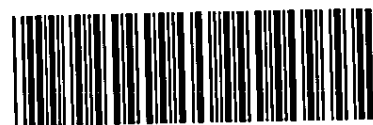


**Western Mortgage Services Limited**  
**Directors' report and financial statements**  
**for the year ended 31 December 2009**

**Registered Number 3191608**

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# **Western Mortgage Services Limited**

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# **Western Mortgage Services Limited**

## **Directors and advisors**

### **Directors**

R Altham  
T Franklin  
R Goddard  
M G Lewis  
W Newby  
S Roberts  
D Tweedy

### **Secretary**

J Trahair

### **Auditors**

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 2009

The directors present their report and the audited financial statements of the company (Company Registration No 3191608) for the year ended 31 December 2009

### Principal activities

The Company was incorporated in the UK 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

Western Mortgages Services Limited is now a subsidiary of The Co-operative Bank plc following the merger between The Co-operative Bank plc and Britannia Building Society. The merger became effective on 1 August 2009

During the year the assets under administration for The Co-operative Bank plc and third party clients have fallen resulting in reduced income levels. Both the performance of the business and the year end financial position were satisfactory in view of the difficult economic environment.

The external mortgage environment has continued to be very challenging throughout 2009 with significant pressure on mortgage completions, portfolio acquisitions and arrears levels.

The business focus for the year ahead will be on continued effective arrears management and cost efficiency. Whilst arrears and arrears performance sit at the mortgage entity level WMS will continue to focus on this key aspect of its mortgage administration service.

### Key Performance Indicators (KPIs)

Measure	2009	2008	Comment
Customer Satisfaction	92%	93%	Customer satisfaction continues at high levels in difficult market conditions. Measured through bi annual surveys.
Employee Engagement	83.9%	91.05%	Employee engagement remains at a satisfactory level given the change brought about by the merger of Britannia and CFS.
Cost Asset (under management) Ratio	0.13%	0.11%	Marginal increase attributed to the reduction in assets under management (refers to mortgage balances being administered on behalf of group and third party clients) and increase in arrears management costs.
Cost Income Ratio	81.4%	70.9%	Increase attributed to a fall in income levels and higher arrears management costs.
Compliance	No Material Breaches	No Material Breaches	Focus maintained on compliance in difficult trading conditions.

### 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 acquired or run off and therefore adversely affect Company income streams
- impact of increasing arrears management costs on the overall Company cost base
- mortgage lending volumes and portfolio sale and acquisition targets not being achieved by the Group and third party clients and therefore adversely impacting Company income streams
- non-compliance with FSA regulation resulting in regulatory action, fines and reputational impact

# **Western Mortgage Services Limited**

## **Directors' report for the year ended 31 December 2009 (continued)**

### **Principal risks and uncertainties (continued)**

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 adopted by the 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 result for the year, after tax, amounted to £2,381k (2008: £4,980k). The directors are proposing a dividend of £2,381k (2008: £4,900k).

### **Directors and their interests**

The directors who held office during the year are given below:

R Altham (appointed 9 December 2009)  
I Dale (appointed 18 March 2009, resigned 27 October 2009)  
T Franklin (appointed 7 September 2009)  
R Goddard (appointed 7 September 2009)  
J Katovsky (resigned 7 September 2009)  
P A Lee (resigned 18 March 2009)  
M G Lewis  
D J McCarthy (resigned 27 October 2009)  
W Newby (appointed 7 September 2009)  
S Roberts (appointed 7 September 2009)  
D Tweedy

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

### **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.

### **Statement of directors' responsibilities**

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 are 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 these financial statements, 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 they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statement on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

# **Western Mortgage Services Limited**

## **Directors' report for the year ended 31 December 2009 (continued)**

### **Statement of directors' responsibilities (continued)**

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.

### **Going concern**

After preparing and reviewing forecasts and projections, stressed to take account of reasonable possible changes in assumptions, the directors are satisfied that the Company will have adequate resources to continue in business for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements.

### **Disclosure of information to auditors**

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 auditors 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 auditors are aware of that information.

### **Auditors**

During the year PricewaterhouseCoopers LLP resigned as auditors to the Company, and the directors appointed KPMG Audit Plc to fill the vacancy arising. KPMG Audit Plc have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Signed

  
**R Goddard**

Director

Date 29 March 2010

Signed

  
**D Tweedy**

Director

Date 29 March 2010

# **Western Mortgage Services Limited**

## **Independent auditors' 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 2009, set out on pages 6 to 22. 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 auditors' 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 auditors**

As explained more fully in the Statement of directors' responsibilities set out on pages 3 and 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 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 web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2009 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**

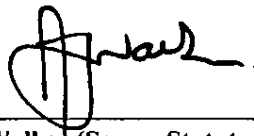
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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
- certain disclosures of directors' remuneration specified by law are not made, 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

Date 29 March 2010

### **Chartered Accountants**

KPMG Audit Plc  
St James Square  
Manchester  
M2 6DS

**Western Mortgage Services Limited**  
**Statement of comprehensive income for the year ended 31 December**  
**2009**

<b>Continuing Operations</b>	<b>Notes</b>	<b>2009 £000</b>	<b>2008 £000</b>
Revenue	1	17,415	20,012
Operating expenses	2	(14,174)	(13,592)
<b>Operating profit</b>		<b>3,241</b>	<b>6,420</b>
Other interest receivable and similar income		66	558
<b>Profit before tax</b>		<b>3,307</b>	<b>6,978</b>
Taxation	6	(926)	(1,998)
<b>Profit attributable to equity holders</b>	<b>13</b>	<b>2,381</b>	<b>4,980</b>

Profit is derived from continuing operations and all activities are in the UK

The accounting policies and notes on pages 10 to 22 form part of these financial statements



# Western Mortgage Services Limited

## Balance sheet as at 31 December 2009

	Notes	2009 £000	2008 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	822	1,219
Intangible assets	9	1,264	1,396
Deferred tax asset	6	217	163
<b>Current assets</b>			
Cash and cash equivalents	7	5,493	11,655
Other receivables	8	1,677	1,784
<b>Total assets</b>		<b>9,473</b>	<b>16,217</b>
<b>Liabilities</b>			
Trade and other payables	11	1,178	4,262
Current tax liabilities		980	2,048
Provision for liabilities and charges	12	89	162
<b>Total liabilities</b>		<b>2,247</b>	<b>6,472</b>
<b>Equity</b>			
Called-up share capital	14	50	50
Retained earnings	13	7,176	9,695
<b>Total equity and liabilities</b>		<b>9,473</b>	<b>16,217</b>

The accounting policies and notes on pages 10 to 22 form part of these financial statements

Approved by the Board of directors on 29 March 2010 and signed on their behalf by

Signed   
R Goddard  
Director

Signed   
D Tweedy  
Director

**Western Mortgage Services Limited**  
**Statement of changes in equity for the year ended 31 December 2009**

	Share Capital £000	Retained Earnings £000	Total Equity £000
<b>Year ended 31 December 2009</b>			
At 1 January	50	9,695	9,745
Profit for the year		2,381	2,381
Dividends		(4,900)	(4,900)
<b>At 31 December</b>	<b>50</b>	<b>7,176</b>	<b>7,226</b>

	Share Capital £000	Retained Earnings £000	Total Equity £000
<b>Year ended 31 December 2008</b>			
At 1 January	50	9,715	9,765
Profit for the year	-	4,980	4,980
Dividends	-	(5,000)	(5,000)
<b>At 31 December</b>	<b>50</b>	<b>9,695</b>	<b>9,745</b>

**Western Mortgage Services Limited**  
**Statement of cash flows for the year ended 31 December 2009**

	Notes	2009 £000	2008 £000
<b>Cash flows from operating activities</b>	15	(911)	7,262
<b>Cash flows from investing activities</b>			
Purchase of fixed assets	10	(220)	(759)
Development of intangibles	9	(197)	(1,433)
<b>Net cash flows from investing activities</b>		<b>(1,328)</b>	5,070
<b>Cash flows from financing activities</b>			
Interest Received		66	558
Dividend paid		(4,900)	(5,000)
<b>Net cash flows from financing activities</b>		<b>(4,834)</b>	(4,442)
<b>Net increase in cash and cash equivalents</b>		<b>(6,162)</b>	628
Cash and cash equivalents at 1 January	7	11,655	11,027
<b>Cash and cash equivalents at 31 December</b>	7	<b>5,493</b>	11,655

# **Western Mortgage Services Limited**

## **Statement of accounting policies**

### **for the year ended 31 December 2009**

#### **Basis of preparation**

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

These financial statements have been prepared under 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

Disclosed below are new standards and interpretations which became effective, have been adopted and are relevant to the Company

#### *IAS 1 – Presentation of Financial Statements*

This standard sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. This standard has impacted the presentation of the financial performance of the Company, in line with other financial institutions. However, it has not changed the recognition, measurement or disclosure of specific transactions and other events required by other IFRS

#### *IAS 23 – Borrowing Costs*

This standard relates to interest costs on assets that take a substantial time to get ready for intended use or sale. The option to recognise all borrowing costs immediately as an expense are eliminated and such costs must be capitalised. All other borrowing costs should be expensed as incurred.

#### *IFRS 8 – Operating Segments*

This standard requires entities to report segmental information on the same basis that it is reported internally. As the Company has no reported operating segments, there has been no impact on the financial statements upon implementation of this standard.

Disclosed below are the new IFRS interpretations and amendments which as at 31 December 2009 had been issued but were not yet effective. The Company has chosen not to early adopt the standards, as they were not considered to be relevant to the Company's operations.

#### *IAS 27 – Consolidated and Separate Financial Statements*

#### *IFRS 3 – Business Combinations*

There are no significant uncertainties or key estimations in the basis of preparing the financial statements.

#### **Functional and presentation currencies**

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

#### **Revenue**

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

# **Western Mortgage Services Limited**

## **Statement of accounting policies**

### **for the year ended 31 December 2009 (continued)**

#### **Operating leases**

Leases for land and buildings are accounted for as separate leases. As a result all leased land is 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**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax payable on profits is recognised as an expense in the year in which profits arise. The tax effects of tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

#### **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 developing or 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.

#### **Equipment, fixtures and fittings 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 amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount 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.

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009**

**1 Revenue**

Revenue relates to fee and commission income. The Company also receives administration fee income.

**2 Operating expenses**

Operating expenses include all the costs of administering mortgages.

**3 Profit before tax**

Profit on ordinary activities before taxation is stated after charging

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Auditors' remuneration in respect of audit services	<b>19</b>	13
Depreciation and other amounts written off fixed assets		
Tangible	<b>617</b>	570
Intangible	<b>329</b>	127
Other operating lease rentals		
Land and buildings	<b>927</b>	972
Plant and machinery	<b>26</b>	32

**4 Staff numbers and costs**

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

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Management	<b>5</b>	6
Administration	<b>417</b>	416
	<b>422</b>	422

The aggregate payroll costs of these persons were

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	<b>8,544</b>	7,509
Social security costs	<b>728</b>	638
Other pension costs	<b>405</b>	378
	<b>9,677</b>	8,525

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**5 Directors emoluments**

The remuneration of the directors, which is all included in the above wages analysis, was as follows

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Total emoluments (apportioned throughout the year)	<b>228</b>	<b>163</b>

The highest paid director has accrued pension benefits under the Britannia Building Society and The Co-operative Bank plc pension Schemes of £26,838 at 31 December 2009 (2008 £23,338)

At 31 December 2009 there were seven directors who had benefits accruing under the Britannia Building Society and The Co-operative Bank plc pension schemes (2008 five) Particulars of the latest actuarial valuation of the group pension scheme are disclosed in the accounts of The Co-operative Bank plc

**6 Taxation**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
UK tax at 28% (2008 28.5%)		
Corporation tax		
Current	<b>980</b>	<b>2,048</b>
Adjustments in respect of prior periods	-	-
Deferred Tax		
Current	<b>(54)</b>	<b>(58)</b>
Adjustments in respect of prior periods		<b>8</b>
	<b>926</b>	<b>1,998</b>

**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 (28%) The differences are explained below

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities before tax	<b>3,307</b>	<b>6,978</b>
Profit before tax multiplied by standard rate of tax	<b>926</b>	<b>1,988</b>
Effects of		
Expenses not deductible for tax purposes	-	<b>1</b>
Change in rate of tax	-	<b>1</b>
Adjustments to tax charge in respect of previous year	-	<b>8</b>
	<b>926</b>	<b>1,998</b>

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**6 Taxation (continued)**

As at 31 December 2009, 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)

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

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Deferred tax asset at start of year	<b>163</b>	113
Adjustments in respect of prior year	-	(8)
Income statement credit	<b>54</b>	58
<b>Deferred tax asset at end of period</b>	<b>217</b>	<b>163</b>

Deferred tax assets are attributable to the following items

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	<b>192</b>	118
Other provisions	<b>25</b>	45
	<b>217</b>	<b>163</b>

The deferred tax charge/(credit) in the statement of comprehensive income comprises the following temporary differences

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	<b>74</b>	38
Other provisions	<b>(20)</b>	20
	<b>54</b>	<b>58</b>

Deferred tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable



**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**7 Cash and cash equivalents**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Cash and Cash equivalents	<b>5,493</b>	<b>11,655</b>

**8 Other receivables**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Amounts owed by group undertakings	<b>1,186</b>	<b>1,285</b>
Prepayments and accrued income	<b>281</b>	<b>223</b>
Other	<b>210</b>	<b>276</b>
	<b>1,677</b>	<b>1,784</b>

All of the above balances are expected to be settled no more than 12 months after the end of the reporting period

**9 Intangible assets**

	<b>Computer Software 2009</b>	<b>Computer Software 2008</b>
<b>Cost</b>		
At 1 January	<b>2,166</b>	<b>733</b>
Additions	<b>197</b>	<b>1,433</b>
<b>At 31 December</b>	<b>2,363</b>	<b>2,166</b>
<b>Amortisation</b>		
At 1 January	<b>770</b>	<b>643</b>
Charge for year	<b>329</b>	<b>127</b>
<b>At 31 December</b>	<b>1,099</b>	<b>770</b>
<b>Net book amount</b>		
<b>At 31 December</b>	<b>1,264</b>	<b>1,396</b>

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**10 Property, plant & equipment**

	<b>Computer hardware £000</b>	<b>Equipment, fixtures and fittings £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January	2,409	1,456	3,865
Additions	109	111	220
Disposals	(33)	(3)	(36)
<b>At 31 December 2009</b>	<b>2,485</b>	<b>1,564</b>	<b>4,049</b>
<b>Depreciation</b>			
At 1 January	1,587	1,059	2,646
Charge for year	403	214	617
Eliminated in respect of disposals	(33)	(3)	(36)
<b>At 31 December 2009</b>	<b>1,957</b>	<b>1,270</b>	<b>3,227</b>
<b>Net book amount</b>			
<b>At 31 December 2009</b>	<b>528</b>	<b>294</b>	<b>822</b>

	<b>Computer hardware £000</b>	<b>Equipment, fixtures and fittings £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 1 January	1,840	1,364	3,204
Additions	651	108	759
Disposals	(82)	(16)	(98)
<b>At 31 December 2008</b>	<b>2,409</b>	<b>1,456</b>	<b>3,865</b>
<b>Depreciation</b>			
At 1 January	1,320	854	2,174
Charge for year	349	221	570
Eliminated in respect of disposals	(82)	(16)	(98)
<b>At 31 December 2008</b>	<b>1,587</b>	<b>1,059</b>	<b>2,646</b>
<b>Net book amount</b>			
<b>At 31 December 2008</b>	<b>822</b>	<b>397</b>	<b>1,219</b>

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**11 Trade and other payables**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Trade payables	125	224
Other tax and social security payable	184	198
Amounts owed to group undertakings	222	3,005
Accruals and deferred income	647	835
	<b>1,178</b>	<b>4,262</b>

All of the above balances are expected to be paid no more than 12 months after the end of the reporting period

**12 Provisions for liabilities and charges**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Balance brought forward	162	94
Additions (release) Dilapidations	(73)	72
Mortgage Exit Administration Fee	-	(4)
<b>Balance carried forward</b>	<b>89</b>	<b>162</b>

Dilapidations provisions of £89k as at 31 December 2009 (2008 £162k) relate to anticipated rectification works on the WMS floors of the Moneycentre

**13 Retained earnings**

Movements in retained earnings were as follows

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
At 1 January	9,695	9,715
Profit for the year	2,381	4,980
Dividends paid in the year (Note 19)	(4,900)	(5,000)
<b>At 31 December</b>	<b>7,176</b>	<b>9,695</b>

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**14 Called up share capital**

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised</b>		
50,000 ordinary shares of £1 each	<b>50</b>	<b>50</b>
<b>Issued and fully paid</b>		
50,000 ordinary shares of £1 each	<b>50</b>	<b>50</b>

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. The Group is subject to the capital requirements imposed by its regulator the Financial Services Authority ("FSA"). During the period, the Group complied with the capital requirements set by the FSA.

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

	<b>Notes</b>	<b>2009</b>	<b>2008</b>
		<b>£000</b>	<b>£000</b>
Profit before tax		<b>3,307</b>	<b>6,978</b>
Depreciation	10	<b>617</b>	<b>570</b>
Amortisation of intangible assets	9	<b>329</b>	<b>127</b>
Interest receivable		<b>(66)</b>	<b>(558)</b>
Cash flows from operating profits before		<b>4,187</b>	<b>7,117</b>
Net decrease in other assets		<b>107</b>	<b>200</b>
Net decrease in other liabilities		<b>(512)</b>	<b>(55)</b>
Tax paid		<b>(4,693)</b>	<b>-</b>
<b>Net cash flows from operating activities</b>		<b>(911)</b>	<b>7,262</b>

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**16 Operating lease commitments**

Total commitments for operating leases are as follows

	<b>Land and Buildings</b>	<b>Other</b>	<b>Land and Buildings</b>	<b>Other</b>
	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
On lease expiring within one year	-	8	24	3
On lease expiring between one and five years	768	15	62	24
On lease expiring in more than five years	-	-	706	-
<b>At 31 December</b>	<b>768</b>	<b>23</b>	<b>792</b>	<b>27</b>

The only significant leasing arrangement relates to land and buildings (the company office premises) where a 10 year lease exists with a 5 year break point. 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 is Britannia Treasury Services Limited, a company registered in England.

Britannia Treasury Services Limited is wholly owned by The Co-operative Bank plc, a corporate body registered in England. The Co-operative Bank plc is wholly owned by The Co-operative Group Limited.

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 Great Britain and registered in England and Wales under the Industrial and Provident Society Acts 1965 to 2002. The Co-operative Group Limited is the ultimate parent company and ultimate controlling party. 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.

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**18 Related party disclosures**

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 other companies within the Group are detailed as follows:

	<u>As at 31/12/09</u>		<u>As at 31/12/09</u>
	<u>Revenue</u>	<u>Expense</u>	<u>Balance due to</u>
	<u>£000</u>	<u>£000</u>	<u>Western Mortgage</u>
			<u>Services Limited</u>
			<u>£000</u>
Mortgage Agency Services No1 Ltd	362	-	28
Mortgage Agency Services No2 Ltd	264	-	19
Mortgage Agency Services No4 Ltd	461	-	38
Mortgage Agency Services No5 Ltd	4066	-	310
Mortgage Agency Services No6 Ltd	188	-	13
Platform Home Loans Ltd	2480	-	215
Platform Funding Ltd	6686	-	519
Co-operative Bank plc	98	396	45

	<u>As at 31/12/08</u>		<u>As at 31/12/08 Balance</u>
	<u>Revenue</u>	<u>Expense</u>	<u>due to Western</u>
	<u>£000</u>	<u>£000</u>	<u>Mortgage Services</u>
			<u>Limited</u>
			<u>£000</u>
Year ended 31 December 2008			
Mortgage Agency Services No1 Ltd	418	-	34
Mortgage Agency Services No2 Ltd	335	-	27
Mortgage Agency Services No4 Ltd	654	-	47
Mortgage Agency Services No5 Ltd	4436	-	344
Mortgage Agency Services No6 Ltd	296	-	19
Platform Home Loans Ltd	3477	-	248
Platform Funding Ltd	6676	-	558
Co-operative Bank plc (formerly 'Britannia Building Society')	98	3,305	8

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**19 Dividends**

Final dividends are not accounted for until they have been ratified at the meeting by the board of directors and paid. The board of directors are considering proposing a dividend of £47.62 per share amounting to a total of £2,381,000 for the year (2008 actual dividend £98.00 per share amounting to a total of £4,900,000).

**20 Financial instruments**

**Liquidity and cashflow risk**

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.

**Fair values of financial instruments**

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.

	<b>Book Value</b>	<b>Fair Value</b>
	<b>2009</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Bank deposits	5,493	5,493
Other assets	1,677	1,677
Trade and other payables	1,178	1,178

	<b>Book Value</b>	<b>Fair Value</b>
	<b>2008</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Bank deposits	11,655	11,655
Other assets	1,784	1,784
Trade and other payables	1,617	1,617

**Western Mortgage Services Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**21 New pronouncements issued in 2009**

Further to the basis of preparation within the accounting policies there has been one other pronouncement issued in 2009

- IFRS 9 - Financial Instruments

This pronouncement is not mandatory for the year ended 31 December 2009, it will become effective for annual periods beginning on or after 1 January 2013 but may be applied earlier