

**Leek Finance Number Four Limited**  
**Directors' report and financial statements**  
**for the year ended 31 December 2012**

**Registered Number: 03841864**

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# **Leek Finance Number Four Limited**

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# **Leek Finance Number Four Limited**

## **Directors and advisors**

### **Directors**

Capita Trust Corporate Limited  
Capita Trust Corporate Services Limited  
PCSL Services No 1 Limited  
Mrs S E Lawrence

### **Secretary**

TMF Corporate Administration Services Limited

### **Independent auditor**

KPMG Audit Plc  
St James Square  
Manchester  
M2 6DS

### **Solicitors**

Allen & Overy LLP  
One Bishops Square  
London  
E1 6AD

### **Registered office**

5th Floor  
6 St Andrew Street  
London  
EC4A 3AE  
United Kingdom

### **Registered number**

03841864

# **Leek Finance Number Four Limited**

## **Directors' report for the year ended 31 December 2012**

The directors present their report and the audited financial statements of Leek Finance Number Four Limited (Registered Company No 03841864) for the year ended 31 December 2012

### **Principal activities**

The company was incorporated in England. The principal activity of the special purpose entity (SPE) is to receive and pay deferred consideration for previously owned mortgage portfolios

The beneficial ownership of the loans and advances to customers sold to and sold by the Company fail the derecognition criteria of IAS 39 and consequently, these loans remain on the balance sheet of the originator. IAS 39, therefore, requires the Company to recognise a "deemed loan" financial asset with the resulting "deemed loan" liability being recognised on the originator's balance sheet. IAS 39 also requires the Company to recognise a "deemed loan" financial liability for the sale of the beneficial title of mortgage portfolios, the resulting "deemed loan" asset is recognised on the special purpose entities balance sheet

### **Review of business and future development**

During the year the deemed loan asset and 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 deemed loan interest, which is based on the outstanding loan, decreased by a greater proportion than the decrease in the mortgage portfolio due to interest rate movements and is in line with management's expectations

Due to repayments decreasing the loan each year, the balance sheet, interest income and interest expense will decrease in future years. The rate of decrease is dependent on future redemptions and further advances of the mortgage portfolio the deemed loan reflect

### **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**

At the inception of the Company the material risks are considered in relation to the overall low risk appetite of the Company. 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

The financial risks faced by the Company are credit risk, interest rate risk and liquidity risk. A summary of these risks is included below and more detail regarding the management of these risks is included in note 6 to the financial statements

- credit risk is the risk that a customer or counterparty will not be able to meet its obligations to the Company as they become due. Credit risk arises on deemed loans and other receivables. The ability of the originator's customers to repay their loans is impacted by economic factors in the UK. The Co-operative Banking Group has undertaken a wide ranging review of its risk management framework delivering significant change in organisational design, committee structures, management information and reporting. The credit risk policies are approved by The Co-operative Banking Group's Board Risk Committee (delegated authority from The Co-operative Banking Group's Board). The principal risk policy for credit risk is approved annually by the Executive Risk Committee and defines appropriate standards and principles for the effective and robust management of credit risk throughout the Co-operative Banking Group. The Group adopts a three lines of defence governance model to ensure appropriate responsibility is allocated to management, reporting and escalation of risks
  - Business management act as the first line of defence. They are responsible for identifying where the business area is exposed to risks, including from the development of new products, processes or other business change. They also manage the risks that reside within their business areas on a day to day basis, implementing effective monitoring and control processes to ensure that the business' risk profile is understood and maintained within the Board defined risk appetite
  - The risk function act as the second line of defence. They oversee and challenge the implementation and monitoring of the risk framework and consider current and emerging risks across the Bank. They also provide review and challenge of the delegated authority framework and oversee appropriate escalation of breaches, mitigating actions and reporting to the ERC

# **Leek Finance Number Four Limited**

## **Directors' report for the year ended 31 December 2012 (continued)**

### **Principal risks and uncertainties (continued)**

- Internal Audit acts as the third line of defence. They are responsible for independently verifying that the principal risk control framework has been implemented as intended across the business and independently challenge the overall management of the framework to provide assurance to the Audit Committee and senior management on the adequacy of both the first and second lines,
- interest rate risk arises from movements in interest rates. After taking into consideration the Company's administered interest rate nature of the Company's deemed loans, 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, and
- 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 Company has in place a facility to drawdown from The Co-operative Bank plc, a Group company to ensure that sufficient liquidity is maintained.

As set out more fully in the statement of accounting policies, these financial statements have been prepared under the current International Financial Reporting Standards (IFRS) framework, as endorsed by the European Union (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 taxation, amounted to £9K (2011: loss £8K). The net liabilities at the end of the year amounted to £18K (2011: £9K). The directors do not propose a dividend for the year (2011: £nil).

### **Directors and their interests**

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

Capita Trust Corporate Limited  
Capita Trust Corporate Services Limited  
PCSL Services No. 1 Limited  
Mrs S E Lawrence

No director had any beneficial interest in the share capital of the Company or any other company in The Co-operative Group Limited at any time during the year under review.

### **Going concern**

Due to the way in which the Company is structured, the Company is only required to repay its capital in line with the principal repayment of the underlying mortgage loans. Additionally, if the Company were to be in a net liability position upon collapse, deferred consideration would be clawed back from the originator as permitted by the deferred consideration agreement. Consequently, the directors are satisfied that the Company will have sufficient liquid resources available to meet its obligations as they fall due and that it is appropriate to adopt the going concern basis in preparing the financial statements.

# Leek Finance Number Four Limited

## Directors' report for the year ended 31 December 2012 (continued)

### Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they are elected to prepare the financial statements in accordance with IFRS as adopted by the EU and applicable law.

Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRS as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

### Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

### Independent auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

On behalf of the Board

Signed



**Paul Glendenning**

Director **Capita Trust Corporate Services Limited (Director)**

Date **25/06/2013**

# **Independent auditor's report to the members of Leek Finance Number Four Limited**

We have audited the financial statements of Leek Finance Number Four Limited for the year ended 31 December 2012 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Signed 

Andrew Walker (Senior Statutory Auditor)  
For and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
KPMG Audit Plc  
St James Square  
Manchester  
M2 6DS

Date 25 June 2013

## Leek Finance Number Four Limited

### Statement of comprehensive income for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Interest receivable and similar income	2	173	191
Interest expense and similar charges	3	(173)	(191)
<b>Net interest expense</b>		-	-
Other operating expenses		(9)	(8)
<b>Loss before taxation</b>		(9)	(8)
Taxation	5	-	-
<b>Loss attributable to equity holders</b>	12	(9)	(8)

All results are from continued operations

There are no recognised gains or losses other than losses for the current year

The accounting policies and notes on pages 10 to 21 form part of these financial statements



# Leek Finance Number Four Limited

## Balance sheet as at 31 December 2012

	Notes	2012 £000	2011 £000
<b>Assets</b>			
Deemed loans due from group undertakings	7	3,427	3,771
Other receivables	8	27	36
<b>Total assets</b>		<b>3,454</b>	<b>3,807</b>
<b>Liabilities</b>			
Deemed loans due to group undertakings	9	3,466	3,810
Other payables	10	6	6
<b>Total liabilities</b>		<b>3,472</b>	<b>3,816</b>
<b>Equity</b>			
Called-up share capital	11	-	-
Retained earnings	12	(18)	(9)
<b>Total equity and liabilities</b>		<b>3,454</b>	<b>3,807</b>

The accounting policies and notes on pages 10 to 21 form part of these financial statements

Approved by the Board of Directors on 25/06/2013 and signed on their behalf by

Signed  Paul Glendenning

Director **Capita Trust Corporate Services Limited (Director)**

## Leek Finance Number Four Limited

### Statement of changes in equity for the year ended 31 December 2012

	Share capital £000	Retained earnings £000	Total £000
<b>Year ended 31 December 2012</b>			
Balance at the beginning of the year	-	(9)	(9)
Loss for the year	-	(9)	(9)
<b>Balance at the end of the year</b>	<b>-</b>	<b>(18)</b>	<b>(18)</b>

	Share capital £000	Retained earnings £000	Total £000
<b>Year ended 31 December 2011</b>			
Balance at the beginning of the year	-	(1)	(1)
Loss for the year	-	(8)	(8)
<b>Balance at the end of the year</b>	<b>-</b>	<b>(9)</b>	<b>(9)</b>

The accounting policies and notes on pages 10 to 21 form part of these financial statements

## Leek Finance Number Four Limited

### Statement of cash flows for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Cash flows from operating activities	13	-	-
<b>Net movement in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year		-	-
<b>Cash and cash equivalents at the end of the year</b>		<b>-</b>	<b>-</b>

The accounting policies and notes on pages 10 to 21 form part of these financial statements

# **Leek Finance Number Four Limited**

## **Statement of accounting policies for the year ended 31 December 2012**

### **Basis of preparation**

Leek Finance Number Four Limited is a company incorporated and domiciled in England

The Company accounts have been prepared on a historical cost basis

The Company is required to prepare its financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and implemented in the UK, interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and with those parts of the Companies Act 2006 applicable to organisations reporting under IFRS

In preparing these financial statements, the Company has adopted the following pronouncement during the year that is new or revised

Amendment to IFRS 7 Financial Instruments Disclosures – Transfer of Financial Assets

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

### **Interest income and expense**

This comprises

- interest income and expense for financial assets and liabilities at amortised cost through the statement of comprehensive income, calculated using the effective interest rate method This includes accrued interest income on financial assets written down as a result of impairment, and
- deferred consideration

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

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

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

#### ***Deferred consideration payable***

Deferred 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 should not recognise income to which it is not beneficially entitled Contingent deferred consideration arising in future years is recorded in the statement of comprehensive income in the year in which it arises

#### ***Deferred consideration receivable***

Deferred consideration is deducted from interest expense, since the Company should not recognise expenditure, which it has not incurred Contingent deferred consideration arising in future periods is recorded in the statement of comprehensive income in the period in which it arises

# Leek Finance Number Four Limited

## Statement of accounting policies for the year ended 31 December 2012 (continued)

### **Taxation**

Tax on the loss for the year comprises current 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 during the reporting period. The current tax charge includes adjustments to tax payable in prior periods.

### **Financial assets**

The Company's financial assets are categorised as follows

### **Loans and receivables**

Loans and receivables are assets with fixed or determinable payments that are not quoted in an active market. They comprise 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 statement of comprehensive income.

### **Derecognition of financial assets**

Financial assets are derecognised when

- 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

### **Deemed loans due from group undertakings**

The Company purchased the beneficial title of mortgage portfolios and subsequently sold these to special purpose entities (SPE). The beneficial ownership of the loans and advances to customers sold to and sold by the Company fail the derecognition criteria of IAS 39 and consequently, these loans remain on the balance sheet of the originator. IAS 39, therefore, requires the Company to recognise a "deemed loan" financial asset and the resulting "deemed loan" liability on the originator's balance sheet. IAS 39 also requires the Company to recognise a "deemed loan" financial liability for the subsequent sale of the beneficial title of the mortgage portfolio and the resulting "deemed loan" asset on the SPE 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 seller to the Company.

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

### ***Deferred consideration receivable***

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

### ***Deferred consideration payable***

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

# **Leek Finance Number Four Limited**

## **Statement of accounting policies for the year ended 31 December 2012 (continued)**

### **Financial liabilities**

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

- 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 are subsequently stated at amortised cost. Any difference between issue proceeds net of issue costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

### **Cash and cash equivalents**

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

### **Segmental reporting**

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

# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2012

### 1 Loss before taxation

Loss on ordinary activities before taxation is stated after charging

	2012	2011
	£000	£000
Audit fee for the audit of the Company's financial statements	2	1

### 2 Interest receivable and similar income

	2012	2011
	£000	£000
On financial assets not at fair value through income and expense		
Deemed loan interest receivable	173	191

### 3 Interest expense and similar charges

	2012	2011
	£000	£000
On financial liabilities not at fair value through income and expense		
Deemed loan interest payable	173	191

### 4 Directors' emoluments and employees

During the year, Capita Trust Company, on behalf of Capita Trust Corporate Limited and Capita Trust Corporate Services Limited received £4K in respect of directors and trustees fees (2011 £4K)

At 31 December 2012, no directors were accruing benefits under The Co-operative Group pension schemes (2011 £nil)

The Company had no employees during the current or prior year

# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 5 Taxation

	2012	2011
	£000	£000
UK tax at 20% (2011 20 25%)		
Corporation tax	-	-
<b>Total corporation tax</b>	<b>-</b>	<b>-</b>

#### Factors affecting tax charge for the year

The average effective rate of corporation tax assessed for the year is lower than the standard rate of corporation tax for small companies in the UK of 20% (2011 20 25%) The differences are explained below

	2012	2011
	£000	£000
Loss on ordinary activities before tax	(9)	(8)
Loss before tax multiplied by standard rate of tax	(2)	(2)
Effects of		
Losses not recognised for tax	2	2
	-	-

Secondary tax legislation, enacted in November 2006 under powers conferred by the Finance Act 2005, ensures that for the companies who first meet the definition of a 'securitisation company' for an accounting period commencing on or after 1 January 2007, corporation tax will be calculated by reference to the retained profit of the securitisation Company required to be retained under the agreement that governs the company

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

### 6 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 consist principally of deemed loans, amounts due from group undertakings and amounts due to group undertakings

#### Fair values of financial instruments

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the balance sheet at fair value, unless there is no significant difference between carrying values and fair value



# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 6 Financial instruments (continued)

	Carrying value 2012 £000	Fair value 2012 £000
Deemed loans due from group undertakings	3,427	3,416
Deemed loans due to group undertakings	(3,466)	(3,455)

	Carrying value 2011 £000	Fair value 2011 £000
Deemed loans due from group undertakings	3,771	3,742
Deemed loans due to group undertakings	(3,810)	(3,781)

Fair values have been determined as follows

#### Deemed loans

The estimated fair value of deemed loans represents the balance after deducting the lifetime expected losses calculated on the mortgage loans that the balance represents. The lifetime expected losses have been calculated using Basel models used to calculate the expected loss in a 12 month period and extending it for the life of the loans.

#### Risk management and control

The financial risks faced by the Company include the following

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

As a subsidiary of The Co-operative Banking Group, the Company applies The Co-operative Banking Group's formal structure for managing risk. The Co-operative Banking Group's Board has established Board sub-committees and senior management committees whose responsibilities include

- overseeing the risk management process,
- identifying the key risks facing the business, and
- assessing the effectiveness of planned management actions

Specific Board authority has been delegated to Board sub-committees and the Chief Executive Officer (CEO) who may, in turn, delegate authority to appropriate executive directors and their senior line managers. This includes

- setting limits for individual types of risk, and
- approving (at least annually) and monitoring compliance with risk policies and delegated levels of authority

# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 6 Financial instruments (continued)

#### Risk management and control (continued)

At the inception of the Company the material risks are considered in relation to the overall low risk appetite of the Company. 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.

#### Interest rate risk

The Company has no derivative financial instruments as at 31 December 2012 and has no significant interest rate re-pricing exposure.

The Company has never experienced significant financial losses as a result of movements in interest rates. After taking into consideration the administered interest rate nature of the Company's deemed loans, 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 amount of deferred consideration payable to Platform Funding Limited is a non-interest bearing financial liability. As described in note 7, 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.

#### Credit risk

Credit risk is the risk that a customer or counterparty will not be able to meet its obligations to the Company as they become due. Credit risk arises on deemed loans and other receivables.

The Company is exposed to credit risk on deemed loans and other receivables (excluding prepayments).

The table below represents a worst-case scenario of credit risk exposure to the Company at 31 December 2012 and 2011, without taking into account any collateral held or other credit enhancements attached. The exposures below are based on gross carrying amounts as reported in the balance sheet.

Category (as defined by IAS 39)	Class	2012	2011
		£000	£000
Loans and receivables	Deemed loans	3,427	3,771
Loans and receivables	Other receivables	27	36
		<b>3,454</b>	<b>3,807</b>

# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 6 Financial instruments (continued)

#### Credit risk (continued)

##### *Deemed loans*

The effect of default is minimal due to the structure of the Company. The deemed loan payable and the deemed loan receivable relates to the same underlying mortgage portfolios and therefore the deemed loan payable is only due as the deemed loan receivable is repaid.

##### *Other receivables*

Other receivables represent amounts due by The Co-operative Bank plc. There is no formal repayment schedule for these monies, which are repayable on demand. Due to the way the parent manages the intercompany balances the actual credit risk on these loans is considered to be minimal.

#### **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 Company has in place a facility to drawdown from The Co-operative Bank plc, a Group company to ensure that sufficient liquidity is maintained.

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 deemed loans due from group undertakings, as they become due, as described further in note 7.

### 7 Deemed loans due from group undertakings

	2012	2011
	£000	£000
Deemed loans recoverable	3,466	3,810
Deferred consideration payable (see below)	(39)	(39)
	<b>3,427</b>	<b>3,771</b>

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

#### **Deferred consideration payable**

Deferred consideration is payable to Platform Funding Limited and is dependent on the extent to which surplus income is generated by the underlying mortgage books, that the Company holds the beneficial title to. The surplus income generated during the year ended 31 December 2012 amounted to £nil (2011: £nil).

# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 7 Deemed loans due from group undertakings (continued)

#### Deferred consideration payable (continued)

The deferred consideration payable is as follows

	2012	2011
	£000	£000
Amounts owed to Platform Funding Limited	39	39

There were no movements in deferred consideration during the year or prior year

It is anticipated that the majority of the above deferred consideration will be payable after one year. 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 within one year.

### 8 Other receivables

	2012	2011
	£000	£000
Amounts owed by The Co-operative Bank plc	27	36

The above amounts owed by group undertakings, which are due from The Co-operative Bank plc are expected to be settled no more than 12 months after the end of the reporting period. The amount owed by The Co-operative Bank plc has a variable rate based on 3 month LIBOR less 25 basis points.

### 9 Deemed loans due to group undertakings

	2012	2011
	£000	£000
Deemed loans payable	3,466	3,810

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

## Leek Finance Number Four Limited

### Notes to the financial statements for the year ended 31 December 2012 (continued)

#### 10 Other payables

	2012	2011
	£000	£000
Accruals and deferred income	6	6

#### 11 Called-up share capital

	2012	2011
	£	£
Issued and fully paid		
1 ordinary share of £1	1	1

The Company's funding consists of share capital and intercompany funding provided by The Co-operative Bank plc. Capital is managed on the whole by The Co-operative Bank plc, who are subject to the capital requirements imposed by its regulator the Financial Conduct Authority (FCA). During the period, the Group complied with the capital requirements set by the FCA.

#### 12 Retained earnings

Movement in retained earnings were as follows

	2012	2011
	£000	£000
Balance at the beginning of the year	(9)	(1)
Loss for the year	(9)	(8)
Balance at the end of the year	(18)	(9)

#### 13 Reconciliation of operating loss to net cash flows from operating activities

	2012	2011
	£000	£000
Loss before taxation	(9)	(8)
Decrease in deemed loans due from group undertakings	344	444
Net decrease in other receivables	9	10
Decrease in deemed loans due to group undertakings	(344)	(444)
Net decrease in other payables	-	(2)
Net cash flows from operating activities	-	-

# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2012 (continued)

### 14 Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking and controlling entity is Leek Finance Holdings Number Four Limited, a company registered in England

Royal Exchange Trust Company Limited holds 100% of the issued share capital of Leek Finance Holdings Number Four Limited, subject to terms of a declaration of trust for general charitable purposes

The Company meets the definition of a special purpose entity under IFRS. In accordance with the requirements of SIC 12 "Consolidation- Special Purpose Entities", the Company's accounts are consolidated within the Group accounts of The Co-operative Bank plc for the year ended 31 December 2012

The largest group in which the results of the Company are consolidated is that headed by The Co-operative Group Limited. The Co-operative Group Limited is a mutual organisation owned by its members and consequently has no controlling body. It is incorporated in Great Britain and registered in England and Wales under the Industrial and Provident Society Acts 1965 to 2002. The Co-operative Group Limited is the Company's ultimate parent Company and ultimate controlling party. The financial statements of the ultimate parent Company are available from 1 Angel Square, Manchester, M60 0AG. The smallest Group in which they are consolidated is that headed by The Co-operative Bank plc, which is incorporated in Great Britain. The financial statements of this group are available from 1 Balloon Street, Manchester, M60 4EP.

### 15 Related party transactions

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

	Interest receivable and other income £000	Interest expense and other charges £000	Balance due (from)/to the Company £000
<b>Year ended 31 December 2012</b>			
The Co-operative Bank plc	-	-	27
Leek Finance Number Seven plc	-	173	(3,466)
Platform Funding Limited	173	-	3,427
<hr/>			
<b>Year ended 31 December 2011</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
The Co-operative Bank plc	-	-	36
Leek Finance Number Seven plc	-	191	(3,810)
Platform Funding Limited	191	-	3,771

During the year £4K (2011: £4K) was paid to corporate directors in respect of the provision of management services. The amount outstanding at 31 December 2012 was £2K (2011: £2K).

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

## **Leek Finance Number Four Limited**

### **Notes to the financial statements for the year ended 31 December 2012 (continued)**

#### **16 New pronouncements issued in 2012**

The following pronouncements have been issued and will be effective for and relevant to the period beginning 1 January 2013

- Amendments to IFRS 7 (Disclosures Offsetting Financial Assets and Liabilities)
- IFRS 13 (Fair Value Measurement (2011))

These pronouncements are not mandatory for the year ended 31 December 2012, they will become effective for annual periods beginning on or after 1 January 2013

The following pronouncement has been issued and will be effective for and relevant to the period beginning 1 January 2014

- Amendments to IAS 32 (Offsetting Financial Assets and Financial Liabilities)

This pronouncement is not mandatory for the year ended 31 December 2012, it will become effective, and has been adopted for use within the EU, for annual periods beginning on or after 1 January 2014

The following pronouncement has been issued and will be effective for and relevant to the period beginning 1 January 2015

- IFRS 9 (Financial Instruments Classification and Measurement (2010))

This pronouncement is not mandatory for the year ended 31 December 2012, it will become effective for annual periods beginning on or after 1 January 2015, early adoption is permitted once endorsed by the EU