Leek Finance Number Ten plc

Directors' report and financial statements

for the year ended 31 December 2011

Registered Number 4617022

Leek Finance Number Ten plc

Contents

Leek Finance Number Ten 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 auditor
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
4617022

Leek Finance Number Ten plc

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of Leek Finance Number Ten plc (Registered Company No 4617022) for the year ended 31 December 2011

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 mortgage repayments received during the year The deemed loan interest, which is based on the outstanding loan, decreased by a lower proportion than the decrease in the mortgage portfolio due to interest rate movements and is in line with the 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, 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 Ten plc

Directors' report for the year ended 31 December 2011 (continued)

Results and dividends
The loss for the year, after tax, amounted to £2K (2010 £9K) The directors do not propose a dividend for the year (2010 £nil) The net assets at the end of the year amounted to £118K (2010 £120K)

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

Leek Finance Number Ten plc

Directors' report for the year ended 31 December 2011 (continued)

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

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

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

- select suitable accounting policies and then apply them consistently,
- make 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 statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

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

On behalf of the Board

Signed

David Osborne
For and on behalf of Capita Trust Corporate Limited
Director

Date 15 June 2012

Leek Finance Number Ten plc

Independent auditor's report to the members of Leek Finance Number Ten plc

We have audited the financial statements of Leek Finance Number Ten Plc for the year ended 31 December 2011 set out on pages 6 to 21 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (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 2011 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 15/6/12

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 Ten plc

Statement of comprehensive income for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Interest receivable and similar income	2	**444**	507
Interest expense and similar charges	3	**(439)**	(507)
Net interest income/(expense)		**5**	-
Other operating expenses		**(7)**	(9)
Loss before tax		**(2)**	(9)
Taxation	5	**-**	-
Loss attributable to equity holders	12	**(2)**	(9)

All results are from continued operations

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

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

Leek Finance Number Ten plc

Balance sheet as at 31 December 2011

	Notes	2011 £000	2010 £000
Assets			
Deemed loans due from group undertakings	7	**8,941**	10,611
Other receivables	8	**2,577**	124
Total assets		**11,518**	10,735
Liabilities			
Deemed loans due to group undertakings	9	**8,941**	10,611
Other payables	10	**2,459**	4
Total liabilities		**11,400**	10,615
Equity			
Called-up share capital	11	**13**	13
Retained earnings	12	**105**	107
Total equity and liabilities		**11,518**	10,735

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

Approved by the Board of directors on 15 June 2012 and signed on their behalf by

Signed

David Osborne
For and on behalf of Capita Trust Corporate Limited
Director

Date 15 June 2012

Leek Finance Number Ten plc

Statement of changes in equity for the year ended 31 December 2011

Year ended 31 December 2011	**Share capital £000**	**Retained earnings £000**	**Total £000**
Balance at the beginning of the year	**13**	**107**	**120**
Loss for the year	**-**	**(2)**	**(2)**
Balance at the end of the year	**13**	**105**	**118**

Year ended 31 December 2010	Share capital £000	Retained earnings £000	Total £000
Balance at the beginning of the year	13	116	129
Loss for the year	-	(9)	(9)
Balance at the end of the year	13	107	120

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

Leek Finance Number Ten plc

Statement of cash flows for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Cash flows from operating activities	13	-	-
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents balance at the beginning of the year		-	-
Cash and cash equivalents balance at the end of the year		-	-

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

Leek Finance Number Ten plc

Statement of accounting policies for the year ended 31 December 2011

Basis of preparation
Leek Finance Number Ten 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

In preparing these financial statements, the Company has adopted the following pronouncements during the year that are new or revised but have no material impact on the financial statements

IAS 24 – Related Party disclosure (revised November 2009)

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (issued November 2009)

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

Interest income and expense
This comprises.

- interest income and expense for financial assets and liabilities at amortised cost through the statement of comprehensive income, calculated using the effective interest rate method, 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 consideration depends on the extent to which the surplus income generated by the underlying mortgage books to which the Company has a beneficial interest, exceeds the administration costs of the mortgage books, and is deducted from interest income, since the Company should not recognise income to which it is not beneficially entitled Contingent deferred consideration arising in future years is recorded in the statement of comprehensive income in the year in which it arises

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

Leek Finance Number Ten plc

Statement of accounting policies for the year ended 31 December 2011 (continued)

Taxation
Tax on the loss for the year comprises current tax and deferred tax

Current tax
The expected tax payable on the results for the year is called current tax It is calculated using the tax rates in force at the end of the reporting period The current tax charge includes adjustments to tax payable in prior periods

Financial assets
The Company's financial assets are categorised as follows

a. Financial assets at fair value through income or expense

These are either

- acquired or incurred principally for the purpose of selling or repurchasing in the short term,
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, or
- designated at fair value through income or expense upon initial recognition to eliminate or significantly reduce a measurement or recognition inconsistency

This category covers assets acquired principally for the purpose of selling in the short term or assets so designated at initial recognition by management It includes the Company's derivative financial instruments

Financial assets at fair value through income and expense are initially recognised at fair value on the date that the Company commits to purchase the derivative The fair values of quoted investments in active markets are based on current bid prices Associated transaction costs are taken directly to the statement of comprehensive income Gains and losses arising from changes in fair values are included in the statement of comprehensive income in the period in which they arise

b. Loans and receivables

Loans and receivables are assets with fixed or determinable payments that are not quoted in an active market They comprise beneficial ownership of loans and advances to customers

Loans and receivables are recognised when the cash is advanced They are carried at amortised cost using the effective interest rate method, with all movements being recognised in the statement of comprehensive income

Derecognition of financial assets
Financial assets are derecognised when

- the rights to receive cash flows from the assets have ceased, or
- the Company has transferred substantially all the risks and rewards of ownership of the assets

Deemed loans due from 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

Statement of accounting policies for the year ended 31 December 2011 (continued)

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 rate method with all movements being recognised in the statement of comprehensive income

Deferred consideration receivable

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

Deferred consideration payable

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

Financial liabilities

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

- other borrowed funds and liabilities

Financial liabilities are recognised initially at fair value Fair value includes the issue proceeds (the fair value of consideration received) net of issue costs incurred

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

Cash and cash equivalents

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

Segmental reporting

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

Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances

Fair Values

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale Financial instruments entered into as trading transactions, together with any associated hedging, are measured at fair value and the resultant profits and losses are included in the statement of comprehensive income Fair values are based on current bid prices where quoted in an active market Where there is no active market or the securities are unlisted the fair values are based on valuation techniques including discounted cashflow analysis, with reference to relevant market rates, and other commonly used valuation techniques Assets and liabilities resulting from gains and losses on financial instruments held for trading are reported gross in assets and liabilities or derivative financial instruments

Notes to the financial statements for the year ended 31 December 2011

1 Loss before tax

Loss on ordinary activities before taxation is stated after charging

	2011 £000	2010 £000
Audit fee for the audit of the Company's financial statements	**1**	3

2 Interest receivable and similar income

	2011 £000	2010 £000
On financial assets not at fair value through income and expense		
Deemed loan interest receivable	**446**	516
Adjustments to the carrying value of deemed loans	**(7)**	(9)
Interest receivable from The Co-operative Bank plc	**5**	-
	444	507

3 Interest expense and similar charges

	2011 £000	2010 £000
On financial liabilities not at fair value through income and expense		
Deemed loan interest payable	**446**	516
Adjustments to the carrying value of deemed loans	**(7)**	(9)
	439	507

4 Directors' emoluments and employees

During the year, Capita Trust Company, on behalf of Capita Trust Corporate Limited and Capita Trust Corporate Services Limited received £3K in respect of directors and trustees fees (2010 £3K)

There are no directors to whom benefits are accruing under The Co-operative Bank plc pension schemes (2010 £nil)

The Company had no employees during the current or prior year

Notes to the financial statements for the year ended 31 December 2011 (continued)

5 Taxation

	2011 £000	2010 £000
UK tax at 20 25% (2010 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 20 25% (2010 21%)

	2011 £000	2010 £000
Loss on ordinary activities before tax	(2)	(9)
Loss before tax multiplied by standard rate of tax	-	(2)
Effects of		
Losses not recognised for tax	-	2
	-	-

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

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

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

The UK small companies tax rate reduced from 21% to 20% with effect from 1 April 2011

Notes to the financial statements for the year ended 31 December 2011 (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 2011 £000	**Fair value 2011 £000**
Deemed loans due from group undertakings	**8,941**	**8,874**
Other receivables	**2,577**	**2,577**
Deemed loans due to group undertakings	**(8,941)**	**(8,874)**
Other payables	**(2,459)**	**(2,459)**

	Carrying value 2010 £000	Fair value 2010 £000
Deemed loans due from group undertakings	10,611	10,455
Other receivables	124	124
Deemed loans due to group undertakings	(10,611)	(10,455)
Other payables	(4)	(4)

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

As a subsidiary of The Co-operative Banking Group, the Company applies the Co-operative Banking Group's formal structure for managing risk The Co-operative Banking Group's Risk Management Committee are responsible for review and challenge of the adequacy of capital risks (including operational risk), and for technical risk management activities and portfolio exposures including

- operation of mandates and limits,
- technical risk management policy approval,
- risk management information reporting and integrity of relevant data,
- risks adequately identified and measured,
- risk and portfolio exposure management strategy,
- adequacy of the risk mitigation process, and
- review and discussion of technical risk issues identified as a result of internal audit work

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Financial instruments (continued)

Derivatives

A derivative is a financial instrument that derives its value from an underlying rate or price, such as interest rates and other market prices Derivatives are an efficient means of managing market risk and limiting company exposure The Co-operative Bank plc uses derivatives for hedging purposes to manage the risk movements in rates and prices that the Company is exposed to

The most frequently used derivative contracts are interest rate swaps, currency swaps and basis swaps Terms and conditions are determined using standard industry documentation Derivatives are subject to the same market and credit risk control procedures as are applied to other wholesale market instruments, and are aggregated with other exposures to monitor total counterparty exposure across The Co-operative Bank plc This is managed within approved limits for each counterparty

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 2011 and has no significant interest rate re-pricing exposure

The amount of deferred consideration payable to Leek Finance Number Five Limited and Leek Finance Number Six Limited are included within 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

The Company has never experienced significant financial losses as a result of movements in interest rates After taking into consideration the administered interest rate nature of the Company's deemed loans, together with the nature of the Company's other assets and liabilities, the directors do not believe that the Company has any significant interest rate repricing exposure

Credit risk

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

The 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 2011 and 2010, 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	2011 £000	2010 £000
Loans and receivables	Deemed loans	**8,941**	10,611
Loans and receivables	Other receivables	**2,577**	124
		11,518	10,735

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Financial instruments (continued)

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

7 Deemed loans due from group undertakings

	2011	2010
	£000	£000
Deemed loans recoverable	**8,941**	10,611

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 payable

Deferred consideration is payable to Leek Finance Number Five Limited and Leek Finance Number Six Limited 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 2011 amounted to £nil (2010 £nil)

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Other receivables

	2011 £000	2010 £000
Amounts owed by The Co-operative Bank plc	**2,576**	124
Other debtors	**1**	-
	2,577	124

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

9 Deemed loans due to group undertakings

	2011 £000	2010 £000
Deemed loans payable	**8,941**	10,611

The deemed loans repayable 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 Two 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 2011 amounted to £nil (2010 £nil)

10 Other payables

	2011 £000	2010 £000
Amounts owed to Platform Funding Limited	**2,455**	-
Accruals and deferred income	**4**	4
	2,459	4

11 Called-up share capital

	2011 £	2010 £
Issued and fully paid		
2 ordinary shares of £1 each	**2**	2
Allotted and partially paid		
49,998 ordinary shares of £1 each of which 25p paid	**12,500**	12,500

Notes to the financial statements for the year ended 31 December 2011 (continued)

11 Called-up share capital (continued)

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

	2011 £000	2010 £000
Balance at the beginning of the year	**107**	116
Loss for the year	**(2)**	(9)
Balance at the end of the year	**105**	107

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

	2011 £000	2010 £000
Loss before tax	**(2)**	(9)
Decrease in deemed loans due from group undertakings	**1,670**	1,974
Net (increase)/decrease in other receivables	**(2,453)**	9
Decrease in deemed loans due to group undertakings	**(1,670)**	(1,974)
Net increase in other payables	**2,455**	-
Net cash flows from operating activities	**-**	-

Leek Finance Number Ten plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

14 Ultimate parent undertaking and controlling entity

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

Capita Trust Nominees No 1 Limited holds 100% of the issued share capital of Leek Finance Holdings Number Ten 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 2011

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

	Interest receivable and other income	Interest expense and other charges	Balance due (from)/to the Company
Year ended 31 December 2011	**£000**	**£000**	**£000**
The Co-operative Bank plc	**5**	**-**	**2,576**
Leek Finance Number Five Limited	**325**	**-**	**6,789**
Leek Finance Number Six Limited	**114**	**-**	**2,152**
Meerbrook Finance Number Two Limited	**-**	**439**	**(8,941)**
Platform Funding Limited	**-**	**-**	**(2,455)**
Year ended 31 December 2010	£000	£000	£000
The Co-operative Bank plc	-	-	124
Leek Finance Number Five Limited	375	-	7,872
Leek Finance Number Six Limited	132	-	2,739
Meerbrook Finance Number Two Limited	-	507	(10,611)

During the year £3K (2010 £3K) was paid to corporate directors in respect of the provision of management services The amount outstanding at 31 December 2011 was £nil (2010 £nil)

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

Leek Finance Number Ten plc

Notes to the financial statements for the year ended 31 December 2011 (continued)

16 New pronouncements issued in 2011

The following pronouncement has been issued and will be effective for and relevant to the period ending 31 December 2012

- Amended IAS 12 – Income taxes Deferred Tax, recovery of underlying assets (2010)

This pronouncement is not mandatory for the year ended 31 December 2011, it will become effective for annual periods beginning on or after 1 January 2012 but may be applied earlier

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

- Amended IAS 1 – Presentation of Financial Statements on the Statement of Comprehensive Income

This pronouncement is not mandatory for the year ended 31 December 2011, it will become effective for annual periods beginning on or after 1 July 2012 but may be applied earlier

The following pronouncement has been issued and will be effective for and relevant to the period ending 31 December 2015

- IFRS 9 - Financial Instruments

This pronouncement is not mandatory for the year ended 31 December 2011, it will become effective for annual periods beginning on or after 1 January 2015 but may be applied earlier