

SKIPTON PREMISES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER 2004

(Registered Number 2381981)



SKIPTON PREMISES LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31st December 2004.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the company is that of property investment and it will continue to be so for the foreseeable future.

BUSINESS REVIEW

The results for the year are shown in the profit and loss account and notes thereto. No interim dividend has been paid during the year (2003: £nil). The directors do not recommend the payment of a final dividend (2003: £nil).

FIXED ASSETS

In relation to the company's freehold and leasehold properties, excluding the head office, the directors consider that the overall market value is in excess of book value. The head office is a special purpose facility and therefore the Board consider that its value in use to the company is not less than book value.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

J G Goodfellow
W J Barron
J W Dawson
D J Cutter
S E Aldous

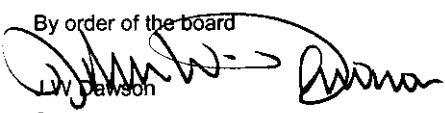
Mr J G Goodfellow and Mr D J Cutter are also directors of the ultimate parent undertaking Skipton Building Society. Their interests in the shares of group companies are not required to be recorded in the register maintained by this company. The other directors of the company as at 31st December 2004 had no interest in the shares of any group undertaking at any time during the year.

The Skipton Group and subsidiaries (including Skipton Premises Limited) will be implementing International Financial Reporting Standards with effect from 1 January 2005 and plans are well progressed for this to be achieved.

AUDITORS REAPPOINTMENT

A resolution to re-appoint KPMG Audit Plc as auditors will be proposed at the next Annual General Meeting.

By order of the board


J W Dawson
Secretary

1 February 2005

SKIPTON PREMISES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SKIPTON PREMISES LIMITED

We have audited the financial statements on pages 4 to 10.

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

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and 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 of the state of the company's affairs as at 31st December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds

KPMG Audit Plc /

1 February 2005

SKIPTON PREMISES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2004

	Notes	2004	2003
		£s	£s
Turnover	1	1,303,410	1,306,832
Cost of sales		(1,109,690)	(1,077,477)
Gross profit		193,720	229,355
Administrative expenses		(9,994)	(9,968)
Operating profit		183,726	219,387
Interest receivable	2	90	96
Profit on ordinary activities before taxation	3	183,816	219,483
Taxation on profit on ordinary activities	5	(179,521)	(197,163)
Profit on ordinary activities after taxation		4,295	22,320
Retained loss brought forward		(1,279,252)	(1,301,572)
Retained loss carried forward		(1,274,957)	(1,279,252)

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

There were no recognised gains or losses in the current year (2003:£nil) other than those reflected in the above profit and loss account.

The profit and loss account is prepared on an unmodified historical cost basis.

The notes on pages 6 to 10 form part of these accounts.

SKIPTON PREMISES LIMITED

BALANCE SHEET

AT 31ST DECEMBER 2004

	Notes	2004	2003
		£s	£s
Fixed assets			
Tangible fixed assets	6	21,137,246	21,992,611
Current assets			
Debtors	7	58,966	70,916
Cash at bank and in hand		30,367	12,785
		89,333	83,701
Creditors: Amounts falling due within one year	8	(2,445,808)	(2,470,463)
Net current liabilities		(2,356,475)	(2,386,762)
Total assets less current liabilities		18,780,771	19,605,849
Creditors: Amounts falling due after more than one year	9	(20,054,728)	(20,884,101)
Net liabilities		(1,273,957)	(1,278,252)
Capital and reserves			
Called up equity share capital	11	1,000	1,000
Profit and loss account	12	(1,274,957)	(1,279,252)
Shareholders' funds	13	(1,273,957)	(1,278,252)

A reconciliation of the movement in shareholders' funds is given in note 13.

These accounts were approved by the board of directors on 1 February 2005 and were signed on its behalf by :

J G Goodfellow

)

) Directors

D J Cutter

)

The notes on pages 6 to 10 form part of these accounts.

SKIPTON PREMISES LIMITED

NOTES TO THE ACCOUNTS

1. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts:

(a) Basis of accounting

These accounts are drawn up under the historic cost convention and in accordance with applicable accounting standards. The company has received assurance of continued financial support from the parent undertaking

(b) Turnover

Turnover represents property rental receivable. All earnings are within the United Kingdom.

(c) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes, as required under FRS19 Deferred Tax.

(d) Depreciation

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

Land	Not depreciated
Special purpose head office facility	40 years or 2.5% p.a.
Refurbishment of freehold and long leasehold premises	10 years
Short leasehold premises	Period of lease
Office equipment	5 years

(e) Leased assets

The rental costs of all operating leases are charged against profits on an accruals basis.

(f) Related party transactions

Under Financial Reporting Standard No 8 ("FRS 8"), the company is exempt from the requirement to disclose transactions with entities within the Skipton Building Society group as all of its voting rights are controlled by Skipton Building Society, whose group annual report and accounts are publicly available.

(g) Cash flow statement

Under Financial Reporting Standard No 1 (revised 1996), the company is exempt from the requirement to prepare a cash flow statement as all of its voting rights are controlled by Skipton Building Society, whose group annual report and accounts report and accounts are publicly available.

2. Interest receivable

	2004	2003
	£s	£s
Bank interest receivable	90	96
	90	96

SKIPTON PREMISES LIMITED

NOTES TO THE ACCOUNTS

3. Profit on ordinary activities before taxation

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

	2004	2003
	£s	£s
Depreciation on tangible fixed assets	935,439	934,870
Auditors' and their associates' remuneration and expenses:		
For audit work	2,675	2,500
Operating lease rentals - land and buildings	138,189	138,188

4. Staff numbers and costs

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

	2004	2003
Directors	5	5

5. Taxation on profit on ordinary activities

	2004	2003
	£s	£s
a) Analysis of charge in the year at 30% (2003-30%)		
Current tax at 30%	212,115	182,076
Adjustments in respect of prior periods	(958)	259
Total Current Tax	211,157	182,335

Deferred taxation (Note 10)

Origination and reversal of timing differences	(31,636)	8,998
Adjustment in respect of prior years	-	5,830
Taxation on profit on ordinary activities	179,521	197,163

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

b) Factors affecting current tax charge on year

Profit on ordinary activities before tax	183,816	219,483
Tax on profit on ordinary activities at UK standard rate of 30% (2003 : 30%)	55,145	65,845
Effects of:		
- depreciation in excess of capital allowances and other timing differences	31,636	(8,998)
- expenses not deductible for tax purposes	125,334	125,229
- adjustment to tax charge in respect of previous periods	(958)	259
Current tax charge for the year	211,157	182,335

SKIPTON PREMISES LIMITED

NOTES TO THE ACCOUNTS

6. Tangible fixed assets

	Freehold land & buildings	Short leasehold buildings	Office equipment	Total
	£s	£s	£s	£s
Cost				
At 1st January 2004	27,024,244	224,855	1,478,070	28,727,169
Additions	80,074	-	-	80,074
At 31st December 2004	27,104,318	224,855	1,478,070	28,807,243
Depreciation				
At 1st January 2004	5,486,842	94,204	1,153,512	6,734,558
Charged in year	643,595	8,994	282,850	935,439
At 31st December 2004	6,130,437	103,198	1,436,362	7,669,997
Net book value				
At 31st December 2004	20,973,881	121,657	41,708	21,137,246
At 31st December 2003	21,537,402	130,651	324,558	21,992,611

Included within freehold land and buildings is land which is not depreciated, at a value of £1,320,000 (2003: £1,320,000). Freehold land and buildings also includes the Skipton Building Society's head office, which is a special purpose facility.

7. Debtors

	2004	2003
	£s	£s
Other debtors	23,274	43,820
Prepayments and accrued income	35,692	27,096
	58,966	70,916

8. Creditors: Amounts falling due within one year

	2004	2003
	£s	£s
Other Creditors	-	-
Corporation tax	103,115	89,896
Deferred tax (note 10)	1,971,318	2,002,955
Accruals and deferred income	371,375	377,612
	2,445,808	2,470,463

9. Creditors: Amounts falling due after more than one year

	2004	2003
	£s	£s
Amounts owed to parent undertaking	20,054,728	20,884,101

The loan from the parent undertaking is to fund the acquisition of the company's freehold buildings. The loan bears interest at variable rates as advised by the parent undertaking and there is no pre-determined repayment date.

SKIPTON PREMISES LIMITED

NOTES TO THE ACCOUNTS

10. Deferred Taxation

Provision for deferred tax has been made as follows:

	2004	2003
	£s	£s
At 1 January 2004	2,002,955	1,988,127
Amount (charged) / credited in the Profit and Loss Account	(31,636)	14,828
Balance carried forward	<u>1,971,319</u>	<u>2,002,955</u>

The amounts of deferred tax are as follows :

Differences between accumulated depreciation and capital allowances	1,971,319	2,002,955
	<u>1,971,319</u>	<u>2,002,955</u>

11. Equity share capital

	2004	2003
	£s	£s
Authorised, allotted, called up and fully paid share capital		
1,000 ordinary shares of £1 each	1,000	1,000

12. Profit and loss account

	2004	2003
	£s	£s
As at 1st January 2004	(1,279,252)	(1,301,572)
Retained profit for the financial year	4,295	22,320
At 31 December 2004	<u>(1,274,957)</u>	<u>(1,279,252)</u>

13. Reconciliation of movement in shareholders' funds

	2004	2003
	£s	£s
As at 1st January 2004	(1,278,252)	(1,300,572)
Retained profit for the financial year	4,295	22,320
As at 31st December 2004	<u>(1,273,957)</u>	<u>(1,278,252)</u>

SKIPTON PREMISES LIMITED

NOTES TO THE ACCOUNTS

14. Commitments

Operating leases

Annual commitments due under property leases are as follows:-

	2004 £s	2003 £s
On leases expiring:		
Over 5 years	138,188	138,188

Capital commitments

As at 31st December	67,295	16,500
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Group Banking Arrangements

The company is party to pooling arrangements with other Skipton Building Society Group Companies.

15. Ultimate parent undertaking

The company is a wholly-owned subsidiary of Skipton Building Society, registered in the United Kingdom.

A copy of the group annual report and accounts into which the results of the company are consolidated is available from:

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