

SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER 1999

(Registered Number 2490160)



SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31st December 1999.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activity of the company is investment in loans secured by mortgage and will continue to be so for the foreseeable future.

BUSINESS REVIEW

No interim dividend has been paid during the year (1998: £nil). The directors do not recommend the payment of a final dividend (1998: £nil).

YEAR 2000

The administration of the company's mortgage assets is carried out by a Skipton group company, Homeloan Management Limited (HML). The company's management is updated regularly on HML's progress in resolving the problems identified as relating to the year 2000 (Y2K) issue. Computer systems are also provided by the company's parent, Skipton Building Society, which also regularly updates the company's management on its progress in resolving the Y2K issue.

All costs relating to the above are borne by the above providers and details of the costs are disclosed in their respective annual report and accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

J G Goodfellow

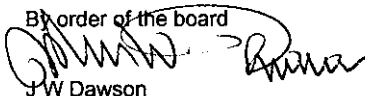
R J McCormick

G Jolly

A S Macdonald

Mr J G Goodfellow and Mr R J McCormick 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 1999 had no interest in the shares of any group undertaking at any time during the year.

By order of the board



J W Dawson

Secretary

31st January 2000

SKIPTON MORTGAGE CORPORATION 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.

AUDITORS' REPORT TO THE MEMBERS OF SKIPTON MORTGAGE CORPORATION

We have audited the accounts on pages 4 to 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and as described on page 2, the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 are 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31st December 1999 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

31st January 2000

SKIPTON MORTGAGE CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1999

	Notes	1999 £s	1998 £s
Income from fixed asset investments		386,605	536,615
Amounts written off investments		(35,099)	(227,632)
Interest payable and similar charges	2	(135,174)	(235,391)
Other income and charges	3	4,672	5,855
Administrative expenses		(81,859)	(75,310)
Profit on ordinary activities before taxation	4	139,145	4,137
Taxation on profit on ordinary activities	6	(30,863)	(9,915)
Profit/(loss) on ordinary activities after taxation		108,282	(5,778)
Retained losses brought forward		(800,357)	(794,579)
Retained losses carried forward		(692,075)	(800,357)

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

There were no recognised gains or losses in the current year (1998: £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 8 form part of these accounts.

SKIPTON MORTGAGE CORPORATION LIMITED

BALANCE SHEET

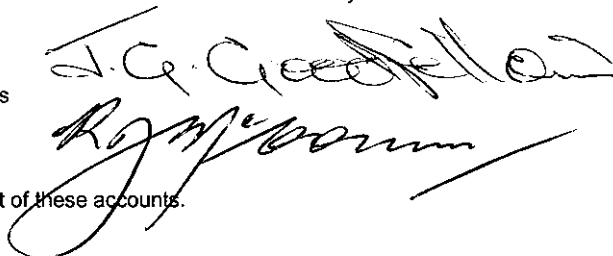
AT 31ST DECEMBER 1999

	Notes	1999		1998	
		£s	£s	£s	£s
Fixed assets					
Investments	7		1,509,437		2,046,427
Current assets					
Debtors	8	204		18,076	
Cash at bank and in hand		48,901		71,981	
		49,105		90,057	
Creditors: Amounts falling due within one year	9	(2,249,617)		(2,935,841)	
Net current liabilities			(2,200,512)		(2,845,784)
Net liabilities			(691,075)		(799,357)
Capital and reserves					
Called up equity share capital	10		1,000		1,000
Profit and loss account			(692,075)		(800,357)
Equity shareholders' deficit	11		(691,075)		(799,357)

A reconciliation of the movement in shareholders' funds is given in note 11.

These accounts were approved by the board of directors on 31st January 2000.

J G Goodfellow)
) Directors
 R J McCormick)



The notes on pages 6 to 8 form part of these accounts.

SKIPTON MORTGAGE CORPORATION 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's parent undertaking has confirmed that they will continue to provide financial support to the company and on the strength of this assurance the accounts have been prepared on a going concern basis.

(b) Provisions

Fixed assets comprise the company's investment in loans secured by mortgage. Provisions for the diminution in value of these assets are made based upon an appraisal of the assets. To the extent that the loans are not believed to be recoverable they have been fully written off.

(c) Interest

Receipts and payments of interest are accounted for on an accruals basis.

(d) Deferred taxation

Provision is made using the liability method for taxation which is deferred as a result of items included in these accounts being dealt with in a different period for taxation purposes only to the extent that it is likely that such taxation will become payable in the foreseeable future.

(e) 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.

(f) Cash flow statement

Under Financial Reporting Standard No 1 (Revised), 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 are publicly available.

2. Interest payable and similar charges

	1999	1998
	£s	£s
Interest payable to group undertakings	135,174	235,391
	135,174	235,391

3. Other income and charges

	1999	1998
	£s	£s
Fees and commissions receivable	4,672	5,855
	4,672	5,855

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS

4. Profit on ordinary activities before taxation

	1999	1998
	£s	£s
The profit on ordinary activities before taxation is stated after charging the following:		
Management charge (including employee costs)	76,559	70,524
Auditors' and their associates' remuneration and expenses:		
Audit work	3,525	3,525
For non audit work	-	-

5. Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was as follows:

	1999	1998
Directors	4	4

The aggregate remuneration paid to these persons was £nil (1998: £nil).

6. Taxation on profit on ordinary activities

	1999	1998
	£s	£s
The taxation charge/(credit) for the year comprises:		
UK corporation tax calculated at 30.25% on the profit for the year (1998: 21%)	40,562	9,915
(Over)/under provided in previous year	(9,699)	-
	30,863	9,915

7. Fixed assets

Investments	1999	1998
	£s	£s
Cost:		
At 1st January	2,325,079	3,122,288
Disposals	(501,891)	(708,223)
Amounts written off	(142,666)	(88,986)
At 31st December	1,680,522	2,325,079
Provision for diminution in value:		
At 1st January	278,652	269,578
Provided in the year	(107,567)	9,074
At 31st December	171,085	278,652
Net book value	1,509,437	2,046,427

The investments represent a portfolio of second mortgages purchased by the company.

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS

8. Debtors

	1999	1998
	£s	£s
Other debtors	204	18,076
	204	18,076

9. Creditors : Amounts falling due within one year

	1999	1998
	£s	£s
Amounts owed to parent undertaking	2,053,115	2,775,978
Other creditors including taxation and social security - corporation tax and group relief	144,502	125,855
Accruals and deferred income	52,000	34,008
	2,249,617	2,935,841

10. Equity share capital

	1999	1998
	£s	£s
Authorised, allotted, called up and fully paid share capital		
1,000 ordinary shares of £1 each	1,000	1,000

11. Reconciliation of movement in shareholders' funds

	1999	1998
	£s	£s
At 1st January	(799,357)	(793,579)
Profit/(loss) for the financial year	108,282	(5,778)
At 31st December	(691,075)	(799,357)

12. Ultimate parent undertaking

The company is a wholly owned subsidiary of Skipton Building Society, which is registered in the United Kingdom.
A copy of the group 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.