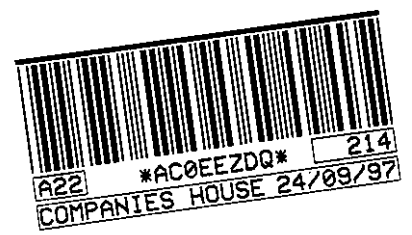


SECONDARY MARKETING INVESTMENT CONDUIT (NO. 3) LIMITED

DIRECTORS' REPORT & ACCOUNTS

31st DECEMBER 1996

(Registered Number 2492010)



SECONDARY MARKETING INVESTMENT CONDUIT (NO. 3) LIMITED

DIRECTORS REPORT

The Directors present their annual report and the accounts for the year ended 31st December 1996.

Principal Activities and Business Review

The company has not traded during the year under review.

Directors and Directors' Interests

The Directors during the year were:

Mr J G Goodfellow

Mr R J McCormick

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.

Auditors

The Directors have relied upon the exemption from the obligation to appoint auditors permitted under section 250 of the Companies Act 1985 in submitting these unaudited accounts.

By order of the Board

J W Dawson

Secretary

24th February 1997

SECONDARY MARKETING INVESTMENT CONDUIT (NO. 3) LIMITED

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 and 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.

SECONDARY MARKETING INVESTMENT CONDUIT (NO. 3) LIMITED

BALANCE SHEET AT 31ST DECEMBER 1996

	<u>Note</u>	<u>1996</u>	<u>1995</u>
		£	£
CURRENT ASSETS			
Debtor			
Amount due from Skipton Building Society		100	100
		=====	=====
CAPITAL AND RESERVES			
Called up equity share capital	2	100	100
		=====	=====

The notes on page 4 form part of these accounts

Throughout the financial period ending on the above date the company was dormant within the meaning of Section 250 of the Companies Act 1985.

These accounts were approved by the Board of Directors on 24th February 1997.

J G Goodfellow)

- Directors

R J McCormick)



SECONDARY MARKETING INVESTMENT CONDUIT (NO. 3) LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The accounts are drawn up under the historic cost convention and in accordance with applicable accounting standards.

2. SHARE CAPITAL

	1996	1995
Authorised, allotted and called up and fully paid:	£	£
100 ordinary shares of £1 each	100	100
	=====	=====

3. PROFIT AND LOSS ACCOUNT

The company has not traded during the year, has received no income and incurred no expenditure, and consequently has made neither a profit nor a loss.

4. CASH FLOW STATEMENTS

Under Financial Reporting Standard No 1 (Revised), which has been adopted early, the company is exempt from preparing a cash flow statement as 90% or more of its voting rights are controlled within the Skipton Building Society group, whose annual report and accounts are publicly available.

5. RELATED PARTY TRANSACTIONS

Under Financial Reporting Standard No 8 ("FRS 8"), the company is exempt from disclosing transactions with entities within the Skipton Building Society group as 90% or more of its voting rights are controlled within that group, whose annual report and accounts are publicly available. There were no other related party transactions which require disclosure under FRS 8.

6. 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