Platform Funding No. 4 Limited

Directors' report and financial statements

for the year ended 31 December 2007

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
G A Gregory (resigned 31 March 2008)
P A Lee

Secretary
R Hylton

Independent 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 2007

The directors present their report and the audited financial statements of the company for the year ended 31 December 2007

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 will decrease in future years The rate of decrease is dependent on future redemptions and further advances

The directors anticipate the company will return to profitability in future years and the company has received a letter of support from Platform Group Holdings Limited

The ability to secure funding for mortgages via securitisation and external funding, and the ability to sell mortgages to external parties has been impacted by recent market conditions, however the company has appropriate arrangements in place to ensure it can continue to operate for the foreseeable future

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 loss for the year after tax amounted to £16,076 (2006 profit £117,466) The directors do not propose a dividend for the year (2006 £118,000) Net liabilities for the year amounted to £16,586 (2006 net assets £117,700)

The loss in the year is due to interest payable on the intercompany balance being higher than the deferred consideration receivable from Platform Home Loans No 2 PLC

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 (resigned 31 July 2007)
G A Gregory (resigned 31 March 2008)
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

Platform Funding No. 4 Limited

Directors' report for the year ended 31 December 2007 (continued)

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 2007 and that applicable International Financial Reporting 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

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 material financial risks faced by the company include the following

- interest rate risk,
- credit risk, and
- liquidity risk

Where necessary the directors have put in place various measures to ensure any significant risks are mitigated and these are disclosed in the Notes to the financial statements

Independent 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

On behalf of the board

P A Lee for PCSL Services No 1 Limited
Director
31 March 2008

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 2007 which comprise the Income statement, the Balance sheet, the Statement of changes in equity, the Cash flow statement, the Statement of accounting policies 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 2007 and of its loss 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
31 March 2008

Platform Funding No. 4 Limited

Income statement for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Interest income	2	**299**	403
Interest expense	3	**(317)**	(232)
(Loss)/profit before tax		**(18)**	171
Income tax credit / (expense)	5	**2**	(53)
(Loss)/profit after tax		**(16)**	118

The accounting policies and notes on pages 9 to 22 form part of these financial statements

Platform Funding No. 4 Limited

Balance sheet as at 31 December 2007

	Notes	2007 £000	2006 £000
Assets			
Loans and advances to customers	7	**2,358**	3,632
Deferred tax asset	5	**1**	-
Total assets		**2,359**	3,632
Liabilities			
Deemed loans due to group undertakings	8	**1,873**	3,152
Current tax liabilities	5	**-**	51
Other payables	9	**502**	311
Total liabilities		**2,375**	3,514
Equity			
Called up share capital	10	**-**	-
Retained earnings	11	**(16)**	118
Total equity and liabilities		**2,359**	3,632

The accounting policies and notes on pages 9 to 22 form part of these financial statements

Approved by the board of directors on 31 March 2008 and signed on its behalf by

PA Lee for PCSL Services No. 1 Limited
Director

Platform Funding No. 4 Limited

Statement of changes in equity for the year ended 31 December 2007

Year ended 31 December 2007	**Share Capital** £	**Retained Earnings** £	**Total** £
Balance at start of period	**1**	**118,000**	**118,001**
Loss for the period	-	**(16,000)**	**(16,000)**
Dividends	-	**(118,000)**	**(118,000)**
At 31 December	**1**	**(16,000)**	**(15,999)**

Year ended 31 December 2006	Share Capital £	Retained Earnings £	Total £
Balance at start of period	1	561,000	561,001
Profit for the period	-	118,000	118,000
Dividends	-	(561,000)	(561,000)
At 31 December	1	118,000	118,001

Platform Funding No. 4 Limited

Cash flow statement for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Cash flows from operating activities	12	**2**	2
Taxation paid		**(2)**	(2)
Net movement in cash and cash equivalents		**-**	-
Cash and cash equivalents at start of period		-	-
Cash and cash equivalents at end of period	6	-	-

Platform Funding No. 4 Limited

Statement of accounting policies for the year ended 31 December 2007

Basis of preparation

Platform Funding No 4 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 1985 applicable to organisations reporting under IFRS

The company has not applied 'IFRS8 Operating Segments' in these accounts These disclosures will have no impact on the overall balance sheet or results of the company and will be mandatory for the accounts for the year ended 31 December 2009

There are no significant uncertainties applied in the basis of preparing these financial statements Key estimates applied are discussed below

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 and expense

This comprises

- Interest income and expense for financial assets and liabilities at amortised cost through the Income statement, calculated using the effective interest rate method This includes accrued interest income on financial assets written down as a result of impairment
- Interest income and expense on derivatives, which are measured at fair value

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

Deferred consideration receivable
The excess of interest paid to the special purpose vehicle as a result of the waterfall distribution (known as "excess spread" or "deferred consideration") is deemed to belong to the Company In order to reflect the exchanges of cashflows between the Company and the special purpose vehicle, the directors have opted to show the deferred consideration as a deduction of the interest expense

Platform Funding No. 4 Limited

Statement of accounting policies
for the year ended 31 December 2007 (continued)

Taxation

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 Balance sheet date The current tax charge includes adjustments to tax payable in prior periods

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

Tax losses available to carry forward and other 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 Income statement

Financial assets

The Company's financial assets are categorised as follows

a. Loans and receivables

Loans and receivables are assets with fixed or determinable payments that are not quoted in an active market They include loans and advances to customers

Loans and receivables are recognised when the cash is advanced They are carried at amortised cost using the effective interest rate method, with all movements being recognised in the Income statement

Loans and advances are derecognised when

- the Company commits to sell the assets,
- the rights to receive cash flows from the assets have ceased, or
- the Company has transferred substantially all the risks and rewards of ownership of the assets

Impairment of financial assets

An asset is impaired if the recoverable amount of the asset (i e the discounted future cash flows from the asset) is less than the carrying value of the asset on the Balance sheet

Statement of accounting policies
for the year ended 31 December 2007 (continued)

Assets carried at amortised cost
At each balance sheet date the Company assesses whether there is objective evidence that any of its financial assets carried at amortised cost are impaired The Company assesses assets individually and collectively where a group of assets has similar risk characteristics

Objective evidence that an asset (or group of assets) may be impaired includes observable data that loss events, such as

- late or missed repayments of capital or interest,
- other evidence that borrowers are experiencing financial difficulties, or
- national or local economic conditions that indicate an increased likelihood that borrowers will default, have occurred subsequent to initial recognition and their impact on the estimated future cash flows of the asset (or group of assets) can be reliably estimated

The Company first assesses whether evidence of impairment exists for individual financial assets Where the Company concludes that there is no evidence of impairment for individually assessed assets it includes those assets in groups of assets with similar credit characteristics and collectively assesses these groups for impairment

Where the Company identifies evidence that an individual asset or group of assets is impaired it reduces its value on the Balance sheet and charges the provision to the Income statement The amount of the provision made is calculated as the difference between the carrying value of the asset and the present value of future cash flows (excluding future credit losses that have not been incurred) discounted at the asset's original effective interest rate

In estimating these future cash flows, the Company takes into account such factors as the expected net proceeds from the sale of repossessed properties and the time taken to repossess and any further payments expected from the borrower

When a loan is considered uncollectible, it is written off against the allowance account on the balance sheet Such loans are written off after all the possible collection procedures have been completed and the amount of the loss has been determined Any recoveries made in future periods are offset against the impairment charge in the Income statement

Deemed loans to group undertakings and securitisation transactions

The company has entered into various securitisation transactions in which it sells mortgages to special purpose entities ("SPEs") 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 is termed as the deemed loan

In subsequent periods, income from the securitised mortgages is recognised by the company in the normal manner using the effective interest rate method Amounts payable to the SPE, together with the 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

Where as part of the securitisation the company enters into a derivative with the SPE, the company's rights and obligations are reflected in the expense accrued on the financial liability and the derivative is not accounted for separately

Deferred consideration receivable
Deferred purchase consideration receivable is netted off against the deemed loans since they are due to and from the same counterparty

Platform Funding No. 4 Limited

Statement of accounting policies
for the year ended 31 December 2007 (continued)

Financial liabilities

Financial liabilities are contractual obligations to deliver cash or some other asset to a third party They include

- borrowed funds and liabilities

Financial liabilities are recognised initially at fair value Fair value includes the issue proceeds (the fair value of consideration received) net of issue costs incurred

Financial liabilities, other than derivatives, are subsequently stated at amortised cost Any difference between issue proceeds net of issue costs and the redemption value is recognised in the Income statement over the period of the borrowings using the effective interest rate method

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

Dividends

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

Segmental reporting

Platform Funding No 4 Limited operates in one business segment and all business is conducted in the UK therefore, no segmental information is presented

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 (2006 £nil)

Platform Funding No. 4 Limited

Notes to the financial statements for the year ended 31 December 2007

1 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging

	2007 £000	2006 £000
Audit fee for the company's financial statements	-	-

2 Interest income

	2007 £000	2006 £000
On financial assets not at fair value through income and expense		
Interest receivable from Platform Consumer Services Limited	-	5
Interest receivable from loans and advances	299	398
	299	403

Included within interest receivable is £nil with respect to interest income accrued on impaired financial assets (2006 £nil)

3 Interest expense

	2007 £000	2006 £000
On financial liabilities not at fair value through income and expense		
Deemed loan interest payable	299	398
Deferred consideration receivable (note 8)	(5)	(166)
Interest payable to Platform Consumer Services Limited	23	-
	317	232

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

Two directors have benefits accruing under the Britannia Building Society Pension scheme (2006 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 (2006 nil)

5 Taxation

	2007 £000	2006 £000
UK tax at 30% (2006 30%)		
Corporation tax		
Current	-	51
Adjustments in respect of prior periods	(1)	2
Total corporation tax	(1)	53
Deferred tax	(1)	-
	(2)	53

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

	2007 £000	2006 £000
(Loss)/profit on ordinary activities before tax	(18)	171
(Loss)/profit before tax multiplied by standard rate of tax	(5)	51
Effects of		
Non taxable income	4	-
Adjustments in respect of prior years	(1)	2
	(2)	53

The recognised deferred tax asset includes the following amounts

	2007 £000	2006 £000
Other temporary differences	(1)	-

As at 31 December 2007, 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)

The reconciliation of opening and closing deferred tax asset is shown below

	2007 £000	2006 £000
Deferred tax asset at start of period	-	-
Income tax credit	(1)	-
Deferred tax asset at end of period	(1)	-

Platform Funding No. 4 Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

6 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

	2007	2006
	£000	£000
Bank deposits	-	-

7 Loans and advances to customers

	2007	2006
	£000	£000
Loans to individuals		
Mortgages	2,358	3,632

The above allowance for losses on loans and advances relates entirely to loans and advances to customers During the year the company recovered £nil (2006 £nil) against amounts previously written off

Credit quality of loans and advances

The credit quality of the loans and advances to customers is demonstrated in the table below, which shows the weighted average loan to value (LTV) of customer lending as at 31 December 2007 and 2006

	2007		2006	
	Weighted average of whole book	Weighted average of new lending during year	Weighted average of whole book	Weighted average of new lending during year
	%	%	%	%
Residental loans	26 25	13 93	30 52	0 00

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the probability of default (PD)

For its management purposes, the company applies an internal ratings based (IRB) approach, to the majority of its assets, as laid out and approved by the Financial Services Authority (FSA) The IRB percentages represent the risk-weightings applied to each asset class With the exception of commercial where ratings are prescribed to us by the FSA, these percentages are based on the probability of default (PD) and loss given default (LGD) as measured by the outputs of the company's rating system These therefore give an indication of the credit quality of the company's loan portfolio

7 Loans and advances to customers (continued)

The percentages disclosed in the table below, derived from the Group's rating system, demonstrate the quality of the company's asset portfolio

	Risk Grade	Risk grade category as a percentage of total balance neither past due nor impaired 2007	2006	PD% 2007	2006
Residential loans	1	6%	3%	0 77%	0 77%
	2	73%	80%	1.39%	1 65%
	3	21%	17%	59 50%	51 08%

Loans and advances either past due and not impaired or impaired

	2007 £000	2006 £000
Loans neither past due nor impaired	1,909	2,762
Past due but not impaired		
Past due up to 30 days	68	269
Past due 30 - 60 days	207	100
Past due 60 - 90 days	97	307
Past due over 90 days	77	194
	449	870
Impaired	-	-
Total loans and advances	2,358	3,632
Fair value of collateral		
Past due but not impaired	1,398	2,420
Impaired	-	-

A securitisation of the company's loans and advances was previously carried out As at 31 December 2007, the total carrying amount of securitised assets was £2,358k (2006 £3,632k) The total amount of the associated liability for the company at 31 December 2007 was £1,873k (2006 £3,152k), being the deemed loan amount owed to the SPEs net of deferred consideration

The securitised 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

Platform Funding No. 4 Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

8 Deemed loans due to group undertakings

	2007	2006
	£000	£000
Deemed loan repayable	**2,358**	3,632
Deferred purchase consideration receivable (see below)	**(485)**	(480)
	1,873	3,152

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

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 2007 amounted to £5k (2006 £166k) The deferred consideration is receivable as follows

	2007	2006
	£000	£000
Deferred consideration owed by Platform Home Loans No 2 PLC	**485**	480

The movements in deferred consideration are as follows

	2007	2006
	£000	£000
At start of year	**480**	336
Additional consideration receivable	**5**	166
Amounts received during the year	**-**	(22)
At end of year	**485**	480

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

9 Other payables

	2007	2006
	£000	£000
Amounts owed to Platform Funding Limited	**-**	81
Amounts owed to Platform Consumer Services Limited	**502**	230
	502	311

Platform Funding No. 4 Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

10 Called up share capital

	2007 £	2006 £
Authorised		
100 ordinary shares of £1 each	**100**	100
Issued and fully paid		
1 ordinary shares of £1 each	**1**	1

11 Retained earnings

Movements in retained earnings were as follows

	2007 £000	2006 £000
Balance at start of the year	**118**	561
(Loss)/profit for the year	**(16)**	118
Dividends paid in the year (note 16)	**(118)**	(561)
At 31 December	**(16)**	118

12 Reconciliation of operating (loss)/profit to net cash flows from operating activities

	2007 £000	2006 £000
(Loss)/profit before tax	**(18)**	171
Cash flows from operating activities before changes in operating assets and liabilities	**(18)**	171
Net decrease in loans and advances of customers	**1,274**	1,885
Net decrease in deemed loans	**(1,279)**	(2,029)
Net increase/(decrease) in other liabilities	**25**	(25)
Net cash flows from operating activities	**2**	2

Platform Funding No. 4 Limited

Notes to the financial statements for the year ended 31 December 2007 (continued)

13 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

14 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 2007	**Interest and similar income £000**	**Interest and similar expense £000**	**Balance due to/(from) Platform Funding No. 4 Limited £000**
Platform Consumer Services Limited	-	**23**	**(502)**
Platform Home Loans No 2 PLC	-	**294**	**(1,873)**

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)

15 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 and amounts owed to group undertakings

15 Financial instruments (continued)

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

	Book Value 2007 £000	Fair Value 2007 £000
Bank deposits	-	-
Loans and advances to customers	2,358	2,358
Deemed loans due to group undertakings	(1,873)	(1,873)
Other payables	502	502

	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 payables	311	311

Fair values have been determined as follows

Loans and advances to customers
Loans and advances to customers are net of provisions for impairment The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received Expected cash flows are discounted at current market rates to determine fair value

Deposits and borrowings
The estimated fair value of deposits with no stated maturity, which includes non interest bearing deposits, is the amount repayable on demand The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using interest rates for new debts with similar remaining maturity

For all other items in the table above book value is a reasonable approximation of the fair value

Risk management and control

The material financial risks faced by the Company include the following

- interest rate risk,
- credit risk, and
- liquidity risk

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

Notes to the financial statements for the year ended 31 December 2007 (continued)

15 Financial instruments (continued)

Instruments used for risk management purposes include derivative financial instruments (derivatives), which are contracts or agreements whose value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates

Derivatives are not used in trading activity or for speculative purposes

Interest rate risk

The company is exposed to movements in interest rates on the fixed interest rate lending it provides This exposure is managed by the parent company using derivative financial instruments held within the group structure, although the company itself does not own any of these derivative instruments

The company's exposure to interest rate risk is managed by intercompany swaps managed at the overall group level These swaps ensure that the impact of any movements in interest rates are hedged effectively mitigating any adverse effects of interest rate fluctuations

Sensitivity analysis

The following table describes the significant activities undertaken by the company where there is sensitivity to interest rate changes There is also an explanation of how such risks are managed and the extent of the risk to the company

Activity	Risk	Type of hedge	Extent of risk
Fixed rate mortgage lending	Sensitivity to increases in interest rates	Pay fixed interest rate intercompany swaps	The company has never experienced significant financial losses as a result of movements in interest rates Effective hedges were implemented at inception to avoid adverse effects of interest rate fluctuations

Based on the total fixed rate lending in place at 31 December 2007 and the average fixed interest rates applicable to that lending, if interest rates were to increase or decrease by 1% the company would experience a decrease or increase in equity of approximately £1k at 31 December 2007

Credit risk

Credit risk is the risk that a customer or counterparty will not be able to meet its obligations to us as they become due Credit risk arises on derivative financial instruments, loans and advances to customers, deemed loans and other receivables

The table below represents a worst case scenario of credit risk exposure to the Company at 31 December 2007 and 2006, without taking into account any collateral held or other credit enhancements attached The exposures set out below are based on net carrying amounts as reported in the balance sheet

15 Financial instruments (continued)

Maximum exposure to credit risk (by class) before collateral held or other credit enhancements:

Category (as defined by IAS 39)	Class	2007 £000	2006 £000
Loans and receivables	Loans and advances to customers	**2,358**	3,632
		2,358	3,632

The Company holds collateral for loans and advances in the form of mortgages over residential properties

Loans and advances to customers:

Credit risk in respect of the company's residential mortgage assets is managed as follows

- Credit management is conducted in accordance with the service contract & service specifications with Western Mortgage Services Limited (WMS)
- Arrears, possessions and redemptions statistics are reported to Platform Credit committee (PCC) which reports to group Credit Committee on asset performance
- PCC maintains limits and sets policy, subject to Group Credit Committee approval

Deemed loans:

Credit risk on deemed loans is considered to be minimal because management do not expect the amount of incurred credit losses on the originator's securitised loans and advances to customers to exceed the amount of credit enhancement supplied by Britannia Building Society

Liquidity risk

Liquidity risk is the risk that the company is not able to meet its financial obligations as they fall due, or can only do so at excessive cost

The liquidity risk on deemed loans due to group undertakings is not considered to be material as in practice the contractual repayments coincide with the repayments of the loans and advances to customers as they become due, as described in note 7

Liquidity risk also arises on other payables, primarily made up of amounts due to group undertakings There is no formal repayment schedule for these monies, which are repayable on demand It is not expected that the ultimate parent will withdraw the funding in the future and the actual liquidity risk on these loans considered to be minimal

16 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 2007 will be proposed (2006 actual £118k) The financial statements for the year ended 31 December 2007 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