

**Mortgage Agency Services Number Seven Limited**  
**Directors' report and financial statements**  
**for the year ended 31 December 2009**

Registered Number 4962880



# **Mortgage Agency Services Number Seven Limited**

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# **Mortgage Agency Services Number Seven Limited**

## **Directors and advisors**

### **Directors**

R Altham  
W Newby  
J Reizenstein  
J Rowan  
D Tweedy

### **Secretary**

P Wade

### **Independent auditors**

KPMG Audit plc  
St James Square  
Manchester  
M2 6DS

### **Registered Office**

New Century House  
Corporation Street  
Manchester  
M60 4ES

### **Registered Number**

4962880

# **Mortgage Agency Services Number Seven Limited**

## **Directors' report for the year ended 31 December 2009**

The directors present their report and the audited financial statements of the Company (Registered Company No 4962880) for the year ended 31 December 2009

### **Principal activities**

The Company was incorporated in England and Wales and does not trade. Income relates to interest received on outstanding debts.

### **Review of business and future developments**

Mortgage Agency Services Number Seven Limited is now a subsidiary of The Co-operative Bank plc following the merger between The Co-operative Bank plc and Britannia Building Society. The merger became effective on 1 August 2009.

As the Company has not traded with external parties there is no activity to report on. There is no expectation to use the Company for external trading in the immediate future. The directors are satisfied with the results of the Company and the intercompany interest received.

### **Key performance indicators (KPIs)**

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### **Principal risks and uncertainties**

The only business risk and uncertainty affecting the Company is considered to relate to the credit risk on the intercompany debts. However, this is considered an insignificant risk to the Company.

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. All financial information given in this directors' report is taken solely from the statutory results prepared on the above basis.

### **Results and dividends**

The loss for the year after tax amounted to £387 (2008 profit £5,439). The net assets of the Company at 31 December 2009 are £261,975 (2008 £262,362). The directors do not propose a dividend for the year (2008 nil).

### **Directors and their interests**

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

R Altham (appointed 9 December 2009)  
J Katovsky (resigned 19 March 2010)  
P A Lee (resigned 27 October 2009)  
M Lewis (resigned 27 October 2009)  
D J McCarthy (resigned 27 October 2009)  
W Newby (appointed 27 October 2009)  
PCSL Services No 1 Limited (resigned 27 October 2009)  
J Reizenstein (appointed 27 October 2009)  
J Rowan (appointed 19 November 2009)  
D Tweedy  
S Williams (resigned 27 October 2009)

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.

# **Mortgage Agency Services Number Seven Limited**

## **Directors' report for the year ended 31 December 2009 (continued)**

### **Going concern**

After preparing and reviewing forecasts and projections, stressed to take into account of reasonable possible changes in assumptions, the directors are satisfied that the Company will have adequate resources to continue in business for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements

### **Statement of directors' responsibilities**

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 are 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statement 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. 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


### **Disclosure of information to auditors**

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 auditors are 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 auditors are aware of that information


### **Independent auditors**

During the year PricewaterhouseCoopers LLP resigned as auditors to the company, and the directors appointed KPMG Audit Plc to fill the vacancy arising. KPMG Audit Plc have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting

On behalf of the Board

Signed   
**J Rowan**  
Director

Date 6 May 2010

Signed   
**R Altham**  
Director

Date 6 May 2010

# **Mortgage Agency Services Number Seven Limited**

## **Independent auditors' report to the members of Mortgage Agency Services Number Seven Limited**

We have audited the financial statements of Mortgage Agency Services Number Seven Limited for the year ended 31 December 2009 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the 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 auditors' 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 auditors**

As explained more fully in the Statement of directors' responsibilities 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 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2009 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 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.

Signed 

Andrew Walker (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor

Date 6 May 2010

### **Chartered Accountants**

KPMG Audit Plc  
St James Square  
Manchester  
M2 6DS

# **Mortgage Agency Services Number Seven Limited**

## **Statement of comprehensive income for the year ended 31 December 2009**

	Notes	2009 £	2008 £
Interest and similar income	2	2,981	15,310
<b>Net interest income</b>		<b>2,981</b>	<b>15,310</b>
Other operating expenses	4	(3,518)	(6,275)
<b>(Loss)/profit before tax</b>		<b>(537)</b>	<b>9,035</b>
Taxation	5	150	(3,596)
<b>(Loss)/profit attributable to equity holders</b>	9	<b>(387)</b>	<b>5,439</b>

(Loss)/profit is derived from continuing operations and all activities are in the UK

The accounting policies and notes on pages 8 to 13 form part of these financial statements

# Mortgage Agency Services Number Seven Limited

## Balance sheet as at 31 December 2009

	Notes	2009 £	2008 £
<b>Assets</b>			
Amounts owed by group undertakings	6	263,471	266,574
Current tax assets		150	-
<b>Total assets</b>		<b>263,621</b>	<b>266,574</b>
<b>Liabilities</b>			
Other payables	7	1,646	1,638
Current tax liabilities	5	-	2,574
<b>Total liabilities</b>		<b>1,646</b>	<b>4,212</b>
<b>Equity</b>			
Called-up share capital	8	250,000	250,000
Retained earnings	9	11,975	12,362
<b>Total equity and liabilities</b>		<b>263,621</b>	<b>266,574</b>

The accounting policies and notes on pages 8 to 13 form part of these financial statements

Approved by the Board of directors on 6 May 2010 and signed on its behalf by

Signed  
J Rowan  
Director



Signed  
R Altham  
Director





**Mortgage Agency Services Number Seven Limited**  
**Statement of changes in equity for the year ended 31 December 2009**

	Share Capital	Retained Earnings	Total
	£	£	£
<b>Year ended 31 December 2009</b>			
At 1 January	250,000	12,362	262,362
Loss for the year	-	(387)	(387)
<b>At 31 December</b>	<b>250,000</b>	<b>11,975</b>	<b>261,975</b>

	Share Capital	Retained Earnings	Total
	£	£	£
<b>Year ended 31 December 2008</b>			
At 1 January	250,000	14,924	264,924
Profit for the year	-	5,439	5,439
Dividends paid	-	(8,001)	(8,001)
<b>At 31 December</b>	<b>250,000</b>	<b>12,362</b>	<b>262,362</b>

# **Mortgage Agency Services Number Seven Limited**

## **Statement of accounting policies**

### **for the year ended 31 December 2009**

#### **Basis of preparation**

Mortgage Agency Services Number Seven Limited is a company incorporated and domiciled in England and Wales

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

Disclosed below are new IFRS and interpretations which became effective, have been adopted and are relevant to the Company

#### *IAS 1 – Presentation of Financial Statements*

This standard sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. This standard has impacted the presentation of the financial performance of the Company, in line with other financial institutions. However, it has not changed the recognition, measurement or disclosure of specific transactions and other events required by other IFRS

#### *IAS 23 – Borrowing Costs*

This standard relates to interest costs on assets that take a substantial time to get ready for intended use or sale. The option to recognise all borrowing costs immediately as an expense are eliminated and such costs must be capitalised. All other borrowing costs should be expensed as incurred.

#### *IFRS 7 – Financial Instruments Disclosures*

The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate

- the significance of financial instruments for the entity's financial position and performance, and
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. The qualitative disclosures describing management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.

Disclosed below are the new IFRS, interpretations and amendments which as at 31 December 2009 had been issued, but were not yet effective. The Company has chosen not to early adopt the standards, as they were not considered to be relevant to the Company's operations.

#### *IAS 27 – Consolidated and Separate Financial Statements*

#### *IFRS 3 – Business Combinations*

There are no significant uncertainties or key estimates applied in the basis of preparing these financial statements.

# **Mortgage Agency Services Number Seven Limited**

## **Statement of accounting policies**

### **for the year ended 31 December 2009 (continued)**

#### **Foreign currency translation**

##### ***Functional and presentation currencies***

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

#### **Interest income**

This comprises interest income for financial assets at amortised cost through the statement of comprehensive income, calculated using the effective interest rate method. This includes accrued interest income on financial assets written down as a result of impairment.

##### ***Effective interest rate***

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all amounts receivable or payable by the Company that are an integral part of the overall return.

When a financial asset has been written down as a result of impairment or loss, subsequent interest income continues to be recognised using the original effective interest rate applied to the reduced carrying value of the financial instrument.

##### ***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.

#### **Tax**

Tax on the results 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.

#### **Dividends**

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

#### **Segmental reporting**

The Company operates in one business segment and all business is conducted in the UK, therefore no segmental information is presented.

**Mortgage Agency Services Number Seven Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009**

**1 Loss before tax**

Loss on ordinary activities before taxation is stated after charging

	2009 £	2008 £
Audit fee for the audit of the Company's financial statements	2,000	2,000

The total audit fee of this entity is £3k, £1k of which has been borne by Mortgage Agency Services Number One Limited, a Group company

**2 Interest and similar income**

	2009 £	2008 £
On financial assets not at fair value through income and expense		
Interest receivable from group undertakings	2,981	15,310
	<b>2,981</b>	<b>15,310</b>

**3 Directors' emoluments and employees**

The directors received emoluments from The Co-operative Bank plc for services rendered to all companies in the group. However, these are not apportioned to the individual companies.

Prior to the merger with The Co-operative Bank plc on 1 August 2009, two directors had benefits accruing under the Britannia Building Society pension scheme (2008: six). From 1 August 2009 one director had benefits accruing under The Co-operative Group Limited Pension scheme. Particulars of the latest actuarial valuation of the Group pension scheme are disclosed in the accounts of The Co-operative Group Limited.

**4 Other operating expenses**

	2009 £	2008 £
Professional fees	75	-
Audit fees	2,000	2,000
Subscriptions	1,443	1,396
Professional insurance	-	2,739
General Expenses	-	140
	<b>3,518</b>	<b>6,275</b>

**5 Taxation**

	2009 £	2008 £
UK tax at 28% (2008: 28.5%)		
Corporation tax		
Current	(150)	2,574
Adjustments in respect of prior periods	-	1,022
<b>Total corporation tax</b>	<b>(150)</b>	<b>3,596</b>

# Mortgage Agency Services Number Seven Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 5 Taxation (continued)

#### Factors affecting tax charge for the year

The average effective rate of corporation tax assessed for the year is equal to the standard rate of corporation tax in the UK 28%, (2008 28.5%)

The differences are explained below

	2009 £	2008 £
(Loss)/profit on ordinary activities before tax	(537)	9,035
(Loss)/profit before tax multiplied by standard rate of tax	(150)	2,574
Effects of		
Adjustments in respect of prior periods	-	1,022
	(150)	3,596

### 6 Amounts owed by group undertakings

	2009 £	2008 £
Amounts owed by group undertakings	263,471	266,574
	263,471	266,574

The above balance is expected to be settled more than 12 months after the end of the reporting period. It represents amounts due from The Co-operative Bank plc. There is no formal repayment schedule for the monies, which are repayable on demand.

The effective interest rate on the above amount owed by group undertakings is 1 month LIBOR plus 21 basis points.

### 7 Other payables

	2009 £	2008 £
Accruals and deferred income	1,646	1,638
	1,646	1,638

**Mortgage Agency Services Number Seven Limited**  
**Notes to the financial statements**  
**for the year ended 31 December 2009 (continued)**

**8 Called-up share capital**

	2009 £	2008 £
<b>Authorised</b>		
500,000 ordinary shares of £1 each	500,000	500,000
<b>Issued and fully paid</b>		
250,000 ordinary shares of £1 each	250,000	250,000

The Company is funded entirely by share capital. Capital is managed on the whole by The Co-operative Bank plc, who is subject to the capital requirements imposed by its regulator, the Financial Services Authority ("FSA"). During the period, The Co-operative Bank plc complied with the capital requirements set by the FSA.

**9 Retained earnings**

Movements in retained earnings were as follows

	2009 £	2008 £
At 1 January	12,362	14,924
(Loss)/profit for the year	(387)	5,439
Dividends paid	-	(8,001)
At 31 December	11,975	12,362

**10 Reconciliation of operating profit to net cash flows from operating activities**

	2009 £	2008 £
(Loss)/profit before tax	(537)	9,035
Increase/(decrease) in accruals	8	(55)
Cash flows from operating (losses)/profits before changes in operating assets and liabilities	(529)	8,980
Net decrease/(increase) in amounts owed by group undertakings	3,103	(5,988)
Taxation paid	(2,574)	(2,992)
<b>Net cash flows from operating activities</b>	<b>-</b>	<b>-</b>

A statement of cash flows has not been prepared due to lack of cash flows other than those in the reconciliation of operating cash flows and the fact that there is no year end cash balance.

# Mortgage Agency Services Number Seven Limited

## Notes to the financial statements

### for the year ended 31 December 2009 (continued)

#### 11 Ultimate parent undertaking and controlling entity

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

Britannia Treasury Services Limited is wholly owned by The Co-operative Bank plc, a corporate body registered in England. The Co-operative Bank plc is wholly owned by The Co-operative Group Limited

The largest group in which the results of the company are consolidated is that headed by The Co-operative Group Limited. The Co-operative Group Limited is a mutual organisation owned by its members and consequently has no controlling body. It is incorporated in Great Britain and registered in England and Wales under the Industrial and Provident Society Acts 1965 to 2002. The Co-operative Group Limited is the ultimate parent company and ultimate controlling party. The financial statements of the ultimate parent company are available from New Century House, Manchester, M60 4ES. The smallest group in which they are consolidated is that headed by The Co-operative Bank plc, which is incorporated in Great Britain. The financial statements of this group are available from 1 Balloon Street, Manchester, M60 4EP

#### 12 Related party disclosures

As stated in the note above, the Company is a subsidiary of The Co-operative Group Limited. Consequently the directors of the Company consider The Co-operative Group Limited and its subsidiaries to be related parties of the Company. Transactions with The Co-operative Group Limited and its subsidiaries are disclosed in the financial statements below

	<u>Interest and similar income</u>	<u>Balance due to MAS 7</u>
	£	£
<b>Year ended 31 December 2009</b>		
The Co-operative Bank plc	2,981	263,471
<hr/>		
<b>Year ended 31 December 2008</b>		
The Co-operative Bank plc (formerly 'Britannia Building Society')	15,310	266,574
<hr/>		

#### 13 Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the Annual General Meeting no dividend in respect of 2009 is to be proposed (2008: nil). Dividends are accounted for in shareholder's equity as an appropriation of retained profit in the year in which they are ratified at the Annual General Meeting.

#### 14 New pronouncements issued in 2009

Further to the basis of preparation within the accounting policies there has been one other pronouncement issued in 2009

- IFRS 9 - Financial Instruments

This pronouncement is mandatory for the year ended 31 December 2009, it will become effective for annual periods beginning on or after 1 January 2013 but may be applied earlier