

SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31ST DECEMBER 1998

(Registered Number 2490160)



SKIPTON MORTGAGE CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and audited accounts for the year ended 31st December 1998.

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 (1997: £nil). The directors do not recommend the payment of a final dividend (1997: £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 are 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 and timetable to achieve Y2K compliant computer systems 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 1998 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

22nd February 1999

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 LIMITED

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

We have audited the accounts on pages 4 to 8.

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 1998 and of its loss 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

22nd February 1999

SKIPTON MORTGAGE CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER 1998

	Notes	1998 £s	1997 £s
Income from fixed asset investments		536,615	700,775
Amounts written off investments		(227,632)	(18,831)
Interest payable and similar charges	2	(235,391)	(270,644)
Other income and charges	3	5,855	6,222
Administrative expenses		(75,310)	(80,772)
Profit on ordinary activities before taxation	4	4,137	336,750
Taxation on profit on ordinary activities	6	(9,915)	(118,722)
(Loss)/profit on ordinary activities after taxation		(5,778)	218,028
Retained losses brought forward		(794,579)	(1,012,607)
Retained losses carried forward		(800,357)	(794,579)

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 (1997: £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 1998

	Notes	1998	1997
		£s	£s
Fixed assets			
Investments	7	2,046,427	2,852,710
Current assets			
Debtors	8	18,076	114
Cash at bank and in hand		71,981	46,224
		90,057	46,338
Creditors: Amounts falling due within one year	9	(2,935,841)	(3,692,627)
Net current liabilities		(2,845,784)	(3,646,289)
Net liabilities		(799,357)	(793,579)
Capital and reserves			
Called up equity share capital	10	1,000	1,000
Profit and loss account		(800,357)	(794,579)
Equity shareholders' funds	11	(799,357)	(793,579)

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

These accounts were approved by the board of directors on 22nd February 1999.

J G Goodfellow

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) Directors

R J McCormick

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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

	1998	1997
	£s	£s
Interest payable to group undertakings	235,391	270,644
	235,391	270,644

3. Other income and charges

	1998	1997
	£s	£s
Fees and commissions receivable	5,855	6,222
	5,855	6,222

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS

4. Profit on ordinary activities before taxation

	1998	1997
	£s	£s
The profit on ordinary activities before taxation is stated after charging the following:		
Management charge (including employee costs)	70,524	62,000
Auditors' and their associates' remuneration and expenses:		
Audit work	3,525	4,700
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:

	1998	1997
Directors	4	5

The aggregate remuneration paid to these persons was £nil (1997: £nil).

6. Taxation on profit on ordinary activities

	1998	1997
	£s	£s
The taxation charge/(credit) for the year comprises:		
UK corporation tax calculated at 21% on the profit for the year (1997: 24.5%)	9,915	120,598
(Over)/under provided in previous year	-	(1,876)
	9,915	118,722

7. Fixed assets

Investments	1998	1997
	£s	£s
Cost:		
At 1st January	3,122,288	3,656,786
Disposals	(708,223)	(491,040)
Amounts written off	(88,986)	(43,458)
At 31st December	2,325,079	3,122,288
Provision for diminution in value:		
At 1st January	269,578	233,000
Provided in the year	9,074	36,578
At 31st December	278,652	269,578
Net book value	2,046,427	2,852,710

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

8. Debtors

	1998	1997
	£s	£s
Other debtors	18,076	114
	18,076	114

SKIPTON MORTGAGE CORPORATION LIMITED

NOTES TO THE ACCOUNTS

9. Creditors : Amounts falling due within one year

	1998	1997
	£s	£s
Amounts owed to parent undertaking	2,775,978	3,477,993
Other creditors including taxation and social security - corporation tax and group relief	125,855	173,219
Accruals and deferred income	34,008	41,415
	2,935,841	3,692,627

10. Equity share capital

	1998	1997
	£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

	1998	1997
	£s	£s
At 1st January	(793,579)	(1,011,607)
(Loss)/profit for the financial year	(5,778)	218,028
At 31st December	(799,357)	(793,579)

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.