

Mortgage Agency Services Number Five Limited
Directors' report and financial statements
for the year ended 31 December 2003

Registered Number 4420522



Mortgage Agency Services Number Five Limited

Directors' report and financial statements

for the year ended 31 December 2003

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Mortgage Agency Services Number Five Limited

Directors and advisors for the year ended 31 December 2003

Directors

R S Green

G A Gregory

P A Lee

P A Mills

PCSL Services No. 1 Ltd

S Williams

Secretary

R S Green

Auditors

PricewaterhouseCoopers LLP

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

Registered Office

Britannia House

Cheadle Road

Leek

Staffordshire

ST13 5RG

Registered Number

4420522

Mortgage Agency Services Number Five Limited

Directors' report for the year ended 31 December 2003

The directors present their report and the audited financial statements of the company for the year ended 31 December 2003.

Principal activities

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

Review of business and future developments

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

Results and dividends

The profit for the year after tax amounted to £46,192 (30 September 2002 to 31 December 2002: loss £1,598,317). No dividend is proposed (30 September 2002 to 31 December 2002: £nil).

Directors and their interests

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

R S Green
G A Gregory
P A Lee – appointed 30 October 2003
P A Mills
PCSL Services No. 1 Ltd
S Williams

No director had any 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 year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

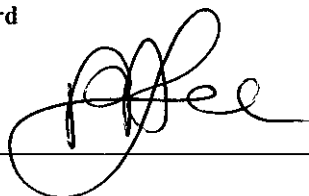
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

By order of the Board



P A Lee
Director
30 January 2004

Mortgage Agency Services Number Five Limited

Independent auditors' report to the members of Mortgage Agency Services Number Five Limited

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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

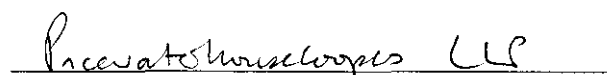
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
30 January 2004

Mortgage Agency Services Number Five Limited

Profit and loss account for the year ended 31 December 2003

		2003	30 September 2002 to 31 December 2002
	Notes	£	£
Interest receivable and similar income	2	4,118,069	1,244,848
Interest payable and similar charges	3	(2,244,919)	(686,125)
Gross profit		1,873,150	558,723
Administration expenses:			
Amortisation of premium on acquisition	8	(1,404,000)	(351,000)
Provision for bad and doubtful debts		(188,000)	(1,619,634)
Other		(215,162)	(62,241)
Total administration expenses		(1,807,162)	(2,032,875)
Profit/(loss) on ordinary activities before taxation	1	65,988	(1,474,152)
Tax on profit an ordinary activities	5	(19,796)	(124,165)
Profit/(loss) for the year transferred to/(from) reserves	13	46,192	(1,598,317)

There were no recognised gains or losses or movements in equity shareholders' funds other than the result for the year. The results for the year were derived from continuing operations.

The accounting policies and notes on pages 6 to 10 form part of these financial statements.

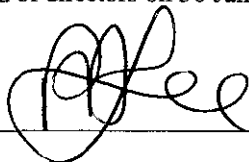
Mortgage Agency Services Number Five Limited

Balance sheet as at 31 December 2003

	Notes	2003 £	2002 £
Current assets			
Debtors:			
Recoverable in less than one year	6	1,244,637	3,394,000
Recoverable in more than one year	7	46,018,010	61,550,009
Premium on acquisition	8	2,252,314	3,656,314
Cash at bank and in hand		48,077	30,060
		49,563,038	68,630,383
Creditors: Amounts falling due within one year	9	(328,441)	(66,740)
Net current assets		49,234,597	68,563,643
Creditors: Amounts falling due after more than one year	10	(50,286,722)	(69,661,960)
Net liabilities		(1,052,125)	(1,098,317)
Capital and reserves			
Called up equity share capital	11	500,000	500,000
Profit and loss account		(1,552,125)	(1,598,317)
Equity shareholders' funds	13	(1,052,125)	(1,098,317)

The accounting policies and notes on pages 6 to 10 form part of these financial statements.

Approved by the board of directors on 30 January 2004 and signed on its behalf by:



P A Lee
Director

Mortgage Agency Services Number Five Limited

Statement of accounting policies

Basis of accounting

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

The financial statements have been prepared on a going concern basis as the shareholder has confirmed that it currently intends to provide financial support for the foreseeable future to enable the company to meet its liabilities as they fall due.

Interest receivable and payable

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

Commissions

Commission earnings are recognised in the profit and loss account in the month in which they are received. Related commission expenses are recognised on a consistent basis. No provision is made for potential clawbacks of commission arising on cancellation of insurance policies.

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 on a non-discounted basis, on all timing differences between the recognition of gains and losses in the accounts and their recognition in a tax computation

Cash flow statement

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

Provisions for advances and loans

Specific provisions are considered for potential losses on individual residential loans and advances which are either in possession or are three months or more in arrears. Specific provisions for commercial loans and advances are considered when the loan is first impaired. Provision has been made for unpaid interest up to the balance sheet date.

General provisions are considered for potential losses which, although not yet specifically identified, are known from experience to exist, and are based on the directors' assessment of the recent experience of loan losses, anticipated trends for loan losses and other relevant factors.

Interest on loans and advances that is considered to be irrecoverable is written off to the profit and loss account. Allowance is made for expected recoveries under indemnity insurance arrangements.

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 over the expected life of the asset.

Mortgage Agency Services Number Five Limited

Notes to the financial statements for the year ended 31 December 2003

1. Profit/(loss) on ordinary activities before taxation

	2003	30 September 2002 to 31 December 2002
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Auditors' remuneration in respect of audit services	6,800	2,000

2. Interest receivable and similar income

	2003	30 September 2002 to 31 December 2002
	£	£
Interest receivable	3,930,616	1,194,412
Commission receivable	187,453	50,436
	4,118,069	1,244,848

3. Interest payable and similar charges

	2003	30 September 2002 to 31 December 2002
	£	£
Interest and similar charges payable to Group undertakings	2,244,919	686,125

4. Directors' emoluments and employees

The company had no employees during the year (2002: nil).

The directors received no emoluments in respect of their services during the year (2002: £nil).

Four directors have benefits accruing under the Britannia Building Society Pension scheme, and the details are disclosed in the accounts of the society (2002: three).

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5. Taxation

	30 September 2002 to 31 December 2002	
	2003	2002
	£	£
Corporation tax at 30.0% (2002: 30.0%)	264,958	-
Adjustments in respect of prior years	(24,959)	-
Deferred tax	(220,203)	124,165
	19,796	124,165

Factors affecting tax charge for the year

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

	30 September 2002 to 31 December 2002	
	2003	2002
	£	£
Profit/(loss) on ordinary activities before tax	65,988	(1,474,152)
Profit/(loss) before tax multiplied by standard rate of tax	19,796	(442,246)
Effects of:		
Movement in short term timing differences	245,162	442,246
Adjustment to tax charge in respect of prior years	(24,959)	-
Corporation tax charge for the year	239,999	-

6. Debtors: amounts recoverable in less than one year

	2003	2002
	£	£
Mortgage advances secured on residential property held in the U.K.	1,123,640	3,314,000
Group relief receivable	24,959	-
Deferred tax	96,038	-
Other debtors	-	80,000
	1,244,637	3,394,000

7. Debtors: amounts recoverable in more than one year

	2003	2002
	£	£
Mortgage advances secured on residential property held in the U.K.	46,018,010	61,550,009

Mortgage Agency Services Number Five Limited

8. Premium on acquisition

	2003 £	2002 £
At 1 January	3,656,314	-
Arising on acquisition	-	3,932,199
Added during the year	-	75,115
Amortised during the year	(1,404,000)	(351,000)
At 31 December	2,252,314	3,656,314

9. Creditors: amounts falling due within one year

	2003 £	2002 £
Other creditors	328,441	66,740

10. Creditors: amounts falling due after more than one year

	2003 £	2002 £
Amounts owed to Group undertakings	50,286,722	69,537,795
Deferred tax	-	124,165
	50,286,722	69,661,960

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

Deferred tax provided in the financial statements comprises:

	2003 £	2002 £
Short term timing differences	-	149,124
Tax losses carries forward	-	(24,959)
	-	124,165

11. Called up equity share capital

	2003 £	2002 £
Authorised		
500,000 ordinary shares of £1 each	500,000	500,000
Allotted and fully paid		
500,000 ordinary share of £1 each	500,000	500,000

Mortgage Agency Services Number Five Limited

12. Acquisition of mortgage portfolio

The company acquired for cash a residential mortgage portfolio on 30 September 2002, from Mortgage Agency Services Number One Limited, a wholly owned subsidiary of Britannia Treasury Services Limited.

	2002 £
Book and fair value of mortgages acquired	69,464,129
Premium	3,932,199
	<u>73,396,328</u>
Satisfied by:	
Cash	73,396,328
	<u>73,396,328</u>

13. Reconciliation of movement in shareholders' funds

	2003 £	2002 £
Equity shareholders' funds at 1 January	(1,098,317)	-
Profit/(loss) for the year	46,192	(1,598,317)
Issue of share capital	-	500,000
Equity shareholders' funds at 31 December	<u>(1,052,125)</u>	<u>(1,098,317)</u>

14. Ultimate parent undertaking

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

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

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

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

15. Related party disclosures

Transactions with other companies within the Group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard 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.