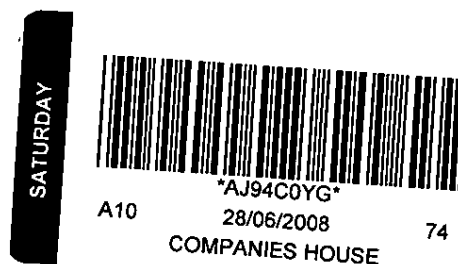


Leek Finance Number Eighteen PLC
Directors' report and financial statements
for the year ended 31 December 2007

Registered Number 05659996



Leek Finance Number Eighteen PLC

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Leek Finance Number Eighteen PLC

Directors and advisors

Directors

PCSL Services No 1 Limited
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited

Secretary

Clifford Chance Secretaries (CCA) Limited

Independent Auditors

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

Solicitors

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Registered Office

10 Upper Bank Street
London
E14 5JJ

Registered Number

05659996

Leek Finance Number Eighteen PLC

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 principal activity of the company is that of a securitisation vehicle with beneficial ownership of mortgage loans secured by first charges over residential properties within the United Kingdom

The beneficial ownership of the loans and advances to customers sold to the company by the seller fail the derecognition criteria of IAS 39 and, therefore, these loans remain on the Balance sheet of the originator IAS 39, therefore, requires the seller to recognise a "deemed loan" financial liability on its Balance sheet and the resulting "deemed loan" asset is held on the company's Balance sheet

Review of business and future developments

On 26 October 2006 the company purchased the beneficial ownership of mortgage portfolios from Platform Funding Limited and Meerbrook Finance Number One Limited. In addition to the purchase price, the company will pay deferred consideration to the seller, which is dependent on the extent to which surplus income is generated by the mortgage book, purchased by the company

During the year the deemed loan asset and Noteholders debt decreased in line with the mortgage portfolio they reflect, the decrease being due to the mortgage repayments received during the year. The total deemed loan interest is higher than the prior year due to the interest being charged for a full year whereas the comparative interest was for a short period. Mortgage interest, which is based on the outstanding capital, decreased in proportion to the decrease in the 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

Key performance indicators (KPIs)

The directors monitor the progress of the company by reference to two KPIs firstly the net interest margin and secondly the Notes outstanding balance

The net margin is 0.03% (2006 0.24%) calculated by dividing interest receivable by deemed loan balance. Both the interest receivable and deemed loan balance are calculated with reference to the actual mortgage balance and accrued interest in accordance with UK GAAP excluding FRS 26, which is consistent with the calculation of deferred consideration for a securitised company. The margin is expected to decrease in future years as the mortgage book reduces and the supporting cost of the securitisation remains constant

Under the terms of the Notes the company can repurchase the outstanding Notes of a securitisation issue at par once the outstanding principal amount of the Notes falls below 10% of the amount originally issued. The current Notes outstanding as a percentage of the principal balance is 87%

Principal risks and uncertainties

Economic factors in the United Kingdom which could affect the ability of the originator's customers to repay their loans

Credit risk on the company's deemed loan assets is however, 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

For further information regarding arrears of the underlying mortgage loans that the deemed loans relate to please visit www.britannia.co.uk/bts/leek_prog/overview.html and refer to the investor reports for the company

Leek Finance Number Eighteen PLC

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

Instruments used for risk management purposes are set up at inception of the securitisation and 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 and exchange rates. This reflects the overall low risk appetite of the company. After inception no significant decisions regarding the risk management of the company are required. The only such instruments used are interest rate swaps and cross currency swaps.

Quantitative disclosure and further details regarding the financial risks of the company are included in Note 13 to the financial statements.

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 £1,587,187 (2006 £4,306,716). The directors do not propose a dividend for the year (2006 nil). Net assets at the end of the year amounted to £5,906,303 (2006 £4,319,217).

The profit for the year is due to deferred consideration payable being based on a profit that excludes the impact of IAS 39. The deferred consideration was based on profit of the securitisation company under UK GAAP required by the capital market arrangement, which in 2007 gave rise to a higher profit figure than that calculated under IAS 39. The difference in the two profits is a timing difference that will reverse over the life of the mortgages.

Directors and their interests

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

PCSL Services No. 1 Limited
Capita Trust Corporate Limited
Capita Trust Corporate Services Limited

No director had any beneficial interest in the share capital of the company or any other company in the Group at any time during the year under review.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

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

Leek Finance Number Eighteen PLC

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

Financial risk management

The material financial risks faced by the company include the following

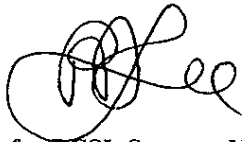
- interest rate risk,
- credit risk,
- currency risk, and
- liquidity risk

At inception of the securitisation 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
17 June 2008

Leek Finance Number Eighteen PLC

Independent auditors' report to the members of Leek Finance Number Eighteen PLC

We have audited the financial statements of Leek Finance Number Eighteen PLC for the year ended 31 December 2007 which comprises the Income statement, the Balance sheet, the Statement of changes in equity, 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

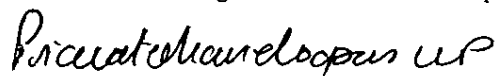
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 2007 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
Chartered Accountants and Registered Auditors
Manchester
17 June 2008

Leek Finance Number Eighteen PLC

Income statement for the year ended 31 December 2007

		2007	Restated * Period from 21 December 2005 to 31 December 2006
	Notes	£000	£000
Interest income	2	67,457	15,907
Interest expense	3	(63,079)	(11,128)
Net interest income		4,378	4,779
Fee and commission expense	4	(60)	(11)
Net fee and commission expense		(60)	(11)
Gains less losses from derivative financial instruments	5	(978)	248
Other operating expenses		(833)	(156)
Profit before tax		2,507	4,860
Income tax expense	7	(920)	(554)
Net profit		1,587	4,306

The accounting policies and notes on pages 10 to 29 form part of these financial statements

* Interest income has been restated due to an understatement in the prior year, see note 2

Leek Finance Number Eighteen PLC

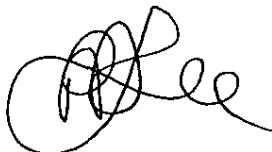
Balance sheet as at 31 December 2007

	Notes	2007 £000	Restated * 2006 £000
Assets			
Bank deposits	8	12	95
Derivative financial instruments	13	17,762	232
Deemed loans due from group undertakings	10	901,101	1,027,401
Other receivables	11	48,382	62,060
Total assets		967,257	1,089,788
Liabilities			
Deposits from banks	12	3,564	4,556
Derivative financial instruments	13	33,801	26,105
Debt securities in issue	14	895,433	1,028,029
Other payables	15	27,079	26,225
Deferred tax liability	7	1,467	554
Current tax liability		7	-
Total liabilities		961,351	1,085,469
Equity			
Called up share capital	16	13	13
Retained earnings	17	5,893	4,306
Total equity and liabilities		967,257	1,089,788

The accounting policies and notes on pages 10 to 29 form part of these financial statements

* Deemed loans due from group undertakings and other payables for 2006 have been restated due to an understatement in the prior year, see note 2

Approved by the board of directors on 17 June 2008 and signed on their behalf by



P A Lee for PCSL Services No. 1 Limited
Director

Leek Finance Number Eighteen PLC

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

	Share Capital	Retained Earnings	Total
Year ended 31 December 2007	£000	£000	£000
Balance at start of period	13	4,306	4,319
Profit for the period	-	1,587	4,306
At 31 December	13	5,893	8,625

	Share Capital	Retained Earnings	Total
Year ended 31 December 2006	£000	£000	£000
Balance at start of period	13	-	13
Profit for the period (as previously stated)	-	2,361	2,361
At 31 December (as previously stated)	13	2,361	2,374
*Restatement of prior year error	-	1,945	1,945
At 31 December (restated)	13	4,306	4,319

*The 2006 profit for the year has been restated due to an overstatement in the prior year, see note 2

Leek Finance Number Eighteen PLC

Cash flow statement for the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Cash flows from operating activities	18	1,111	(27,478)
Cash flows from financing activities			
Issue of subordinated loan		-	23,060
Issue of initial expense loan		-	4,500
Initial expense loan interest paid		(250)	-
Repayment of initial expense loan		(944)	-
Issue of share capital		-	13
Net cash used in financing activities		(1,194)	27,573
Net movement in cash and cash equivalents		(83)	95
Cash and cash equivalents at start of period		95	-
Cash and cash equivalents at end of period	9	12	95

Leek Finance Number Eighteen PLC

Statement of accounting policies for the year ended 31 December 2007

Basis of preparation

Leek Finance Number Eighteen PLC is a company incorporated and domiciled in England and Wales

The Company's financial statements have been prepared under the historical cost convention as modified by the revaluation of all derivative contracts

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 material 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

Transactions and balances

Foreign currency transactions are converted into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the conversion and settlement of currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies (for example, Euro and US dollar denominated debt securities) are recognised in the Income Statement

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
- 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 year. 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 year, 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.

Leek Finance Number Eighteen PLC

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

Deferred consideration payable

Deferred purchase consideration depends on the extent to which the surplus income generated by the underlying mortgage books to which the company has a beneficial interest, exceeds the administration costs of the mortgage books, and is deducted from interest income, since the company does not recognise income to which it is not beneficially entitled. Contingent deferred consideration arising in future years is recorded in the income statement in the year in which it arises.

Tax

Tax on the profit 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 balance sheet date. The current tax charge includes adjustments to tax payable in prior years.

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.

The principal temporary differences arise due to differences in tax rules for securitisation companies.

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. Financial assets at fair value through income or expense

This category covers assets acquired principally for the purpose of selling in the short term or if so designated at initial recognition by management. It includes the Company's derivative financial instruments, which meet IAS 39 requirements.

Financial assets at fair value through income and expense are initially recognised at fair value on the date that the Company commits to purchase the derivative. The fair values of quoted investments in active markets are based on current bid prices. Associated transaction costs are taken directly to the Income Statement. Gains and losses arising from changes in fair values are included in the Income Statement in the year in which they arise.

b. Loans and receivables

Loans and receivables are assets with fixed or determinable payments that are not quoted in an active market. They include beneficial ownership of 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.

Leek Finance Number Eighteen PLC

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

Derivative financial instruments and hedge accounting

Derivatives are financial instruments such as interest rate and currency swaps used by the Company to manage its interest rate and foreign exchange risks arising from the normal course of business

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, or based on recent market transactions where no active market exists. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives that do not qualify for hedge accounting

No derivative instruments qualify for hedge accounting. Changes in the fair value of any such instruments are recognised in the Income statement.

Deemed loans due from company undertakings

The beneficial ownership of the loans and advances to customers sold to the company by the originator fail the derecognition criteria of IAS 39 and, therefore, these loans remain on the Balance sheet of the originator. IAS 39, therefore, requires the seller to recognise a "deemed loan" financial liability on its Balance sheet and the resulting "deemed loan" asset is held on the purchasing company's Balance sheet.

This deemed loan initially represents the consideration paid by the company in respect of the acquisition of the beneficial ownership of the securitised loans and advances to customers and is subsequently adjusted due to repayments made by the originator to the company.

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

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. Therefore, in accordance with IAS 39, there is no requirement to recognise any impairment loss against this deemed loan.

Deferred consideration payable

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

Financial liabilities

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

- deposits from banks,
- derivatives,
- debt securities, and
- other 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.

Issue costs, including premiums and discounts, commissions and other costs incurred in the issuing of fixed and floating rate notes and subordinated liabilities, are amortised using the effective interest rate method.

Leek Finance Number Eighteen PLC

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

Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition

Segmental reporting

A business segment is a company of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments

The company's only geographical segment is considered to be the United Kingdom

Critical accounting estimates and judgements in applying accounting policies

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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

a. Fair value of derivatives

The fair value of instruments is calculated using the Company's treasury system using market rates applied to the year end treasury balances

b. Effective interest rate

The calculation of an effective interest rate requires the company to make assumptions around the expected lives of mortgages to which the company has beneficial ownership and the likely levels of early repayment fees (ERFs) to be received on the loans to which the company has beneficial ownership. The most critical assumption is on the level of future ERFs

Were the ERF assumptions to change by 10% there would be an adjustment to profit of an estimated £284k (2006 £148k)

Leek Finance Number Eighteen PLC

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

1 Profit before tax

Profit on ordinary activities before taxation is stated after charging

	2007	Period from 21 December 2005 to 31 December 2006
	£000	£000
Audit fee for the audit of the company's financial statements	12	4

Non-audit fees classified as other audit services relating to securitisation are capitalised on the Balance sheet and amortised over five years, being the period until the step-up date, on which the company may exercise its option to redeem the Notes. At 31 December 2007, the unamortised non-audit fees included on the Balance sheet were £104k (2006 £132k)

2 Interest income

	2007	Restated * Period from 21 December 2005 to 31 December 2006
	£000	£000
<u>On financial assets not at fair value through income and expense</u>		
Deemed loan interest receivable	77,705	18,727
Deferred consideration payable to group undertakings (note 10)	(1,583)	(2,145)
Adjustments to the carrying value of deemed loans	(1,714)	-
Interest receivable from Britannia Building Society	3,463	432
	77,871	17,014
<u>On financial assets at fair value through income and expense</u>		
Net expense on financial instrument hedging assets	(10,414)	(1,107)
	67,457	15,907

* The 2006 deemed loan interest receivable (previously £14,637k) and deferred consideration payable (previously £nil) have been restated by £4,090k and £2,145k respectively. The net result of the restatement is that total interest income for 2006 (previously £13,962k) has increased by £1,945k.

The restatement is due to an error in the accounting treatment of mortgage interest between the cut off date and the purchase date of the mortgages purchased from Platform Funding Limited and Meerbrook Finance Number One Limited. Deferred consideration is calculated on the profits for the year and due to the correction of interest this has resulted in additional deferred consideration payable in 2006 and a corresponding adjustment to the deemed loan debtor balance in note 10.

Due to the above restatement the amounts owed to Meerbrook Finance Number One Limited and amounts owed to Platform Funding Limited have been restated by £3,016 and £1,074k, as shown in note 15.

The cashflow statement has been restated to reflect the above as set out in note 18.

Leek Finance Number Eighteen PLC

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

3 Interest expense

	2007	Period from 21 December 2005 to 31 December 2006
	£000	£000
<u>On financial liabilities not at fair value through income and expense</u>		
Interest expense on debt securities in issue	60,490	10,681
Interest payable to Britannia Building Society	2,266	391
Other borrowed funds	323	56
	63,079	11,128

4 Fee and commission expense

	2007	Period from 21 December 2005 to 31 December 2006
	£000	£000
<u>On financial assets not at fair value through income and expense</u>		
Bank charges	60	11

5 Gains less losses from derivative financial instruments

	2007	Period from 21 December 2005 to 31 December 2006
	£000	£000
Interest on basis swap	(978)	248
Gross foreign currency gain on US Dollar debt	9,426	17,575
Gross foreign currency loss on Euro debt	(18,045)	(768)
Gross foreign currency loss on US Dollar cross currency swap	(9,426)	(17,575)
Gross foreign currency gain on Euro cross currency swap	18,045	768
	(978)	248

At inception the company implemented perfectly matched foreign currency swaps ensuring that the net value of gross foreign exchange gains and losses is nil. The foreign exchange risk exposure of the company is mitigated by the use of these highly effective foreign currency swaps and is described further in Note 13.

Leek Finance Number Eighteen PLC

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

6 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 the individual companies.

There are no directors to whom benefits are accruing under the Britannia Building Society Pension schemes (2006 nil).

The company had no employees during the year or the previous period.

7 Taxation

	2007 £000	Period from 21 December 2005 to 31 December 2006 £000
UK tax at 20% (2006 19%)		
Corporation tax		
Current	7	-
Total corporation tax	7	-
Deferred tax	883	554
Adjustments in respect of prior periods	30	-
	920	554

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 for small companies in the UK (20%, 2006 19%). The differences are explained below.

	2007 £000	Period from 21 December 2005 to 31 December 2006 £000
Profit on ordinary activities before tax	2,507	4,860
Profit before tax multiplied by standard rate of tax	501	923
Effects of		
Adjustments in respect of prior periods	419	(369)
	920	554

Leek Finance Number Eighteen PLC

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

7 Taxation (continued)

The recognised deferred tax liability includes the following amounts

	2007	2006
	£000	£000
Other short term timing differences	1,467	554

The Finance Act 2005 provided that corporation tax for a 'securitisation company' within the meaning of the Act, would be calculated with reference to UK GAAP as applicable up to 31 December 2004, for accounting periods ending before 1 January 2007

Under the powers conferred by the Finance Act 2005, secondary legislation was enacted in November 2006 which ensures that, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the retained profit of the securitisation company required to be retained under the agreement that governs the company. As a consequence, the taxation treatment of securitisation companies will remain largely unchanged as a result of the introduction of IFRS

The directors are satisfied that this company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise

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' (IAS37)

The reconciliation of the opening and closing deferred tax liability is shown below

	2007	2006
	£000	£000
Deferred tax liability at start of period	554	-
Restatement of opening balance	29	-
Income statement debit	883	554
Deferred tax liability at end of period	1,467	554

8 Bank deposits

	2007	2006
	£000	£000
Bank deposits (included in Cash and cash equivalents note 9)	12	95

Leek Finance Number Eighteen PLC

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

9 Cash and cash equivalents

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

	2007	2006
	£000	£000
Bank deposits (note 8)	12	95

10 Deemed loans due from group undertakings

	2007	Restated *
	£000	2006 £000
Deemed loans recoverable	915,643	1,040,360
Deferred consideration payable (see below)	(14,542)	(12,959)
	901,101	1,027,401

* The 2006 deferred purchase consideration payable has been restated by £2,145k (previously £10,814k) as described in note 2

The restatement is reflected in the amounts owed to Platform Funding Limited (previously £7,481k) and Meerbrook Finance Number One Limited (previously £3,333k) The movement is reflected in the additional consideration payable (previously £nil)

The deemed loans recoverable are repaid as and when the cash is received by the originator from the customers towards principal repayments of the loans and advances. Consequently, a proportion of the deemed loan recoverable will be repaid within 12 months, although the amount cannot be quantified

Deferred consideration is payable to Meerbrook Finance Number One Limited and Platform Funding Limited dependent on the extent to which surplus income is generated by the underlying mortgage books, to which the company has a beneficial interest, exceeds the administration costs of the mortgage books. The surplus income generated during the year ended 31 December 2007 amounted to £1,583k (2006 £2,145k) The deferred consideration payable is as follows

	2007	Restated *
	£000	2006 £000
Amounts owed to Meerbrook Finance Number One Limited	4,434	4,415
Amounts owed to Platform Funding Limited	10,108	8,544
	14,542	12,959

Leek Finance Number Eighteen PLC

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

10 Deemed loans due from group undertakings (continued)

The movements in deferred consideration are as follows

	2007	Restated *
	£000	2006 £000
At start of period	12,959	-
Arising on acquisition	-	10,814
Additional consideration payable	1,583	2,145
At end of period	14,542	12,959

It is anticipated that the majority of the above deferred consideration will be payable within one year. However, an amount of the above balances will only become payable after that time. Payments 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 payable after one year.

11 Other receivables

	2007	2006
	£000	£000
Amounts owed by Britannia Building Society	48,377	62,057
Prepayments and accrued income	5	3
	48,382	62,060

The above amounts owed by group undertakings, which are due from Britannia Building Society, are expected to be settled more than 12 months after the Balance sheet date. There is no formal repayment schedule for these monies, which are contractually repayable on demand. Included within the balance is the reserve fund account of £26,939k (2006 £26,939k) which is pledged as collateral for the debt securities in issue.

The effective interest rate on the above amounts owed by group undertakings is 3 month LIBOR less 50 basis points.

12 Deposits from banks

	2007	2006
	£000	£000
Other deposits	3,564	4,556

Of the above balance, £3,464k is expected to be settled more than 12 months after the balance sheet date. The deposits have a variable rate based on 3 month LIBOR plus 150 basis points.

Leek Finance Number Eighteen PLC

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

13 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 amounts due from deemed loans, various tranches of loan notes and Cash and cash equivalents.

Numerical financial instruments disclosures are set out below

	Assets	Liabilities	Assets	Liabilities
	2007	2007	2006	2006
	£000	£000	£000	£000
Basis risk swaps	(10)	145	232	(248)
Cross-currency swaps	17,772	33,656	-	26,353
	17,762	33,801	232	26,105

Fair values of financial instruments

Set out in the tables below are comparisons of book and fair values of the company's financial instruments by category. Where available, market values have been used to determine fair values.

	Book Value	Fair Value
	2007	2007
	£000	£000
Bank deposits	12	12
Deemed loans due from group undertakings	901,101	901,101
Other receivables	48,382	48,382
Deposits from banks	(3,564)	(3,564)
Other payables	(27,079)	(27,079)
Debt securities in issue		
Notes A1a	(29,271)	(29,251)
Notes A1b	(33,324)	(33,284)
Notes A2a	(171,100)	(168,585)
Notes A2b	(249,035)	(245,200)
Notes A2c	(83,987)	(82,694)
Notes A2d	(183,499)	(179,517)
Notes Ma	(12,500)	(11,684)
Notes Mc	(54,920)	(51,207)
Notes Ba	(25,900)	(23,064)
Notes Bc	(17,060)	(15,124)
Notes Ca	(6,000)	(5,079)
Notes Cc	(32,151)	(27,074)
Floating rate notes interest payable	545	545
Unamortised issue costs	2,768	2,768
Total Debt securities in issue	(895,433)	(868,449)

Leek Finance Number Eighteen PLC

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

13 Financial instruments (continued)

	Book Value 2006 £000	Fair Value 2006 £000
Bank deposits	95	95
Deemed loans due from group undertakings	1,027,401	1,027,401
Other receivables	62,060	62,060
Deposits from banks	(4,556)	(4,556)
Other payables	(26,225)	(26,225)
Debt securities in issue		
Notes A1a	(92,100)	(92,100)
Notes A1b	(103,324)	(103,324)
Notes A2a	(171,100)	(171,100)
Notes A2b	(245,393)	(245,393)
Notes A2c	(82,758)	(82,758)
Notes A2d	(180,816)	(180,816)
Notes Ma	(12,500)	(12,500)
Notes Mc	(54,117)	(54,117)
Notes Ba	(25,900)	(25,900)
Notes Bc	(16,811)	(16,811)
Notes Ca	(6,000)	(6,000)
Notes Cc	(31,681)	(31,681)
Floating rate notes interest payable	(9,804)	(9,804)
Unamortised issue costs	4,275	4,275
Total Debt securities in issue	(1,028,029)	(1,028,029)

Fair values have been determined as follows

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.

Debt securities in issue

The aggregate fair values are calculated based on estimates of quoted market prices from third party valuations.

Derivatives are excluded from the tables above as they are already recorded at fair value.

Risk management and control

The material financial risks faced by the company include the following

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

At the inception of the securitisation the material risks are considered in relation to the overall low risk appetite of the company. Instruments used for risk management purposes are set up at inception of the securitisation and include interest rate and cross currency swaps. These are not used in trading activity or for speculative purposes.

Leek Finance Number Eighteen PLC

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

13 Financial instruments (continued)

Interest rate risk

The company is exposed to movements in interest rates and manages this exposure using derivatives. More specifically, the company is also exposed to basis risk due to the timing difference in interest payment dates on the Notes and the deemed loan. This is hedged using a form of an interest rate swap known as a 'basis' swap, which is taken out on inception of the securitisation. The notional principal amounts of the outstanding basis swap contracts at 31 December 2007 were £808,566k (2006 £860,901k).

After taking into consideration the company's derivative instruments, the administered interest rate nature of the company's deemed loans, the regular re-pricing of the company's Mortgage Backed Floating Rate Notes, together with the nature of the company's other assets and liabilities, the directors do not believe that the company has any significant interest rate re-pricing exposure.

The amounts of deferred consideration payable to Meerbrook Finance Number One Limited and Platform Funding Limited are non-interest bearing financial liabilities. As described in note 10, the dates of repayment are dependent on the extent to which surplus income is generated by the securitised mortgage book. Therefore, the weighted average period until maturity is unknown.

The Mortgage Backed Floating Rate Notes and the subordinated loan owed to Britannia Building Society are classified as floating rate liabilities. The benchmark rates used for determining interest rate payments are disclosed in note 14 and note 15.

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
Underlying mortgage lending	Exposure to increases in interest rates due to fixed rate lending	Pay fixed interest rate swaps	The company has never experienced significant financial losses as a result of movements in interest rates. In order to avoid any adverse effects in the future effective hedges will need to be maintained.
	Timing and basis differences on rate reset on Libor and fixed lending and rate reset on debt securities	Basis swaps	

There would be no material impact on profits or equity from a change in interest rates of 1%.

Credit risk

The Company is exposed to credit risk on bank deposits, deemed loans, derivative financial instruments and other receivables (excluding prepayments).

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.

Leek Finance Number Eighteen PLC

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

13 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
Cash and cash equivalents	Bank deposits	12	95
Financial assets at FV through income and expense	Derivative financial instruments	17,762	232
Loans and receivables	Deemed loans	901,101	1,027,401
Loans and receivables	Other receivables	48,382	62,060
		967,257	1,089,788

Derivatives:

At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the company, (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding

Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the company requires margin deposits from counterparties

Deemed loans:

The above table shows the maximum exposure to credit risk on deemed loans. The average loan to value percentage of the underlying mortgage loans that the deemed loans relate to was 83.50% at the balance sheet date.

At the balance sheet date £103,622 of the underlying mortgage loans that the deemed loans relate to were in arrears, split as follows:

Up to 30 days past due	£19,135
30 to 60 days past due	£38,236
60 to 90 days past due	£18,539
Over 90 days past due	£27,712

Other receivables:

The maximum exposure to credit risk on other assets as shown above represents amounts owed by the ultimate parent company, Britannia Building Society. Due to the way the intercompany balances are managed at a group level the actual exposure to credit risk on this balance is considered to be minimal.

Currency risk

Currency risk arises as a result of activities undertaken by the company when raising funds in currencies other than sterling.

The notional principal amounts of the outstanding cross-currency contracts at 31 December 2007 were £653,977k (2006: £740,599k).

US Dollar Notes are exposed to movements in the US Dollar exchange rate and the US Dollar LIBOR rate (note 14). The company is also exposed to movements in the EURO exchange rate and the EURIBOR rate relating to EURO Notes (note 14). Currency swaps that are perfectly matched are put in place at inception of the securitisation with JP Morgan Chase Bank to manage and mitigate these exposures. As a result of these highly effective swaps there is no sensitivity to movements in exchange rates.

Leek Finance Number Eighteen PLC

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

13 Financial instruments (continued)

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

Funding has been obtained through the issue of floating rate loan Notes. The company has in place a borrowing facility to ensure that sufficient liquidity is maintained to meet its obligations on the floating rate Notes (note 15)

The Notes issued by the company are repayable in line with the collections of principal from the securitised mortgage loans. Under the terms of the Notes the company can repurchase the outstanding Notes of a securitisation issue at par once the outstanding principal amount of the Notes falls below 10% of the amount originally issued or in full on any interest payment date on or after 21 December 2011. The earliest contractual maturity of the debt securities in issue is 21 December 2011, where £895,433k at 31 December 2007 (£1,028,029k at 31 December 2006) will be repaid on or before that date. Such repurchase options are considered to be closely related to the economic characteristics and risks of the Notes themselves and are not separately accounted for as embedded derivatives.

The overall liquidity risk is effectively mitigated as a result of the structure of the repayment of capital being required only in line with the repayment of the principle repayment of the underlying mortgage loans.

14 Debt securities in issue

	2007	2006
	£000	£000
£GBP Floating Rate Notes	241,457	313,129
\$USD Floating Rate Notes	465,858	529,533
€EURO Floating Rate Notes	188,118	185,367
	895,433	1,028,029

Leek Finance Number Eighteen PLC

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

14 Debt securities in issue (continued)

	2007 £000	2006 £000
Due within one year		
Class A1a Mortgage Backed Floating Rate Notes due 2038	11,800	12,069
Class A1b Mortgage Backed Floating Rates Notes due 2038	13,434	13,539
Floating Rate Notes interest payable	(545)	9,804
Unamortised issue costs	(78)	(107)
	24,611	35,305
Due in more than one year		
Class A1a Mortgage Backed Floating Rate Notes due 2038	17,471	80,031
Class A1b Mortgage Backed Floating Rate Notes due 2038	19,890	89,785
Class A2a Mortgage Backed Floating Rate Notes due 2038	171,100	171,100
Class A2b Mortgage Backed Floating Rate Notes due 2038	249,035	245,393
Class A2c Mortgage Backed Floating Rate Notes due 2038	83,987	82,758
Class A2d Mortgage Backed Floating Rate Notes due 2038	183,499	180,816
Class Ma Mortgage Backed Floating Rate Notes due 2038	12,500	12,500
Class Mc Mortgage Backed Floating Rate Notes due 2038	54,920	54,117
Class Ba Mortgage Backed Floating Rate Notes due 2038	25,900	25,900
Class Bc Mortgage Backed Floating Rate Notes due 2038	17,060	16,811
Class Ca Mortgage Backed Floating Rate Notes due 2038	6,000	6,000
Class Cc Mortgage Backed Floating Rate Notes due 2038	32,151	31,681
Unamortised issue costs	(2,691)	(4,168)
	870,822	992,724
Total debt securities in issue	895,433	1,028,029

The Mortgage Backed Floating Rate Notes due 2038 are secured over a portfolio of mortgage loans secured by first charges over residential properties in the United Kingdom

Prior to redemption of the Notes on the final interest payment date falling in September 2038, the Notes will be subject to mandatory and/or optional redemption in certain circumstances, on each interest payment date

Leek Finance Number Eighteen PLC

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

14 Debt securities in issue (continued)

Classes of Mortgage Backed Floating Rate Notes are subject to interest as detailed below. The three month LIBORs are revised quarterly and the following margins, which are not subject to revision, apply to the classes of Notes as follows

	Until 21 December 2011	From 21 December 2011 until 21 September 2038
Class A1a notes at 3 month Sterling LIBOR plus	0.04%	0.08%
Class A1b notes at 3 month Dollar LIBOR plus	0.04%	0.08%
Class A2a notes at 3 month Sterling LIBOR plus	0.13%	0.26%
Class A2b notes at 3 month Dollar LIBOR plus	0.13%	0.26%
Class A2c notes at 3 month EURIBOR plus	0.13%	0.26%
Class A2d notes at 3 month Dollar LIBOR plus	0.13%	0.26%
Class Ma notes at 3 month Sterling LIBOR plus	0.22%	0.44%
Class Mc notes at 3 month EURIBOR plus	0.22%	0.44%
Class Ba notes at 3 month Sterling LIBOR plus	0.42%	0.84%
Class Bc notes at 3 month EURIBOR plus	0.40%	0.80%
Class Ca notes at 3 month Sterling LIBOR plus	0.78%	0.99%
Class Cc notes at 3 month EURIBOR plus	0.78%	0.99%

The company has not had any defaults on principal, interest or any other breaches with respect to their liabilities during the year

The earliest contractual maturity of the debt securities in issue is 21 December 2011, where £895,433k at 31 December 2007 (£1,028,029k at 31 December 2006) may be repaid, dependent on the Optional Early Redemption of Notes clause being exercised (p 22 Leek 18 offering circular). 21 December 2011 represents the earliest contractual date that Leek 18 could be repaid. However any optional early redemption of notes would be taken in line with the principles of a prudent lender.

The expected maturity profile of the debt securities in issues as at 31 December 2007 was as follows

	2007 £000	2006 £000
In less than one year	24,611	35,305
In more than one year but not more than two years	21,165	24,187
In more than two years but not more than five years	63,490	72,560
In more than five years	786,167	895,977
	895,433	1,028,029

The maturity table above reflects the estimated timing of principal repayments on the Notes, based on the contractual payment terms on the underlying mortgages

Leek Finance Number Eighteen PLC

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

15 Other payables

	2007	Restated *
	£000	2006 £000
Amounts owed to Platform Funding Limited	1,162	(708)
Amounts owed to Meerbrook Finance Number One Limited	-	2,031
Subordinated debt owed to Britannia Building Society	25,927	23,451
Accruals and deferred income	(34)	1,371
Other	24	80
	27,079	26,225

The subordinated loan is secured by a second charge on the mortgage assets to which the company's deemed loans relate. The subordinated loan is not repayable until all obligations to the noteholders have been met. Interest is calculated on the loan at the prevailing three-month LIBOR plus a margin of 4.0%.

There is a liquidity facility of £31,446k (2006: £31,446k) provided by The Royal Bank of Scotland. At 31 December 2007 the drawing at the facility amounted to £nil (2006: £nil). Interest on any drawing is payable to the facility provider at Libor plus a margin of 0.4% (2006: 0.4%).

* The 2006 amounts owed to Platform Funding Limited and Meerbrook Finance Number One Limited have been restated by £3,016k and £1,074k respectively (previously £2,308k and £3,105k) as described in note 2.

16 Called up share capital

	2007 £	2006 £
Authorised		
50,000 ordinary shares of £1 each	50,000	50,000
Issued and fully paid		
2 ordinary shares of £1 each	2	2
Allotted and partially paid		
49,998 ordinary shares of £1 each of which 25p paid	12,500	12,500

Leek Finance Number Eighteen PLC

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

17 Retained earnings

Movements in Retained earnings were as follows

	2007	Restated *
	£000	2006 £000
Balance at start of period	4,306	-
Profit for the period	1,587	4,306
At 31 December	5,893	4,306

The profit for the year is due to deferred consideration payable being based on a profit that excludes the impact of IAS 39. The deferred consideration was based on profit of the securitisation company under UK GAAP required by the capital market arrangement, which in 2007 gave rise to a higher profit figure than that calculated under IAS 39. The difference in the two profits is a timing difference that will reverse over the life of the mortgages.

The 2006 profit for the period has been restated by £1,945 (previously £2,361) as described in Note 2.

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

	2007	Restated *
	£000	2006 £000
Profit before tax	2,507	4,860
Interest payable on subordinated loan	2,266	391
Initial expense loan interest payable	573	56
Cashflows from operating profits before changes in operating assets and liabilities	5,346	5,307
Net decrease/(increase) in deemed loans due from group undertakings	126,300	(1,027,401)
Net decrease/(increase) in other receivables	(3,852)	(62,292)
Net (decrease)/increase in debt securities	(132,596)	1,028,029
Net (decrease)/increase in other payables	5,913	28,879
Net cash flows from operating activities	1,111	(27,478)

* The 2006 profit before for tax has been restated by £1,945 (previously £2,915k) as described in note 2. The 2006 net increase in deemed loans due from group undertakings and the 2006 net increase in other payables have been restated by £2,145k (previously £1,029,546k) and £4,090k (previously £32,969) respectively as described in note 2.

Leek Finance Number Eighteen PLC

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

19 Ultimate parent undertaking and controlling entity

The company's immediate parent undertaking is Leek Finance Holdings Number Eighteen Limited

Capita IRG Trustees Limited holds 100% of the issued share capital of Leek Finance Holdings Number Eighteen Limited, subject to terms of a declaration of trust for general charitable purposes

The ultimate parent undertaking of Leek Finance Number Eighteen PLC is Britannia Building Society by virtue of amendments introduced by the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004

Copies of the financial statements of Britannia Building Society may be obtained from

Britannia House, Cheadle Road, Leek, Staffordshire, ST13 5RG

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

20 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

	<u>Interest and similar income</u> £000	<u>Interest and similar expense</u> £000	<u>Balance due to Leek Finance Number Eighteen PLC</u> £000
Period ended 31 December 2007			
Meerbrook Finance Number One Limited	23,802	-	329,593
Platform Funding Limited	41,907	784	570,347
Britannia Building Society	3,463	2,266	22,450
	Restated *		Restated *
	<u>Interest Income</u> £000	<u>Interest expense</u> £000	<u>Balance due to/(from) Leek Finance Number Eighteen PLC</u> £000
Year ended 31 December 2006			
Meerbrook Finance Number One Limited	4,760	-	377,522
Platform Funding Limited	10,715	144	648,556
Britannia Building Society	432	391	38,606

Capita Trust Company Limited, a director of the company received fees in respect of management services of £nil (2006 £nil). The amount outstanding at the 31 December 2007 was £nil (2006 £nil)

* The 2006 interest receivable from Meerbrook Finance Number One Limited and Platform Funding Limited have been restated by £8k and £1,953k respectively

* The 2006 balance due to Meerbrook Finance Number One Limited and Platform Funding Limited have been restated by £8k and £1,953k respectively (previously £377,530k and £646,603k) as described in note 2