Leek Finance Number Four Limited

Directors' report and financial statements

for the year ended 31 December 2010

Registered Number 3841864

Leek Finance Number Four Limited

Contents

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 auditors
KPMG Audit Plc
St James Square
Manchester
M2 6DS

Solicitors
Allen & Overy LLP
One Bishops Square
London
E1 6AD

Registered office
Pellipar House, 1st Floor
9 Cloak Lane
London
EC4R 2RU

Registered number
3841864

Leek Finance Number Four Limited

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements of the Company (Registered Company number 3841864) for the year ended 31 December 2010

Principal activities

The principal activity of the Company 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, therefore, 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 United Kingdom,
- 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

Leek Finance Number Four Limited

Directors' report for the year ended 31 December 2010 (continued)

Results and dividends
The loss for the year, after tax, amounted to £10K (2009 loss £4K) The dırectors do not propose a dıvıdend for the year (2009 £nıl) The net lıabılıtıes at the end of the year amounted to £1K (2009 net asset £9K)

Directors and their interests
The dırectors who held office durıng the year are gıven below

Capıta Trust Corporate Lımıted
Capıta Trust Corporate Servıces Lımıted
PCSL Servıces No 1 Lımıted
Mrs S E Lawrence

No dırector had any beneficıal ınterest ın the share capıtal of the Company or any other company ın The Co-operatıve Group Lımıted at any tıme durıng the year under revıew

Going concern
Due to the way ın whıch the Company ıs structured, the Company ıs only requıred to repay ıts capıtal ın lıne wıth the prıncıpal repayment of the underlyıng mortgage loans Consequently, the dırectors are satısfied that the Company wıll have suffıcıent lıquıd resources avaılable to meet ıts oblıgatıons as they fall due and that ıt ıs, therefore, approprıate to adopt the goıng concern basıs ın preparıng the financıal statements

Statement of directors' responsibilities in respect of the directors' report and the financial statements
The dırectors are responsıble for preparıng the dırectors' report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law they are elected to prepare the financıal statements ın accordance wıth IFRS as adopted by the EU and applıcable law

Under Company law, the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the Company and of the profit or loss of the Company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make judgements and estımates that are reasonable and prudent,
- state whether they have been prepared ın accordance wıth IFRS as adopted by the EU, and
- prepare the financıal statement on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the Company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are suffıcıent to show and explaın the Company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the Company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They have general responsıbılıty for takıng such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other ırregularıtıes

Disclosure of information to auditors
The dırectors who held office at the date of approval of thıs dırectors' report confirm that, so far as they are each aware, there ıs no relevant audıt ınformatıon of whıch the Company's audıtors are unaware, and each dırector has taken all the steps that they ought to have taken as dırectors to make themselves aware of any relevant audıt ınformatıon and to establısh that the Company's audıtors are aware of that ınformatıon

Leek Finance Number Four Limited

Directors' report for the year ended 31 December 2010 (continued)

Independent auditors

In accordance with Section 489 of the Companies Act 2006, resolutions for the appointment and remuneration of the auditor are proposed at the next Annual General Meeting

On behalf of the Board

Signed

Mr A N Russell on behalf of PCSL Services No. 1 Limited
Director
Date 20 June 2011

Leek Finance Number Four Limited

Independent auditors' 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 2010 set out on pages 6 to 20 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 (APB'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 APB's website at www frc org uk/apb/scope/private cfm

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 2010 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 A Walker.

Date 20/6/2011

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

Leek Finance Number Four Limited

Statement of comprehensive income for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Interest and sımılar ıncome	2	**202**	285
Interest expense and sımılar charges	3	**(202)**	(285)
Net ınterest expense		**-**	-
Other operatıng expenses		**(10)**	(4)
Loss before tax		**(10)**	(4)
Taxatıon	5	**-**	-
Loss attributable to equity holders	12	**(10)**	(4)

Loss ıs derıved from contınuıng operatıons and all actıvıtıes are ın the UK

The accountıng polıcıes and notes on pages 10 to 20 form part of these financıal statements

Leek Finance Number Four Limited

Balance sheet as at 31 December 2010

	Notes	2010 £000	2009 £000
Assets			
Deemed loans due from group undertakings	7	**4,215**	4,682
Other receivables	8	**46**	55
Total assets		**4,261**	4,737
Liabilities			
Deemed loans due to group undertakings	9	**4,254**	4,721
Other payables	10	**8**	7
Total liabilities		**4,262**	4,728
Equity			
Called-up share capital	11	**-**	-
Retained earnings	12	**(1)**	9
Total equity and liabilities		**4,261**	4,737

The accounting policies and notes on pages 10 to 20 form part of these financial statements

Approved by the Board of Directors on 20 June 2011 and signed on their behalf by

Signed

Mr A N Russell on behalf of PCSL Services No. 1 Limited
Director

Leek Finance Number Four Limited

Statement of changes in equity for the year ended 31 December 2010

Year ended 31 December 2010	**Share capital £000**	**Retained earnings £000**	**Total £000**
At 1 January	-	9	9
Loss for the year	-	(10)	(10)
At 31 December	-	(1)	(1)

Year ended 31 December 2009	Share capital £000	Retained earnings £000	Total £000
At 1 January	-	13	13
Loss for the year	-	(4)	(4)
At 31 December	-	9	9

Leek Finance Number Four Limited

Statement of cash flows for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Cash flows from operating activities	13	-	-
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

Leek Finance Number Four Limited

Statement of accounting policies for the year ended 31 December 2010

Basis of preparation

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

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

Disclosed below are the standards, interpretations and amendments which as at 31 December 2010 had been issued, and are now effective, but which are not considered to be relevant to the Company's operations

IAS 27 – Consolidated and Separate Financial Statements

IFRS 3 – Business Combinations

There are no significant uncertainties 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,
- interest income and expense on derivatives, which are measured at fair value, and
- deferred contingent 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 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 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 purchase 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

Statement of accounting policies for the year ended 31 December 2010 (continued)

Tax

Tax on the profit 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 at the end of the reporting period The current tax charge includes adjustments to tax payable in prior periods

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

Deemed loans due from and to 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 therefore 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 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

Financial liabilities

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

- deposits from banks, 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 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

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 2010

1 Loss before taxation

Loss on ordinary activities before taxation is stated after charging

	2010 £000	2009 £000
Audit fee for the audit of the company's financial statements	3	2

2 Interest and similar income

	2010 £000	2009 £000
On financial assets not at fair value through income and expense		
Deemed loan interest receivable	**202**	285

3 Interest expense and similar charges

	2010 £000	2009 £000
On financial liabilities not at fair value through income and expense		
Deemed loan interest payable	**202**	285

4 Directors' emoluments and employees

The directors received no emoluments from The Co-operative Bank plc for services rendered during the year

There are no directors to whom benefits are accruing under The Co-operative Bank plc pension schemes (2009 £nil)

The Company had no employees during the current or prior year

Notes to the financial statements for the year ended 31 December 2010 (continued)

5 Taxation

	2010 £000	2009 £000
UK tax at 21% (2009 21%)		
Corporation tax	-	-
Total corporation tax	-	-

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 21% (2009 21%) The differences are explained below

	2010 £000	2009 £000
Loss on ordinary activities before tax	(10)	(4)
Loss before tax multiplied by standard rate of tax	(2)	(1)
Effects of		
Losses not recognised for tax	2	1
	-	-

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 ended before 1 January 2009

Under the powers conferred by the Finance Act 2005, secondary legislation was enacted in November 2006 This legislation ensures that companies who met the definition of a 'securitisation Company' before 1 January 2007 may elect 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 This Company has made such an election

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

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income taxes related to the same fiscal authority

Leek Finance Number Four Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

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 comprise 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

	Carrying value 2010 £000	**Fair value 2010 £000**
Deemed loans due from group undertakings	**4,215**	**4,166**
Other receivables	**46**	**46**
Deemed loans due to group undertakings	**(4,254)**	**(4,205)**
Other payables	**(8)**	**(8)**

	Carrying value 2009 £000	Fair value 2009 £000
Deemed loans due from group undertakings	4,682	4,677
Other receivables	55	55
Deemed loans due to group undertakings	(4,721)	(4,716)
Other payables	(7)	(7)

Fair values have been determined as follows

Deemed loans

The estimated fair value of deemed loans represent the estimated future cash flows expected to be received/paid Expected cash flows are discounted at current market rates to determine fair value

Risk management and control

The material financial risks faced by the Company include the following

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

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 financial statements

Interest rate risk

The Company has no derivative financial instruments as at 31 December 2010 and has no significant interest rate re-pricing exposure

6 Financial instruments (continued)

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

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

Credit risk

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 2010 and 2009, without taking into account any collateral held or other credit enhancements attached The exposures set out below are based on gross carrying amounts as reported in the balance sheet

Category (as defined by IAS 39)	Class	**2010** **£000**	2009 £000
Loans and receivables	Deemed loans	**4,215**	4,682
Loans and receivables	Other receivables	**46**	55
		4,261	4,737

Deemed loans

The above table shows the maximum exposure to credit risk on deemed loans However, 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 from 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, its parent 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 9

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

Notes to the financial statements for the year ended 31 December 2010 (continued)

7 Deemed loans due from group undertakings

	2010	2009
	£000	£000
Deemed loans recoverable	**4,254**	4,721
Deferred consideration payable (see below)	**(39)**	(39)
	4,215	4,682

The deemed loans recoverable 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

Deferred consideration is payable to Platform Funding Limited and is dependent on the extent to which surplus income is generated by the mortgage books, that the Company holds the beneficial title to The surplus income generated during the year ended 31 December 2010 amounted to £nil (2009 £nil) The deferred consideration payable is as follows

	2010	2009
	£000	£000
Amounts owed to Platform Funding Limited	**39**	39

The movements in deferred consideration are as follows

	2010	2009
	£000	£000
At 1 January	**39**	303
Repayment during the year	**-**	(264)
At 31 December	**39**	39

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

	2010	2009
	£000	£000
Amounts owed by The Co-operative Bank plc	**46**	55

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

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Deemed loans due to group undertakings

	2010 £000	2009 £000
Deemed loans payable	**4,254**	4,721
Deferred consideration receivable (see below)	-	-
	4,254	4,721

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

Deferred consideration is receivable from Leek Finance Number Seven plc and is dependent on the extent to which surplus income is generated by the mortgage books sold The surplus income generated during the year ended 31 December 2010 amounted to £nil (2009 £nil) The deferred consideration is receivable as follows

	2010 £000	2009 £000
Amounts owed from Leek Finance Number Seven plc	-	-

The movements in deferred consideration are as follows

	2010 £000	2009 £000
At 1 January	-	304
Repayment during the year	-	(304)
At 31 December	-	-

10 Other payables

	2010 £000	2009 £000
Accruals and deferred income	**8**	7

Notes to the financial statements for the year ended 31 December 2010 (continued)

11 Called-up share capital

	2010 £	2009 £
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 Services Authority (FSA) During the period, the Group complied with the capital requirements set by the FSA

12 Retained earnings

Movement in retained earnings were as follows

	2010 £000	2009 £000
At 1 January	9	13
Loss for the year	(10)	(4)
At 31 December	(1)	9

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

	2010 £000	2009 £000
Loss before tax	(10)	(4)
Decrease in deemed loans due from group undertakings	467	826
Net decrease/(increase) in other receivables	9	(32)
Decrease in deemed loans due to group undertakings	(467)	(787)
Net increase/(decrease) in other payables	1	(3)
Net cash flows from operating activities	-	-

14 Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking is Leek Finance Holdings Number Four Limited

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 2010

14 Ultimate parent undertaking and controlling entity (continued)

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 New Century House, Manchester, M60 4ES 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

Year ended 31 December 2010	**Interest and similar income £000**	**Interest and similar expense £000**	**Balance due to/(from) Leek Finance Number Four plc £000**
The Co-operative Bank plc	-	-	46
Leek Finance Number Seven plc	-	202	(4,254)
Platform Funding Limited	202	-	4,215

Year ended 31 December 2009	Interest and similar income £000	Interest and similar expense £000	Balance due to/(from) Leek Finance Number Four plc £000
The Co-operative Bank plc	-	-	55
Leek Finance Number Seven plc	-	285	(4,721)
Platform Funding Limited	285	-	4,682

During the year £4K (2009 £2K) was paid to corporate directors in respect of the provision of management services The amount outstanding at 31 December 2010 was £2K (2009 £1K)

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 2010 (continued)

16 New pronouncements issued in 2010

The following standards, interpretations and amendments have been issued and will be effective for and relevant to the period ending 31 December 2011

- in October 2009 the IASB issued Classification of Rights Issues – Amendment to IAS 32 Financial Instruments Presentation with an effective date of 1 February 2010,

- in November 2009 the IASB issued IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, with an effective date of 1 July 2010,

- in May 2010 the IASB issued improvements to IFRS 2010, which comprises 11 amendments to seven standards The only amendments relevant to the Company are the revised versions of IAS 1 Presentation of Financial Statements and IFRS 7 Financial Instruments Disclosures, both with an effective date of 1 January 2011, and

- in November 2009 the IASB issued a revised version of IAS 24 Related Party Disclosures, with an effective date of 1 January 2011

The following pronouncement has been issued and will be effective for and relevant to the period ending 31 December 2013

- IFRS 9 - Financial Instruments

This pronouncement is not mandatory for the year ended 31 December 2010, it will become effective for annual periods beginning on or after 1 January 2013 but may be applied earlier