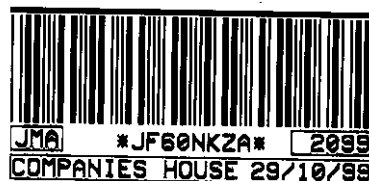


BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

REG. NO. 3416197

REPORT AND FINANCIAL STATEMENTS

FOR THE SEVENTEEN MONTHS ENDED 31ST DECEMBER, 1998



BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE SEVENTEEN MONTHS ENDED 31ST DECEMBER, 1998

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BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

ACCOUNTS
FOR THE SEVENTEEN MONTHS ENDED 31ST DECEMBER, 1998

DIRECTORS' REPORT

The Directors present their report and accounts for the seventeen months ended 31st December, 1998.

DIRECTORS' RESPONSIBILITIES

The directors are required, by company law, to prepare annual accounts for each financial period which give a true and fair view of the state of affairs of the Company and of profit of the Company for that period.

The Directors consider that in preparing the accounts on pages 5 to 10, the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider applicable have been followed.

The Directors have responsibility for ensuring that the Company keeps proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable them to ensure that the accounts comply with the Companies Act, 1985. The Directors 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. The Directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Company was incorporated on 7th August, 1997 as Spicebrook Limited. The Company changed its name to Britannia Treasury Services Limited on 26th September, 1997.

The principal activity of the Company is as an intermediate holding company on behalf of Britannia Building Society for Mortgage Agency Services Number One Limited, Mortgage Agency Services Number Two Limited, Mortgage Agency Services Number Three Limited and Western Mortgage Services Limited.

The profit for the year amounted to £250,000. No dividend for the year is proposed.

YEAR 2000

Management are implementing plans to ensure the computer systems and other equipment are millennium compliant as part of the Britannia Building Society group wide millennium compliance project. The costs associated with this project are disclosed in the Britannia Building Society annual report and accounts and are not quantifiable on an individual company basis.

BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

ACCOUNTS
FOR THE SEVENTEEN MONTHS ENDED 31ST DECEMBER, 1998

DIRECTORS' REPORT (CONT'D)

DIRECTORS

The Directors of the Company during the period were :

T. J. Bayley - appointed 26th September, 1997
P. J. Charlton - resigned 26th September, 1997
P. J. Green - appointed 26th September, 1997
J. E. Heaps - appointed 26th September, 1997, resigned 16th November, 1998
R. J. Rhodes - appointed 26th September, 1997, resigned 31st December, 1998
M. E. Richards - resigned 26th September, 1997
N. B. Richardson - appointed 16th November, 1998
G. H. Stow - appointed 1st January, 1999

DIRECTORS' INTEREST IN SHARE CAPITAL

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.

AUDITORS

The Directors appointed PricewaterhouseCoopers as auditors during the period and a resolution to re-appoint them will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



P. A. MILLS
SECRETARY

22nd October, 1999

REPORT OF THE AUDITORS TO THE MEMBERS OF
BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

We have audited the financial statements on pages 5 to 10 which have been prepared in accordance with the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Report, as described on page 2 of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

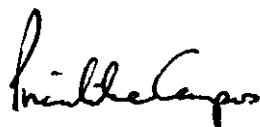
BASIS OF OPINION

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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts are free from essential 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 accounts.

OPINION

In our opinion, the accounts give a true and fair view of the state of the Company's affairs as at 31st December, 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act, 1985.



PRICEWATERHOUSECOOPERS
Manchester
Chartered Accountants
and Registered Auditors

22nd October, 1999

BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE SEVENTEEN MONTHS ENDED 31ST DECEMBER, 1998

	<u>Notes</u>	7 th August, 1997 to 31 st December, 1998 £
Interest receivable and similar income	2	95,379,899
Interest payable and similar charges	3	<u>(95,379,899)</u>
NET INTEREST RECEIVABLE		-
Dividends receivable		<u>250,000</u>
PROFIT FOR THE PERIOD TRANSFERRED TO RESERVES	12	<u><u>250,000</u></u>

There were no recognised gains or losses other than the result for the period. The results above relate to continuing operations.

The notes on pages 7 to 10 form part of these accounts.

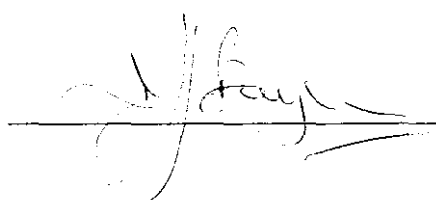
BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 1998

	<u>Notes</u>	1998
		£
<u>Fixed Assets</u>		
Investments in subsidiaries	6	5,050,004
<u>Current Assets</u>		
Debtors :		
- recoverable in less than one year	7	2,531,579
- recoverable in more than one year	8	<u>842,176,486</u>
		844,708,065
<u>Current Liabilities</u>		
Creditors : amounts falling due within one year	9	<u>(2,281,579)</u>
NET CURRENT ASSETS		842,426,486
Creditors : amounts falling due after more than one year	10	<u>(842,176,485)</u>
NET ASSETS		<u><u>5,300,005</u></u>
<u>Capital and Reserves</u>		
Called up equity share capital	11	5,050,005
Profit and loss account	12	250,000
EQUITY SHAREHOLDERS' FUNDS		<u><u>5,300,005</u></u>

The note on pages 7 to 10 form part of these accounts.

Approved by the Board of Directors on 22nd October, 1999



T.J. BAYLEY
Director

BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

NOTES TO THE ACCOUNTS
FOR THE SEVENTEEN MONTHS ENDED 31ST DECEMBER, 1998

1. **Accounting Policies**

Basis of Accounting

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

Basis of Preparation

As permitted by Section 228 of the Companies Act 1985, consolidated financial statements have not been prepared because the Company itself is a wholly owned subsidiary of Britannia Building Society, a body corporate registered in England, and is included in the consolidated financial statements of that body.

Interest Receivable and Payable

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

Taxation

Corporation tax is provided at current rates on the taxable profit for the period.

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) as it is a wholly owned subsidiary of Britannia Building Society, the Company's ultimate parent undertaking. The Society presents a source and application of funds statement in its accounts in the format prescribed by the Building Societies Act 1986. Where this prescribed format is followed, Financial Reporting Standard No. 1 (Revised 1996) accepts such a statement as equivalent to a cash flow statement.

BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

NOTES TO THE ACCOUNTS
FOR THE SEVENTEEN MONTHS ENDED 31ST DECEMBER, 1998

	7 th August, 1997 to 31 st December, 1998	
2. <u>Interest Receivable and Similar Income</u>	£	
Interest receivable from Group undertakings	<u>95,379,899</u>	
3. <u>Interest Payable and Similar Charges</u>		
Interest payable to Group undertakings	<u>95,379,899</u>	
4. <u>Staff Numbers and Costs</u>		
The Company has no employees.		
5. <u>Directors' Emoluments</u>		
None of the Directors received any emoluments in respect of their services during the period.		
Four Directors have benefits accruing under the Britannia Building Society Pension and Life Assurance defined benefit scheme.		
6. <u>Investments in Subsidiaries</u>	£	
<u>Shares at cost</u>		
At 7 th August, 1997	-	
Acquired during the period	<u>5,050,004</u>	
At 31 st December, 1998	<u>5,050,004</u>	
On 19 th November, 1997 100 per cent of the share capital was acquired in the following subsidiary undertakings, incorporated in England and Wales; Mortgage Agency Services Number One Limited, Mortgage Agency Services Number Two Limited, Mortgage Agency Services Number Three Limited and Western Mortgage Services Limited.		
The principal activities of the subsidiary undertakings are as follows : holding residential mortgage portfolios and conducting commercial lending; legal owner of mortgages held by subsidiaries and quasi-subsidiaries of Britannia Building Society and provision of third party mortgage administration services dedicated to the administration of portfolios for the Britannia Building Society Group.		
7. <u>Debtors : amounts recoverable in less than one year</u>	1998 £	
Amounts owed by Group companies	<u>2,531,579</u>	

BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

NOTES TO THE ACCOUNTS
FOR THE SEVENTEEN MONTHS ENDED 31ST DECEMBER, 1998

	1998 £
8. <u>Debtors : amounts recoverable in more than one year</u>	
Amounts owed by Group companies	827,181,901
Subordinated loan owed by Group companies	<u>14,994,585</u>
	<u>842,176,486</u>

The Subordinated loan is with Leek Finance Number One PLC, a quasi subsidiary of Britannia Building Society.

	1998 £
9. <u>Creditors : amounts falling due within one year</u>	
Amounts owed to Group companies	<u>2,281,579</u>
10. <u>Creditors : amounts falling due after more than one year</u>	
Amounts owed to Group companies	<u>842,176,485</u>

The above amounts due to Group undertakings are due to Britannia Building Society. There is no formal repayment schedule for these monies. The nature of the loan is such that repayment cannot be anticipated within one year.

11. <u>Called Up Equity Share Capital</u>	
<u>Authorised</u>	
5,050,005 ordinary shares of £1 each	<u>5,050,005</u>
<u>Allotted and fully paid</u>	
5,050,005 ordinary share of £1 each	<u>5,050,005</u>
	£
12. <u>Reserves - profit and loss account</u>	
At 7 th August, 1997	-
Profit for the period	<u>250,000</u>
At 31 st December, 1998	<u>250,000</u>

BRITANNIA TREASURY SERVICES LIMITED
FORMERLY SPICEBROOK LIMITED

NOTES TO THE ACCOUNTS
FOR THE SEVENTEEN MONTHS ENDED 31ST DECEMBER, 1998

13. Ultimate Parent Undertaking

The Company's ultimate parent undertaking is Britannia Building Society, a body corporate registered in England. Copies of the accounts of the ultimate holding company may be obtained from the Principal Office of Britannia Building Society at Britannia House, Leek, Staffordshire, ST13 5RG. Britannia Building Society is the only entity in the Group for which consolidated accounts are prepared.

14. Related Party Disclosures

The Company is controlled by its parent undertaking, Britannia Building Society. The 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 No. 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.