HOMELOAN MANAGEMENT LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2005

(Registered Number 2214839)

Homeloan Management Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

Homeloan Management Limited is a company incorporated in England.

The principal activities of the company are those of mortgage and investment account servicing and systems bureau provision and will continue to be so for the foreseeable future.

BUSINESS REVIEW

The results for the year are shown in the Income Statement and notes thereto. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time and IFRS 1 has been applied.

DIVIDENDS

An interim dividend of 245.47 pence per share (2004: 210.40 pence per share), totalling £7,000,000 (2004: £6,000,000) was approved and paid during the year. The directors do not propose the payment of a final dividend (2004:£Nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

R J McCormick (Chairman) (resigned 31 December 2005)
E A Blythe
J G Goodfellow
D Grant
S W Haggerty

D J Cutter was appointed Chairman on 1 January 2006.

Mr D J Cutter, Mr J G Goodfellow and, until his resignation on 31 December 2005, Mr R J McCormick were also directors of the ultimate parent undertaking, Skipton Building Society. Their interests in the shares of group undertakings are not required to be recorded in the register maintained by this company. Other directors of the company as at 31 December 2005 had no interest in the shares of any group undertaking at any time during the year.

Homeloan Management Limited

DIRECTORS' REPORT

CREDITOR PAYMENT POLICY

The company's policy concerning the payment of suppliers for the next financial year is to agree terms of payment in advance and to make the payment in accordance with agreed terms and any other legal obligations.

As at 31 December 2005 creditor days were 46 days (2004: 35 days).

POLITICAL AND CHARITABLE DONATIONS

During the year the company made charitable donations totalling £29,000 (2004: £27,000).

The company made no contributions for political purposes in the year (2004: £Nil).

By order of the board

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

31 January 2006

HOMELOAN MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and performance of the company; the Companies Act 1985 provides, in relation to such financial statements, that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

HOMELOAN MANAGEMENT LIMITED

Independent Auditors' report to the Members of Homeloan Management Limited

We have audited the financial statements of Homeloan Management Limited for the year ended 31 December 2005 which comprise the Income Statement, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent mistatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2005 and of the profit for the year ended; and

- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of IAS Regulation.

KPMG Audit Plc KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds

31 January 2006

HOMELOAN MANAGEMENT LIMITED

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 2005 £000	Year ended 2004 £000
Revenue	1	63,118	53,168
Other operating income	4	911	2,546
Administrative expenses		(52,428)	(42,904)
Profit from operations		**11,601**	**12,810**
Interest receivable and similar income	5	335	392
Interest payable and similar charges	6	(1)	(12)
Profit before Tax		**11,935**	**13,190**
Tax expense	8	(3,613)	(4,016)
Profit for the Period		**8,322**	**9,174**
Attributable to:			
Equity holders of the parent		8,322	9,174
		8,322	**9,174**

In both the current and preceding period the company made no material acquisitions and had no discontinued operations.

There were no recognised income and expense items in the current year (2004:£Nil) other than those reflected *in the above Income Statement.*

The income statement is prepared on an unmodified historical cost basis.

The notes on pages 8 to 18 form part of these financial statements.

HOMELOAN MANAGEMENT LIMITED

Balance Sheet

AS AT 31 DECEMBER 2005

	Notes	31 December 2005 £000	31 December 2005 £000	31 December 2004 £000	31 December 2004 £000
Current assets					
Trade and other receivables	10	11,026		10,649	
Cash and cash equivalents		8,020		9,614	
			19,046		**20,263**
Non-current assets					
Intangible assets	11	2,501		2,196	
Property, plant and equipment	12	7,968		6,917	
Deferred tax assets	13	-		6	
			10,469		**9,119**
Total Assets			**29,515**		**29,382**
Current liabilities					
Trade and other payables	14		***9,048***		***10,405***
Non-current liabilities					
Deferred tax liabilities	13		**168**		-
Equity					
Share capital	15,16	2,852		2,852	
Share premium	16	180		180	
Reserves	16				
Retained earnings		17,267		15,945	
			20,299		**18,977**
Total Equity and Liabilities			**29,515**		**29,382**

These accounts were approved by the board of directors on 31 January 2006 and signed on its behalf by :

D J Cutter (Chairman) ....

S W Haggerty (Managing Director) ....

The notes on pages 8 to 18 form part of these accounts.

HOMELOAN MANAGEMENT LIMITED

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Year ended 2005 £000	Year ended 2004 £000
Cash Flows from Operating Activities			
Operating Profit before taxation		11,601	12,810
Adjustments for:			
Depreciation charges		3,231	2,512
Interest expense		(1)	(12)
(Increase) in trade receivables		(362)	(1,387)
(Increase) in prepayments		(15)	(1,646)
(Decrease)/Increase in trade payables		(887)	2,475
Income taxes paid		(3,870)	(2,828)
Net cash from operating activities		**9,697**	**11,924**
Cash Flows from Investing Activities			
Interest received		335	392
Proceeds on disposal of property, plant and equipment		31	26
Purchases of property, plant and equipment	11,12	(4,618)	(5,635)
Net cash from investing activities		**(4,252)**	**(5,217)**
Cash Flows from Financing Activities			
Dividends paid	9, 16	(7,000)	(6,000)
Payment of finance lease liabilities		(39)	(80)
Net cash from financing activities		**(7,039)**	**(6,080)**
Net (decrease)/increase in cash and cash equivalents		(1,594)	627
Cash and Cash equivalents at 1 January		9,614	8,987
Cash and cash equivalents at 31 December		**8,020**	**9,614**

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

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

The financial statements have been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either have been endorsed by the EU and effective (or available for early adoption) at 31 December 2005.

(a) Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time, and IFRS 1 has been applied. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in note 19.

The financial statements are drawn up under the historic cost convention and in accordance with applicable *accounting standards.*

(b) *Revenue Recognition*
Revenue, which excludes value added tax, represents total invoiced sales of the company.
Interest income is recognised on an accruals basis.

(c) Property, plant and equipment
Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives on the following bases:

Plant and equipment	between 20% and 33% per annum on cost
Fixtures and fittings	20% per annum on cost
Motor Vehicles	25% per annum on written down value

(d) Intangible assets
Intangible assets include software development costs and purchased software that, in the opinion of the directors, *meets the definition of an intangible asset. Amortisation is charged to the Income Statement on a straight-line basis* over the estimated useful lives of intangible assets. Intangible assets are amortised from the day they are available for use. The estimated useful lives are as follows:

Purchased Software	between 20% and 33% per annum on cost
Databases	20% per annum on cost
Deferred Development costs	20% per annum on cost

(e) Leases
A lease that transfers substantially all the risks and rewards of ownership of an asset, is treated as a finance lease. The asset is recorded in the Balance Sheet as an item of property, plant and equipment at an amount equal to the lower of its fair value and the present value of the minimum lease payments, less accumulated depreciation and impairment losses. Rentals payable are apportioned between the finance element, which is charged to the Income *Statement, and the capital element, which reduces the outstanding obligation.*

All other leases are accounted for as operating leases. Costs of operating leases are charged to the Income Statement on a straight line basis over the lease term.

(f) Taxation
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes, in accordance with IAS 12, Income Taxes.

(g) Pensions
The majority of company employees are members of the Skipton Building Society Group stakeholder pension scheme, the assets of which are held in an independently administered scheme. Contributions are charged to the *Income statement and are included in staff costs.*

The remaining employees of the company are members of the Skipton Building Society Group defined benefit scheme, which is administered by trustees and whose assets are separate from those of the Society and its subsidiaries. Contributions are transferred to the trustees on a regular basis to secure the benefits provided under the rules of the scheme. The amount of contribution is a set percentage of the employee's salary cost.

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies (continued)

(h) Government grants

Provided the conditions for their receipt have been complied with and there is reasonable assurance that they will be received, grants are recognised in the profit and loss account so as to match them with the expenditure to which they contribute.

(i) Cash and cash equivalents

For the purpose of the cash flow statement, cash comprises cash in hand and loans and advances to credit institutions repayable on demand, and cash and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less.

The cash flow statement has been prepared using the indirect method.

2. Segmental Reporting

The entire income of the company in 2005 and 2004 was derived from the activities of mortgage and investment account servicing and systems bureau provision of mortgage and investment account servicing.

3. Profit before tax

	Year ended 2005 £000	Year ended 2004 £000
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	2,611	2,308
Amortisation of intangibles	620	204
Staff costs (see note 7)	25,058	19,691
Rentals payable under operating leases	3	19
Auditors' remuneration and expenses:		
Audit services	25	25
Non-audit services	42	62

4. Other operating income

	Year ended 2005 £000	Year ended 2004 £000
Rents receivable under operating leases	424	734
Government Grants	487	1,812
	911	**2,546**

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. Interest receivable and similar income

	Year ended 2005 £000	Year ended 2004 £000
Interest receivable from group undertakings	335	392

6. Interest payable and similar charges

	Year ended 2005 £000	Year ended 2004 £000
Interest on finance lease liabilities	1	12

7. Staff numbers and costs

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

	Year ended 2005	Year ended 2004
Directors	3	4
Other	1,425	1,120
	1,428	**1,124**

The aggregate payroll costs of these persons were as follows:	£000	£000
Wages and salaries	22,205	17,282
Social security costs	1,981	1,539
Other pension costs	872	870
	25,058	**19,691**

Directors' Emoluments:

	2005 £000	2004 £000
Remuneration as directors of the company	458	518
Pension Contributions	47	43

The emoluments of the highest paid director were £263,000 (2004: £220,000). Included within total emoluments were pension contributions of £28,000 (2004: £23,000) in respect of the highest paid director. He is a member of a defined benefit scheme under which his accrued pension at the year end was £41,007 (2004: £33,031) and his accrued lump sum was £95,393 (2004: £75,689).

	2005	2004
Retirement benefits are accruing to the following number of directors who served during the year, under:		
Money purchase schemes	1	2
Defined benefit schemes	2	2

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. Tax expense

A reconciliation of current tax on profit before tax at the standard UK corporation tax rate to the actual current tax charge is as follows:

	Year ended 2005 £000	Year ended 2004 £000
a) Analysis of charge in the year at 30%		
Current tax expense		
Current tax at 30%	3,609	4,038
Adjustment for prior years	(170)	4
Total Current Tax	**3,439**	**4,042**
Deferred tax expense		
Origination and reversal of temporary differences	28	(23)
Adjustment in respect of prior years	146	(3)
Total Deferred Tax	**174**	**(26)**
Tax expense	**3,613**	**4,016**

b) Factors affecting tax charge in the year

The charge for the year can be reconciled to the profit per the income statement as follows:

Profit on ordinary activities before tax	11,935	13,190
Tax on profit on ordinary activities at UK standard rate of 30% (2004: 30%)	3,581	3,957
Effects of:		
- expenses not deductible for tax purposes	56	58
- adjustment to tax in respect of previous periods	(24)	1
Tax expense	**3,613**	**4,016**

9. Dividends

	Year ended 2005 £000	Year ended 2004 £000
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2005 of 245.47p (2004: 210.40p) per share	7,000	6,000
	7,000	*6,000*

10. Trade and other receivables

	Year ended 2005 £000	Year ended 2004 £000
Trade debtors	8,191	7,352
Due from fellow subsidiary companies	481	958
Prepayments and accrued income	2,354	2,339
	11,026	**10,649**

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Intangible assets

	Purchased software £000	Deferred development expenditure £000	Total £000
Cost			
At 1 January 2005	2,309	971	3,280
Additions	925	-	925
At 31 December 2005	**3,234**	**971**	**4,205**
Amortisation and impairment losses			
At 1 January 2005	1,052	32	1,084
Amortisation for the year	426	194	620
At 31 December 2005	**1,478**	**226**	**1,704**
Carrying amounts			
At 1 January 2005	**1,257**	**939**	**2,196**
At 31 December 2005	**1,756**	**745**	**2,501**

	Purchased software *£000*	Deferred development expenditure *£000*	Total *£000*
Cost			
At 1 January 2004	1,674	565	2,239
Additions	635	-	635
Acquisitions- internally developed	-	406	406
At 31 December 2004	**2,309**	**971**	**3,280**
Amortisation and impairment losses			
At 1 January 2004	880	-	880
Amortisation for the year	172	32	204
At 31 December 2004	**1,052**	**32**	**1,084**
Carrying amounts			
At 1 January 2004	**794**	**565**	**1,359**
At 31 December 2004	**1,257**	**939**	**2,196**

All amortisation charges in the year have been charged through administration expenses.

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. Property, plant and equipment

	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2005	13,695	598	14,293
Additions	3,570	123	3,693
Disposals	-	(83)	(83)
At 31 December 2005	**17,265**	**638**	**17,903**
Accumulated depreciation and impairment			
At 1 January 2005	7,130	246	7,376
Depreciation charge for the year	2,507	104	2,611
Eliminated on disposals	-	(52)	(52)
At 31 December 2005	**9,637**	**298**	**9,935**
Carrying amounts			
At 1 January 2005	**6,565**	**352**	**6,917**
At 31 December 2005	**7,628**	**340**	**7,968**

	Office and computer equipment £000	Motor vehicles £000	Total £000
Cost			
At 1 January 2004	9,247	550	9,797
Additions	4,448	146	4,594
Disposals	-	(98)	(98)
At 31 December 2004	**13,695**	**598**	**14,293**
Accumulated depreciation and impairment			
At 1 January 2004	4,929	206	5,135
Depreciation charge for the year	2,201	107	2,308
Eliminated on disposals	-	(67)	(67)
At 31 December 2004	**7,130**	**246**	**7,376**
Carrying amounts			
At 1 January 2004	**4,318**	**344**	**4,662**
At 31 December 2004	**6,565**	**352**	**6,917**

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

13. Deferred tax

The movement on the deferred tax account is as shown below:

	Year ended 2005 £000	Year ended 2004 £000
At 1 January 2005	(6)	20
Income Statement charge/(credit)	174	(26)
At 31 December 2005	**168**	**(6)**

Deferred tax Liabilities

	Accelerated tax depreciation £000
At 1 January 2005	149
Charged to Income Statement	19
At 31 December 2005	**168**

Deferred tax Assets

	Provisions £000
At 1 January 2005	155
(Charged) to Income Statement	*(155)*
At 31 December 2005	**-**

Net deferred tax liability/(asset)

At 31 December 2005	**168**
At 31 December 2004	**(6)**

14. Trade and other payables

	Year ended 2005 £000	Year ended 2004 £000
Trade Creditors	2,177	1,696
Other creditors	882	640
Amounts owed to parent undertaking	377	2,226
Due to fellow subsidiary companies	124	3
VAT	117	117
Corporation tax	1,649	2,080
Accruals and deferred income	3,722	3,643
	9,048	**10,405**

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. Share Capital	Year ended 2005	Year ended 2004
Authorised	**£000**	**£000**
3,000,000 ordinary shares of £1 each	**3,000**	**3,000**
Issued and fully paid		
2,851,760 ordinary shares of £1 each	**2,852**	**2,852**

16. Reconciliation of movement in capital and reserves

	Share Capital £000	Share Premium £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2005	2,852	180	15,945	18,977
Profit for the period			8,322	8,322
Dividends to Shareholders			(7,000)	(7,000)
Balance at 31 December 2005	**2,852**	**180**	**17,267**	**20,299**
Balance at 1 January 2004	2,852	180	12,771	15,803
Profit for the period			9,174	9,174
Dividends to Shareholders			(6,000)	(6,000)
Balance at 31 December 2004	**2,852**	**180**	**15,945**	**18,977**

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17. Related Party Transactions

The Company has a related party relationship with various members of the Skipton Building Society Group.

During the year to 31 December 2005, the following transactions were entered into with related parties:

a) Sales of goods and services

	2005 £000	2004 £000
Sale of services:		
Intercompany sales	3,485	3,724
Intercompany sales-consulting services	20	-
Interest received	335	392
	3,840	**4,116**

b) Purchase of goods and services

Purchase of services:		
Shared service costs	3,619	4,061
Rents	989	464
Occupancy rent	301	155
System development costs	1,174	321
	6,083	**5,001**

Services sold and purchased were at normal commercial terms on an arm's length basis.

c) Year-end balances

Receivables from related parties:		
Intercompany sales	**3,806**	**8,107**
Payables to related parties:		
Intercompany purchases	**534**	**2,226**

18. Capital Commitments

Capital commitments at the balance sheet date for which no provision has been made were as follows:

	Year ended 2005 £000	Year ended 2004 £000
Plant and equipment	228	45
Contracted but not provided for	**228**	**45**

The company has annual commitments due under operating leases. At the balance sheet date these were as follows:

	Year ended 2005 £000	Year ended 2004 £000
On leases expiring		
Within two to five years	201	268
Later than 5 years	8,102	9,250
	8,303	**9,518**

The company is party to group banking arrangements involving the pooling of funds with other group companies.

HOMELOAN MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. Explanation of transition to IFRSs

As stated in note 1, these are the company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004.

In preparing its opening balance sheet, the company has adjusted amounts previously reported in the financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to IFRSs has affected the company's financial position, financial performance and cash flows is set out in the following tables and notes.

Reconciliation of equity

		Effect of Transition from UK GAAP to IFRS			Effect of Transition from UK GAAP to IFRS			Effect of Transition from UK GAAP to IFRS		
		£000	£000	£000	£000	£000	£000	£000	£000	£000
	Note	1 January 2004			31 December 2004			1 January 2005		
Non-current assets										
Intangible assets	1	-	1,589	1,589	-	2,196	2,196	2,196	-	2,196
Property, plant and equipment	1	6,021	(1,589)	4,432	9,113	(2,196)	6,917	6,917	-	6,917
Deferred tax assets		-	-	-	-	6	6	6	-	6
		6,021	**-**	**6,021**	**9,113**	**6**	**9,119**	**9,119**	**-**	**9,119**
Current assets										
Trade and other receivables	2	8,423	(812)	7,611	11,341	(692)	10,649	10,649	-	10,649
Cash and cash equivalents		8,987	-	8,987	9,614		9,614	9,614	-	9,614
		17,410	**(812)**	**16,598**	**20,955**	**(692)**	**20,263**	**20,263**	**-**	**20,263**
Total Assets		**23,431**	**(812)**	**22,619**	**30,068**	**(686)**	**29,382**	**29,382**	**-**	**29,382**
Current liabilities										
Trade and other payables		6,716	-	6,716	10,405	-	10,405	10,405	-	10,405
Non-current liabilities										
Interest bearing loans and borrowings		80	-	80	-	-	-	-	-	-
Deferred tax liabilities	3	264	(244)	20	203	(203)	-	-	-	-
		344	**(244)**	**100**	**203**	**(203)**	**-**	**-**	**-**	**-**
Equity										
Share Capital		3,032	-	3,032	3,032	-	3,032	3,032	-	3,032
Reserves										
Retained earnings		13,339	(568)	12,771	16,428	(483)	15,945	15,945	-	15,945
Total Equity and Liabilities		**23,431**	**(812)**	**22,619**	**30,068**	**(686)**	**29,382 -**	**29,382**	**-**	**29,382**

Notes to the reconciliation of equity:

1 This adjustment reflects the reclassification, under IAS 38, of certain software assets previously reported as tangible fixed assets as intangible assets.

2 Previously under UK GAAP the treatment of pension costs was covered by SSAP 24. The adjustment relates to the transition to IAS 19

3 The adjustment represents the changes to the deferred tax liability as a result of the above transition to IAS 19

19. Explanation of transition to IFRSs continued

Reconciliation of profit for 2004

		Effect of Transition from UK GAAP to IFRS	
	£000	£000	£000
Interest receivable and similar income	392	-	392
Interest payable and similar charges	(12)	-	(12)
Net interest receivable	**380**	-	**380**
Other operating income	*55,714*	-	*55,714*
Administrative expenses	(43,024)	120	(42,904)
Profit before tax	**13,070**	**120**	**13,190**
Income tax expense	(3,981)	(35)	(4,016)
Profit for the period	**9,089**	**85**	**9,174**
Attributable to:			
Equity holders of the parent	9,089	85	9,174
	9,089	**85**	**9,174**

Notes to the reconciliation of profit:

1. The IFRS adjustments arise from the transition to IAS19 and the associated deferred taxation adjustments as stated in Notes 2 and 3 to the reconciliation of equity.

20. Ultimate Parent Undertaking

The company is a wholly owned subsidiary of Skipton Group Holdings Limited. The ultimate parent undertaking is Skipton Building Society, which is registered in the United Kingdom. A copy of the group annual report and accounts into which the results of this company are consolidated is available from:-

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