

SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER 1995

(Registered Number 2490160)



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SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and the accounts for the year ended 31st December 1995.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is investment in loans secured by mortgage. 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 (1994: £nil). The directors do not recommend the payment of a final dividend. (1994: £nil).

The mortgage administrators and originators of the loans went into administrative receivership on 6th December 1994. The directors do not believe that this will impact on the future performance of the business. A new remuneration schedule was agreed with the mortgage administrators during the year to improve the company's share of the interest margin earned.

FIXED ASSETS

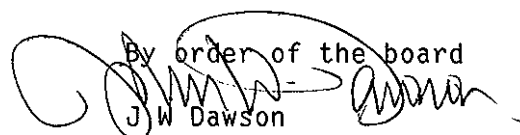
Movements in the fixed assets of the company are shown in note 7 to the accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The directors during the year were :

J G Goodfellow
G Jolly
R J McCormick
R J Steel (resigned 1st May 1995)

Mr J G Goodfellow and Mr R J McCormick were directors of the ultimate parent undertaking, Skipton Building Society at 31st December 1995. Mr J G Goodfellow's and Mr McCormick's interests in the shares of group undertakings are not required to be recorded in the register maintained by this company. The other director of the company as at 31st December 1995 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

27th February 1996

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.

REPORT OF THE AUDITORS
TO THE MEMBERS OF
SKIPTON MORTGAGE CORPORATION LIMITED

We have audited the accounts on pages 4 to 12.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 at 31st December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
Leeds

27th February 1996

SKIPTON MORTGAGE CORPORATION LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
		£	£
Income from fixed asset investments		500,498	454,040
Amounts written off investments		(378,665)	(133,396)
Interest payable and similar charges	2	(387,987)	(382,570)
Other income and charges	3	27,062	-
Administrative expenses		(58,971)	(24,749)
		-----	-----
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(298,063)	(86,675)
Taxation on loss on ordinary activities	6	98,361	28,603
		-----	-----
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(199,702)	(58,072)
ACCUMULATED LOSSES BROUGHT FORWARD		(934,421)	(876,349)
		-----	-----
ACCUMULATED LOSSES CARRIED FORWARD		(1,134,123)	(934,421)
		=====	=====

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 (1994: £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 7 to 12 form part of these accounts.

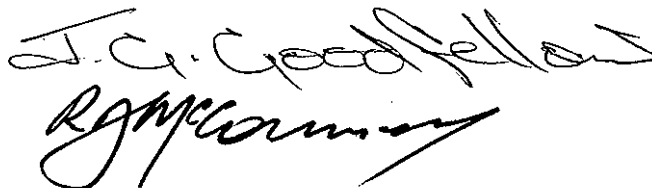
SKIPTON MORTGAGE CORPORATION LIMITED
BALANCE SHEET AT 31ST DECEMBER 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
		£	£
FIXED ASSETS			
Investments	7	4,201,775	5,642,676
CURRENT ASSETS			
Debtors	8	331,617	645,931
Cash at bank and in hand		206	206
		-----	-----
		331,823	646,137
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	9	(5,666,721)	(7,222,234)
		-----	-----
NET CURRENT LIABILITIES		(5,334,898)	(6,576,097)
		-----	-----
NET LIABILITIES		(1,133,123)	(933,421)
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Profit and loss account	12	(1,134,123)	(934,421)
		-----	-----
EQUITY SHAREHOLDERS' FUNDS		(1,133,123)	(933,421)
		=====	=====

A reconciliation of the movement in shareholders' funds is given in note 12.

These accounts were approved by the board of directors on 27th February 1996.

J G Goodfellow)
) Directors
R J McCormick)



The notes on pages 7 to 12 form part of these accounts.

SKIPTON MORTGAGE CORPORATION LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 1995

	<u>Note</u>	<u>1995</u>	<u>1994</u>
		£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	13a	(1,170,131)	(1,880,475)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		495,882	465,338
Interest paid		(387,987)	(382,570)
		-----	-----
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		107,895	82,768
TAXATION			
Corporation taxation paid		-	-
		-----	-----
		-	-
INVESTING ACTIVITIES			
Receipts from sales of fixed asset investments		1,062,236	1,797,707
		-----	-----
NET CASH INFLOW FROM INVESTING ACTIVITIES		1,062,236	1,797,707
		-----	-----
CHANGE IN CASH AND CASH EQUIVALENTS	13b/c	-- =====	-- =====

The notes on pages 7 to 12 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.

(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.

2. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1995</u>	<u>1994</u>
	£	£
Interest payable to group undertakings	387,987 =====	382,570 =====

3. OTHER INCOME AND CHARGES

	<u>1995</u>	<u>1994</u>
	£	£
Fees and commissions receivable	27,062 =====	- =====

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities is stated after charging the following:

	<u>1995</u>	<u>1994</u>
	£	£
Auditors' remuneration and expenses:		
- For audit work	3,600	7,210
- For non-audit work	-	347
	=====	=====

5. STAFF NUMBERS AND COSTS

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

	<u>1995</u>	<u>1994</u>
Directors	3	4
	=	=

The aggregate remuneration paid to these persons was £nil (1994: £nil).

6. TAXATION

	<u>1995</u>	<u>1994</u>
	£	£
The taxation credit for the year comprises:		
UK corporation taxation on the loss for the year at 33% (1994: 33%)	114,861	50,046
Deferred taxation at 33% (1994: 33%)	(16,500)	(21,443)
	-----	-----
	98,361	28,603
	=====	=====

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

7. FIXED ASSETS

<u>Investments</u>	<u>1995</u>	<u>1994</u>
	£	£
Cost:		
At 1st January	5,911,676	9,201,779
Additions	39,809	-
Disposals	(1,062,236)	(1,797,707)
Amounts written off	(487,474)	(1,492,396)
	-----	-----
At 31st December	4,401,775	5,911,676
	-----	-----
Provision for diminution in value:		
At 1st January	269,000	1,596,000
Released in the year	(69,000)	(1,327,000)
	-----	-----
At 31st December	200,000	269,000
	-----	-----
Net book value	4,201,775	5,642,676
	=====	=====

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

8. DEBTORS

	<u>1995</u>	<u>1994</u>
	£	£
Deferred taxation asset (note 10)	-	16,500
Corporation taxation - group relief	164,907	443,820
Other debtors	166,710	185,611
	-----	-----
	331,617	645,931
	=====	=====

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1995</u>	<u>1994</u>
	£	£
Amounts owed to parent undertaking	5,601,916	7,147,141
Accruals and deferred income	64,805	75,093
	-----	-----
	5,666,721	7,222,234
	=====	=====

10. DEFERRED TAXATION

	<u>1995</u>	<u>1994</u>
	£	£
At 1st January	16,500	37,943
Charge in the year	(16,500)	(21,443)
	-----	-----
Balance at 31st December (note 8)	-	16,500
	=====	=====

The deferred taxation asset has arisen as a result of a short term timing difference on a general provision made in respect of losses on the fixed asset investment portfolio.

11. SHARE CAPITAL

	<u>1995</u>	<u>1994</u>
	£	£
Authorised share capital allotted, called up and fully paid		
1,000 ordinary shares of £1 each	1,000	1,000
	=====	=====

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1995</u>	<u>1994</u>
	£	£
At 1st January	(933,421)	(875,349)
Loss for the financial year	(199,702)	(58,072)
	-----	-----
At 31st December	(1,133,123)	(933,421)
	=====	=====

13. NOTE TO CASH FLOW STATEMENT

a) RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW

	<u>1995</u>	<u>1994</u>
	£	£
Operating loss	(410,574)	(158,145)
Decrease/(increase) in debtors	417,291	(190,227)
Decrease in creditors	(1,555,513)	(1,697,499)
Amounts written off investments	378,665	165,396
	-----	-----
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,170,131)	(1,880,475)
	=====	=====

b) ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	<u>1995</u>	<u>1994</u>
	£	£
At 1st January	206	206
Net cash flow	-	-
	---	---
At 31st December	206	206
	===	===

c) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>1995</u>	<u>1994</u>	<u>Change in year</u>
	£	£	£
Cash at bank and in hand	206	206	-
	===	===	===

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

14. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Skipton Building Society, which is registered in the United Kingdom. Under the Building Societies Act 1986, the Society is obliged to discharge the liabilities of the company insofar as it is unable to do so out of its own assets.

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.