

Registered Number 4220058

Leek Finance Number Five Limited
Directors' report and financial statements
for the year ended 31 December 2002



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for the year ended 31 December 2002

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Leek Finance Number Five Limited
Directors and advisers for the year ended 31 December 2002

Directors

P Hills
B Needham
PCSL Services No. 1 Limited

Secretary

Clifford Chance Secretaries (CCA) Limited

Auditors

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

Solicitors

Clifford Chance Limited Liability Partnership
200 Aldersgate Street
London
EC1A 4JJ

Registered Office

200 Aldersgate Street
London
EC1A 4JJ

Registered Number

4220058

Leek Finance Number Five Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activities

The principal activity of the company is that of holding a residential mortgage portfolio.

Review of business and future developments

On 17 April 2002 the company sold a mortgage portfolio to Leek Finance Number Seven Plc. The company sold two mortgage portfolios on 11 November 2002 and 18 December 2002 to Stroud and Swindon Mortgage Company Limited and Derbyshire Home Loans Limited respectively. The assets were sold at their carrying value plus a premium. Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The result for the year is shown on page 5. The directors do not propose a dividend (2001:£nil).

Directors and their interests

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

P Hills
B Needham
PCSL Services No.1 Limited

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.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 2002 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.

Post balance sheets events

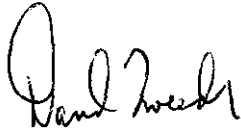
On 25 April 2003 the company sold a mortgage portfolio to Leek Finance Number Ten PLC. In addition to the sale proceeds, the company is entitled to receive deferred contingent consideration from the purchaser, which is dependent on the extent to which the surplus income generated by the mortgage book exceeds the operating costs incurred by the purchaser. The assets were sold at their carrying value plus the value of the unamortised deferred consideration at the date of sale.

Leek Finance Number Five Limited

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 12 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



For and on behalf of PCSL Services No. 1 Limited
Director

29 April 2003

Leek Finance Number Five Limited

Independent auditors' report to the members of Leek Finance Number Five Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, and the related notes 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 the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

29 April 2003

Leek Finance Number Five Limited
Profit and loss account for the year ended 31 December 2002

	Notes	2002 £'000	Period from 21 May 2001 to 31 December 2001 £'000
Interest receivable and similar income	1	28,308	3,227
Interest payable and similar charges	2	(25,986)	(3,059)
Net interest receivable		2,322	168
Administration expenses:			
Amortisation of premium on acquisition	8	(1,097)	(5)
Provision for bad and doubtful debts		(524)	(48)
Other		(674)	(101)
Total administration expenses		(2,295)	(154)
Profit on ordinary activities before taxation	4	27	14
Tax on profit on ordinary activities	5	(8)	(3)
Profit for the year/period	14	19	11

The profit for the year and the preceding period is in respect of continuing activities. There were no recognised gains or losses attributable to shareholders of the company other than the profit for the year.

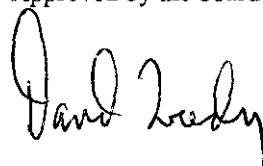
The accounting policies and notes on pages 7 to 14 form part of these financial statements.

Leek Finance Number Five Limited
Balance sheet as at 31 December 2002

	Notes	2002 £'000	2002 £'000	2001 £'000	2001 £'000
Current assets					
Debtors:					
Amounts owed by Leek Finance Number Seven Plc	12				
Mortgage advances fully secured on residential property		152,974		-	
Non-returnable sale proceeds received		(148,308)		-	
Deferred consideration receivable			4,666		-
Recoverable in less than one year	6		177,384		73,511
Recoverable in more than one year	7		207,744		124,773
Premium on acquisition	8		5,565		4,191
			395,359		202,475
Cash at bank and in hand			3,263		2,438
			398,622		204,913
Creditors: amounts falling due within one year	9		(396,455)		(199,583)
Net current assets			2,167		5,330
Creditors: amounts falling due after more than one year	10		(2,137)		(5,319)
Net assets			30		11
Capital and reserves					
Called up equity share capital	12		-		-
Profit and loss account	13		30		11
Equity shareholders' funds	13		30		11

The accounting policies and notes on pages 7 to 14 form part of these financial statements.

Approved by the board of directors on 29 April 2003 signed on their behalf by:



For and on behalf of PCSL Services No. 1 Limited
Director

Leek Finance Number Five Limited

Accounting policies

Basis of Accounting

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

In accordance with paragraph 3 (3) of Schedule 4 of the Companies Act 1985, the directors have adopted the arrangement of certain headings in the profit and loss account to reflect more accurately the nature of the companies activities. In particular turnover represents interest receivable and interest payable has been treated as a deduction against gross profit.

Interest receivable and payable

Interest is accrued in the profit and loss account on a receivable and payable basis.

Mortgage loans

Mortgage loans are stated at cost less provision for impairment.

Advances subject to non-recourse finance provided by the Britannia Building Society Group ("the Group")

Loans fully secured on residential properties subject to non-recourse finance meeting the conditions specified in Financial Reporting Statement No. 5 (Substance of Transactions) are included in the balance sheet using the linked presentation method. The company and the group are not obliged to support any losses in respect of these mortgages subject to non-recourse finance, nor do they intend to. This is clearly stated in agreements with the providers of the funding. Repayment of the non-recourse funding facilities and deferred consideration will be made solely from the cash flows generated by the underlying mortgage portfolios. The net balance disclosed as receivable in the balance sheet of the company represents deferred purchase consideration accrued and not yet received.

Taxation

Corporation tax, and any group relief arising, 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.

Cash flow statement

The company has not presented a cash flow statement as permitted by Financial Reporting Standard No. 1 (Revised 1996) (Cash Flow Statements) as it is a wholly owned subsidiary of Leek Finance Holdings Number Five Limited, the company's immediate parent undertaking. Leek Finance Holdings Number Five Limited presents a cash flow statement in its accounts.

Provisions for advances and loans

Provisions are made to reduce the value of loans and advances to the amount which the directors consider is likely to be recoverable. Throughout the year, and at the year end, assessments are made of all loans and advances on properties which are in possession or in arrears.

Specific provisions are made against loans and advances when, the property is in possession or is three months or more in arrears. Anticipated losses on such accounts are calculated as the difference between the achievable market value of the security, and the outstanding loan balance, after making appropriate allowance for costs of repossession and sale. A probability factor is then applied to the shortfall based on the extent to which the property is in arrears. This probability factor reflects the company's actual experience of the propensity of the different arrears categories to reach possession status.

Interest on loans and advances that is considered to be irrecoverable is written off to the profit and loss account.

Leek Finance Number Five Limited

Accounting policies (continued)

Premium on acquisition

Premiums paid for mortgages in excess of the fair value of the net tangible assets acquired are amortised through the profit and loss account on a reducing basis, based on the redemption of the portfolio, over the shorter of the expected life of the portfolio and five years.

Deferred purchase consideration receivable

Deferred purchase consideration arising on the transfer of the beneficial ownership of the mortgages to Leek Finance Number Seven Plc is accounted for when receivable.

Additional consideration received in excess of the amount estimated at the date of the assignment of the mortgages to Leek Finance Number Seven Plc is taken to the profit and loss account as additional profit on transfer. Further additional consideration is uncertain to the extent that it is dependent upon the ability of the recipient companies to generate sufficient levels of profit and therefore is not recognised by the company until such profits have been generated.

Deferred consideration payable

Deferred consideration arises equal to the amount of premium on acquisition of mortgage loans. This has been estimated and shown as a liability at the date of acquisition. Changes to the estimate of the liability are reflected as corresponding changes to the cost of the assets acquired as adjustments to the premium on acquisition of the mortgage portfolio. Contingent deferred purchase consideration arising in future years is to be recorded in the profit and loss account in the year in which it arises.

Leek Finance Number Five Limited
Notes to the financial statements
for the year ended 31 December 2002

1 Interest receivable and similar income

	2002	Period from 21 May 2001 to 31 December 2001
	£'000	£'000
Interest receivable from Britannia Building Society	590	87
Interest receivable from secured advances	16,421	2,605
Profit on sale of mortgages to Leek Finance Number Seven Plc	3,966	-
Profit on sale of mortgages to third parties	3,137	-
Cost of interest rate swaps payable to Britannia Building Society	(289)	-
Deferred consideration receivable from Leek Finance Number Seven Plc	4,348	-
Other	135	535
	28,308	3,227

2 Interest payable and similar charges

	2002	Period from 21 May 2001 to 31 December 2001
	£'000	£'000
Interest payable to Britannia Building Society and subsidiaries	293	156
Interest on other loans	11,738	1,780
Amortisation of premium paid	5,125	-
Deferred purchase consideration payable to Platform Funding Limited (Note 11)	8,830	1,123
	25,986	3,059

3 Directors' emoluments and employees

The directors received no emoluments in respect of their services during the year. The company had no employees during the year.

Leek Finance Number Five Limited

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2002 £'000	Period from 21 May 2001 to 31 December 2001 £'000
Auditors' remuneration for audit services	13	-

5 Taxation

	2002 £'000	Period from 21 May 2001 to 31 December 2001 £'000
U.K. corporation tax at 30% (2001: 20%)	8	3

6 Debtors: recoverable in less than one year

	2002 £'000	2001 £'000
Mortgage advances fully secured on residential property held in the U.K.	85,982	66,870
Amounts owed by Britannia Building Society	91,367	6,487
Other debtors	35	154
	177,384	73,511

7 Debtors: recoverable in more than one year

	2002 £'000	2001 £'000
Mortgage advances fully secured on residential property held in the U.K.	207,744	124,773

Leek Finance Number Five Limited

8 Premium on acquisition

	2002 £'000	2001 £'000
At 1 January	4,191	-
Arising on acquisition (Note 11)	7,596	4,196
Amortisation arising on sale of mortgage book to Leek Finance Number Seven Plc (Note 12)	(3,966)	-
Amortisation arising on sale of mortgage books to third parties	(1,159)	
Amortised during the year/period	(1,097)	(5)
At 31 December	5,565	4,191

9 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Corporation tax	8	1
Revolving credit facility	372,904	193,518
Subordinated debt owed to Britannia Building Society	4,858	4,575
Other amounts owed to Britannia Building Society Subsidiaries	803	655
Accruals and deferred income	1,438	794
Deferred consideration owed to Platform Funding Limited (Note 11)	16,336	-
Other creditors	108	40
	396,455	199,583

The revolving credit facility is secured by a first fixed equitable charge over the portfolio of mortgages and collateral security and a floating charge over the company's undertaking.

10 Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Amounts owed to Platform Funding Limited (Note 11)	2,137	5,319

Leek Finance Number Five Limited

11 Acquisition of mortgage portfolio

The company acquired for cash, with the balance as deferred consideration, residential mortgages on completion of those mortgages, during the year from Platform Funding Limited, a wholly owned subsidiary of Britannia Treasury Services Limited.

	2002 £'000	2001 £'000
Book value of mortgages acquired	375,643	191,254
Premium	7,596	4,196
	383,239	195,450
Satisfied by:		
Cash	375,643	191,254
Deferred consideration arising on acquisition	7,596	4,196
	383,239	195,450

Further consideration is payable to Platform Funding Limited and is dependent on the extent to which the surplus income generated by the mortgage books exceeds the operating costs of the company. The surplus income generated during the year ended 31 December 2002 amounted to £9,419,000 (2001:£1,123,000).

Movements in deferred consideration during the year were as follows:

	2002 £'000	2001 £'000
At 1 January	5,319	-
Deferred consideration arising on acquisition	7,596	4,196
Additional consideration arising in the year/period	8,830	1,123
Repayment during the year/period	(3,272)	-
At 31 December	18,473	5,319

12 Sale of mortgage portfolio

On 17 April 2002 the company sold for cash with the balance as deferred consideration, a mortgage portfolio to Leek Finance Number Seven Plc.

	2002 £'000	2001 £'000
Book value of mortgages sold	188,975	-
Premium	3,966	-
	192,941	-
Satisfied by:		
Cash	188,975	-
Deferred consideration arising on sale	3,966	-
	192,941	-

Leek Finance Number Five Limited

12 Sale of mortgage portfolio (continued)

Further consideration is receivable from Leek Finance Number Seven Plc and is dependent on the extent to which the surplus income generated by the mortgage book sold exceeds the operating costs of the mortgage book. The surplus income generated during the year ended 31 December 2002 amounted to £4,348,000.

Movements in deferred consideration due from Leek Finance number Seven Plc during the year were as follows:

	2002 £'000	2001 £'000
At 1 January	-	-
Deferred consideration arising on sale	3,966	-
Additional consideration arising in the year/period	4,348	-
Repayment during the year/period	(3,648)	-
At 31 December	4,666	-

13 Called up equity share capital

	2002 £	2001 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
1 ordinary share of £1 each	1	1

14 Reconciliation of movement in shareholders' funds

	2002 £'000	2001 £'000
Profit for the year/period after taxation	19	11
Equity shareholders' funds at start of year/period	11	-
Equity shareholders' funds at end of year/period	30	11

15 Ultimate parent undertaking

The company's immediate parent undertaking is Leek Finance Holdings Number Five Limited which is the parent undertaking of the Group for which Group accounts are prepared.

The company's ultimate parent undertaking is Capita IRG Trustees Limited which hold 100% of the issued voting share capital of Leek Finance Holdings Number Five Limited, subject to terms of a declaration of trust for general charitable purposes.

Copies of the accounts of Leek Finance Holdings Number Five Limited may be obtained from 200 Aldersgate Street, London, EC1A 4JJ.

Leek Finance Number Five Limited

16 Related party disclosures

Britannia Building Society views the company as being a quasi subsidiary. Consequently, the directors of the company consider Britannia Building Society and its subsidiaries to be related parties of the company. Transactions with Britannia Building Society and its subsidiaries are disclosed in the accounts as follows:

Interest receivable on intercompany current account balances with Britannia Building Society during the year is shown in Note 1.

Interest payable on the subordinated loan from Britannia Building Society during the year is shown in Note 2.

Amounts owed by Britannia Building Society at 31 December 2002 are shown in Note 6.

Amounts owed to Britannia Building Society, including the subordinated loan, and to Platform Funding Limited at 31 December 2002 are shown in Notes 9 and 10.

Administration expenses of £199,664 were paid to Platform Funding Limited during the year ended 31 December 2002.

The company acquired for cash, with the balance as deferred consideration, a residential mortgage portfolio and further residential mortgages on completion of those mortgages, during the year from Platform Funding Limited, a wholly owned subsidiary undertaking of Britannia Treasury Services Limited. The consideration paid and the fair value of the mortgage portfolios acquired are presented in Note 11.

To the extent to which the surplus income generated by the mortgage book exceeds the operating costs of the company, this is paid to Platform Funding Limited, as deferred contingent consideration, as shown in Notes 2 and 11.

On 17 April 2002 the company sold its mortgage portfolio to Leek Finance Number Seven Limited. In addition to the sale proceeds, the company is entitled to receive deferred contingent consideration from the purchaser, which is dependent on the extent to which the surplus income generated by the mortgage book exceeds the operating costs incurred by the purchaser as shown in Notes 1 and 12.

Transactions with Leek Finance Holdings Number Five Limited are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No. 8 (Related Party Disclosures), as the consolidated accounts of Leek Finance Holdings Number Five Limited in which the company has been included are available at the address above.

17 Subsequent events

On 25 April 2003 the company sold a mortgage portfolio to Leek Finance Number Ten PLC. In addition to the sale proceeds, the company is entitled to receive deferred contingent consideration from the purchaser, which is dependent on the extent to which the surplus income generated by the mortgage book exceeds the operating costs incurred by the purchaser. The assets were sold at their carrying value plus the value of the unamortised deferred consideration at the date of sale.