841</b>	<b>1,811</b>
(d) Leasing commitments		
At 31 December 1991, the annual commitments under non-cancellable operating leases were as set out below:		
Land and buildings		
Commitment expiring:		
within one year	33	—
between two and five years inclusive	54	102
after five years	530	243
	<b>617</b>	<b>345</b>
Other operating leases		
Commitment expiring:		
between two and five years inclusive	525	480
(e) Pension arrangements		
The Society operates a pension scheme providing benefits based on final pensionable salary. The pension scheme is set up under trust and the assets of the Scheme are therefore held separately from those of the Society.		
The accounting policy is to spread the pension cost, as calculated by the Actuary, over the working lives of the employees. The latest actuarial assessment of the Scheme was completed as at 31st December 1990. The valuation method used was the projected unit method. The most significant assumptions for their effect on the pension cost are those relating to the rate of return on the investments of the Scheme and the rate of increase in salaries and pensions. It was assumed that the rate of return on investments would exceed the rate of salary increases by 2% per annum and the increase in pensions in payment by 5% per annum.		
The pension cost charged to the income and expenditure account for the year was £201,000 (1990 £375,000). This cost was after a reduction of £221,000 in respect of the amortisation of past over funding. This amortisation is over a period of 13 years 3 months, the average remaining service lives of the pensioned employees.		
The date of the last formal actuarial valuation was 31st December 1990. At that date the market value of the Scheme's assets was £8,012,000 and the actuarial value of those assets represented 127% of the liability for benefits for service to the valuation date based on salaries projected to retirement or earlier withdrawal using the valuation method and assumptions described above.		

**ANNUAL BUSINESS  
STATEMENT FOR THE  
YEAR ENDED  
31 DECEMBER 1991**

	Ratio at 31 December 1991	Statutory limit		
<b>1. Statutory Ratios and Percentages</b>				
Calculated in accordance with the Building Societies Act 1986 (and, where appropriate, with the Building Societies (Aggregation) Rules 1990).				
Non-retail funds and deposits as a percentage of shares and deposits	24.25%	40%		
Deposits as a percentage of shares and deposits	23.04%	50%		
As percentages of total commercial assets:				
(i) Advances secured on residential property (class 1 assets)	98.32%	—		
(ii) Advances secured on land other than residential property (class 2 assets)	1.68%	—		
(iii) Other commercial assets (class 3 assets)	—	10%		
(iv) Class 2 assets and class 3 assets	1.68%	20%		
Non-retail funds and deposits as used above represent the total balances shown in notes 16 and 18 to the accounts, less accrued interest.				
Total non-retail funds and deposits shown in note 16		£000 501,235		
Total subordinated liabilities shown in note 18		10,000		
Less accrued interest		(6,080)		
		505,155		
Shares and deposits as used above represent the total balances shown in notes 15, 16 and 18 to the accounts, less accrued interest.				
	Shares	Deposits	Subordinated Liabilities	Total
	£000	£000	£000	£000
Total retail funds and deposits shown in note 15	1,591,465	6,523		1,597,988
Total non-retail funds and deposits shown in note 16	31,738	469,497		501,235
Total subordinated liabilities shown in note 18			10,000	10,000
Less accrued interest	(20,332)	(6,130)		(26,462)
	1,602,871	469,890	10,000	2,082,761
Advances secured on residential property (class 1 assets) as used above represent the total balances less loss provisions shown in note 11(a) to the accounts.				
Advances secured on land other than residential property (class 2 assets) as used above represent the total balances shown in note 11(b) to the accounts.				
Other commercial assets (class 3 assets) as used above represent the total balances shown in note 11(c) to the accounts.				
Class 2 assets and class 3 assets as used above represent the total balances shown in notes 11(b) and 11(c) to the accounts.				
Total commercial assets as used above represent class 1, class 2 and class 3 assets shown in note 11.				
				£000
Class 1 assets				1,813,803
Class 2 assets				31,074
Class 3 assets				—
Total commercial assets				1,844,877

**ANNUAL BUSINESS  
STATEMENT FOR THE  
YEAR ENDED  
31 DECEMBER 1991**

	Ratio at	
	31 December 1991	31 December 1990
<b>2. Other Percentages</b>		
Gross capital as a percentage of share and deposit liabilities	5.20%	5.14%
Free capital as a percentage of share and deposit liabilities	4.31%	4.32%
Liquid assets as a percentage of total assets	16.31%	15.60%
	Ratio for	
	1991	1990
Profit after tax as a percentage of:		
(i) Mean reserves	8.74%	16.72%
(ii) Mean total assets	0.40%	0.81%

The above percentages have been prepared from the Group balance sheet which is reproduced on page 9.

Gross capital represents the general reserve and the revaluation reserve together with subordinated liabilities.

Free capital represents the gross capital and the general loss provision less fixed assets.

Shares and deposits represent the total of retail and non-retail funds and borrowings, less accrued interest.

Mean reserves are the average of the reserves and the revaluation reserve at 31 December 1990 and at 31 December 1991.

Mean total assets are the average of the total assets at 31 December 1990 and at 31 December 1991.

Profit after tax is profit on ordinary activities after tax.

**3. Information Relating to the Directors and Other Officers**

Name	Occupation	Date of birth	Date first appointed
<b>President</b>			
Paul D. Taylor	Chartered Accountant	25.4.36	2.11.87
<b>Vice-President</b>			
C. Edward Holroyd	Company Director	19.4.46	16.2.88
<b>Directors</b>			
J. Olav Arnold	Retired Company Director	18.10.28	15.9.78
Peter A. H. Hartley	Company Director	25.7.28	15.9.78
Arthur E. Stone	Director and Chief Executive	10.12.30	26.1.82
Victor H. Watson	Printer	26.9.28	7.10.85
T. George Turnbull	A solicitor retired from private practice	17.2.26	16.6.86

Mr A. E. Stone has a service contract terminating on 10 December 1995.

Documents may be served on the above named Directors at: Walker Morris, Solicitors, Kings Court, 12 King Street, Leeds LS1 2HL.

**Officers**

R. H. Cropper	General Manager
G. A. Woollin	General Manager Development
D. Naylor	General Manager Administration
D. Pickersgill	General Manager Finance and Secretary
P. Holroyd	General Manager Insurance and Investment
S. R. Levy	Head of Audit Services and Risk Management

**ANNUAL BUSINESS  
STATEMENT FOR THE  
YEAR ENDED  
31 DECEMBER 1991**

**Details of Directors – Other Directorships**

<b>Paul D. Taylor</b>	Wagon Industrial Holdings Plc John Foster & Son Plc Harrogate College Ltd (Limited by Guarantee) Sir George Martin Trust Company Ltd Oakwood (Batley) Nominees JGHT Nominees Spero Trustee Company Leeds Leeds and Holbeck Staff Pension Scheme Ltd
<b>C. Edward Holroyd</b>	Alfred Blackmore Group Ltd & subsidiaries Atalanta Engineering Ltd Holderness Investments Ltd & subsidiaries Holroyd Construction Group Ltd & subsidiaries Leeds and Holbeck Staff Pension Scheme Ltd Stonestride Ltd Sandbeck Productions Ltd & subsidiaries
<b>J. Olav Arnold</b>	None
<b>Peter A. H. Hartley</b>	Yorkshire Housing Trust Plc Combined Concerns Ltd Yorkshire Commercial Properties Ltd
<b>Arthur E. Stone</b>	Leeds and Holbeck Staff Pension Scheme Ltd Leeds and Holbeck Mortgage Corporation Ltd Albion Home Loans Ltd Leeds and Holbeck Mortgage Funding Limited Burley Mortgage Finance Limited Headrow Home Loans Limited <i>Leeds and Holbeck Limited</i> The Leeds TEC Limited West Riding Trade Protection Association
<b>Victor H. Watson</b>	<i>John Waddington Plc &amp; subsidiaries</i> John Foster & Son Plc Yorkshire Television Holdings Plc Yorkshire Television Ltd Leeds and Holbeck Mortgage Corporation Ltd Albion Home Loans Ltd <i>Leeds and Holbeck Mortgage Funding Limited</i> <i>Burley Mortgage Finance Limited</i> Headrow Home Loans Limited Leeds and Holbeck Limited Leeds Chamber of Commerce and Industry (Limited by Guarantee) The Leeds TEC Limited
<b>T. George Turnbull</b>	West Riding Masonic Charities Ltd

**Details of Other Officers – Other Directorships**

<b>R. H. Cropper</b>	None
<b>G. A. Woollin</b>	None
<b>D. Naylor</b>	None
<b>D. Pickersgill</b>	None
<b>P. Holroyd</b>	None
<b>S. R. Levy</b>	Leeds and Holbeck Staff Pension Scheme Ltd

**ANNUAL BUSINESS  
STATEMENT FOR THE  
YEAR ENDED  
31 DECEMBER 1991**

<b>4. Average Rates</b>	Average amount outstanding during year	Interest earned	Interest paid	Average yield	Average rate paid
	£000	£000	£000		
<b>Assets</b>					
Liquid assets	324,982	37,990		11.69%	
Secured advances	1,683,989	210,973		12.53%	
<b>Liabilities</b>					
Retail funds and deposits	1,474,904		170,500		11.56%
Non-retail funds and deposits	428,033		49,676		11.60%

The figures shown above are taken from the Group accounts and represent the major categories of interest bearing assets and liabilities.

**5. New Powers**

No new powers were exercised in the year.

**6. Associated bodies not carrying on a business**

Name	Share capital authorised £	Share capital issued £	Percentage owned directly by Society
Leeds and Holbeck Mortgage Funding Limited	1,000,000	1,000	100%
Burley Mortgage Finance Limited	1,000,000	1,000	100%
Headrow Home Loans Limited	1,000,000	1,000	100%
Leeds and Holbeck Limited	1,000,000	1,000	100%

The companies are direct wholly owned subsidiaries of the Society, and are incorporated in England.

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 1991**

The Directors have pleasure in presenting their Annual Report, together with the Annual Accounts and Business Statement of the Society and its subsidiaries (the Group) for the year ended 31st December, 1991.

### **Business Objectives and Activities**

The Group's main objective is the provision of mortgage finance to individuals for the purpose of house purchase, funded primarily by personal savings and deposits, and achieved by the provision of first-class products and services to the Society's members. The aim is to increase the Group's financial strength in order to enhance confidence and improve the opportunities for further development in the future.

### **Review of the Year's Business Development**

Your Society has continued to make sound financial progress despite a depressed economic environment. For the tenth consecutive year total assets have grown by more than 20 per cent. and a significant milestone was passed during the year when the assets of the group exceeded £2,000 million. Once again, mortgage lending has increased to record levels. This has been achieved by adhering to our core business of mortgages and savings and avoiding the temptation of diversification. We believe this single-minded approach has enabled us to cope better with what has probably been the most difficult housing market in the last fifty years.

The Society's increasing market share of new lending resulted in total Group lending of £477 million, its highest ever level. This record lending was made possible by a series of new mortgage products offering fixed and capped rates of interest. These were enthusiastically supported by new borrowers, who appreciate the certainty which these products bring. For existing borrowers, interest rates were reduced four times during the year in line with reductions in interest rates generally. Lending levels were also boosted when the Society's second mortgage lending subsidiary, Albion Home Loans Ltd, commenced trading in January 1991. This subsidiary together with Leeds and Holbeck Mortgage Corporation Ltd provides additional profitable lending opportunities.

It has also been a record year for savings by investors and net new funds amounting to £246 million have been deposited with the Society. An undoubted success has been our Tessa account launched in January which has attracted many new investors. In April major changes were introduced to the way in which building societies account for income tax on the interest paid to investors. This made it possible for the first time to pay interest gross, that is without deduction of income tax, to non tax-payers. For those affected this was a welcome move which has ended the need to move investments off-shore to obtain gross interest payments. Thus investors who do not pay tax may continue to enjoy the major benefit of saving with Leeds & Holbeck namely our attractive rates of interest with the added advantage of receiving interest gross.

Towards the end of the year, two new savings products were launched, namely, Special Bond, which offers high rates of interest for savers prepared to invest for a period of two years and in November, Albion Investment Account. The latter is a postal account designed for those investors who wish to transact their business away from the traditional building society branch office. A growing number of armchair investors who have taken advantage of the speedy and efficient service which the Albion account offers have ensured its success.

Although there have been steady reductions in bank base interest rates, from 14 per cent. at the start of the year to 10½ per cent. at the year end, it has not proved to be a sufficient stimulus to the housing market. The impact of rising unemployment and falling house prices in many areas, has meant that a small proportion of our borrowers have found themselves in financial difficulty. Inevitably this has caused an increase in the number of mortgages which have fallen into arrear.

It is our policy to do our utmost to help borrowers in financial difficulty through the efforts of our customer care and counselling specialists. Where possible we enter into short-term arrangements to help ease the mortgage burden and at all times endeavour to show consideration and understanding in our approach to customers' problems.

The deterioration in the housing market has necessarily led to increases in the level of provisions set aside to meet potential mortgage losses. These have been arrived at after a careful review of all properties which have come into possession and after reviewing accounts where payments are in arrear.

In arriving at the level of provisions required a realistic and prudent assessment has been made of all potential losses including interest which may prove to be irrecoverable. Throughout the Building Society industry it is likely that significant increases in the level of loss provisions will be made, but it is reassuring to report that the Society is well placed to absorb such additional cost due to its financial strength and improved capital base which, despite difficult trading conditions, has increased by £21 million during the year.

The Society's Treasury department has continued to provide valuable support to the Group's business activities. The range of fixed and capped mortgage products which were introduced during the year were the result of steps taken by our Treasury department to protect the Society and thus the borrower from fluctuations in interest rates. In April a highly successful five-year funding deal was negotiated and supported by a large number of leading banks. This provided a significant amount of the new funds raised from the wholesale money markets which in total amounted to £122 million. The Group's capital strength was further increased during the year when £10 million of subordinated capital was raised.

Undoubtedly a major achievement during the year was the completion of the transfer of computer processing to the new computer system. This development has been instrumental in providing the flexibility to offer the wider range of mortgage and savings products which have proved to be so successful. We look forward to the new opportunities which the customer based software will provide.

Reference was made in last year's Report and Accounts to delays in the completion of the new computer project which were outside the control of the Society. These delays continued throughout 1991 resulting in additional costs which, together with those incurred in 1990, have been separately disclosed as exceptional expenditure in the Income and Expenditure Account.

During the year further investment was made in the branch network. The existing branch offices in Cardiff, Bristol, Bradford, London (Kingsway), Watford, Epsom, Sheffield and in Leeds the branches at Harehills Road and Holbeck were re-located to better sites. Without exception, there has been a very satisfactory increase in business levels. A new branch office has been opened in Banbury.

The Directors believe that no activities carried on during the year were outside the powers of the Society.

### **Future Developments**

A dominant theme for the future will be the continued investment in information technology. Only by providing the wider range of products and services which our customers demand will we succeed. The new computer software will be the cornerstone of this development.

Developments in Treasury will continue with a major investment in computerised systems designed to assist in the management of funding and liquidity.

Further improvements will be made to head office systems designed to make processing of mortgage and investment business more efficient and to allow even tighter control of operating costs. Our aim is to reduce the operating cost ratio and improve efficiency throughout the organisation.

The Directors consider that the Society can best serve the interests of the members in the future by maintaining the present strategy of concentrating on core business, by taking advantage of additional powers complementary to that strategy, by the improvement of systems, and by continuing to offer members a greater degree of choice and flexibility provided by a range of attractive products and services.

### **Profits and Reserves**

The pre-tax profit of the Group for the year amounted to £12.3 million compared to a restated £20.3 million for 1990 (note 1(a)(iv)). The profit after tax of £8.1 million has been added to reserves, which now total £97.9 million

**Assets**

The assets of the Group increased by £408.7 million (22.36 per cent.) and at 31st December, 1991 amounted to £2,236.5 million.

**Liquidity**

Cash and other securities at 31st December, 1991 amounted to £364.8 million (16.31 per cent. of assets).

**Mortgages**

The demand for mortgages was maintained throughout the year. The Group advanced the record sum of £476.6 million, an increase of £5.7 million (1.22 per cent.) over the previous year's lending, the number of new mortgages completed being 8,086, an increase of 5.89 per cent. over the previous year.

At the end of the year there were 206 cases where mortgage payments were twelve or more months in arrears. The total amount of arrears in these cases was £2.8 million.

**Capital**

At 31st December, 1991 the Group's free capital, i.e. total reserves, subordinated liabilities and general loss provision less fixed assets, amounted to £89.2 million, being 4.31 per cent. of share and deposit liabilities.

Gross Capital amounted to £107.9 million, being 5.20 per cent. of share and deposit liabilities.

**Fixed Assets**

*A professional revaluation of the Society's freehold and long leasehold premises was commissioned to establish their current market values on the basis of existing use and to reflect such valuation in the accounts.*

The revaluation resulted in a surplus over book value of £3.3 million, which has been transferred to Revaluation Reserve.

Other changes in Fixed Assets are detailed in Note 13 to the Accounts.

**Directors**

The following persons listed in order of their date of appointment were directors of the Society during the year:

J. Olav Arnold  
Peter A. H. Hartley  
Arthur E. Stone  
Victor H. Watson  
T. George Turnbull  
Paul D. Taylor  
C. Edward Holroyd

At the end of 1991, no Director had any interest in shares in any associated body of the Society.

**Auditors**

A resolution for the reappointment of Pannell Kerr Forster as auditors of the Society will be proposed at the annual general meeting.



## **Staff**

The Society has an equal opportunities policy and considers applications for employment from disabled persons. Wherever possible, staff who become disabled are retained in their existing positions or trained for a suitable alternative appointment.

There is an effective means of communication with staff who are kept informed of matters relating to the Society's performance and objectives by means of appropriate circulars and meetings. In addition there is a Staff Association, through which members of staff may make their views known on matters affecting their interests.

## **General**

The Directors again wish to thank Management and Staff together with agents and professional associates and the members of the Society for their support which contributes so much to the continued progress of the Society.

On behalf of the Board  
Paul D. Taylor, *President*

9th March 1992.

## **AUDITORS' REPORT**

The report of the Auditors to the members of the Society for the year ended 31st December, 1991 is reproduced below:

We have audited the financial statements on pages 8 to 24 in accordance with Auditing Standards.

In our opinion:

1. the annual accounts (on pages 8 to 20) give a true and fair view of the state of affairs of the Society and of the Group at 31st December, 1991, of the income and expenditure of the Society and of the Group for the year then ended, and of the manner in which the business of the Group was financed and in which the Group's financial resources were used during that year;
2. the information given in sections 1, 2, 4, 5 and 6 (which are the only sections upon which we are required to report) of the annual business statement (on pages 21 to 24) gives a true representation of the matters in respect of which it is given;
3. the information given in the directors' report (on pages 4 to 7) is consistent with the accounting records and the annual accounts; and
4. the annual accounts, sections 1, 2, 4, 5 and 6 of the business statement and the directors' report have each been prepared so as to conform to the requirements of Part VIII of the Building Societies Act 1986 and regulations thereunder.

PANNELL KERR FORSTER  
Chartered Accountants  
Registered Auditor  
LEEDS  
9th March, 1992

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*Note: The page references in the above report refer to those contained in the Report and Accounts for the Society for the year ended 31st December, 1991.*

## UNITED KINGDOM TAXATION

The following is a summary of the Society's understanding of current law and practice in the United Kingdom relating to the taxation of the Notes and the PIBS. The summary relates only to the position of persons who are the absolute beneficial owners of their Notes or PIBS and the interest on them and some aspects do not apply to certain classes of taxpayer (such as dealers). **Prospective Noteholders and PIBS holders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.**

### A. TAXATION OF THE NOTES

1. On payment of interest on the Notes an amount must be withheld by the Society on account of United Kingdom income tax at the basic rate (currently 25 per cent.). Certain classes of taxpayer (such as tax exempt investors and individuals whose taxable income is below their personal allowance) may be able to reclaim all or part of any tax deducted. Holders of Notes who are not resident in the United Kingdom may be able to recover all or part of the tax deducted pursuant to the provisions of an applicable double taxation convention and may be able to make an individual claim to the relevant tax authorities for payment of interest gross. Notwithstanding that interest is received net of a basic rate income tax deduction, holders of the Notes who are (a) individuals or (b) companies carrying on a trade in the United Kingdom through a branch or agency may, depending on the circumstances, be liable to pay further United Kingdom tax on the interest received.
2. The Notes are within the accrued income scheme. Accordingly, a disposal of Notes by a Noteholder who is resident or ordinarily resident in the United Kingdom, or who carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable, may give rise to a charge to tax on income in respect of an amount representing interest on the Notes which has accrued since the preceding interest payment date. However, the accrued income scheme does not apply, *inter alia*, to individuals who do not hold securities with a nominal value of more than £5,000 at any time in both the year of assessment in which the relevant interest period on the Notes ends and the preceding year of assessment.
3. The conversion of the securities will constitute a transfer of securities for the purposes of the accrued income scheme. The application of the accrued income scheme to the conversion of securities is unclear but the Inland Revenue have confirmed that in the circumstances of this issue no charge to tax will arise. However holders of PIBS will be chargeable to tax on the whole amount of the interest received on the next interest payment date following conversion.
4. The Notes will constitute "qualifying corporate bonds" within the meaning of section 64 of the Finance Act 1984. Accordingly, a disposal by a Noteholder will not give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of capital gains.
5. No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Notes or on their redemption. However, United Kingdom stamp duty will be payable on a transfer of the Notes (currently at the rate of  $\frac{1}{2}$  per cent. of the consideration paid). Stamp duty reserve tax may be payable on an agreement to transfer the Notes which is not effected by a duly stamped transfer.
6. The rules allowing certain United Kingdom resident individual investors to receive building society interest gross on certification that such investors are unlikely to be liable to pay any amount by way of income tax for the year in which the interest is paid do not apply to interest paid on the Notes.

### B. TAXATION OF THE PIBS

1. On payment of interest on the PIBS an amount must be withheld by the Society on account of United Kingdom income tax at the basic rate (currently 25 per cent.). Certain classes of taxpayer (such as tax exempt investors and individuals whose taxable income is below their personal allowance) may be able to reclaim all or part of any tax deducted. Holders of PIBS who are not resident in the United Kingdom may be able to recover all or part of the tax deducted pursuant to the provisions of an applicable double taxation convention and may be able to make an individual claim to the relevant tax authorities for payment of interest gross. Notwithstanding that interest

is received net of a basic rate income tax deduction, holders of the PIBS who are (a) individuals or (b) companies carrying on a trade in the United Kingdom through a branch or agency may, depending on the circumstances, be liable to pay further United Kingdom tax on the interest received.

2. PIBS are within the accrued income scheme. Accordingly, a disposal of PIBS by a PIBS holder who is resident or ordinarily resident in the United Kingdom, or who carries on a trade in the United Kingdom through a branch or agency to which the PIBS are attributable, may give rise to a charge to tax on income in respect of an amount representing interest on the PIBS which has accrued since the preceding interest payment date. However, the accrued income scheme does not apply, *inter alia*, to individuals who do not hold securities with a nominal value of more than £5,000 at any time in both the year of assessment in which the relevant interest period on the PIBS ends and the preceding year of assessment.
3. The PIBS will constitute "qualifying corporate bonds" within the meaning of section 64 of the Finance Act 1984. Accordingly, a disposal by a PIBS holder will not give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of capital gains.
4. No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue or transfer of the PIBS or on their redemption.
5. The rules allowing certain United Kingdom resident individual investors to receive building society interest gross on certification that such investors are unlikely to be liable to pay any amount by way of income tax for the year in which the interest is paid do not apply to interest paid on PIBS.

#### **USE OF PROCEEDS**

The proceeds of the issue of the Notes (estimated to amount to approximately £24,631,750) will be used by the Society for its general funding purposes.

## MARKETING ARRANGEMENTS

The Arranger and Salomon Brothers have agreed pursuant to a placing agreement dated 31st March, 1992 (the "Placing Agreement") as agents of the Society to use all reasonable endeavours to procure subscribers for the Notes. The issue of the Notes has not been underwritten by the Arranger, Salomon Brothers or any other person nor is it guaranteed by any person. The Arranger and Salomon Brothers as agents of the Society have sent placing letters (the "Placing Letters") to various institutions who have agreed, subject to certain conditions, to subscribe for £25,000,000 principal amount of the Notes at an issue price of 100.227 per cent. of the principal amount of the Notes. In connection with the placing the Society has agreed with the Arranger and Salomon Brothers to pay a placing fee of 1<sup>3</sup>/<sub>8</sub> per cent. of the principal amount of the Notes subscribed pursuant to the Placing Letters respectively sent out by them and reimburse certain expenses of the Arranger.

The Notes and the PIBS have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States or to the U.S. persons otherwise than in accordance with applicable U.S. securities laws and regulations. Each subscriber has agreed that it will not offer or sell a Note or a PIBS within the United States or to U.S. persons otherwise than in accordance with applicable U.S. securities laws and regulations.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

All applicable provisions of the Financial Services Act 1986 with respect to anything done in relation to the Notes and the PIBS in, from or otherwise involving the United Kingdom must be complied with. Any document received in connection with the issue of the Notes or the PIBS, other than any document which consists of or of part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by listing rules under Part IV of the Financial Services Act 1986, may be issued or passed on in the United Kingdom only to a person who is of a kind described in Article 9(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1988 or to whom the advertisement may otherwise lawfully be issued or passed on.

Save for having obtained approval of this document by the London Stock Exchange pursuant to listing rules made under Part IV of the Financial Services Act 1986 and having delivered copies thereof to the Registrar of Companies in England and Wales, no action has been or will be taken by the Society, Salomon Brothers or the Arranger that would, or is intended to, permit a public offer of the Notes or the PIBS in any country or jurisdiction where action for that purpose is required. The Notes and the PIBS may not be, directly or indirectly, offered or sold in any country or jurisdiction where action for that purpose is required. Accordingly, the Notes and the PIBS may not, directly or indirectly, be offered or sold and neither this Offering Circular nor any other circular, prospectus, form of application, advertisement or other material may be distributed in or from, or published in, any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

Neither the Society, Salomon Brothers nor the Arranger represents that the Notes or the PIBS may at any time lawfully be sold in or from any jurisdiction (other than in or from the United Kingdom) in compliance with any applicable registration requirements or pursuant to an exception available thereunder or assumes any responsibility for facilitating such sales.

## GENERAL INFORMATION

### Material Change

There has been no significant change in the financial or trading position of the Group or any material adverse change in the prospects of the Group since 31st December, 1991, being the date to which the latest published audited accounts were made up.

### Litigation

There are no legal or arbitration proceedings pending or threatened against the Group which may have, or have had during the past twelve months, a significant effect on the financial position of the Society and its subsidiaries taken as a whole.

### Auditors

The consolidated accounts of the Society for the three years ended 31st December, 1991 have been audited in accordance with United Kingdom auditing standards by Pannell Kerr Forster, Chartered Accountants of Pannell House, 6 Queen Street, Leeds, West Yorkshire LS1 2TW. The auditors have given and have not withdrawn their consent to the issue of this Offering Circular with their report to members included in the form and context in which it appears.

### Documents for Inspection

Copies of the following documents may be inspected at the offices of Allen & Overy, 9 Cheapside, London EC2V 6AD, during usual business hours on any week day (Saturdays and public holidays excepted) during the period of 14 days from the date of this document:

- (i) the Rules and the Memorandum of the Society;
- (ii) the consolidated audited accounts of the Group for each of the years ended 31st December, 1990 and 1991;
- (iii) a draft (subject to modification) of the certificate in respect of the Notes (including the conditions of the Notes);
- (iv) drafts (subject to modification) of the Trust Deed and the Registrar's Agreement;
- (v) the New Rules;
- (vi) the Placing Agreement; and
- (vii) the consent of Pannell Kerr Forster referred to above.

### Resolution

The issue of the Notes was authorised by a resolution of the Board of Directors passed on 23rd March, 1992.

### Expenses

The overall cost of the issue of the Notes by the Society, including all commissions and expenses, is estimated to amount to £425,000.

### Material Contracts

The Group has not entered into any material contract (other than in the ordinary course of business) within the two years immediately preceding the date of this document.

**Directors' Interests**

The Directors of the Society have no interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by the Society during the current or immediately preceding financial year or were effected by the Society during an earlier financial year and remain in any respect outstanding or unperformed.

The Directors of the Society have no interests in any securities of the Society or any subsidiary of the Society which have been notified under section 324 or section 328 of the Companies Act 1985 or are required to be registered under section 325 of that Act.

Neither any Director of the Society nor any child, stepchild (in each case under the age of 18) nor spouse of any Director of the Society has any interest in any Notes or any other debentures of the Society.

**Guarantees and Loans**

At 31st December, 1991 there were no outstanding loans granted by the Group to Directors of the Society. At 31st December, 1991 there were three loan contracts with persons associated with the Directors as defined in section 65 of the Building Societies Act 1986. The total amount outstanding was £90,089. No guarantees have been provided by the Group for the benefit of any Director of the Society.

**Employee Schemes**

There are no existing schemes involving the Directors or any employees of the Society or any of its subsidiaries in any capital of the Society or any of its subsidiaries.

**Amounts Payable to the Directors**

It is estimated that an aggregate of £235,000 will be payable to Directors of the Society in respect of the financial year ending 31st December, 1992.

**Directors' Service Contracts**

Mr. A. E. Stone has a service contract terminating on 10th December, 1995 at a salary of £125,500 per annum. The salary is reviewable annually on 1st August. Save as aforesaid, there are no service contracts existing or proposed between the Directors and the Society or any of its subsidiaries.

**Registrar**

The Society intends to appoint The Royal Bank of Scotland plc (the "Registrar") at its specified office at P.O. Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR, to maintain the register of Noteholders and, when issued, PIBS holders at such specified office. It is intended that the Registrar will act as agent of the Society for the purposes of maintaining the register of Noteholders and, when issued, PIBS holders, accepting instructions for, and effecting, transfers of Notes and PIBS, issuing certificates in respect of Notes and PIBS certificates to new Noteholders and, following conversion, PIBS holders, receiving requests for the replacement of, and replacing, defaced, damaged, stolen, worn-out, lost or destroyed certificates in respect of Notes and PIBS certificates and making payments in respect of the Notes and, when issued, the PIBS as they fall due.

**PIBS Certificates**

In the event that the New Rules are duly adopted, the Registrar will send a PIBS certificate to each registered holder of a PIBS (or to the first named or joint holders) by mail within one month of the conversion of the Notes into the PIBS and, thereafter, following a transfer, within 14 days of the lodgement of transfers, in each case at the risk of the person entitled thereto. No temporary documents of title will be issued.

**Form of Transfer**

*In the event that the New Rules are duly adopted, it is intended that transfers of the PIBS may be carried out by completing a Stock Transfer Form (Companies ST1) and submitting it together with the relevant PIBS certificate to the Registrar in accordance with the New Rules.*

**Payment of Funds**

*Payment for the Notes subscribed will be made by telegraphic transfer by the subscribers to the Arranger or Salomon Brothers who will arrange for funds to be transferred to the Society in accordance with the Placing Agreement.*



**PRINCIPAL OFFICE OF THE SOCIETY**

105 Albion Street,  
Leeds LS1 5AS

**REGISTRAR**

**The Royal Bank of Scotland plc,**  
P.O. Box 435,  
Owen House,  
8 Bankhead Crossway North,  
Edinburgh EH11 4BR

**TRUSTEE**

**The Law Debenture Trust Corporation p.l.c.,**  
Princes House,  
95 Gresham Street,  
London EC2V 7LY

**LEGAL ADVISERS**

*To the Society*

**Walker Morris,**  
Kings Court,  
12 King Street,  
Leeds LS1 2HL

*To the Arranger, Salomon Brothers and to the  
Trustee*

**Allen & Overy,**  
9 Cheapside,  
London EC2V 6AD

**AUDITORS**

**Pannell Kerr Forster,**  
Pannell House,  
6 Queen Steet,  
Leeds,  
West Yorkshire LS1 2TW

**SPONSOR FOR LISTING**

**Hoare Govett Corporate Finance Limited,**  
4 Broadgate,  
London EC2M 7LE

