

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

Registered Number: 04442594



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# **Meerbrook Finance Number One Limited**

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# **Meerbrook Finance Number One Limited**

## **Directors and advisors**

### **Directors**

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

### **Secretary**

TMF Corporate Administration Services Limited

### **Independent auditor**

KPMG Audit Plc  
St James Square  
Manchester  
M2 6DS

### **Solicitors**

Allen & Overy LLP  
One Bishop's Square  
London  
E1 6AD

### **Registered office**

5<sup>th</sup> Floor  
6 St Andrew Street  
London  
EC4A 3AE

### **Registered number**

04442594

# **Meerbrook Finance Number One Limited**

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

The directors present their report and the audited financial statements of Meerbrook Finance Number One Limited (Registered Company No 04442594) for the year ended 31 December 2012

### **Principal activities**

The Company was incorporated in England with the principal activity of the Company being to receive deferred consideration for previously owned mortgage portfolios

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

The deemed loan interest income and expense have decreased in line with the decrease in the underlying mortgage portfolios and is in line with management's expectations

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

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

### **Principal risks and uncertainties**

The financial risks faced by the Company are credit 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 8 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 cash and cash equivalents, deemed loans and other receivables. The ability of the originator's customers to repay their loans is impacted by economic factors in the UK. 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 The Co-operative Bank plc, 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. Liquidity risk arises on deemed loans due to group undertakings and other payables

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 profit for the year after taxation amounted to £22K (2011 £459K). The net liabilities of the Company at 31 December 2012 were £3,717K (2011 £3,739K). The directors do not propose a dividend for the year ending 31 December 2012 (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  
Mrs S E Lawrence  
PCSL Services No 1 Limited

No director had a 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 the Company is structured it is only required to repay its capital in line with the principal repayment of the underlying mortgage loans. Consequently, the directors are satisfied that the Company will have sufficient liquid resources available to meet its obligations as they fall due, and for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements

# Meerbrook Finance Number One 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 have 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 the 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 **21/06/2013**

# **Independent auditor's report to the members of Meerbrook Finance Number One Limited**

We have audited the financial statements of Meerbrook Finance Number One Limited for the year ended 31 December 2012 set out on pages 5 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 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, 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 profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

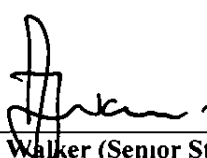
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

Signed

  
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**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 21/06/2013

## Meerbrook Finance Number One Limited

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

	Notes	2012 £000	2011 £000
Interest receivable and similar income	2	10,015	10,054
Interest expense and similar charges	3	(9,976)	(9,469)
<b>Net interest income</b>		<b>39</b>	<b>585</b>
Operating expenses	5	(12)	(11)
<b>Profit before taxation</b>		<b>27</b>	<b>574</b>
Taxation	6	(5)	(115)
<b>Profit attributable to equity holders</b>	14	<b>22</b>	<b>459</b>

All results are from continued operations

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

The accounting policies and notes on pages 9 to 21 form part of these financial statements

# Meerbrook Finance Number One Limited

## Balance sheet as at 31 December 2012

	Notes	2012 £000	2011 £000
<b>Assets</b>			
Cash and cash equivalents	7	90	90
Deemed loans due from group undertakings	9	382,136	392,797
Deferred tax asset	6	957	962
Other receivables	10	13	871
<b>Total assets</b>		<b>383,196</b>	<b>394,720</b>
<b>Liabilities</b>			
Deemed loans due to group undertakings	11	373,588	384,436
Other payables	12	13,325	14,023
<b>Total liabilities</b>		<b>386,913</b>	<b>398,459</b>
<b>Equity</b>			
Called-up share capital	13	-	-
Retained earnings	14	(3,717)	(3,739)
<b>Total equity and liabilities</b>		<b>383,196</b>	<b>394,720</b>

The accounting policies and notes on pages 9 to 21 form part of these financial statements

Approved by the Board of Directors on 21/06/2013 and signed on its behalf by

Signed: 

**Paul Glendenning**  
For and on behalf of Capita Trust Corporate Services Limited  
Director

Date 21/06/2013



# Meerbrook Finance Number One 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	-	(3,739)	(3,739)
Profit for the year	-	22	22
Balance at the end of the year	-	(3,717)	(3,717)

	Share capital £000	Retained earnings £000	Total £000
<b>Year ended 31 December 2011</b>			
Balance at the beginning of the year	-	(4,198)	(4,198)
Profit for the year	-	459	459
Balance at the end of the year	-	(3,739)	(3,739)

The accounting policies and notes on pages 9 to 21 form part of these financial statements

# Meerbrook Finance Number One Limited

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

	Notes	2012 £000	2011 £000
Net cash flows from operating activities	15	847	27,760
Cash flows from financing activities			
Repayment of subordinated loan		(700)	(27,500)
Interest paid on subordinated loan		(147)	(260)
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		90	90
Cash and cash equivalents at the end of the year	7	90	90

The accounting policies and notes on pages 9 to 21 form part of these financial statements

# Meerbrook Finance Number One Limited

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

### **Basis of preparation**

Meerbrook Finance Number One Limited is a company incorporated and domiciled in England

The Company's financial statements have been prepared under the historical cost convention

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

### **Standards and interpretation issued and effective**

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

- Amended IFRS 7 (Disclosures Transfers of Financial Assets (2010))

This amendment's objective is to promote the transparency of off balance sheet activities, particularly in relation to the securitisation of financial assets. Specifically, the transference of these assets and their associated risks are reported in a way that ensures that the user of the accounts is able to understand the financial position of such risks being transferred

There are no significant critical accounting estimates or judgments applied in the basis of preparing these financial statements

### **Functional and presentational currency**

The financial statements are presented in sterling, which is the Company's functional currency (ie the primary currency in which it transacts business) and presentational currency

### **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.

# Meerbrook Finance Number One Limited

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

### **Taxation**

Tax on the profit for the year comprises current tax and movements in 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 during the reporting period.

### ***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 under which the Company is taxed.

Deferred tax assets are only recognised as an asset where it is probable that there will be future taxable profits against which to offset them.

Movements in deferred tax are recognised in the statement of comprehensive income.

### **Financial assets**

The Company's financial assets are categorised as 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

# **Meerbrook Finance Number One Limited**

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

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

The beneficial ownership of the loans and advances to customers sold to the Company by the originator, and subsequently 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 financial liability being recognised on the originator's balance sheet. IAS 39 also requires the Company to recognise a deemed loan financial liability for the subsequent sale of beneficial title of mortgage portfolios, the resulting deemed loan financial asset is recognised 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 loans and advances to customers and is subsequently adjusted for repayments made by the originator 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 deducted from interest expense, since the Company does not recognise expenditure which it has not incurred. Contingent deferred consideration arising in future years is recorded in the statement of comprehensive income in the year in which it arises.

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

Deferred consideration payable 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 statement of comprehensive income in the year in which it arises.

### **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 of cash flows, cash and cash equivalents comprise balances with less than three months to maturity from the date of acquisition.

# Meerbrook Finance Number One Limited

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

### 1 Profit before taxation

Profit on ordinary activities before taxation is stated after charging

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

### 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	10,014	10,037
Interest receivable from The Co-operative Bank plc	1	17
	10,015	10,054

### 3 Interest expense and similar charges

	2012	2011
	£000	£000
On financial assets not at fair value through income and expense		
Deemed loan interest payable	10,014	10,037
Deferred consideration receivable (note 11)	(187)	(813)
Interest payable to The Co-operative Bank plc	149	245
	9,976	9,469

### 4 Directors' emoluments

During the year, Capita Trust Company, on behalf of Capita Trust Corporate Limited and Capita Trust Corporate Services Limited received £6K in respect of directors and trustees fees (2011 £6K)

At 31 December 2012, no directors were accruing benefits under The Co-operative Group pension schemes (2011 none)

The Company had no employees during the current or prior year

### 5 Operating expenses

	2012	2011
	£000	£000
Professional and accountancy fees	2	2
Company secretary fees	4	3
Trustee fees	6	6
	12	11

# Meerbrook Finance Number One Limited

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

### 6 Taxation

	2012 £000	2011 £000
UK tax at 20% (2011 20 25%)		
Deferred tax		
Current	5	115
	<b>5</b>	<b>115</b>

#### Factors affecting tax charge for the year

The average effective rate of corporation tax assessed for the year is equal to the standard rate of corporation tax for small companies in the UK of 20% (2011 20 25%)

	2012 £000	2011 £000
Profit on ordinary activities before tax	27	574
Profit before tax multiplied by standard rate of tax	5	116
Effects of		
Change in rate	-	(1)
	<b>5</b>	<b>115</b>

The recognised deferred tax includes the following amounts

	2012 £000	2011 £000
Short-term timing differences	957	962
	<b>957</b>	<b>962</b>

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

	2012 £000	2011 £000
Net deferred tax at the beginning of the year	962	1,077
Deferred tax charged to the statement of comprehensive income	(5)	(115)
Net deferred tax at the end of the year	<b>957</b>	<b>962</b>

# Meerbrook Finance Number One Limited

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

### 6 Taxation (continued)

The deferred tax asset arises due to short term timing differences and is therefore considered to be recoverable. Deferred tax assets expected to be recoverable after one year are £957K (2011: £962K). Deferred tax is calculated at 20% (2011: 20%).

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.

### 7 Cash and cash equivalents

	2012 £000	2011 £000
Cash and cash equivalents	90	90
	90	90

### 8 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 cash and cash equivalents, deemed loans, other receivables and other payables.

#### Fair values of other 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 value and fair value.

	Carrying value 2012 £000	Fair value 2012 £000
Deemed loans due from group undertakings	382,136	379,764
Deemed loans due to group undertakings	(373,588)	(371,216)

	Carrying value 2011 £000	Fair value 2011 £000
Deemed loans due from group undertakings	392,797	388,309
Deemed loans due to group undertakings	(384,436)	(379,948)



# Meerbrook Finance Number One Limited

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

### 8 Financial instruments (continued)

#### Fair values of other financial instruments (continued)

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 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

- 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

#### 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 cash and cash equivalents, deemed loans and other receivables.

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 are based on gross carrying amounts as reported in the balance sheet

Category (as defined by IAS 39)	Class	2012	2011
		£000	£000
Cash and cash equivalents	Cash and cash equivalents	90	90
Loans and receivables	Deemed loans	382,136	392,797
Loans and receivables	Other receivables	13	871
		<b>382,239</b>	<b>393,758</b>

#### Deemed loans

The above table shows the maximum exposure to credit risk on deemed loans. However, the credit risk is considered to be minimal because management do not expect the amount of incurred credit losses on the originator's securitised loans and advances to customers to exceed the amount of credit enhancement supplied by The Co-operative Bank plc

# Meerbrook Finance Number One Limited

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

### 8 Financial instruments (continued)

#### *Other receivables*

Other receivables relate primarily to amounts due from The Co-operative Bank plc. Due to the way The Co-operative Bank plc manages the intercompany balances, the 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 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 11.

Liquidity risk arises on other payables, primarily made up of amounts due to group undertakings. There is no formal repayment schedule for these monies, which are all considered to be repayable on demand. It is not expected that The Co-operative Bank plc will withdraw the funding in the foreseeable future and the liquidity risk on these loans is considered to be minimal.

#### **Capital management**

The Company's primary objective in respect of capital management is to ensure that it has sufficient capital now and in the future to support the risks in the business.

The Company is not subject to externally imposed capital requirements in either the current period or the prior period, other than the minimum share capital required by the Companies Act with which it complies. The Company manages its ordinary share capital in order that there is sufficient capital, in the opinion of the directors, to support the transactions and level of business undertaken by the Company.

### 9 Deemed loans due from group undertakings

	2012 £000	2011 £000
Deemed loans receivable	382,136	392,797
	<b>382,136</b>	<b>392,797</b>

The deemed loans receivable 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 deemed loans receivable will be repaid within 12 months, although the amount cannot be quantified.

#### **Deferred consideration payable**

Deferred consideration is payable to Platform Funding Limited and Leek Finance Number Seven plc, dependent on the extent to which the surplus income generated by the mortgage books, purchased by Meerbrook Finance Number One Limited from those companies, exceeds the administration costs of the mortgage books. There was no additional consideration payable for the year ended 31 December 2012 (2011: £nil), as there were sufficient losses brought forward from prior periods to offset the surplus income generated during 2012.

There was no deferred consideration payable to Platform Funding Limited or Leek Finance Number Seven plc at 31 December 2012 (2011: £nil).

# Meerbrook Finance Number One Limited

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

### 10 Other receivables

	2012 £000	2011 £000
Amounts owed by The Co-operative Bank plc	13	871
	13	871

There is no formal repayment schedule for the above amount owed by The Co-operative Bank plc, which are repayable on demand

The effective interest rate on the above amounts owed by The Co-operative Bank plc is 3 month LIBOR less 50 basis points

### 11 Deemed loans due to group undertakings

	2012 £000	2011 £000
Deemed loan repayable	382,136	392,797
Deferred consideration receivable	(8,548)	(8,361)
	373,588	384,436

The deemed loan repayable is repaid as and when the cash is received by the originator from its mortgagors towards principal repayments of the loans and advances. Consequently, a proportion of the deemed loan repayable will be repaid within 12 months, although the amounts can not be quantified

#### Deferred consideration receivable

Deferred consideration receivable from Leek Finance Seventeen plc and Leek Finance Number Eighteen plc is dependent on the extent to which the surplus income generated by the interest earned on the deemed loan asset of Meerbrook Finance Number One Limited exceeds the administration costs

The deferred consideration is receivable as follows

	2012 £000	2011 £000
Amounts owed by Leek Finance Number Seventeen plc	4,025	3,837
Amounts owed by Leek Finance Number Eighteen plc	4,523	4,524
	8,548	8,361

The movements in deferred consideration are as follows

	2012 £000	2011 £000
Balance at the beginning of the year	8,361	8,341
Additional consideration receivable	187	813
Amounts received during the year	-	(793)
Balance at the end of the year	8,548	8,361

Repayments of deferred consideration are dependent on market conditions, amongst other factors, and therefore, the directors are unable to reliably estimate the amount that will be received within one year

## Meerbrook Finance Number One Limited

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

#### 12 Other payables

	2012 £000	2011 £000
Subordinated debt owed to The Co-operative Bank plc	13,257	13,955
Amounts owed to Meerbrook Finance Holdings Number One Limited	62	62
Accruals and deferred income	6	6
	13,325	14,023

There are no formal repayment schedules for the amounts owed to Meerbrook Finance Holdings Number One Limited, no interest is payable on this balance

The effective interest rate on the above subordinated debt owed to the Co-operative Bank plc is 3 month LIBOR plus 21 basis points

#### 13 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, which is subject to capital requirements imposed by its regulator the Prudential Regulation Authority (PRA). During the year, The Co-operative Bank plc complied with the capital requirements set by the PRA.

#### 14 Retained earnings

Movements in retained earnings were as follows

	2012 £000	2011 £000
Balance at the beginning of the year	(3,739)	(4,198)
Profit for the year	22	459
Balance at the end of the year	(3,717)	(3,739)

## Meerbrook Finance Number One Limited

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

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

	2012 £000	2011 £000
Profit before taxation	27	574
Interest payable on subordinated debt	149	245
Cash flows from operating activities before changes in operating assets and liabilities	176	819
Decrease in deemed loans due from group undertakings	10,661	15,542
Decrease in deemed loans due to group undertakings	(10,848)	(15,562)
Decrease in other receivables	858	26,961
Net cash flows from operating activities	847	27,760

#### 16 Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking is Meerbrook Finance Holdings Number One Limited, a company registered in England

Capita Trust Nominees No 1 Limited holds 100% of the issued share capital of Meerbrook Finance Holdings Number One 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 England and registered under the Industrial and Provident Societies Acts. The financial statements of The Co-operative Group Limited 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 England. The financial statements of this group are available from 1 Balloon Street, Manchester, M60 4EP.

# Meerbrook Finance Number One Limited

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

### 17 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 below.

	Interest receivable and other income £000	Interest expense and other charges £000	Balance due to/(from) the Company £000
<b>Year ended 31 December 2012</b>			
The Co-operative Bank plc	1	149	(13,245)
Meerbrook Finance Holdings Number One Limited	-	-	(62)
Leek Finance Number Seven plc	291	-	5,772
Leek Finance Number Seventeen plc	-	4,677	(159,463)
Leek Finance Number Eighteen plc	-	5,150	(214,124)
Platform Funding Limited	9,723	-	376,364
<hr/>			
<b>Year ended 31 December 2011</b>			
The Co-operative Bank plc	17	245	(13,084)
Meerbrook Finance Holdings Number One Limited	-	-	(62)
Leek Finance Number Seven plc	332	-	6,461
Leek Finance Number Seventeen plc	-	4,039	(164,133)
Leek Finance Number Eighteen plc	-	5,185	(220,303)
Platform Funding Limited	9,705	-	386,335

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

# **Meerbrook Finance Number One Limited**

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

### **18 New pronouncements 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