

Meerbrook Finance Number Two Limited
Directors' report and financial statements
for the year ended 31 December 2004

Registered Number 4683419



Meerbrook Finance Number Two Limited
Directors' report and financial statements
for the year ended 31 December 2004

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Meerbrook Finance Number Two Limited

Directors and advisors

Directors

A W Gower

PCSL Services No. 1 Limited

Capita Trust Company Limited

Secretary

Clifford Chance Secretaries CCA Limited

Auditors

PricewaterhouseCoopers LLP

101 Barbirolli Square

Lower Mosley Street

Manchester

M2 3PW

Registered Office

10 Upper Bank Street

London

E14 5JJ

Registered Number

4683419

Meerbrook Finance Number Two 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 will be that of holding a residential mortgage portfolio when trading commences.

Review of business and future developments

The directors plan to purchase mortgage books during 2005.

Results and dividends

The loss for the year after tax amounted to £6,657 (2003: £nil). No dividend for the year is proposed (2003: £nil).

Directors and their interests

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

B D Needham – (resigned 21 July 2004)

Capita Trust Company Limited (appointed 31 August 2004)

P M Hills (deceased 12 December 2004)

A W Gower (appointed 22 December 2004)

PCSL Services No. 1 Limited

Capita IRG trustees Limited holds 100% of the issued share capital of Meerbrook Finance Holdings Number Two Limited, subject to the terms of a declaration of trust for general charitable purposes.

No other 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 for PCSL Services No. 1 Limited

Director

28 February 2005

Independent auditors' report to the members of Meerbrook Finance Number Two 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.

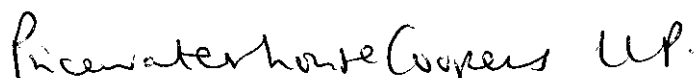
Basis of audit opinion

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 loss 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
28 February 2005

Meerbrook Finance Number Two Limited

Profit and loss account for the year ended 31 December 2004

	Notes	2004 £	2003 £
Administration expenses:			
Other		(8,219)	-
Total administration expenses		(8,219)	-
Loss on ordinary activities before taxation		(8,219)	-
Tax on loss on ordinary activities	2	1,562	-
Loss for the year transferred to reserves	7	(6,657)	-

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

The accounting policies and notes on pages 6 to 9 form part of these financial statements.

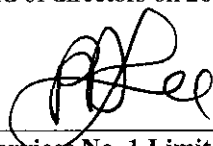
Meerbrook Finance Number Two Limited

Balance sheet as at 31 December 2004

	Notes	2004 £	2003 £
Current assets			
Debtors:			
Recoverable in less than one year	3	1	1
Recoverable in more than one year	4	1,562	-
		1,563	1
Creditors: Amounts falling due within one year	5	(8,219)	-
Net current (liabilities)/assets		(6,656)	1
Net (liabilities)/assets		(6,656)	1
Capital and reserves			
Called up equity share capital	6	1	1
Profit and loss account		(6,657)	-
Equity shareholder's funds	7	(6,656)	1

The accounting policies and notes on pages 6 to 9 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 for PCSL Services No. 1 Limited
Director

Meerbrook Finance Number Two Limited

Statement of accounting policies

Basis of preparation

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

Taxation

Corporation tax, and any group relief arising, is provided at current rates on the taxable loss 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 statements) (Revised 1996) as it is a wholly owned subsidiary of Meerbrook Finance Holdings Number One Limited, the company's immediate parent undertaking. Meerbrook Finance Holdings Number One Limited presents a cash flow statement in its financial statements.

Meerbrook Finance Number Two Limited

Notes to the financial statements for the year ended 31 December 2004

1. Directors and employees

	2004	2003
	£	£
Total emoluments	4,700	-

There are no directors (2003: nil) to whom benefits are accruing under the Britannia Building Society Pension schemes.

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

2. Taxation

	2004	2003
	£	£
U.K. corporation tax at 19% (2003: 19%)		
Deferred tax	(1,562)	-

Factors affecting tax charge for the year

The corporation tax assessed for the year is lower than the standard rate of corporation tax in the U.K. (19%). The differences are explained below:

	2004	2003
	£	£
Loss on ordinary activities before taxation	(8,219)	-
Loss before tax multiplied by standard rate of tax	(1,562)	-
Effects of:		
Movements in short term timing differences	1,562	-
	-	-

3. Debtors: amounts recoverable in less than one year

	2004	2003
	£	£
Amounts owed by Meerbrook Finance Holdings Number Two Limited	1	1

Meerbrook Finance Number Two Limited

4. Debtors: amounts recoverable in more than one year

	2004	2003
	£	£
Deferred tax	1,562	-

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

	2004	2003
	£	£
Short term timing differences	1,562	-

	2004	2003
	£	£
Deferred tax asset at 1 January	-	-
Deferred tax provided in year	1,562	-
Deferred tax asset at 31 December	1,562	-

5. Creditors: amounts falling due within one year

	2004	2003
	£	£
Amounts owed to Britannia Building Society	8,219	-

6. Called up equity share capital

	2004	2003
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, issued and fully paid		
1 ordinary shares of £1 each	1	1

7. Reconciliation of movement in equity shareholder's funds

	2004	2003
	£	£
Loss for the year	(6,657)	-
Equity shareholder's funds at start of year	1	1
Equity shareholder's funds at end of year	(6,656)	1

Meerbrook Finance Number Two Limited

8. Ultimate parent undertaking

The company's immediate parent undertaking is Meerbrook Finance Holdings Number Two Limited which is the parent undertaking of the group for which group financial statements are prepared.

The company's ultimate parent undertaking is Capita IRG trustees Limited which holds 100% of the issued share capital of Meerbrook Finance Holdings Number Two Limited subject to the terms of a declaration of trust for general charitable purposes.

Copies of the financial statements of Meerbrook Finance Holdings Number Two Limited may be obtained from 10 Upper Bank Street, London, E14 5JJ.

9. Related party disclosures

Britannia Building Society views the company as being a quasi-subsiary of Britannia Building Society. Consequently the directors of the company consider Britannia Building Society and its subsidiaries (including other quasi-subsiaries) to be related parties of the company. Transactions with Britannia Building Society, its subsidiaries and quasi-subsiaries are disclosed in the financial statements as follows:

Amounts owed to Britannia Building Society at 31 December 2004 are shown in notes 5.

Transactions with Meerbrook Finance Holdings Number Two 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 financial statements of Meerbrook Finance Holdings Number Two Limited in which the company has been included are available from the address shown in note 8.