

Britannia Treasury Services Limited
Directors' report and financial statements
for the year ended 31 December 2015

Registered Number: 03416197



Britannia Treasury Services Limited

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Britannia Treasury Services Limited

Directors and advisors

Directors

D Mundy

C L Gosling (resigned 10 July 2015)

S Aitken (appointed 10 July 2015)

D M Miller (appointed 20 August 2015)

R J Adnett (appointed 20 August 2015)

Secretary

B McKeown (resigned 30 March 2015)

D C Whitehead (appointed 30 March 2015)

Independent auditor

Ernst & Young LLP

25 Churchill Place

Canary Wharf

London

E14 5EY

Registered office

Secretariat

Miller Street Tower

Miller Street

Manchester

M60 0AL

Registered number

03416197

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Britannia Treasury Services Limited

Strategic report for the year ended 31 December 2015

Principal activities

Britannia Treasury Services Limited was incorporated in England. The principal activity of Britannia Treasury Services Limited (the 'Company') is as an intermediate holding company on behalf of The Co-operative Bank plc for Mortgage Agency Services Number One Limited, Mortgage Agency Services Number Two Limited, Mortgage Agency Services Number Three Limited, Mortgage Agency Services Number Four Limited, Mortgage Agency Services Number Five Limited, Mortgage Agency Services Number Six Limited, Mortgage Agency Services Number Seven Limited, Western Mortgage Services Limited (WMS) and Platform Group Holdings Limited. The Company is a wholly owned subsidiary of The Co-operative Bank plc (the 'Bank').

Business review

The profits of Britannia Treasury Services Limited are dependent on its subsidiary companies. The Company continues to earn interest on intercompany balances and incurs an audit fee for the audit of the Company's financial statements.

Business environment

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 endorsed by the European Union (EU). All financial information given in this report is taken solely from the statutory results prepared on the above basis.

Future outlook

The directors have considered the Company's business activities together with its financial position and the factors likely to affect its future development and performance.

Consequently, after making enquiries, the directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements. See further detail in the Basis of preparation and Going concern paragraphs on page 11.

Principal risks and uncertainties

The principal risk and uncertainties of the Company are integrated with the principal risks of the Bank and not managed separately. Accordingly the principal risks and uncertainties of the Bank, which include those of the Company, are discussed within the Bank's Annual report and accounts which does not form part of this report.

Key performance indicators (KPIs)

The directors of the Bank manage the operations of the group as a whole. The key performance indicators of the Bank, which includes this Company, are discussed within the Bank's Annual Report and Accounts, which does not form part of this report.

Approved by the Board of Directors on

01 AUG 2016

Signed on behalf of the Board

Signed:

Director D MUNDY

Date:

01 AUG 2016

Britannia Treasury Services Limited

Directors' report for the year ended 31 December 2015

The directors present their report and the audited financial statements of Britannia Treasury Services Limited (Registered Company No: 03416197) for the year ended 31 December 2015.

Results

The loss for the year, after tax, amounted to £125,529k (2014 profit: £4,143k). The net liabilities of the Company at 31 December 2015 were £10,343k (2014: net assets: £115,186k).

Dividends

The directors have not proposed a dividend for the year ending 31 December 2015 (2014: £nil).

Likely future developments

The future developments, principal risks and uncertainties and key performance indicators of the Company are dealt with in the Strategic report on page 2.

Employees

The Company has no employees (2014: nil). All staff are employed by the Bank.

Directors' details

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

D Mundy

C L Gosling (resigned 10 July 2015)

S Aitken (appointed 10 July 2015)

D M Miller (appointed 20 August 2015)

R J Adnett (appointed 20 August 2015)

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

Insurance and Indemnities

During 2015 the Company maintained appropriate Directors' liability insurance in respect of legal action against its Directors. In addition, qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in operation during the 2015 financial year and are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur in connection with their appointment. The cost has been borne by the Bank.

Statement of directors' responsibilities in respect of the strategic report, directors' report and the financial statements

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 have 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 the financial statements, the directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Britannia Treasury Services Limited

Directors' report for the year ended 31 December 2015 (continued)

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.

Statement on disclosure of information to the auditor

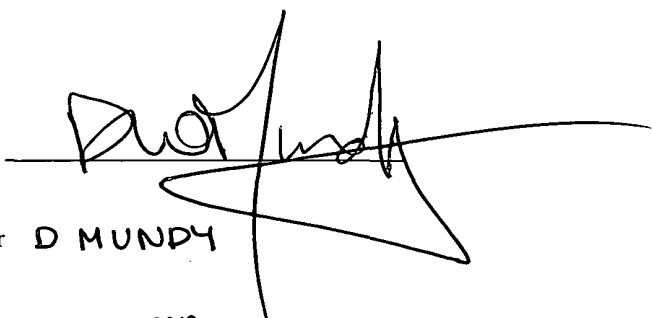
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

The auditors, Ernst & Young LLP are deemed to have been reappointed in accordance with section 487 of the Companies Act 2006.

On behalf of the Board

Signed:



Director **D MUNDY**

Date:

01 AUG 2016

Britannia Treasury Services Limited

Independent auditor's report to the members of Britannia Treasury Services Limited

We have audited the financial statements of Britannia Treasury Services Limited for the year ended 31 December 2015 set out on pages 7 to 19 which comprise the Statement of Comprehensive Income, Statement of Financial Position, the Statement of Changes in Equity, Statement of Cash Flows, Accounting Policies and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (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 auditor's 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 auditor

As explained more fully in the directors' responsibilities statement set out on page 3, 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, and express an opinion on, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and the strategic report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 and of its loss 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 and the strategic 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.

Britannia Treasury Services Limited

Independent auditor's report to the members of Britannia Treasury Services Limited (continued)

Emphasis of Matter

In forming our opinion on the financial statements, which is unmodified, we have considered the adequacy of the disclosures made in the Basis of preparation note of the financial statements on page 11 concerning the Company's ability to continue as a Going Concern. In that section the Directors set out the risks associated with the successful execution of the 2016–2020 updated Strategic Plan (the Bank's Updated Plan) of the parent undertaking, The Co-operative Bank plc. These matters represent a material uncertainty which may cast significant doubt upon the Company's ability to continue as a Going Concern. These financial statements do not include the adjustments that would result if the Company were unable to continue as a Going Concern.

Signed:  _____

Date:

05 AUG 2016

Peter Wallace (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
25 Churchill Place
Canary Wharf
London
E14 5EY

Britannia Treasury Services Limited

Statement of Comprehensive Income for the year ended 31 December 2015

	Notes	2015 £	2014 £
Interest income	2	512,522	376,012
Interest expense	3	(682,740)	-
Net interest income		(170,218)	376,012
Dividend income	4	9,453,552	3,854,000
Other Income	5	5,950,342	-
Total income		15,233,676	4,230,012
Operating expenses		(7,500)	(7,500)
Impairment of investment in Mortgage Agency Services Number One	9	(140,791,000)	-
(Loss)/profit before taxation		(125,564,824)	4,222,512
Taxation credit/(charge)	7	35,912	(79,205)
(Loss)/profit attributable to equity holders		(125,528,912)	4,143,307

There are no recognised gains or losses during the year or the prior year other than those passed through the Statement of comprehensive income.

The accounting policies and notes on pages 11 to 19 form part of these financial statements.

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Britannia Treasury Services Limited

Statement of Financial Position as at 31 December 2015

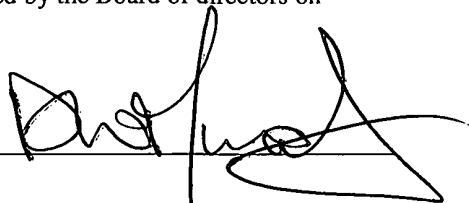
	Notes	2015 £	2014 £
Assets			
Investments in subsidiary undertaking	9	96,659,410	59,500,410
Other receivables	10	94,446,837	55,845,088
Total assets		191,106,247	115,345,498
Liabilities			
Group tax relief payable	8	123,854	159,766
Other payables	11	201,325,573	-
Total liabilities		201,449,427	159,766
Equity			
Called-up share capital	12	5,050,005	5,050,005
Retained earnings		(15,393,185)	110,135,727
Total equity		(10,343,180)	115,185,732
Total equity and liabilities		191,106,247	115,345,498

The accounting policies and notes on pages 11 to 19 form part of these financial statements.

Approved by the Board of directors on

and signed on its behalf by:

Signed:



Director

D MUNDY

01 AUG 2016

Britannia Treasury Services Limited

Statement of Changes in Equity for the year ended 31 December 2015

	Share capital	Retained earnings	Total
	£	£	£
Year ended 31 December 2015			
Balance at the beginning of the year	5,050,005	110,135,727	115,185,732
Loss for the year	-	(125,528,912)	(125,528,912)
Balance at the end of the year	5,050,005	(15,393,185)	(10,343,180)

	Share capital	Retained earnings	Total
	£	£	£
Year ended 31 December 2014			
Balance at the beginning of the year	5,050,005	105,992,420	111,042,425
Profit for the year	-	4,143,307	4,143,307
Balance at the end of the year	5,050,005	110,135,727	115,185,732

The accounting policies and notes on pages 11 to 19 form part of these financial statements.

Britannia Treasury Services Limited

Statement of Cash Flows for the year ended 31 December 2015

	Notes	2015 £	2014 £
Net cash flows from operating activities	13	-	-
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The accounting policies and notes on pages 11 to 19 form part of these financial statements.

Britannia Treasury Services Limited

Statement of accounting policies for the year ended 31 December 2015

Basis of preparation

Britannia Treasury Services Limited is a company incorporated and domiciled in England.

The Company's financial statements have been prepared under the 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.

Going concern

The financial statements of the Company have been prepared on a going concern basis. At 31 December 2015, the Company had a net intercompany funding of £88.6m (2014: receivable £55.8m) from its ultimate parent undertaking, The Co-operative Bank plc (the 'Bank') and fellow subsidiaries. The Basis of preparation note to the Bank's financial statements sets out the risks associated with the successful execution of the Bank's plan. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Bank's ability to continue as a going concern. In the event the Bank does not continue as a going concern, the Bank is likely to seek to accelerate the recovery of the intercompany funding, which would affect the Company's ability to continue as a going concern. Relevant extracts from the Bank's financial statements regarding this matter are described in the paragraphs that follow.

In line with provision C1.3 of the 2014 UK Corporate Governance Code, the Directors consider it appropriate to adopt the Going Concern basis of preparing the financial statements but note that material uncertainties exist and thus have looked to identify and disclose those material uncertainties and any other necessary disclosures to give a true and fair view. The Directors have a reasonable expectation that the Bank will continue to have the necessary resources to continue in business for the foreseeable future, taking into account the matters referred to below.

When considering the Going Concern status of the Bank, the Directors have referenced appendix A of the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014, which explicitly covers the going concern basis of accounting and material uncertainties.

The assessment of the appropriateness of the Going Concern basis of accounting for the Bank's Annual Report and Accounts has been subject to a thorough process involving analysis and discussion by management, Executive and Board Committees and the Board, in line with our governance process and discussions with the Bank regulators. This analysis included a particular focus on the 12 month period following the date of publication of the financial statements.

The Directors have assessed the Going Concern status using a framework focusing on the Bank's capital, liquidity and regulatory position, as outlined in detail within the Bank's 2016-2020 Strategic Plan (the Bank's Updated Plan), which has been approved by the Bank's Board and has been accepted by the Bank's regulators.

The directors of the Company have concluded that risks set out above in connection with the Bank's plan, and the consequential risks associated with the intercompany payable from the Bank, represent a material uncertainty which may cast doubt upon the Company's ability to continue as a going concern. The Company may, therefore, be unable to continue realising its assets and discharging its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the current forecasts of the Bank, and taking into account the material uncertainty described above, the directors have a reasonable expectation that the Company will have adequate resources to continue in business over this period. For these reasons, they continue to adopt the going concern basis in preparing these financial statements. These financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Britannia Treasury Services Limited

Statement of accounting policies for the year ended 31 December 2015 (continued)

Standards and interpretation in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, not yet adopted by the EU.

- **IFRS 9 Financial Instruments (2014)**

This standard was issued in July 2014 and supersedes IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. The standard also supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). The standard is mandatory for years beginning on or after 1 January 2018 but is available for early adoption subject to EU endorsement.

- **IFRS 15 Revenue from Contracts with Customers (2014)**

This standard was issued in May 2014 and is a converged standard from the IASB and FASB on revenue recognition. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. This standard supersedes IAS 18 (Revenue) and a number of revenue interpretations.

The standard will be effective for annual reporting years beginning on or after 1 January 2018 subject to EU endorsement. The impact to the Company of the amendments is likely to be immaterial as income from financial instruments is outside the scope of IFRS 15. However, the Company has not yet finalised its estimation of the financial effects.

- **Amendments to IAS 1 (Presentation of Financial Statements)**

The narrow-focus amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1. The impact to the Company of the amendments is likely to be immaterial.

Other standards and interpretations have been issued but these are not considered to be relevant to the Company's operations.

The Company intends on complying with the standards from the date they become effective.

Britannia Treasury Services Limited

Statement of accounting policies for the year ended 31 December 2015 (continued)

Functional and presentation currencies

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

Interest receivable and similar income

Interest is accrued in the statement of comprehensive income using the effective interest rate method.

Taxation

Tax on the profit for the year comprises current tax and deferred tax.

Current Tax

The expected tax payable on the results for the year is called current tax. It is calculated using the tax rates in force at the end of the reporting period. The current tax charge includes adjustments to tax payable in prior years.

Deferred tax

Deferred tax is provided in full using the liability method where there are temporary differences between the carrying value of assets and liabilities for accounting and for tax purposes.

Deferred tax is calculated using the tax rates that are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are only recognised as an asset where it is probable that there will be future taxable profits against which to offset them. Movements in deferred tax are recognised in the statement of comprehensive income.

Investments

Investments in subsidiaries are stated at cost less provisions for any impairment in value. Impairment is assessed by taking into consideration the financial position of the subsidiaries and any potential that the value of the subsidiary has fallen below the value of the investment held by the Company.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition.

Dividends

Dividends are only recognised in the financial statements by the Company once they have been approved by the shareholders.

Britannia Treasury Services Limited

Notes to the financial statements for the year ended 31 December 2015

1 Auditor's Remuneration

	2015 £	2014 £
Fees for the audit of the Company's financial statements	7,500	7,500

Auditor's remuneration of £7,500 (2014: £7,500) was borne by the company. Audit fees are stated excluding VAT.

2 Interest income

	2015 £	2014 £
Interest receivable from The Co-operative Bank plc	512,522	376,012

3 Interest expense

	2015 £	2014 £
Interest expense	(682,740)	-

Interest expense relates to interest payable on new loan agreements with Bank effective from 1 March 2015.

4 Dividend income

Dividends were received from the following subsidiary undertakings:

	2015 £	2014 £
Western Mortgage Services Limited	9,453,552	3,854,000

Dividends were received from the subsidiary undertaking as disclosed above. Two dividends payments were received during the year as an additional dividend was received due to the sale of Western Mortgage Services Limited on 1 August 2015. See note 5 for further detail.

5 Other income

On 1 August 2015 the Company sold 100% of its share capital in Western Mortgage Services to Capita for initial consideration of £25m. Additional deferred consideration amounting to £5m is payable. After deduction of directly attributable expenses and transaction costs a gain of £29.3m occurred on sale of the Company.

This gain on sale represents the difference between proceeds and fair value to be deferred and recognised on a basis that reflects the performance of services for the bank over the outsourcing agreement Term (10 years.) This has resulted in deferred income of £23.3m being recognised as per note 11. The profit recognised immediately is £5.9m.

Britannia Treasury Services Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

6 Directors' emoluments

The directors received emoluments from The Co-operative Bank for services rendered to all companies with an ultimate parent entity of the Bank. However, these are not apportioned to the individual companies.

At 31 December 2015 four directors had benefits accruing under The Co-operative Group pension scheme (2014: two). Particulars of the latest actuarial valuation of The Co-operative Group pension scheme are disclosed in the accounts of the Bank.

The Company had no employees during the current or prior year.

7 Taxation

	2015 £	2014 £
UK tax at 20.25% (2014: 21.49%)		
Corporation tax		
Current year	(35,912)	79,205
Total corporation tax	(35,912)	79,205

Factors affecting tax charge for the year

	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	(125,564,824)	4,222,512
(Loss)/profit before tax multiplied by standard rate of tax	(25,422,577)	907,551
Effects of:		
Non-taxable income	(3,118,692)	(828,346)
Non-deductible expenditure	28,505,357	-
	(35,912)	79,205

During the year, effective from 1 April 2015, the standard rate of corporation tax in the UK changed from 21% to 20%. Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 18 November 2015. On 16 March 2016, the Chancellor of the Exchequer announced a further reduction of the corporation tax rate to 17% effective from 1 April 2020; this change has not yet been substantively enacted.

8 Group tax relief payable

	2015 £	2014 £
Group tax relief payable	123,854	159,766

The above group tax relief receivable may be settled more than 12 months after the end of the reporting period. It represents amounts due to the Group companies, which will be settled through the intercompany account with the Bank, once the Group tax position has been finalised.

Britannia Treasury Services Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

9 Investments in subsidiary undertakings

	2015 £	2014 £
Balance at the beginning of the year	59,500,410	59,500,410
Investment in Mortgage Agency Services Number One Limited	178,000,000	-
Impairment of investment in Mortgage Agency Services Number One Limited	(140,791,000)	-
Disposal of investment in Western Mortgage Services Limited	(50,000)	-
Balance at the end of the year	96,659,410	59,500,410

During the year the company acquired £178m shares at £35.60 each in Mortgage Agency Service Number One Limited (MAS 1). As MAS1 had net liabilities in March 2015 of £138m, the parent company (BTS) injected £178m additional capital into MAS1, thereby returning the Company to a net asset position. The capital injection in MAS1 was necessary to ensure that the Company met the capital requirements (MIPRU) imposed by its regulator the Prudential Regulation Authority (PRA). As Britannia Treasury Services' investment in this Company is less than the total carrying value of the net assets in Mortgage Agency Services Number One Limited, the investment is deemed to be impaired. An impairment of £141m has been recognised.

The investment in Western Mortgage Services was de-recognised on sale of this subsidiary at 1 August 2015. For further detail see note 5.

The Company holds 100% of the issued share capital of the following companies registered in England, operating in the UK and trading in the businesses indicated:

Subsidiary undertakings	Principal activity
Direct subsidiaries	
Mortgage Agency Services Number One Limited	Mortgage and commercial lending
Mortgage Agency Services Number Two Limited	Mortgage lending
Mortgage Agency Services Number Three Limited	Mortgage lending
Mortgage Agency Services Number Four Limited	Mortgage lending
Mortgage Agency Services Number Five Limited	Mortgage lending
Mortgage Agency Services Number Six Limited	Mortgage lending
Mortgage Agency Services Number Seven Limited	Mortgage lending
Platform Group Holdings Limited	Holding company

Platform Group Holdings Limited has the following wholly owned subsidiary undertakings, registered in England, operating in the UK and trading in the businesses indicated:

Subsidiary undertakings	Principal activity
Direct subsidiaries	
Platform Consumer Services Limited	Holding Company
Indirect subsidiaries	
Platform Funding Limited	Mortgage origination
Platform Home Loans Limited	Mortgage origination and servicing
PCSL Services No. 1 Limited	Dormant

Impairment reviews are carried out annually on the investments in subsidiary undertakings and any reduction in value resulting from such a review is recognised in the statement of comprehensive income.

Britannia Treasury Services Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

10 Other receivables

	2015 £	2014 £
Amounts owed by The Co-operative Bank plc	89,446,837	55,845,088
Deferred consideration receivable	5,000,000	-
	94,446,837	55,845,088

The above balances owed by the Bank are expected to be settled more than 12 months after the end of the reporting period. There is no formal repayment schedule for the rest of the monies, which are repayable on demand the carrying value is therefore deemed equal to the fair value.

The effective interest rate on the above amounts owed by the Bank is 1 month LIBOR plus 21 basis points.

Impairment reviews are carried out annually on the amounts owed by group undertakings designated as other receivables and any reduction in value resulting from such a review is recognised in the statement of comprehensive income.

Deferred consideration receivable has arisen on the sale of WMS and is due to be paid on 1 August 2016 by Capita Business Services Limited.

11 Other payables

	2015 £	2014 £
Amounts owed to The Co-operative Bank plc	178,000,000	-
Deferred income	23,325,573	-
	201,325,573	-

Amounts payable to The Co-operative Bank plc is in relation to the £178m capital contribution to Mortgage Agency Services Number One Limited during the year. The above balance may be settled more than 12 months after the end of the reporting period. It represents amounts due to the Group companies, which will be settled through the intercompany account with the Bank.

Deferred income has arisen on the sale of WMS as described in Note 5.

12 Share capital

	2015 £	2014 £
Issued and fully paid		
5,050,005 ordinary shares of £1 each	5,050,005	5,050,005

The Company's funding consists of share capital and intercompany funding provided by the Bank. Capital is managed on the whole by the Bank, which is subject to the capital requirements imposed by its regulator the Prudential Regulation Authority (PRA).

Britannia Treasury Services Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

13 Reconciliation of operating profit to net cash flows from operating activities

	2015 £	2014 £
(Loss)/profit before taxation	(125,564,824)	4,222,512
Adjustment for non-cash flow items:		
Cash flows from operating activities:		
Increase in other receivables	(38,601,748)	(4,222,404)
Increase in other payables	201,289,660	-
Taxation deferred/(paid)	35,912	(108)
Cash flows from investing activities:		
Investment in subsidiary undertaking	(37,159,000)	-
Net cash flows from operating and investing activities	-	-

14 Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking and controlling entity is The Co-operative Bank plc.

The Company has elected to prepare separate financial statements instead of consolidated financial statements, as it meets the four conditions present permitted by the exemption available per IFRS 10, paragraph 4(a). Details of the ultimate parent company which prepares consolidated financial statements is detailed in the paragraph below.

As at 31 December 2015, the directors regard The Co-operative Bank plc as the ultimate parent company. The largest group in which the results of the Company are consolidated is The Co-operative Bank plc, which is incorporated in England. The financial statements of this group are available from <http://www.co-operativebank.co.uk/investorrelations/financialresults> and from its registered office at PO Box 101, 1 Balloon Street, Manchester, M60 4EP.

Britannia Treasury Services Limited

Notes to the financial statements for the year ended 31 December 2015 (continued)

15 Related party transactions

The directors of the Company consider The Co-operative Bank plc and its subsidiaries to be related parties of the Company. Transactions with The Co-operative Bank plc and its subsidiaries are disclosed below:

	Net interest (paid)/ received income and similar charges £	Dividend income £	Audit fee paid by The Co-operative Bank plc and recharged to the Company £	Group tax relief due from the Company £	*Net balance due (from)/to the Company £
Year ended 31 December 2015					
The Co-operative Bank plc	(170,218)	-	(7,500)	(123,854)	(88,553,162)
Western Mortgage Services Limited	-	9,453,552	-	-	-
Year ended 31 December 2014					
The Co-operative Bank plc	376,012	-	(7,500)	(159,766)	55,845,088
Western Mortgage Services Limited	-	3,854,000	-	-	-

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

*Gross balances have been reported in the respective notes to the financial statements.

16 Post balance sheet events

Liquidation of Mortgage Agency Services Number Three & Mortgage Agency Services Number Seven Limited occurred on 6 July 2016. Britannia Treasury Services therefore ceases to have relationships with these companies from this date.