

Leek Finance Number Seven Plc
Directors' report and financial statements
for the year ended 31 December 2010

Registered Number 4290624



Leek Finance Number Seven Plc

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Leek Finance Number Seven plc

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

4290624

Leek Finance Number Seven plc

Directors' report for the year ended 31 December 2010

The directors present their report and the audited financial statements of the Company (Registered Company No 4290624) for the year ended 31 December 2010

Principal activities

The principal activity of the Company is to receive 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 fellow subsidiary 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 Seven plc

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

Results and dividends

The loss for the year, after tax, amounted to £13K (2009 loss £9K) The directors do not propose a dividend for the year (2009 £nil) The net assets at the end of the year amounted to £60K (2009 £73K)

Directors and their interests

The directors who held office during the year are given below

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

No director had any beneficial interest in the share capital of the Company or any other company in The Co-operative Group Limited at any time during the 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 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 that it is, therefore, appropriate to adopt the going concern basis in preparing the financial statements

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

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

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

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

- select suitable accounting policies and then apply them consistently,
- make 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 Seven plc

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 Seven plc

Independent auditors' report to the members of Leek Finance Number Seven plc

We have audited the financial statements of Leek Finance Number Seven plc 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

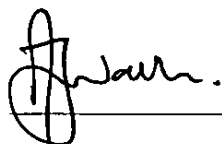
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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



Date

20 June 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 Seven plc

Statement of comprehensive income for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Interest and similar income	2	359	503
Interest expense and similar charges	3	(359)	(502)
Net interest (expense)/income		-	1
Other operating expenses		(13)	(10)
Loss before tax		(13)	(9)
Taxation	5	-	-
Loss attributable to equity holders	12	(13)	(9)

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 Seven plc

Balance sheet as at 31 December 2010

	Notes	2010 £000	2009 £000
Assets			
Deemed loans due from group undertakings	7	7,356	8,503
Other receivables	8	80	92
Total assets		7,436	8,595
Liabilities			
Deemed loans due to group undertakings	9	7,369	8,516
Other payables	10	7	6
Total liabilities		7,376	8,522
Equity			
Called-up share capital	11	12	12
Retained earnings	12	48	61
Total equity and liabilities		7,436	8,595

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 Seven plc

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

	Share capital £000	Retained earnings £000	Total £000
Year ended 31 December 2010			
At 1 January	12	61	73
Loss for the year	-	(13)	(13)
At 31 December	12	48	60

	Share capital £000	Retained earnings £000	Total £000
Year ended 31 December 2009			
At 1 January	12	70	82
Profit for the year	-	(9)	(9)
At 31 December	12	61	73

Leek Finance Number Seven plc

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 Seven plc

Statement of accounting policies for the year ended 31 December 2010

Basis of preparation

Leek Finance Number Seven plc 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.

Leek Finance Number Seven plc

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.

Deemed loans due from and to group undertakings (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 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 Seven plc

Notes to the financial statements for the year ended 31 December 2010

1 Loss before tax

Loss on ordinary activities before taxation is stated after charging

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

2 Interest and similar income

	2010	2009
	£000	£000
On financial assets not at fair value through income and expense		
Deemed loan interest receivable	367	502
Adjustments to the carrying value of deemed loans	(8)	-
Interest receivable from The Co-operative Bank plc	-	1
	359	503

3 Interest expense and similar charges

	2010	2009
	£000	£000
On financial liabilities not at fair value through income and expense		
Deemed loan interest payable	367	502
Adjustments to the carrying value of deemed loans	(8)	-
	359	502

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

Leek Finance Number Seven plc

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

5 Taxation

	2010	2009
	£000	£000
UK tax at 21% (2009 21%)		
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	2009
	£000	£000
Loss on ordinary activities before tax	(13)	(9)
Loss before tax multiplied by standard rate of tax	(3)	(2)
Effects of		
Losses not recognised for tax	3	2
	-	-

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 2008

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 Seven plc

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	7,356	7,269
Other receivables	80	80
Deemed loans due to group undertakings	(7,369)	(7,282)
Other payables	(7)	(7)

	Carrying value 2009 £000	Fair value 2009 £000
Deemed loans due from group undertakings	8,504	8,491
Other receivables	92	92
Deemed loans due to group undertakings	(8,516)	(8,503)
Other payables	(6)	(6)

Fair values have been determined as follows:

Deemed loans

The estimated fair value of deemed loans represents 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.

Leek Finance Number Seven plc

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

6 Financial instruments (continued)

Interest rate risk

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

The amount of deferred consideration payable to Leek Finance Number Four Limited and Leek Finance Number Five Limited are non-interest bearing financial liabilities. 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	2009
		£000	£000
Loans and receivables	Deemed loans	7,356	8,504
Loans and receivables	Other receivables	80	92
		7,436	8,596

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 loans 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 company 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.

Leek Finance Number Seven plc

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	7,369	8,516
Deferred consideration payable (see below)	(13)	(13)
	7,356	8,503

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 Leek Finance Number Four Limited and Leek Finance Number Five 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 Leek Finance Number Five Limited	13	13

The movements in deferred consideration are as follows:

	2010	2009
	£000	£000
At 1 January	13	637
Repayment during the year	-	(624)
At 31 December	13	13

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 from The Co-operative Bank plc	80	92

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.

Leek Finance Number Seven plc

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

9 Deemed loans due to group undertakings

	2010	2009
	£000	£000
Deemed loans payable	7,369	8,516
Deferred consideration receivable (see below)	-	-
	7,369	8,516

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 Meerbrook Finance Number One Limited 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	2009
	£000	£000
Amounts owed to Meerbrook Finance Number One Limited	-	-

The movements in deferred consideration are as follows:

	2010	2009
	£000	£000
At 1 January	-	308
Repayment during the year	-	(308)
At 31 December	-	-

10 Other payables

	2010	2009
	£000	£000
Accruals and deferred income	7	6

Leek Finance Number Seven plc

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

11 Called-up share capital

	2010 £	2009 £
Issued and fully paid		
50,000 ordinary shares of £1 each of which 25p paid	12,500	12,500

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	61	70
Loss for the year	(13)	(9)
At 31 December	48	61

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

	2010 £000	2009 £000
Loss before tax	(13)	(9)
Decrease in deemed loans due from group undertakings	1,147	891
Net decrease in other receivables	12	330
Decrease in deemed loans due to group undertakings	(1,147)	(1,207)
Net increase/(decrease) in other payables	1	(5)
Net cash flows from operating activities	-	-

Leek Finance Number Seven plc

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

14 Ultimate parent undertaking and controlling entity

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

Capita Trust Nominees No 1 Limited holds 100% of the issued share capital of Leek Finance Holdings Number Seven Limited, subject to terms of a declaration of trust for general charitable purposes

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

	<u>Interest and similar income</u> £000	<u>Interest and similar expense</u> £000	<u>Balance due to/(from) Leek Finance Number Seven plc</u> £000
Year ended 31 December 2010			
The Co-operative Bank plc	-	-	80
Leek Finance Number Five Limited	157	-	2,956
Leek Finance Number Four Limited	202	-	4,115
Meerbrook Finance Number One Limited	-	359	(7,084)

	<u>Interest and similar income</u> £000	<u>Interest and similar expense</u> £000	<u>Balance due to/(from) Leek Finance Number Seven plc</u> £000
Year ended 31 December 2009			
The Co-operative Bank plc	1	-	92
Leek Finance Number Five Limited	217	-	3,782
Leek Finance Number Four Limited	285	-	4,721
Meerbrook Finance Number One Limited	-	502	(8,516)

Leek Finance Number Seven plc

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