

Western Mortgage Services Limited
Directors' report and financial statements
for the year ended 31 December 2004

Registered Number 3191608



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for the year ended 31 December 2004

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Western Mortgage Services Limited

Directors and advisors

Directors

G A Gregory
J Katovsky
P A Lee
M G Lewis
D Tweedy

Secretary

J Trahair

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Registered Office

The Moneycentre
Plymouth
PL1 1QH

Registered Number

3191608

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

Principal activity

The principal activity of the company during the year was the provision of mortgage administration services, primarily the administration of portfolios for the Britannia Building Society Group.

Review of business and future developments

The company administers mortgage portfolios totalling approximately £5.4 billion (2003: £3.8 billion) under stand alone commercially based service agreements, with subsidiaries and quasi-subsidiaries of Britannia Building Society and other third party lenders.

The company returned a pre-tax profit for the year of £2,146,455 (2003: £1,646,805), well in excess of the projected 2004 plan.

The directors are satisfied with the results, although the year ahead will be influenced by market conditions.

Results and dividends

The profit for the year after tax amounted to £1,497,036 (2003: £1,148,450). The directors propose a dividend for the year of £1,497,036 (2003: £800,000).

Directors and their interests

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

G A Gregory
J Katovsky
P A Lee
M G Lewis
D Tweedy

No director had any beneficial interest in the share capital of the company or any other company in the Britannia Building Society group at any time during the year under review.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

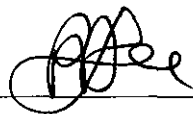
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the annual general meeting.

By order of the Board



P A Lee
Director
28 February 2005

Independent auditors' report to the members of Western Mortgage Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

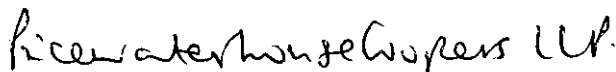
Basis of audit opinion

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 statements, 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 affairs of the company at 31 December 2004 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
28 February 2005

Western Mortgage Services Limited

Profit and loss account for the year ended 31 December 2004

	Notes	2004 £	2003 £
Turnover	1	8,537,818	7,031,533
Administration expenses		(6,760,449)	(5,622,750)
Other operating income	2	269,864	179,676
Operating profit		2,047,233	1,588,459
Interest receivable and similar income		99,222	58,346
Profit on ordinary activities before taxation	3	2,146,455	1,646,805
Tax on profit on ordinary activities	6	(649,419)	(498,355)
Profit on ordinary activities after taxation		1,497,036	1,148,450
Proposed dividend	9	(1,497,036)	(800,000)
Profit for the year transferred to reserves	11	-	348,450

Other than the above results, there were no recognised gains or losses or movements in equity shareholder's funds. The above results were derived from continuing operations.

The accounting policies and notes on pages 6 to 11 form part of these financial statements.

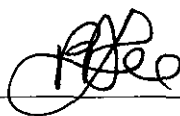
Western Mortgage Services Limited

Balance sheet as at 31 December 2004

	Notes	2004 £	2003 £
Fixed assets			
Tangible assets	7	495,808	336,290
Current assets			
Debtors	8	1,014,727	802,629
Investments – deposit repayable within three months		2,975,000	1,800,000
Cash at bank		379,257	659,190
		4,368,984	3,261,819
Creditors: amounts falling due within one year	9	(3,070,120)	(1,803,437)
Net current assets		1,298,864	1,458,382
Net assets		1,794,672	1,794,672
Capital and reserves			
Called up equity share capital	10	50,000	50,000
Profit and loss account		1,744,672	1,744,672
Equity shareholder's funds	11	1,794,672	1,794,672

The accounting policies and notes on pages 6 to 11 form part of these financial statements.

Approved by the board of directors on 28 February 2005 and signed on its behalf by:



P A Lee
Director

Statement of accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Tangible fixed assets

Equipment, fixtures and fittings are stated at cost and are written off on a straight line basis over their estimated useful lives which range from three to ten years.

Taxation

Corporation tax and any group relief is provided at current rates on the taxable profit for the year.

Deferred tax is provided at current rates on a non-discounted basis, on all timing differences between the recognition of gains and losses in the accounts and their recognition in a tax computation

Pensions

Details of the pension schemes are given in note 12.

The costs of providing retirement pensions and related benefits in respect of the company's defined benefit scheme are charged to the profit and loss account over the employees' average period of service.

The contributions into the defined contribution scheme are accounted for as they fall due for payment.

Leases

The rentals paid for assets acquired under operating leases are charged to the profit and loss account in accordance with the terms of the individual lease.

Cash flow statement

The company has not presented a cash flow statement as permitted by Financial Reporting Standard No. 1 (Cash flow statements) (revised 1996) as its cash flows are consolidated in the financial statements of Britannia Building Society, the company's ultimate parent undertaking.

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2004

1. Turnover

This represents amounts derived in the U.K. from the provision of services falling within the company's ordinary activities.

2. Other operating income

	2004 £	2003 £
Fees for projects undertaken on behalf of Britannia Building Society receivable from Britannia Building Society	269,864	179,676

3. Profit on ordinary activities before taxation

	2004 £	2003 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets	234,272	210,076
Auditors' remuneration	8,000	5,000
Operating leases – hire of plant and machinery	49,474	47,378
Operating leases – other	333,842	271,587

4. Staff numbers and costs

	2004 Number	2003 Number
The average number of persons employed by the company during the year was:		
Management	5	5
Administration	243	209
	248	214
	2004 £	2003 £
The aggregate payroll costs of these persons were:		
Wages and salaries	3,888,353	3,158,494
Social security costs	318,398	260,269
Other pension costs	125,623	112,482
	4,332,374	3,531,245

Western Mortgage Services Limited

5. Directors emoluments

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

	2004 £	2003 £
Total emoluments	142,232	185,024

The emoluments of the highest paid director were:

	2004 £	2003 £
Emoluments	142,232	103,182

The highest paid director has accrued pension benefits under the Britannia Building Society's Pension Schemes of £12,800 at 31 December 2004 (2003: £7,171).

At 31 December 2004 there were five directors who had benefits accruing under the Britannia Building Society Pension Schemes (2003: six). Particulars of the latest actuarial valuation of the group pension scheme are disclosed in the accounts of Britannia Building Society.

6. Taxation

	2004 £	2003 £
U.K. corporation tax at 30% (2003: 30%) on taxable profits for the year	662,230	514,627
Deferred tax	(13,394)	(16,272)
Adjustments in respect of prior years	583	-
	649,419	498,355

Factors affecting tax charge for the year

The corporation tax assessed for the year is higher than the standard rate of corporation tax in the U.K. (30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before taxation	2,146,455	1,646,805
	2004 £	2003 £
Profit before tax multiplied by standard rate of tax	643,937	494,041
Effects of:		
Expenses not deductible for tax purposes	4,066	4,315
Depreciation in year in excess of capital allowances	2,227	10,271
Movements in short term timing differences	12,000	6,000
	662,230	514,627

7. Tangible fixed assets

	Fixtures, fittings and equipment £
Cost	
At 1 January 2004	1,305,394
Additions	393,790
Disposals	(104,071)
At 31 December 2004	1,595,113
Depreciation	
At 1 January 2004	969,104
Charge for the year	234,272
Eliminated in respect of disposals	(104,071)
At 31 December 2004	1,099,305
Net book amount	
At 31 December 2004	495,808
At 31 December 2003	336,290

8. Debtors

	2004 £	2003 £
Amounts owed by group undertakings	703,328	578,787
Prepayments and accrued income	168,819	103,334
Deferred tax	90,996	77,602
Other	51,584	42,906
	1,014,727	802,629

The amounts provided for deferred tax which represent full potential deferred asset comprise:

	2004 £	2003 £
Accelerated capital allowances	60,996	59,602
Other timing differences	30,000	18,000
	90,996	77,602
	2004 £	2003 £
Deferred tax asset recognised at 1 January	77,602	61,330
Deferred tax credit	13,394	16,272
Deferred tax at 31 December	90,996	77,602

9. Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	104,335	86,745
Corporation tax	662,230	424,627
Other taxation and social security	89,204	143,151
Accruals and deferred income	717,315	348,914
Proposed dividend (£29.94 (2003: £16) per share on 50,000 shares)	1,497,036	800,000
	3,070,120	1,803,437

10. Called up equity share capital

	2004 £	2003 £
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
Allotted and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000

11. Reconciliation of movement in equity shareholder's funds

	2004 £	2003 £
Profit for the financial year	1,497,036	1,148,450
Dividends	(1,497,036)	(800,000)
Net addition to shareholder's funds	-	348,450
Equity shareholder's funds at 1 January	1,794,672	1,446,222
Equity shareholder's funds at 31 December	1,794,672	1,794,672

12. Pensions

A number of the company's employees are members of the Britannia Building Society Pension Scheme. The defined benefit scheme is financed through separate trustee administered funds to which the employer and employee contribute, based on pension costs across the group as a whole. Contributions by the employer, which are charged against profit, are based on actuarial advice. The latest valuation of these funds was at 6 April 2002. The actuarial valuation showed that the funds were sufficient to provide for 83% of the accrued benefits that will be due to members. Particulars of the latest actuarial valuation of the pension scheme are disclosed in the accounts of Britannia Building Society. The pension cost for the defined benefit scheme, which represents contributions payable by the company, amounted to £28,601 (2003: £33,417).

The company also commenced the provision of a defined contribution scheme for those employees who are not members of the above scheme. The pension cost for the defined contribution scheme, which represents contributions payable by the company, amounted to £96,982 (2003: £79,053).

13. Operating lease commitments

Annualised commitments under operating leases may be analysed as follows:

	Land and buildings 2004 £	Other 2004 £	Land and buildings 2003 £	Other 2003 £
On leases expiring within one year	26,710	6,720	-	27,952
On leases expiring between one and five years	488,288	10,369	316,560	16,604
	514,998	17,089	316,560	44,556

14. Ultimate parent undertaking

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

Britannia Treasury Services Limited is wholly owned by Britannia Building Society, a body corporate registered in England. Copies of Britannia Building Society's accounts may be obtained from:

Britannia House, Cheadle Road, Leek, Staffordshire, ST13 5RG.

The Society, as a mutual organisation, is owned by its members and, consequently, has no ultimate controlling body.

15. Related party disclosures

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard 8 (Related party disclosures), as the consolidated accounts of Britannia Building Society in which the company is included are available at the address noted above.