

Mortgage Agency Services Number Five Limited
Directors' report and financial statements
for the year ended 31 December 2004

Registered Number 4420522



Mortgage Agency Services Number Five Limited
Directors' report and financial statements
for the year ended 31 December 2004

Contents

Directors and advisors	1
Directors' report for the year ended 31 December 2004	2
Independent auditors' report to the members of Mortgage Agency Services Number Five Limited	3
Profit and loss account for the year ended 31 December 2004	4
Balance sheet as at 31 December 2004	5
Statement of accounting policies	6
Notes to the financial statements for the year ended 31 December 2004	8

Mortgage Agency Services Number Five Limited

Directors and advisors

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 2004

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

Principal activities

The principal activity of the company is the investment in mortgage loans secured by first charges over residential properties within the United Kingdom.

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 £908,378 (2003: £46,192). No dividend for the year is proposed (2003: £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
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 Britannia Building Society 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.

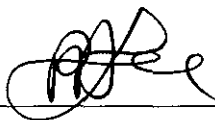
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have 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
28 February 2005

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 2004 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
28 February 2005

Mortgage Agency Services Number Five Limited

Profit and loss account for the year ended 31 December 2004

	Notes	2004 £	2003 £
Interest receivable and similar income	2	3,223,696	4,118,069
Interest payable and similar charges	3	(1,922,188)	(2,244,919)
Gross profit		1,301,508	1,873,150
Administration expenses:			
Amortisation of premium on acquisition	8	(1,000,000)	(1,404,000)
Provision for bad and doubtful debts		349,000	(188,000)
Other		(162,128)	(215,162)
Total administration expenses		(813,128)	(1,807,162)
Profit on ordinary activities before taxation	1	488,380	65,988
Tax on profit an ordinary activities	5	419,998	(19,796)
Profit on ordinary activities after taxation		908,378	46,192

Other than the above results, there were no recognised gains or losses or movements in equity shareholder's funds. The above results were derived from continuing operations.

The accounting policies and notes on pages 6 to 11 form part of these financial statements.

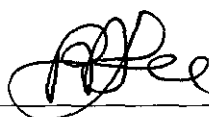
Mortgage Agency Services Number Five Limited

Balance sheet as at 31 December 2004

	Notes	2004 £	2003 £
Current assets			
Debtors:			
Recoverable in less than one year	6	2,187,222	1,244,637
Recoverable in more than one year	7	33,176,245	46,018,010
Premium on acquisition	8	1,252,314	2,252,314
Cash at bank and in hand		52,413	48,077
		36,668,194	49,563,038
Creditors: Amounts falling due within one year	9	(80,483)	(328,441)
Net current assets		36,587,711	49,234,597
Creditors: Amounts falling due after more than one year	10	(36,731,458)	(50,286,722)
Net liabilities		(143,747)	(1,052,125)
Capital and reserves			
Called up equity share capital	11	500,000	500,000
Profit and loss account		(643,747)	(1,552,125)
Equity shareholder's deficit	12	(143,747)	(1,052,125)

The accounting policies and notes on pages 6 to 11 form part of these financial statements.

Approved by the board of directors on 28 February 2005 and signed on its behalf by:



P A Lee
Director

Mortgage Agency Services Number Five Limited

Statement of accounting policies

Basis of preparation

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.

In accordance with paragraph 3 (3) of Schedule 4 of the Companies Act 1985, the directors have adapted the arrangement of certain headings in the profit and loss account to reflect more accurately the nature of the company's activities. In particular turnover is represented by interest receivable and interest payable has been treated as a deduction on gross profit.

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.

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

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.

Allowance is made for loss insurance cover where appropriate. Provision is made for amounts not considered to be recoverable and written off when there is no realistic prospect of recovery.

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.

Mortgage Agency Services Number Five Limited

Statement of accounting policies (continued)

Provisions for advances and loans (continued)

The charge to the profit and loss account represents new or additional provisions made less any reduction in provisions or recoveries of amounts previously provided. Interest, which is considered irrecoverable, where the property has been taken into possession or the normal lending relationship has ceased, is suspended. Interest up to that time is credited to income and provision made as appropriate.

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 2004

1. Profit on ordinary activities before taxation

	2004 £	2003 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration in respect of audit services	3,000	6,800

2. Interest receivable and similar income

	2004 £	2003 £
Interest receivable	3,081,068	3,930,616
Commission receivable	142,628	187,453
	3,223,696	4,118,069

3. Interest payable and similar charges

	2004 £	2003 £
Interest and similar charges payable to Group undertakings	1,922,188	2,244,919

4. Directors' emoluments and employees

The directors received no emoluments in respect of their services during the year (2003: £nil).

Four directors have benefits accruing under the Britannia Building Society Pension scheme (2003: four). Particulars of the latest actuarial valuation of the group pension scheme are disclosed in the accounts of Britannia Building Society.

The company had no employees during the year (2003: nil).

5. Taxation

	2004 £	2003 £
UK corporation tax at 30.0% (2003: 30.0%) on profit for the year	(4,240)	264,958
Adjustments in respect of prior years	(248,160)	(24,959)
Deferred tax	(167,598)	(220,203)
	(419,998)	19,796

Factors affecting tax charge for the year

The corporation tax assessed for the year is lower (2003: higher) than the standard rate of corporation tax in the U.K. (30%). The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before taxation	488,380	65,988
Profit before tax multiplied by standard rate of tax	146,514	19,796
Effects of:		
Movement in short term timing differences	(150,754)	245,162
Adjustment to tax charge in respect of prior years	(248,160)	(24,959)
	(252,400)	239,999

6. Debtors: amounts recoverable in less than one year

	2004 £	2003 £
Mortgage advances secured on residential property held in the U.K.	1,884,898	1,123,640
Amounts owed by Group undertakings	9,489	-
Group relief receivable	29,199	24,959
Deferred tax	263,636	96,038
	2,187,222	1,244,637

The amounts provided for deferred tax which represents a full potential deferred tax asset comprise:

	2004 £	2003 £
Short term timing differences	263,636	96,038

	2004 £	2003 £
Deferred tax asset/(liability) at 1 January	96,038	(124,165)
Deferred tax provided in year	167,598	220,203
Deferred tax asset at 31 December	263,636	96,038

Mortgage Agency Services Number Five Limited

7. Debtors: amounts recoverable in more than one year

	2004 £	2003 £
Mortgage advances secured on residential property held in the U.K.	33,176,245	46,018,010

8. Premium on acquisition

	2004 £	2003 £
At 1 January	2,252,314	3,656,314
Amortised during the year	(1,000,000)	(1,404,000)
At 31 December	1,252,314	2,252,314

It is anticipated that £800,000 will be amortised within the next year. The premium is amortised over the effective life of the mortgages. The actual experience of mortgage repayments may differ from forecast and thus the split of premiums given above will also differ.

9. Creditors: amounts falling due within one year

	2004 £	2003 £
Other creditors	80,483	328,441

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

	2004 £	2003 £
Amounts owed to Group undertakings	36,731,458	50,286,722

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.

11. Called up equity share capital

	2004 £	2003 £
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

12. Reconciliation of movement in equity shareholders' deficit

	2004 £	2003 £
Profit for the year	908,378	46,192
Equity shareholder's deficit at 1 January	(1,052,125)	(1,098,317)
Equity shareholder's deficit at 31 December	(143,747)	(1,052,125)

13. 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.

14. 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.