

Western Mortgage Services Limited
Directors' report and financial statements
for the year ended 31 December 2011

Registered Number: 3191608

THURSDAY



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Western Mortgage Services Limited

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Western Mortgage Services Limited

Directors and advisors

Directors

Mr I M Dale
Mr P M Garlick
Mr M G Lewis
Mr W E Newby
Mr S A Roberts
Mr D Tweedy

Secretary

Mrs S Moss

Auditor

KPMG Audit Plc
St James Square
Manchester
M2 6DS

Registered office

The Money Centre
Drake Circus
Plymouth
PL1 1QH

Registered number

3191608

Western Mortgage Services Limited

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of the Company (Registered Company No 3191608) for the year ended 31 December 2011

Principal activities

The Company was incorporated in England and Wales with the principal activity of the provision of mortgage administration services, primarily the administration of portfolios for The Co-operative Bank plc

Review of business and future developments

During the year total assets under management for The Co-operative Bank plc and third party clients has remained static. The financial performance of the business has improved significantly as a result of stringent cost control and following a realignment of administrative fees charged to other Co-operative Bank subsidiaries.

The external mortgage environment has continued to be very challenging throughout 2011 with continued pressure on mortgage completions, portfolio acquisitions and arrears levels.

Severance payments of £229K were made in the year as part of the Co-operative Banking Group's transformation programme. As with all severances these costs were funded by a central Group business unit and were thus retained by Co-operative Bank plc.

A realignment of administrative fees charged to other Co-operative Bank subsidiaries has resulted in the overall Revenue increase over 2010 figures.

The business focus for the year ahead will be on continued effective arrears management and cost efficiency.

Key Performance Indicators (KPIs)

Measure	2011	2010	Comment
Customer Satisfaction	83%	92%	Customer satisfaction survey questions and marking structure were amended at the beginning of 2011, therefore comparison of year on year scores is not practicable. The result, being in the upper quartile, is regarded as very good.
Cost Asset (under management) Ratio	0.12%	0.13%	An improvement over the year as a result of the reduction in expense levels and static levels of assets under administration. Assets under management refers to mortgage balances being administered on behalf of Group and third party clients.
Cost Income Ratio	69.4%	89.3%	Improvement reflects effective cost control and the realignment of administrative fees charged to other Co-operative Bank subsidiaries.
Compliance	No Material Breaches	No Material Breaches	Focus maintained on compliance in difficult trading conditions.

Employment of disabled persons

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the Group continues employment wherever possible and arranges retraining.

Employee involvement

The Company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

Western Mortgage Services Limited

Directors' report for the year ended 31 December 2011 (continued)

Principal risks and uncertainties

The directors have considered the financial risks affecting the Company and have disclosed the relevant policies in the notes to the financial statements

The management of the business and the execution of the Company's strategy are subject to the following risks (see also note 20 to the financial statements)

- impact of changing external economic conditions which can influence the volume of assets under management and the rate at which those assets are generated, acquired or run-off and therefore adversely affect Company growth
- impact of arrears management costs on the overall Company cost base
- maladministration resulting in reputational and financial impacts
- non-compliance with Financial Services Authority (FSA) regulations resulting in regulatory action, fines and reputational impact

As set out more fully in the statement of accounting policies, these financial statements have been prepared under the current International Financial Reporting Standards (IFRS) framework, as endorsed by the European Union (EU). All financial information given in this directors' report is taken solely from the statutory results prepared on the above basis

Results and dividends

The profit for the year after taxation amounted to £4,345K (2010 £1,217K). The net assets of the Company at 31 December 2011 were £9,190K (2010 £6,062K). The directors are proposing a dividend of £4,345K (2010 1,217K). Further information regarding the dividends proposed and paid is included in note 19

Directors and their interests

The directors who held office during the year are given below

Mr R T Goddard (resigned 31 March 2011)
Mr M G Lewis
Mr W E Newby
Mr S A Roberts
Mr D Tweedy
Mr P Garlick (appointed 1 March 2011)
Mr I Dale (appointed 12 May 2011)
Mr P H Mansfield (appointed 1 March 2011, resigned 30 September 2011)

No director had a beneficial interest in the share capital of the Company or any other Company in the Group at any time during the year under review

Going concern

The directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development and performance

Consequently, after making enquiries, the directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements

Western Mortgage Services Limited

Directors' report for the year ended 31 December 2011 (continued)

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 the financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are unaware, and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

On behalf of the Board

Signed

Mike Lewis
Director

Date 27 March 2012

Western Mortgage Services Limited

Independent auditor's report to the members of Western Mortgage Services Limited

We have audited the financial statements of Western Mortgage Services Limited for the year ended 31 December 2011 set out on pages 6 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit.

Signed 
Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
KPMG Audit Plc
St James Square
Manchester
M2 6DS

Date 27 March 2012

Western Mortgage Services Limited

Statement of comprehensive income for the year ended 31 December 2011

		2011 £000	2010 £000
Continuing Operations	Notes		
Revenue	1	19,415	15,993
Operating expenses	2	(13,497)	(14,302)
Operating profit		5,918	1,691
Other interest receivable and similar income		28	18
Profit before tax		5,946	1,709
Taxation	6	(1,601)	(492)
Profit attributable to equity holders	13	4,345	1,217

All results are from continued operations

There are no recognised gains or losses other than profits for the current year

The accounting policies and notes on pages 10 to 20 form part of these financial statements

Western Mortgage Services Limited

Balance sheet as at 31 December 2011

	Notes	2011 £000	2010 £000
Assets			
Non-current assets			
Property, plant and equipment	10	776	988
Intangible assets	9	820	1,038
Deferred tax asset	6	214	228
Current assets			
Cash and cash equivalents	7	6,943	5,264
Short term deposits		2,000	-
Other receivables	8	1,876	1,654
Total assets		12,629	9,172
Liabilities			
Trade and other payables	11	1,756	2,525
Current tax liabilities		1,586	503
Provision for liabilities and charges	12	97	82
Total liabilities		3,439	3,110
Equity			
Called-up share capital	14	50	50
Retained earnings	13	9,140	6,012
Total equity and liabilities		12,629	9,172

The accounting policies and notes on pages 10 to 20 form part of these financial statements

Approved by the Board of Directors on 27 March 2012 and signed on their behalf by

Signed _____
Mike Lewis
Director

Western Mortgage Services Limited

Statement of changes in equity for the year ended 31 December 2011

	Share Capital £000	Retained Earnings £000	Total Equity £000
Year ended 31 December 2011			
Balance at the beginning of the year	50	6,012	6,062
Profit for the year	-	4,345	4,345
Dividends	-	(1,217)	(1,217)
Balance at the end of the year	50	9,140	9,190

	Share Capital £000	Retained Earnings £000	Total Equity £000
Year ended 31 December 2010			
Balance at the beginning of the year	50	7,176	7,226
Profit for the year	-	1,217	1,217
Dividends	-	(2,381)	(2,381)
Balance at the end of the year	50	6,012	6,062

The accounting policies and notes on pages 10 to 20 form part of these financial statements

Western Mortgage Services Limited

Statement of cash flows for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Net cash flows from operating activities	15	5,325	2,945
Cash flows from investing activities			
Purchase of fixed assets	10	(313)	(688)
Development of intangibles	9	(153)	(123)
Impairment of intangibles	9	9	-
Net cash flows from investing activities		4,868	2,134
Cash flows from financing activities			
Interest Received		28	18
Investment in short term deposits		(2,000)	-
Dividend paid		(1,217)	(2,381)
Net cash flows from financing activities		(3,189)	(2,363)
Net increase in cash and cash equivalents		1,679	(229)
Cash and cash equivalents at the beginning of the year	7	5,264	5,493
Cash and cash equivalents at the end of the year	7	6,943	5,264

The accounting policies and notes on pages 10 to 20 form part of these financial statements

Western Mortgage Services Limited

Statement of accounting policies for the year ended 31 December 2011

Basis of preparation

Western Mortgage Services Limited is a company incorporated and domiciled in England and Wales

The Company's financial statements have been prepared under the historical cost convention

The Company is required to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and implemented in the UK, interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and with those parts of the Companies Act 2006 applicable to organisations reporting under IFRS

In preparing these financial statements, the Company has adopted the following pronouncements during the year that are new or revised but have no material impact on the financial statements

IAS 24 – Related Party Disclosure (revised November 2009)

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (issued November 2009)

There are no significant uncertainties applied in the basis of preparing these financial statements

Functional and presentation currencies

The financial statements are presented in sterling, which is the Company's functional currency (ie the primary currency in which it transacts business) and presentation currency

Revenue

Revenue relates to administration and sundry fee and commission income, which is recognised over the period for which service has been provided or on completion of an act to which the fee relates

Operating leases

All leased land and buildings are treated as an operating lease for accounting purposes

Operating lease rentals are charged to the statement of comprehensive income on a straight line basis over the period of the lease

Taxation

Tax on the profit for the year comprises current tax and deferred tax

Current tax

The expected tax payable on the results for the year is called current tax. It is calculated using the tax rates in force at the end of the reporting period. The current tax charge includes adjustments to tax payable in prior periods

Deferred tax

Deferred tax is provided in full using the liability method where there are temporary differences arising between the carrying values of assets and liabilities for accounting and for tax purposes

Deferred tax is calculated using the tax rates that are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled

Deferred tax assets are only recognised as an asset when it is probable that there will be future taxable profits against which to offset them

Movements in deferred tax are recognised in the statement of comprehensive income

Western Mortgage Services Limited

Statement of accounting policies for the year ended 31 December 2011 (continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months to maturity from the date of acquisition

Intangible assets

Acquired computer software and licenses are capitalised on the basis of the direct costs incurred to acquire and bring in to use the specific software. These costs are amortised on the basis of the expected useful lives, which is estimated to be three years.

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, for example software development employee costs, that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Such intangible assets are amortised over the expected useful lives, which is estimated to be five years.

Property, plant, and equipment and depreciation

All equipment and fixtures and fittings are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation is calculated on a straight-line method to write down the cost of such assets to their residual values over their estimated useful lives, which are estimated to be between three and seven years.

Gains and losses on disposal of assets are calculated with reference to the carrying value of the asset and the net disposal proceeds. Repairs and renewals are charged to the statement of comprehensive income when the expenditure is incurred.

Tangible assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An asset's carrying value is written down immediately to its recoverable value if the asset's carrying value is greater than its estimated recoverable value. The recoverable value is the higher of the asset's fair value less costs to sell and value in use.

Dividends

Dividends are only recognised in the financial statements by the Company once they have been approved by the Board of Directors.

Capital Management

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and in the future to support the risks in the business.

The Company is not subject to externally imposed capital requirements in either the current period or the prior period, other than the minimum share capital required by the Companies Act with which it complies. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2011

1 Revenue

Revenue relates to mortgage administration fee, sundry fee and commission income. A realignment of administrative fees charged to other Co-operative Bank subsidiaries has resulted in the overall Revenue increase over 2010 figures.

2 Operating expenses

Operating expenses include all the costs of administering mortgages.

3 Profit before taxation

Profit on ordinary activities before taxation is stated after charging

	2011 £000	2010 £000
Auditor remuneration in respect of audit services	16	24
Depreciation of fixed assets		
Tangible	525	522
Intangible	362	349
Other operating lease rentals		
Land and buildings	777	770
Plant and machinery	21	26

4 Staff numbers and costs

The average number of persons employed by the Company during the year was

	2011 £000	2010 £000
Full time	329	354
Part time	89	80
	418	434

The aggregate payroll costs of these persons were

	2011 £000	2010 £000
Wages and salaries	8,565	9,098
Social security costs	780	762
Other pension costs	441	465
	9,786	10,325

Severance payments of £229K were made in the year as part of the Co-operative Banking Group's transformation programme. As with all severances these costs were funded by a central Group business unit and were thus retained by Co-operative Bank plc.

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

5 Directors emoluments

The remuneration of the directors for services provided to the Company, which is all included in the above wages analysis, was as follows

	2011 £000	2010 £000
Total emoluments (apportioned throughout the year)	208	217

The highest paid director has accrued pension benefits under The Co-operative Group pension scheme of £27,678 at 31 December 2011 (2010 £27,678)

At 31 December 2011, six directors had benefits accruing under The Co-operative Group pension schemes (2010 four) Particulars of the latest actuarial valuations of the group pension schemes are disclosed in the accounts of The Co-operative Bank plc

6 Taxation

	2011 £000	2010 £000
UK tax at 26.5% (2010: 28%)		
Corporation tax		
Current	1587	504
Adjustments in respect of prior periods	-	(1)
Deferred Tax		
Current	14	(14)
Adjustments in respect of prior periods	-	3
	1601	492

Factors affecting tax charge for the year

The average rate of corporation tax assessed for the period is higher than the standard rate of corporation tax in the UK (26.5%) The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	5,946	1,709
Profit before tax multiplied by standard rate of tax	1,576	478
Effects of		
Expenses not deductible for tax purposes	8	3
Change in rate of tax	17	8
Adjustments to tax charge in respect of previous year	-	3
	1,601	492

As at 31 December 2011, there are no tax-related contingent assets or contingent liabilities in accordance with International Accounting Standard No 37 'Provisions, Contingent Liabilities and Contingent Assets' (IAS37)

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Taxation (continued)

The reconciliation of the opening and closing deferred tax asset is shown below

	2011 £000	2010 £000
Deferred tax asset at start of year	228	217
Adjustments in respect of prior year	-	(3)
Income statement credit	(14)	14
Net deferred tax at the end of the year	214	228

Deferred tax assets are attributable to the following items

	2011 £000	2010 £000
Accelerated capital allowances	214	206
Other provisions	-	22
	214	228

	2011 £000	2010 £000
Accelerated capital allowances	8	14
Other provisions	(22)	(3)
	(14)	11

The Budget on 23 March 2011 announced that the UK corporation tax rate would reduce from 28% to 23% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 26% was substantively enacted on 29 March 2011 and was effective from 1 April 2011. The budget on 21 March 2012 announced that the UK corporation tax rate would reduce by an additional 1 percent to 24% from April 2012 with further reductions to 23% in 2013 and 22% in 2014. These rate changes will reduce the Company's future current tax charge accordingly. The reduction in the UK corporation tax rate from 26% to 25% with effect from 1 April 2012 was substantively enacted on 5 July 2011. The tax disclosures for the period reflect deferred tax at the 25% substantively enacted rate at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the further rate reduction, although this will further reduce the Company's future tax charge and reduce the Company's deferred tax assets/liabilities.

7 Cash and cash equivalents

	2011 £000	2010 £000
Amounts with less than or equal to 3 months maturity	6,943	5,264
	6,943	5,264

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Other receivables

	2011 £000	2010 £000
Amounts owed by The Co-operative Bank plc	1,369	1,196
Prepayments and accrued income	323	265
Other receivables	184	193
	1,876	1,654

The above amounts owed by group undertakings are expected to be settled within 12 months of the end of the reporting period. They represent amounts owed by Mortgage Agency Services Number One Limited, Mortgage Agency Services Number Two Limited, Mortgage Agency Services Number Four Limited, Mortgage Agency Services Number Five Limited, Mortgage Agency Services Number Six Limited, Platform Funding Limited, Platform Home Loans Limited and The Co-operative Bank plc in relation to fees charged for mortgage and insurance administration.

9 Intangible assets

	Computer Software 2011	Computer Software 2010
Cost		
Balance at the beginning of the year	2,486	2,363
Additions	153	123
Disposals	(9)	-
Balance at the end of the year	2,630	2,486
Amortisation		
Balance at the beginning of the year	1,448	1,099
Charge for year	362	349
Balance at the end of the year	1,810	1,448
Net book value at the end of the year	820	1,038

10 Property, plant & equipment

	Computer hardware 2011 £000	Equipment, fixtures and fittings 2011 £000	Total 2011 £000
Cost			
Balance at the beginning of the year	2,854	1,432	4,286
Additions	225	88	313
Disposals	(11)	(32)	(43)
Balance at the end of the year	3,068	1,488	4,556
Depreciation			
Balance at the beginning of the year	2,002	1,296	3,298
Charge for year	431	94	525
Eliminated in respect of disposals	(11)	(32)	(43)
Balance at the end of the year	2,422	1,358	3,780
Net book value at the end of the year	646	130	776

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Property, plant & equipment (continued)

	Computer hardware 2010 £000	Equipment, fixtures and fittings 2010 £000	Total 2010 £000
Cost			
Balance at the beginning of the year	2,485	1,564	4,049
Additions	675	13	688
Disposals	(306)	(145)	(451)
Balance at the end of the year	2,854	1,432	4,286
Depreciation			
Balance at the beginning of the year	1,957	1,270	3,227
Charge for year	351	171	522
Eliminated in respect of disposals	(306)	(145)	(451)
Balance at the end of the year	2,002	1,296	3,298
Net book value at the end of the year	852	136	988

11 Trade and other payables

	2011 £000	2010 £000
Trade payables	224	147
Other tax and social security payable	2	200
Amounts owed to The Co-operative Bank plc	1,473	751
Accruals and deferred income	57	1,427
	1,756	2,525

The above balances due to group undertakings are expected to be paid within 12 months of the end of the reporting period. Centralisation of payments, including salaries, other tax and social security payable, has resulted in the above increase in amounts owed to The Co-operative Bank and the decrease in accruals and deferred income. No interest is payable on these intercompany balances.

12 Provisions for liabilities and charges

	2011 £000	2010 £000
Balance at the beginning of the year	82	89
Change / (Release) dilapidations	15	(7)
Balance at the end of the year	97	82

Dilapidations provisions of £97K as at 31 December 2011 (2010 £82K) relate to anticipated rectification works on the WMS floors of the Moneycentre.

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Retained earnings

Movements in retained earnings were as follows

	2011 £000	2010 £000
Balance at the beginning of the year	6,012	7,176
Profit for the year	4,345	1,217
Dividends paid in the year (Note 19)	(1,217)	(2,381)
Balance at the end of the year	9,140	6,012

14 Called-up share capital

	2011 £000	2010 £000
Issued and fully paid		
50,000 ordinary shares of £1 each	50	50

The Company's funding consists of share capital, payment for mortgage administration services provided to Group and third party clients and the facility for intercompany funding provided by The Co-operative Bank plc. Capital is managed on the whole by The Co-operative Bank plc, who is subject to the capital requirements imposed by its regulator the Financial Services Authority (FSA). During the period, The Co-operative Bank plc complied with the capital requirements set by the FSA.

15 Reconciliation of operating profit to net cash flows from operating activities

	Notes	2011 £000	2010 £000
Profit before tax		5,946	1,709
Depreciation	10	525	522
Amortisation of intangible assets	9	362	349
Interest received		(28)	(18)
Cash flows from operating profits before changes in operating assets and liabilities		6,805	2,562
Net increase in other assets		(222)	23
Net decrease in other liabilities		(754)	1,340
Tax paid		(504)	(980)
Net cash flows from operating activities		5,325	2,945

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

16 Operating lease commitments

Total commitments for operating leases are as follows

	Land and Buildings	Other	Land and Buildings	Other
	2011	2011	2010	2010
	£000	£000	£000	£000
Falling due				
Within one year	687	20	778	20
Years two to five inclusive	1,598	24	2,110	50
Over five years	-	-	-	-
	2,285	44	2,888	70

The only significant leasing arrangement relates to land and buildings (the company office premises) where a 10 year lease exists. All rentals are determined by reference to market rental. There are no renewal or purchase options or escalation clauses. There are no restrictions imposed by lease arrangements concerning dividends, additional debt or further leasing.

17 Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking and controlling entity is Britannia Treasury Services Limited, a company registered in England.

The largest group in which the results of the Company are consolidated is that headed by The Co-operative Group Limited. The Co-operative Group Limited is a mutual organisation owned by its members and consequently has no controlling body. It is incorporated in England and registered under the Industrial and Provident Societies Acts. The financial statements of the ultimate parent company are available from New Century House, Manchester, M60 4ES. The smallest group in which they are consolidated is that headed by The Co-operative Bank plc, which is incorporated in Great Britain. The financial statements of this group are available from 1 Balloon Street, Manchester, M60 4EP.

18 Related party transactions

As stated in the note above, the Company is a subsidiary of The Co-operative Group Limited. Consequently, the directors of the Company consider The Co-operative Group Limited and its subsidiaries to be related parties of the Company. Transactions with The Co-operative Group Limited and its subsidiaries are disclosed in the financial statements below.

	Revenue	Expense	Balance due to Western Mortgage Services Limited
Year ended 31 December 2011	£000	£000	£000
Mortgage Agency Services No1 Ltd	356	-	-
Mortgage Agency Services No2 Ltd	161	-	-
Mortgage Agency Services No4 Ltd	533	-	-
Mortgage Agency Services No5 Ltd	4,471	-	-
Mortgage Agency Services No6 Ltd	156	-	-
Platform Home Loans Ltd	4,984	-	394
Platform Funding Ltd	6,316	-	490
Co-operative Bank plc	635	-	485

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

18 Related party transactions (continued)

Year ended 31 December 2010	<u>Revenue</u> £000	<u>Expense</u> £000	<u>Balance due to Western</u> <u>Mortgage Services</u> <u>Limited</u> £000
Mortgage Agency Services No1 Ltd	307	-	25
Mortgage Agency Services No2 Ltd	237	-	19
Mortgage Agency Services No4 Ltd	401	-	29
Mortgage Agency Services No5 Ltd	3,603	-	320
Mortgage Agency Services No6 Ltd	168	-	12
Platform Home Loans Ltd	2,766	-	237
Platform Funding Ltd	5,908	-	468
Co-operative Bank plc	219	220	8

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Centralisation of services, such as Payroll, during the year has resulted in the higher expense with Co-operative Bank plc.

19 Dividend per share

A dividend of £86.90 per share in respect of 2011 is to be proposed (2010 £24.34). Dividends are accounted for in shareholder's equity as an appropriation of retained profit in the year in which they are ratified by the Board of Directors.

20 Financial instruments

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due, or can only do so at excessive cost.

Principal risks and uncertainties are managed through strategic business and financial planning and cost efficiency initiatives. The majority of Company income derives from group undertakings and is normally settled within one month. The main liquidity risks relate to payment of staff costs and suppliers and adequate investments are held in place to meet these obligations. In addition the Company has a facility to drawdown from The Co-operative Bank plc, its ultimate parent company, if additional liquidity is required.

The directors have considered other financial and credit risks and the directors confirm that they are not significant. The directors consider that there is no difference between the book value and fair value of the financial instruments held because both the fair value and book value are based upon the contractual cash flows of the instruments.

21 New pronouncements issued in 2011

There are no standards, interpretations or amendments that have been issued which would be effective for or relevant to the period ending 31 December 2011.

The following pronouncements have been issued and will be effective for and relevant to the period ending 31 December 2012:

- Amended IAS 12 – Income Taxes: Deferred Tax, recovery of underlying assets (2010)

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

21 New pronouncements issued in 2011 (continued)

These pronouncements are not mandatory for the year ended 31 December 2011, they will become effective for annual periods beginning on or after 1 January 2012 but may be applied earlier

The following pronouncement has been issued and will be effective for and relevant to the period ending 31 December 2013

- Amended IAS 1 – Presentation of Financial Statements on the Statement of Comprehensive Income

These pronouncements are not mandatory for the year ended 31 December 2011, they will become effective for annual periods beginning on or after 1 July 2012 but may be applied earlier

The following pronouncement has been issued and will be effective for and relevant to the period ending 31 December 2015

- IFRS 9 - Financial Instruments

These pronouncements are not mandatory for the year ended 31 December 2011, they will become effective for annual periods beginning on or after 1 January 2015 but may be applied earlier