Platform Funding No. 4 Limited

Directors' report and financial statements

for the year ended 31 December 2006

Registered Number 3456341

Platform Funding No. 4 Limited

Contents

Platform Funding No. 4 Limited

Directors and advisors

Directors
PCSL Services No. 1 Limited
PCSL Services No. 2 Limited
R S Green
G A Gregory
P A Lee

Secretary
R Hylton

Auditors
PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Registered Office
Britannia House
Cheadle Road
Leek
Staffordshire
ST13 5RG

Registered Number
3456341

Platform Funding No. 4 Limited

Directors' report for the year ended 31 December 2006

The directors present their report and the audited financial statements of the company for the year ended 31 December 2006.

Principal activities
The company owns a mortgage portfolio, the beneficial title of which was sold to Platform Home Loans No. 2 PLC. From this mortgage portfolio the company is entitled to receive deferred consideration.

Review of business and future developments
During the year the deemed loan liability decreased in line with the mortgage portfolio they reflect. The decrease being due to the mortgage repayments received during the year. The mortgage interest, which is based on the outstanding capital, decreased in proportion to the decrease in mortgage portfolio and is in line with management's expectations.

Due to repayments decreasing the capital value of the mortgages each year, both the balance sheet and interest income are expected to decrease in future years. The rate of decrease is dependent on future redemptions and further advances.

Key performance indicators (KPI's)
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 key business risks and uncertainties affecting the company are considered to relate to economic factors in the United Kingdom which could affect the ability of its customers to repay their loans. Further discussion of these risk and uncertainties, in the context of the group as a whole, is provided in the group's annual report which does not form part of this report.

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

Results and dividends
The profit for the year after tax amounted to £118k (2005: £245k). The directors propose a dividend for the year of £118k (2005: £561k). Total assets for the year amounted to £3,632k (2005: £5,846k).

Directors and their interests
The directors who held office during the year are given below:

PCSL Services No. 1 Limited
PCSL Services No. 2 Limited
R S Green
G A Gregory
P A Lee

No director had a 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 period 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 period. 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 2006 and that applicable International Financial Reporting Standards have been followed.

Platform Funding No. 4 Limited

Directors' report for the year ended 31 December 2006 (continued)

Statement of directors' responsibilities (continued)
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.

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.

Financial risk management
The directors have considered the financial risks affecting the company and have disclosed the relevant policies in the notes to the financial statements.

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
23 March 2007

Platform Funding No. 4 Limited

Independent auditors' report to the members of Platform Funding No. 4 Limited

We have audited the financial statements of Platform Funding No. 4 Limited for the year ended 31 December 2006 which comprise the Income statement, the Statement of recognised income and expenditure, the Balance sheet, the Cash flow statement, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 International Standards on Auditing (UK and Ireland). 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31 December 2006 and of its profit and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
23 March 2007

Platform Funding No. 4 Limited

Income statement for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Interest income	2	403	623
Interest expense	3	(232)	(285)
Net interest income		171	338
Recovery of debts written off	8	-	11
Profit before tax		171	349
Taxation expense	5	(53)	(104)
Profit after tax		118	245

The accounting policies and notes on pages 8 to 18 form part of these financial statements.

Statement of recognised income and expenditure for the year ended 31 December 2006

There was no income or expense in the year ended 31 December 2006 or 31 December 2005, other than that shown above.

Platform Funding No. 4 Limited

Balance sheet as at 31 December 2006

	Notes	2006 £000	2005 £000
Assets			
Bank deposits	6	-	-
Loans and advances to customers	8	**3,632**	5,517
Other assets	9	-	329
Total assets		**3,632**	5,846
Liabilities			
Deemed loans due to group undertakings	10	**3,152**	5,181
Current tax liabilities		**51**	104
Other liabilities	11	**311**	-
Total liabilities		**3,514**	5,285
Equity			
Called up share capital	13	-	-
Retained earnings	14	**118**	561
Total equity and liabilities		**3,632**	5,846

The accounting policies and notes on pages 8 to 18 form part of these financial statements.

Approved by the board of directors on 23 March 2007 and signed on its behalf by:

PALee

PA Lee for PCSL Services No. 1 Limited
Director

Platform Funding No. 4 Limited

Cash flow statement for the year ended 31 December 2006

	Notes	2006 £000	2005 £000
Cash flows from operating activities	15	**2**	(256)
Taxation paid		**(2)**	-
Net decrease in cash and cash equivalents		-	(256)
Cash and cash equivalents at start of period		-	256
Cash and cash equivalents at end of period	7	-	-

Platform Funding No. 4 Limited

Statement of accounting policies for the year ended 31 December 2006

Basis of preparation

Platform Funding No. 4 Limited is a company incorporated and domiciled in the United Kingdom. The accounts of the company are presented in £ Sterling unless otherwise stated.

From 1 January 2005, the company has chosen to prepare its annual financial statements in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The company accounts have been prepared on a historical cost basis.

Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest rate method.

Effective interest rate

The effective interest 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 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.

Taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition.

Financial assets

Loans and advances to customers are classified as loans and receivables and are carried at amortised cost using the effective interest method with all movements being recognised in the income statement.

Platform Funding No. 4 Limited

Statement of accounting policies for the year ended 31 December 2006 (continued)

Impairment of financial assets

Loans and advances to customers

The company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. This arises if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset, or group of financial assets, that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the company about the following loss events:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the company, including:
    - adverse changes in the payment status of borrowers in the portfolio; or
    - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from repossession less costs for obtaining and selling the collateral, whether or not repossession is probable.

Deemed loans to group undertakings and securitisation transactions

The company has entered into a securitisation transaction in which it sold mortgages to a special purpose entity ("SPE"). Management considers that the company retains substantially all the risks and rewards of ownership of the securitised assets. The company therefore continues to recognise these assets as loans and advances to customers and recognises a financial liability for consideration received. This financial liability termed as deemed loan.

In subsequent periods, income from the securitised mortgages is recognised by the company in the normal manner using effective interest rate method. Amounts payable to the SPE, together with expenses of the securitisation, are accrued as an expense on the financial liability.

The deemed loan is carried at amortised cost using the effective interest method with all movements being recognised in the income statement.

Statement of accounting policies for the year ended 31 December 2006 (continued)

Deemed loans to group undertakings and securitisation transactions (continued)

Deferred consideration receivable

Deferred purchase consideration receivable is deducted from the interest payable on the deemed loan.

Dividends

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

Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

To the extent that the net present value of estimated cash flows differ by 10% the provision would change by an estimated £nil.

Platform Funding No. 4 Limited

Notes to the financial statements for the year ended 31 December 2006

1 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2006 £000	2005 £000
Auditors' remuneration	-	-

2 Interest income

	2006 £000	2005 £000
Interest receivable from Platform Consumer Services Limited	5	2
Interest receivable from loans and advances	398	621
	403	623

3 Interest expense

	2006 £000	2005 £000
Deemed loan interest payable to group undertakings	398	621
Deferred consideration receivable from group undertakings (note 12)	(166)	(336)
	232	285

4 Directors' emoluments and employees

The directors receive emoluments from Britannia Building Society group companies for services rendered to all companies in the group. However, these are not apportioned to individual companies.

Three directors have benefits accruing under the Britannia Building Society Pension scheme (2005: three). 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 (2005: nil).

Platform Funding No. 4 Limited

Notes to the financial statements
for the year ended 31 December 2006 (continued)

5 Taxation

	2006 £000	2005 £000
UK tax at 30% (2005: 30%)		
Corporation tax		
Current	51	102
Adjustments in respect of prior periods	2	2
Total corporation tax	53	104
Deferred tax	-	-
	53	104

Factors affecting tax charge for the year

The average effective rate of corporation tax assessed for the year is consistent with the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £000	2005 £000
Profit on ordinary activities before tax	171	349
Profit before tax multiplied by standard rate of tax	51	105
Effects of:		
Non taxable income	-	(3)
Adjustments in respect of prior years	2	2
	53	104

As at 31 December 2006, there are no tax-related contingent assets or contingent liabilities in accordance with International Accounting Standard No. 37 'Provisions, Contingent Liabilities and Contingent Assets' (IAS 37).

6 Bank deposits

	2006 £000	2005 £000
Bank deposits (included in cash and cash equivalents: note 7)	-	-

Notes to the financial statements for the year ended 31 December 2006 (continued)

7 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than 3 months maturity from the date of acquisition:

	2006	2005
	£000	£000
Bank deposits (note 6)	**-**	-

8 Loans and advances to customers

	2006	2005
	£000	£000
Loans to individuals:		
Mortgages	**3,632**	5,517

There is no impairment provision in 2006 (2005: nil)

During the year the company recovered £nil (2005: £11k) against amounts previously written off.

A securitisation of the company's loans and advances was previously carried out. As at 31 December 2006, the total carrying amount of securitised assets was £3,632k (2005: £5,517k). The total amount of the associated liability for the company at 31 December 2006 was £3,152k (2005: £5,181k), being the deemed loan amount owed to the SPEs net of deferred consideration.

The securitisated mortgages are administered by Platform Funding Limited. Western Mortgage Services Limited, one of the group undertakings is the sub-administrator of these mortgages. The company has provided various representations and warranties concerning the attributes of the assets at the point of transfer. Under these transactions a security trustee has a charge over the assets of each SPE for the benefit of the holders of the Notes issued by that SPE. In the event that the securitised assets do not yield sufficient cashflows to meet the obligations to the Noteholders of the SPE, those Noteholders have no recourse to the company. The company remain exposed to credit losses on the securitised mortgages up to a maximum of the Society's subordinated loans outstanding to the SPE.

9 Other assets

	2006	2005
	£000	£000
Amounts owed by Platform Consumer Services Limited	**-**	329

All of the above balances are expected to be settled no more than 12 months after the balance sheet date. The amount owed by Platform Consumer Services Limited has a variable rate based on 1 month LIBOR plus 21 basis points.

10 Deemed loans to group undertakings

	2006	2005
	£000	£000
Deemed loan repayable	**3,632**	5,517
Deferred purchase consideration receivable from group undertakings (note 12)	**(480)**	(336)
	3,152	5,181

The effective interest rate on the deemed loan is 8.81% (2005: 8.67%).

Deemed loans are repaid as and when the cash is received by the originator from its customers towards repayment of the loans and advances.

11 Other liabilities

	2006	2005
	£000	£000
Amounts owed to Platform Funding Limited	**81**	-
Amounts owed to Platform Consumer Services Limited	**230**	-
	311	-

12 Deferred purchase consideration receivable

Deferred consideration is receivable from Platform Home Loans No. 2 PLC and is dependent on the extent to which surplus income is generated by the mortgage book, sold by Platform Funding No. 4 Limited to Platform Home Loans No. 2 PLC. The surplus income generated during the year ended 31 December 2006 amounted to £166k (2005: £336k). The deferred consideration is receivable as follows:

	2006	2005
	£000	£000
Deferred consideration owed by Platform Home Loans No. 2 PLC	**480**	336

The movements in deferred consideration are as follows:

	2006	2005
	£000	£000
At start of year	**336**	-
Additional consideration receivable	**166**	336
Amounts received during the year	**(22)**	-
At end of year	**480**	336

It is anticipated that the majority of the above deferred consideration will be receivable within one year. However, an amount of the above balance will only become receivable after that time. Repayments of deferred consideration are dependent on market conditions, amongst other factors, and, therefore, the directors are unable to reliably estimate the amount that will fall to be receivable after one year.

Notes to the financial statements for the year ended 31 December 2006 (continued)

13 Called up share capital

	2006 £	2005 £
Authorised		
100 ordinary shares of £1 each	**100**	100
Issued and fully paid		
1 ordinary shares of £1 each	**1**	1

14 Retained earnings

Movements in retained earnings were as follows:

	2006 £000	2005 £000
Balance at start of the year	**561**	316
Profit for the year	**118**	245
Dividends paid in the year (note 19)	**(561)**	-
At 31 December	**118**	561

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

	2006 £000	2005 £000
Profit before tax	**171**	349
Net decrease in loans and advances ot customers	**1,885**	3,613
Net (increase)/ decrease in other assets	**-**	(269)
Net decrease in deemed loans	**(2,029)**	(3,949)
Net increase in other liabilities	**(25)**	-
Net cash flows from operating activities	**2**	*(256)*

16 Ultimate parent undertaking and controlling entity

The company's immediate parent company is Platform Consumer Services Limited. The company's ultimate parent undertaking is Britannia Building Society.

Copies of Britannia Building Society's accounts may be obtained from:
Britannia House, Cheadle Road Leek, Staffordshire, ST13 5RG.

The Society, the ultimate entity of this company, is a mutual organisation owned by its members and consequently has no controlling body.

Platform Funding No. 4 Limited

Notes to the financial statements for the year ended 31 December 2006 (continued)

17 Related party disclosures

As stated in the note above,the company is a subsidiary of Britannia Building Society. Consequently the directors of the company consider Britannia Building Society and its subsidiaries to be related parties of the company. Transactions with Britannia Building Society and its subsidiaries are disclosed in the financial statements as follows:

Year ended 31 December 2006	Interest and similar income £000	Interest and similar expense £000	Balance due to/(from) Platform Funding No. 4 Limited £000
Platform Consumer Services Limited	5	-	(230)
Platform Home Loans No. 2 PLC	-	232	(3,152)
Platform Funding Limited	-	-	(81)

Year ended 31 December 2005	Interest and similar income £000	Interest and similar expense £000	Balance due to/(from) Platform Funding No. 4 Limited £000
Platform Consumer Services Limited	2	-	329
Platform Home Loans No. 2 PLC	-	285	(5,181)

18 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The company's financial instruments comprise principally of loans and advances to customers, deemed loans, amounts owed to group undertakings and cash and cash equivalents.

As a subsidiary of Britannia Building Society, the company applies the Society's formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Assets and Liabilities Committee ('ALCO'), which is charged with the responsibility for managing and controlling the balance sheet exposures of the Society. The minutes of ALCO are presented to the Board of the Society.

Fair values of financial instruments

Set out in the table below is a comparison of book and fair values of some of the company's financial instruments by category. Where available, market values have been used to determine fair values.

18 Financial instruments (continued)

	Book Value 2006 £000	Fair Value 2006 £000
Bank deposits	-	-
Loans and advances to customers	3,632	3,632
Deemed loans due to group undertakings	(3,152)	(3,152)
Other liabilities	311	311

	Book Value 2005 £000	Fair Value 2005 £000
Bank deposits	-	-
Loans and advances to customers	5,517	5,517
Deemed loans due to group undertakings	(5,181)	(5,181)

Credit risk

Loans and advances to customers

Credit risk is the risk that a customer or counterparty will not be able to meet its obligations to the companies as they become due.

The company takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses as at the balance sheet date as per the accounting policy for loans and advances to customers. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the company's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to credit risk.

The company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and product segments. Such risks are monitored on a revolving basis and subject to monthly review. Limits on the level of credit risk are approved annually by the Platform Credit Committee.

The company has a Lending Policy in place that is approved annually by the Britannia Group Credit Committee. Exposure to credit risk is minimised by taking first charge on all security obtained.

Liquidity and cash flow risk:
The company has a facility to drawdown from Britannia Building Society, its ultimate parent company to ensure sufficient liquidity is maintained.

The directors have considered other financial and credit risks and the directors confirm that they are not significant

Notes to the financial statements for the year ended 31 December 2006 (continued)

19 Dividends per share

Final dividends are not accounted for until they have been ratified at the Annual General Meeting. At the Annual General Meeting, a dividend in respect of 2006 of £59k per share (2005: actual dividend £281k per share) amounting to a total of £118k (2005: actual £561k) is to be proposed. The financial statements for the year ended 31 December 2006 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2007.