

**Leek Finance Number Four Limited**  
**Directors' report and financial statements**  
**for the year ended 31 December 2009**

**Registered Number 3841864**

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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  
S 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 2009

The directors present their report and the audited financial statements of the Company (Registered Company number 3841864) for the year ended 31 December 2009

### 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

Leek Finance Number Four Limited is now a subsidiary of The Co-operative Bank plc following the merger between The Co-operative Bank plc and Britannia Building Society The merger became effective on 1 August 2009

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 7 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, its parent 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 2009 (continued)**

### **Results and dividends**

The loss for the year, after tax, amounted to £3,933 (2008 £5,676). The directors do not propose a dividend for the year (2008 nil). The net assets at the end of the year amounted to £9,494 (2008 £13,427).

### **Directors and their interests**

The directors who held office during the year are given below

Capital Trust Company Limited (resigned 21 July 2009)  
Capita Trust Corporate Limited (appointed 21 July 2009)  
Capita Trust Corporate Services Limited  
PCSL Services No 1 Limited  
S Lawrence (appointed 21 July 2009)

No director had any beneficial interest in the share capital of the Company or any other Company in the Group at any time during the period 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 principle 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 that it is, therefore, appropriate to adopt the going concern basis in preparing the financial statements.

### **Statement of directors' responsibilities**

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 judgements 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 statement 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 auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.


## **Leek Finance Number Four Limited**


### **Directors' report for the year ended 31 December 2009 (continued)**

#### **Independent auditors**

During the year PricewaterhouseCoopers LLP resigned as auditors to the Company, and the directors appointed KPMG Audit Plc to fill the vacancy arising. KPMG Audit Plc has indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Signed   
J Rowan on behalf of PCSL Services No. 1 Limited  
Director  
6 May 2010

Signed   
D Tweedy on behalf of PCSL Services No. 1 Limited  
Director  
6 May 2010

# **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 2009 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 auditors' 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 auditors**

As explained more fully in the Statement of directors' responsibilities 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 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/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2009 and of its loss 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 matter prescribed by the Companies Act 2006**

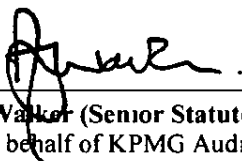
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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

Date 6 May 2010

### **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 2009

	Notes	2009 £000	2008 £000
Interest and similar income	2	285	592
Interest expense and similar charges	3	(285)	(589)
<b>Net interest income</b>		-	3
Other operating expenses		(4)	(9)
<b>Loss before tax</b>		(4)	(6)
Taxation	5	-	-
<b>Loss attributable to equity holders</b>	13	(4)	(6)

Loss is derived from continuing operations and all activities are in the UK

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


# Leek Finance Number Four Limited


## Balance sheet as at 31 December 2009

	Notes	2009 £000	2008 £000
<b>Assets</b>			
Deemed loans due from group undertakings	8	4,682	5,508
Other receivables	9	55	23
<b>Total assets</b>		<b>4,737</b>	<b>5,531</b>
<b>Liabilities</b>			
Deemed loans due to group undertakings	10	4,721	5,508
Other payables	11	7	10
<b>Total liabilities</b>		<b>4,728</b>	<b>5,518</b>
<b>Equity</b>			
Called-up share capital	12	-	-
Retained earnings	13	9	13
<b>Total equity and liabilities</b>		<b>4,737</b>	<b>5,531</b>

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

Approved by the Board of directors on 6 May 2010 and signed on their behalf by

Signed   
**J Rowan** on behalf of PCSL Services No 1 Limited  
 Director  
 6 May 2010

Signed   
**D Tweedy** on behalf of PCSL Services No 1 Limited  
 Director  
 6 May 2010

## Leek Finance Number Four Limited

### Statement of changes in equity for the year ended 31 December 2009

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

	Share capital £000	Retained earnings £000	Total £000
<b>Year ended 31 December 2008</b>			
At 1 January	-	19	19
Loss for the year	-	(6)	(6)
<b>At 31 December</b>	<b>-</b>	<b>13</b>	<b>13</b>

## Leek Finance Number Four Limited

### Statement of cash flows for the year ended 31 December 2009

	Notes	2009 £000	2008 £000
Cash flows from operating activities	14	-	-
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December	6	-	-

# **Leek Finance Number Four Limited**

## **Statement of accounting policies for the year ended 31 December 2009**

### **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 new standards and interpretations which became effective, have been adopted and are relevant to the Company

#### *IAS 1 – Presentation of Financial Statements*

This standard sets out the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content. This standard has impacted the presentation of the financial performance of the Company, in line with other financial institutions. However, it has not changed the recognition, measurement or disclosure of specific transactions and other events required by other IFRS

#### *IAS 23 – Borrowing Costs*

This standard relates to interest costs on assets that take a substantial time to get ready for intended use or sale. The option to recognise all borrowing costs immediately as an expense are eliminated and such costs must be capitalised. All other borrowing costs should be expensed as incurred.

#### *IFRS 7 – Financial Instrument Disclosures*

The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate

- the significance of financial instruments for the entity's financial position and performance, and
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks. The qualitative disclosures describing management's objectives, policies and processes for managing those risks. The quantitative disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

Together, these disclosures provide an overview of the entity's use of financial instruments and the exposures to risks they create.

Disclosed below are the new IFRS, interpretations and amendments which as at 31 December 2009 had been issued, but were not yet effective. The Company has chosen not to early adopt the standards, as they were not considered to be relevant to the Company's operations.

#### *IAS 27 – Consolidated and Separate Financial Statements (2008)*

#### *IFRS 3 – Business Combinations (Revised)*

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
- deferred purchase consideration

# **Leek Finance Number Four Limited**

## **Statement of accounting policies for the year ended 31 December 2009 (continued)**

### ***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.

### **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 acquisition.

### **Deemed loan**

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.

## **Leek Finance Number Four Limited**

### **Statement of accounting policies for the year ended 31 December 2009 (continued)**

#### **Deemed loan (continued)**

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

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

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

#### **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 2009

### 1 Loss before tax

Profit/(loss) on ordinary activities before taxation is stated after charging

	2009 £000	2008 £000
Audit fee for the audit of the company's financial statements	2	3

### 2 Interest and similar income

	2009 £000	2008 £000
On financial assets not at fair value through income and expense		
Deemed loan interest receivable	285	591
Interest receivable from The Co-operative Bank plc	-	1
	285	592

### 3 Interest expense and similar charges

	2009 £000	2008 £000
On financial liabilities not at fair value through income and expense		
Deemed loan interest payable	285	591
Deferred consideration receivable (note 10)	-	(2)
	285	589

### 4 Directors' emoluments and employees

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

There are no directors to whom benefits are accruing under the Britannia Building Society or The Co-operative Bank plc pension schemes (2008 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 2009 (continued)

#### 5 Taxation

	2009 £000	2008 £000
UK tax at 21% (2008 20.75%)		
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 21% (2008 20.75%). The differences are explained below

	2009 £000	2008 £000
Loss on ordinary activities before tax	(4)	(6)
Loss before tax multiplied by standard rate of tax	(1)	(1)
Effects of		
Other	1	-
Losses not recognised for tax	-	1
	-	-

#### 6 Cash and cash equivalents

	2009 £000	2008 £000
Bank deposits	-	-

#### 7 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.

# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 7 Financial instruments (continued)

	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)

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	Carrying value 2008 £000	Fair value 2008 £000
Deemed loans due from group undertakings	5,508	5,508
Other receivables	23	23
Deemed loans due to group undertakings	(5,508)	(5,508)
Other payables	(10)	(10)

#### 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 2009 and has no 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 8, 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 2009 and 2008, 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.

# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

### 7 Financial instruments (continued)

Category (as defined by IAS 39)	Class	2009 £000	2008 £000
Loans and receivables	Deemed loans	4,682	5,508
Loans and receivables	Other receivables	55	23
		<b>4,737</b>	<b>5,531</b>

#### *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.

### 8 Deemed loans due from group undertakings

	2009 £000	2008 £000
Deemed loans recoverable	4,721	5,811
Deferred consideration payable (see below)	(39)	(303)
	<b>4,682</b>	<b>5,508</b>

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 2009 amounted to nil (2008: nil). The deferred consideration payable is as follows:

# Leek Finance Number Four Limited

## Notes to the financial statements for the year ended 31 December 2009 (continued)

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

	2009	2008
	£000	£000
Amounts owed to Platform Funding Limited	39	303

The movements in deferred consideration are as follows

	2009	2008
	£000	£000
At 1 January	303	303
Repayment during the year	(264)	-
At 31 December	39	303

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.

### 9 Other receivables

	2009	2008
	£000	£000
Amounts owed from The Co-operative Bank plc	55	23

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.

### 10 Deemed loans due to group undertakings

	2009	2008
	£000	£000
Deemed loans payable	4,721	5,811
Deferred consideration receivable (see below)	-	(303)
	4,721	5,508

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 2009 amounted to nil (2008: £2k). The deferred consideration is receivable as follows:

## Leek Finance Number Four Limited

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### 10 Deemed loans due to group undertakings (continued)

	2009 £000	2008 £000
Amounts owed from Leek Finance Number Seven plc	-	304

The movements in deferred consideration are as follows

	2009 £000	2008 £000
At 1 January	304	302
Additional consideration receivable	-	2
Repayment during the year	(304)	-
At 31 December	-	304

#### 11 Other payables

	2009 £000	2008 £000
Accruals and deferred income	7	10

#### 12 Called-up share capital

	2009 £	2008 £
<b>Authorised</b>		
100 ordinary shares of £1 each	100	100
<b>Issued and fully paid</b>		
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 Co-operative Bank plc group basis. The Group is 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.

## Leek Finance Number Four Limited

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### 13 Retained earnings

Movement in retained earnings were as follows

	2009 £000	2008 £000
At 1 January	13	19
Loss for the year	(4)	(6)
At 31 December	9	13

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

	2009 £000	2008 £000
Loss before tax	(4)	(6)
Decrease in deemed loans due from group undertakings	826	1,110
Net (increase)/decrease in other receivables	(32)	8
Decrease in deemed loans due to group undertakings	(787)	(1,111)
Net decrease in other payables	(3)	(1)
Net cash flows from operating activities	-	-

#### 15 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 2009

The ultimate parent undertaking of Leek Finance Number Four Limited is The Co-operative Group Limited by virtue of amendments introduced by the Companies Act 2006 (International Accounting Standards and Other Accounting Amendments) Regulations 2004

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.

## Leek Finance Number Four Limited

### Notes to the financial statements for the year ended 31 December 2009 (continued)

#### 16 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:

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

	<u>Interest and similar income</u> £000	<u>Interest and similar expense</u> £000	<u>Balance due to/(from) Leek Finance Number Four plc</u> £000
<b>Year ended 31 December 2008</b>			
The Co-operative Bank plc (formerly "Britannia Building Society")	1	-	23
Leek Finance Number Seven plc	-	589	(5,508)
Platform Funding Limited	591	-	5,508

#### 17 New pronouncement issued in 2009

Further to the basis of preparation within the accounting policies there has been one other pronouncement issued in 2009:

##### IFRS 9 – Financial instruments

This pronouncement is not mandatory for the year ended 31 December 2009, it will become effective for annual periods beginning on or after 1 January 2013 but may be applied earlier.