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Western Mortgage Services Limited
Directors' report and financial statements
for the year ended 31 December 2001

Registered Number 3191608



Western Mortgage Services Limited
Directors' report and financial statements
for the year ended 31 December 2001

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Western Mortgage Services Limited

Directors and Advisors for the year ended 31 December 2001

Directors

H R Booth
T H Knowles
M G Lewis
J Suffolk
D R Preece

Secretary

J Trahair

Auditors

PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Registered Office

The Moneycentre
Plymouth
PL1 1QJ

Registered Number

3191608

Western Mortgage Services Limited

Directors' report for the year ended 31 December 2001

The directors present their report and the audited financial statements of the company for the year ended 31 December 2001.

Principal activity

The principal activity of the company during the year was the provision of third party 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 £2.9 billion (2000: £1.6 billion) under stand alone commercially based service agreements with Mortgage Agency Services Number One Limited, Mortgage Agency Services Number Two Limited and Platform Home Loans Limited, all Britannia Building Society Subsidiaries.

Using its advanced Mortgage Applications Processing software (PLANET) and its daily interest calculating administration system during 2000 the company commenced to process flexible mortgage applications sold through Britannia Building Society's branches and call centre. In the twelve months to 1 July 2001 some £250 million of Britannia mortgages were processed. The company will undertake the ongoing administration of those mortgages pending their transfer to the societies administration system in 2002.

The company returned a pre-tax profit of £410,864 (2000: £619,520), well in excess of the projected 2001 plan and after a one off special charge of £340,000 associated with the take on of an £800 million portfolio of mortgages from Platform Home Loans Limited.

During 2002 the company is expecting to provide PLANET to Verso Limited (a Britannia Building Society subsidiary) by way of a bureau facility.

Results and dividends

The profit for the year, after tax, amounted to £282,774 (2000: £420,614). No dividend for the year is proposed (2000: £250,000).

Directors and their interests

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

| | |
|----------------------|-------------------------------|
| J Suffolk (Chairman) | (appointed 8 August 2001) |
| N B Richardson | (resigned 12 September 2001) |
| P J Green | (resigned 16 May 2001) |
| H R Booth | |
| T H Knowles | |
| M G Lewis | |
| D Preece | (appointed 12 September 2001) |

No director had any beneficial interest in the share capital of the company or any member of the group.

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 period. 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 2001 and that applicable accounting standards have been followed.

Western Mortgage Services Limited

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, 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

A handwritten signature in black ink, appearing to read 'D Preece', is written over a horizontal line.

D Preece

Director

26 September 2002

Western Mortgage Services Limited

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.

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 company's affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
26 September 2002

Western Mortgage Services Limited

Profit and loss account for the year ended 31 December 2001

| | Notes | 2001 £ | 2000 £ |
|--|-------|-------------|-------------|
| Turnover | 1 | 4,227,235 | 3,505,891 |
| Administration expenses | | (4,050,900) | (3,226,927) |
| Other operating income | 2 | 205,109 | 293,259 |
| Operating profit | 3 | 381,444 | 572,223 |
| Interest receivable and similar income | | 29,420 | 47,297 |
| Profit on ordinary activities before taxation | | 410,864 | 619,520 |
| Tax on profit on ordinary activities | 6 | (128,090) | (198,906) |
| Profit on ordinary activities after taxation | | 282,774 | 420,614 |
| Proposed equity dividend | | - | (250,000) |
| Profit for the financial year transferred to reserves | 12 | 282,774 | 170,614 |

There were no recognised gains or losses or movements in equity shareholders' funds other than the profit for the year. The results above are in respect of continuing operations.

The accounting policies and notes on pages 7 to 12 form part of these financial statements.

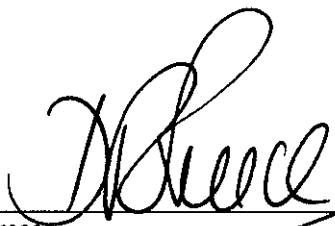
Western Mortgage Services Limited

Balance sheet as at 31 December 2001

| | Notes | 2001 £ | 2000 £ |
|---|-------|-----------|-----------|
| Fixed assets | | | |
| Tangible assets | 7 | 570,466 | 361,396 |
| Current assets | | | |
| Debtors | 8 | 619,246 | 390,174 |
| Investments — deposit repayable within three months | | 400,000 | 500,000 |
| Cash at bank and in hand | | 400,132 | 254,051 |
| | | 1,419,378 | 1,144,225 |
| Creditors: amounts falling due within one year | 9 | (709,064) | (847,615) |
| Net current assets | | 710,314 | 296,610 |
| Creditors: amounts falling due after one year | 10 | (340,000) | - |
| Net assets | | 940,780 | 658,006 |
| Capital and reserves | | | |
| Called up equity share capital | 11 | 50,000 | 50,000 |
| Profit and loss account | 12 | 890,780 | 608,006 |
| Equity shareholders' funds | | 940,780 | 658,006 |

The accounting policies and notes on pages 7 to 12 form part of these financial statements.

The financial statements on pages 5 to 12 were approved by the Board of Directors on 26 September 2002 and signed on their behalf by:


 D Preece
 Director

Western Mortgage Services Limited

Accounting policies

Basis of accounting

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 where it is considered that a liability is likely to arise in the foreseeable future.

Pensions

Details of the pension schemes are given in note 12.

The costs of providing retirement pensions and related benefits in respect of the defined benefit scheme are charged to the income and expenditure 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 (revised 1996) as its cash flows are consolidated in the financial statements of Britannia Building Society, the company's ultimate parent undertaking.

Government grants

Government grants received are included within accruals and deferred income in the balance sheet, once all terms of the grant have been met, those related to capital expenditure are offset against the carrying value of fixed assets purchased and when related to expenses they are credited to the profit and loss account in the same accounting period as the related expenditure.

Western Mortgage Services Limited

Notes to the financial statements for the year ended 31 December 2001

1 Turnover

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

2 Other operating income

| | 2001 £ | 2000 £ |
|--|-----------|-----------|
| Fees for projects undertaken on behalf of Britannia Building Society | 205,109 | 293,259 |

3 Operating profit

| | 2001 £ | 2000 £ |
|---|-----------|-----------|
| Operating profit is stated after charging/(crediting): | | |
| Depreciation of tangible fixed assets | 185,610 | 159,095 |
| Auditors remuneration | 5,084 | 4,375 |
| Operating leases – hire of plant and machinery | 14,272 | 11,802 |
| Operating leases – other | 219,458 | 233,487 |
| Regional grant towards specific employment expenses | - | (86,000) |

4 Staff numbers and costs

| | 2001 Number | 2000 Number |
|---|----------------|----------------|
| The average number of persons employed by the company during the year was: | | |
| Management | 5 | 5 |
| Administration | 158 | 128 |
| | 163 | 133 |
| | £ | £ |
| The aggregate payroll costs of these persons were: | | |
| Wages and salaries | 2,190,116 | 1,735,139 |
| Social Security costs | 166,861 | 135,778 |
| Other pension costs | 78,529 | 76,489 |
| | 2,435,506 | 1,947,406 |

Western Mortgage Services Limited

5 Directors' emoluments

| | 2001 £ | 2000 £ |
|------------------|-----------|-----------|
| Total emoluments | 254,334 | 229,413 |

The emoluments of the highest paid director were:

| | 2001 £ | 2000 £ |
|------------|-----------|-----------|
| Emoluments | 119,575 | 107,919 |

The highest paid director has accrued pension benefits under the Britannia Building Society's Pension and Life Assurance Scheme of £13,125 at 31 December 2001 (2000: £10,448).

Five directors had benefits accruing under Britannia Building Society's Pension and Life Assurance Scheme (2000: five).

6 Taxation

| | 2001 £ | 2000 £ |
|---|-----------|-----------|
| U.K. Corporation tax at 30% (2000: 30%) on taxable profits for the year | 120,590 | 199,500 |
| Adjustment for prior years | 7,500 | (594) |
| | 128,090 | 198,906 |

7 Tangible fixed assets

| | Fixtures, fittings and equipment £ |
|----------------------------|---|
| Cost | |
| At 31 December 2000 | 748,710 |
| Additions | 394,680 |
| At 31 December 2001 | 1,143,390 |
| Depreciation | |
| At 31 December 2000 | 387,314 |
| Charge for the year | 185,610 |
| At 31 December 2001 | 572,924 |
| Net book amount | |
| At 31 December 2001 | 570,466 |
| At 31 December 2000 | 361,396 |

Western Mortgage Services Limited

8 Debtors

| | 2001 £ | 2000 £ |
|------------------------------------|----------------|----------------|
| Amounts owed by group undertakings | 537,357 | 308,916 |
| Prepayments and accrued income | 71,100 | 75,493 |
| Other | 10,789 | 5,765 |
| | 619,246 | 390,174 |

9 Creditors: amounts falling due within one year

| | 2001 £ | 2000 £ |
|------------------------------------|----------------|----------------|
| Trade creditors | 156,872 | 16,134 |
| Amounts owed to group undertakings | - | 8,239 |
| Corporation tax | 52,740 | 134,650 |
| Other taxation and social security | 137,133 | 96,082 |
| Accruals and deferred income | 362,319 | 342,510 |
| Proposed dividend | - | 250,000 |
| | 709,064 | 847,615 |

10 Creditors: amounts falling due after one year

| | 2001 £ | 2000 £ |
|--|----------------|-----------|
| Amounts owed to Britannia Building Society | 340,000 | - |
| | 340,000 | - |

11 Called up share capital

| | 2001 £ | 2000 £ |
|-----------------------------------|-----------|-----------|
| 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 |

Western Mortgage Services Limited

12 Pension commitments

A number of the company's employees are members of Britannia Building Society's Pension and Life Assurance Scheme. This 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 following the most recent valuation of these funds and are sufficient to provide for the benefits as they become payable. 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 £32,155 (2000: £30,500).

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 £46,374 (2000: £45,989). Included in creditors is £25,125 (2000: £25,000) in respect of contributions to the scheme.

13 Operating lease commitments

| | Land and buildings 2001 £ | Other 2001 £ | Land and Buildings 2000 £ | Other 2000 £ |
|-------------------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Expiring between one and five years | 13,250 | 12,732 | - | 10,950 |
| Expiring after more than five years | 207,972 | - | 207,970 | - |
| | 221,222 | 12,732 | 207,970 | 10,950 |

14 Ultimate parent body

The company's ultimate parent body is Britannia Building Society, a body corporate registered in England. Copies of its accounts are available from: Britannia House, Cheadle Road, Leek, Staffordshire, ST13 5RG.

15 Related party disclosures

The company is controlled by its immediate parent undertaking, Britannia Treasury Services Limited. Britannia Building Society as a mutual organisation, is owned by its members and consequently there is no ultimate controlling undertaking.

Transaction 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.

Western Mortgage Services Limited

Britannia Building Society as a mutual organisation, is owned by its members and consequently there is no ultimate controlling undertaking.

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.