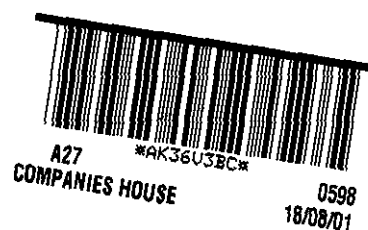


SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER 2000

(Registered Number 2490160)



SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31st December 2000.

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 (1999: £nil). The directors do not recommend the payment of a final dividend (2000: £nil).

DIRECTORS AND DIRECTORS' INTERESTS

The directors who served during the year were:

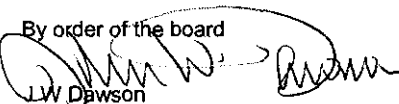
J G Goodfellow
R J McCormick
G Jolly
A S Macdonald

Mr J G Goodfellow is also a director of the ultimate parent undertaking, Skipton Building Society.

His 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 2000 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

26th January 2001

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.

SKIPTON MORTGAGE CORPORATION

AUDITORS' REPORT TO THE MEMBERS OF SKIPTON MORTGAGE CORPORATION

We have audited the financial statements 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 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. 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 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial 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 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds

26th January 2001

SKIPTON MORTGAGE CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 2000

	Notes	2000 £s	1999 £s
Income from fixed asset investments		238,575	386,605
Amounts written off investments		2,066	(35,099)
Interest payable and similar charges	2	(113,808)	(135,174)
Other income and charges	3	4,204	4,672
Administrative expenses		(86,819)	(81,859)
Profit on ordinary activities before taxation	4	44,218	139,145
Taxation on profit on ordinary activities	6	831	(30,863)
Profit on ordinary activities after taxation		45,049	108,282
Retained losses brought forward		(692,075)	(800,357)
Retained losses carried forward		(647,026)	(692,075)

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 (1999: £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 2000

	Notes	2000		1999	
		£s	£s	£s	£s
Fixed assets					
Investments	7		1,097,286		1,509,437
Current assets					
Debtors	8	14,329		204	
Cash at bank and in hand		22,017		48,901	
		36,346		49,105	
Creditors: Amounts falling due within one year	9	(1,779,658)		(2,249,617)	
Net current liabilities			(1,743,312)		(2,200,512)
Net liabilities			(646,026)		(691,075)
Capital and reserves					
Called up equity share capital	10		1,000		1,000
Profit and loss account			(647,026)		(692,075)
Equity shareholders' funds	11		(646,026)		(691,075)

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

These accounts were approved by the board of directors on 26th January 2001.

J G Goodfellow

)

) Directors

A S Macdonald

)

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

	2000	1999
	£s	£s
Interest payable to group undertakings	113,808	135,174
	113,808	135,174

3. Other income and charges

	2000	1999
	£s	£s
Fees and commissions receivable	4,204	4,672
	4,204	4,672

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS

4. Profit on ordinary activities before taxation

	2000	1999
	£s	£s
The profit on ordinary activities before taxation is stated after charging the following:		
Management charge (including employee costs)	83,657	76,559
Auditors' and their associates' remuneration and expenses:		
Audit work	3,643	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:

	2000	1999
Directors	3	4

The aggregate remuneration paid to these persons was £nil (1999: £nil).

6. Taxation on profit on ordinary activities

	2000	1999
	£s	£s
The taxation charge/(credit) for the year comprises:		
UK corporation tax calculated at 20% on the profit for the year (1999: 30.25%)	1,239	40,562
(Over)/under provided in previous year	(2,070)	(9,699)
	(831)	30,863

7. Fixed assets

Investments	2000	1999
	£s	£s
Cost:		
At 1st January	1,680,522	2,325,079
Disposals	(347,567)	(501,891)
Amounts written off	(65,133)	(142,666)
At 31st December	1,267,822	1,680,522
Provision for diminution in value:		
At 1st January	171,085	278,652
Provided in the year	(549)	(107,567)
At 31st December	170,536	171,085
Net book value	1,097,286	1,509,437

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

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS

8. Debtors

	2000	1999
	£s	£s
Other debtors	14,329	204
	14,329	204

9. Creditors : Amounts falling due within one year

	2000	1999
	£s	£s
Amounts owed to parent undertaking	1,759,487	2,053,115
Other creditors including taxation and social security - corporation tax and group relief	1,239	144,502
Accruals and deferred income	18,932	52,000
	1,779,658	2,249,617

10. Equity share capital

	2000	1999
	£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

	2000	1999
	£s	£s
At 1st January	(691,075)	(799,357)
Profit/(loss) for the financial year	45,049	108,282
At 31st December	(646,026)	(691,075)

12. Related party transactions

There are no other related party transactions which require disclosure under FRS 8.

13. 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.