

Leek Finance Number Seventeen plc
Financial statements
for the year ended 31 December 2014

Registered Number: 05659973

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Leek Finance Number Seventeen plc

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Leek Finance Number Seventeen plc

Directors and advisors

Directors

Capita Trust Corporate Limited
Capita Trust Corporate Services Limited
PCSL Services No. 1 Limited
Mrs S E Lawrence (Resigned 31 July 2015)
Mr C Baldry (Appointed 30 July 2015)

Secretary

TMF Corporate Administration Services Limited (Resigned 10 December 2014)
Capita Trust Corporate Limited (Appointed 10 December 2014)

Independent auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Solicitors

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

Registered office

4th Floor
40 Dukes Place
London
EC3A 7NH
United Kingdom

Registered number

05659973

Leek Finance Number Seventeen plc

Strategic report for the year ended 31 December 2014

Principal Activities

The Company was incorporated in England with the principal activity as that of a securitisation vehicle with beneficial ownership of mortgage loans secured by first charges over residential properties within the UK. The nature of the securitisation vehicle is that it is set up to be financially independent from the ultimate controlling entity, The Co-operative Bank plc.

The beneficial ownership of the loans and advances to customers and gilts sold to the Company by the originator fail the derecognition criteria of IAS 39, and consequently, these loans and gilts remain on the balance sheet of the originator. IAS 39 therefore requires the seller to recognise a deemed loan financial liability on its balance sheet and the resulting deemed loan asset is held on the purchasing company's balance sheet.

The loss for the year, after taxation, amount to £806K (restated 2013: £4,581K loss). The net liabilities of the Company at 31 December 2014 were £5,743K (restated 2013: £4,937K net liabilities).

During the year the deemed loan assets decreased in line with the mortgage portfolios they reflect, the decrease being due to the mortgage repayments received during the year.

Strategy

The Company could sell the beneficial ownership of the mortgages back to The Co-operative Bank plc on 21 June 2016. Should this happen, the Company will settle all outstanding liabilities at that time.

Future Outlook

Due to repayments decreasing the capital value of the mortgages each year, both the balance sheet and interest income will decrease in future years. The rate of decrease is dependent on future redemptions, further advances and interest rate fluctuations.

Due to the way in which the securitisation 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.

After making enquiries and considering the current forecasts, the directors have a reasonable expectation that the Company will have adequate resources to continue in business for the foreseeable future and that it is appropriate to adopt the going concern basis in preparing the financial statements. In the event of any shortfall on net assets upon redemption of Notes the Company will issue 'J Notes' and use the proceeds to settle any outstanding. The Co-operative Bank plc are obliged to purchase these 'J Notes', and would be the sole purchaser of these Notes. The directors are therefore satisfied that it is appropriate to conclude that the Company remains as a going concern.

Leek Finance Number Seventeen plc

Strategic report for the year ended 31 December 2014 (continued)

Principal Risks and Uncertainties

The financial risks faced by the Company are market risk, currency risk, credit risk, interest rate risk and liquidity risk. A summary of these risks is included below:

- market risk is the risk of loss as a result of the value of financial assets or liabilities (including off-balance sheet instruments) being adversely affected by movements in market rates or prices. The loss can be reflected in near term earning by changing net interest income, or in the longer term because of changes in the economic value of future cash flows. The main source of market risk within the Company is the basis swaps which are held as an economic hedge against movements in interest rates affecting the mortgages underlying the deemed loan asset. Changes in market interest rates are the main factor affecting the value of the basis swaps;
- currency risk arises as a result of the Company raising funds in foreign currencies. The Company manages its exposure to currency risk using derivative financial instruments;
- 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, derivative financial instruments and other receivables. The ability of the originator's customers to repay their loans is impacted by economic factors in the UK. Credit risk on the Company's deemed loan assets is however considered to be minimal because the directors do not expect the amount of incurred credit losses on the Originator's securitised loans and advances to customers to exceed the amount of the credit enhancement supplied by The Co-operative Bank plc. For further information regarding arrears of the underlying mortgage loans that the deemed loans relate to, please visit <http://www.co-operativebank.co.uk/investorrelations/debtinvestors/> and refer to the investor reports for the Company;
- interest rate risk arises from movements in interest rates on the underlying mortgages that the Company's deemed loan asset relates to and debt securities in issue; and
- liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due, or can only do so at excessive cost. Liquidity risk arises on the Company's debt securities in issue and derivative financial instruments.

Key performance indicators (KPIs)

The directors monitor the progress of the Company by reference to two KPIs, firstly the net interest margin and secondly the notes outstanding balance.

The net interest margin is 0.30% (2013: 1.45%) calculated by dividing net interest income excluding adjustments to the carrying value of the deemed loan by the average deemed loan balance (after deducting interest payable to note holders).

Under the terms of the notes the Company can repurchase the outstanding notes of a securitisation issue at par once the outstanding principal amount of the notes falls below 10% of the amount originally issued. The balance of the current notes outstanding as a percentage of the initial balance and subsequent issuances is 39.14% (2013 restated: 41.34%), excluding Notes A1a and Notes A1b.

On behalf of the Board

Signed:



For and on behalf of Capita Trust Corporate Services Limited

Director

Date: 11 August 2015

Leek Finance Number Seventeen plc

Directors' report for the year ended 31 December 2014

The directors present their report and the audited financial statements of Leek Finance Number Seventeen plc (Registered Company No: 05659973) for the year ended 31 December 2014.

Likely future developments

The future developments of the Company are dealt with in the strategic report on page 2 of the financial statements.

Dividends

The directors do not propose a dividend for the year ended 31 December 2014 (2013: £nil).

Financial instruments

Instruments used for risk management purposes are set up at the inception of the securitisation and include derivative financial instruments (derivatives), such as basis swaps. This reflects the overall low risk appetite of the Company. After inception no significant decisions regarding the risk management of the Company are required.

The Company is exposed to credit risk, interest rate risk, liquidity risk and currency risk. Financial instruments are used, as required, to manage these risks. Details are included in note 9 to the financial statements.

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 (Resigned 31 July 2015)
Mr C Baldry (Appointed 30 July 2015)

No director had any beneficial interest in the share capital of the Company, The Co-operative Bank plc, or any of its subsidiaries at any time during the period under review.

Third party indemnities

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the directors' report and financial statements.

Secretary

TMF Corporate Administration Services Limited acted as the company secretary during the majority of the year and was replaced on 10 December 2014 by Capita Trust Corporate Limited.

Corporate governance

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with the regulatory obligations.

Due to the nature of the securities which have been issued, the Company is largely exempt from the requirements of the Financial Conduct Authority disclosure and transparency rules (DTR) DTR 7.1 audit committees and 7.2 corporate governance statements (save for the rule DTR 7.2.5 requiring a description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and to include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement.

Leek Finance Number Seventeen plc

Directors' report for the year ended 31 December 2014 (continued)

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

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

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

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

- select suitable accounting policies in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- 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.

Statement on 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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Independent Auditors

Following an audit tender process carried out by the parent company, Ernst & Young LLP were appointed by Shareholder Resolution to supersede KPMG Audit plc on 30 July 2014.

On behalf of the Board

Signed: _____



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

Date: 11 August 2015

Leek Finance Number Seventeen plc

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

We have audited the financial statements of Leek Finance Number Seventeen plc for the year ended 31 December 2014 set out on pages 8 to 37 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, Statement of Cash flows, accounting policies and notes 1 to 19. to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

This report is made solely to the Company's member, 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 member 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 member, 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and the strategic report to identify material inconsistencies with the audited financial statements and to identify information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2014 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 matters prescribed by the Companies Act 2006

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

Leek Finance Number Seventeen plc

Independent auditor's report to the members of Leek Finance Number Seventeen plc (continued)

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: Ernst & Young LLP

Date: 11 August 2015

Steven Robb (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
1 More London Place
London
SE1 2AF

Leek Finance Number Seventeen plc

Statement of comprehensive loss for the year ended 31 December 2014

	Notes	2014 £000	Restated 2013 £000
Interest receivable and similar income	2	13,092	12,189
Interest expense and similar charges	3	(12,681)	(13,350)
Net interest income		411	(1,161)
Net losses from derivative financial instruments	4	(427)	(2,541)
Total loss		(16)	(3,702)
Other operating expenses	6	(821)	(848)
Loss before taxation		(837)	(4,550)
Taxation credit/(charge)	7	31	(31)
Loss attributable to equity holders	15	(806)	(4,581)

All results are from continuing operations.

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

The accounting policies and notes on pages 12 to 37 form part of these financial statements.

The comparative information has been restated as detailed in note 19.

Leek Finance Number Seventeen plc

Statement of Financial Position as at 31 December 2014

	Notes	2014 £000	Restated 2013 £000	Restated 2012 £000
Assets				
Cash and cash equivalents	8	33,527	31,977	31,640
Derivative financial instruments	9	34,286	47,911	44,960
Deemed loans due from group undertakings	10	533,449	566,426	596,874
Other receivables	11	16,367	15,725	14,789
Total assets		617,629	662,039	688,263
Liabilities				
Derivative financial instruments	9	63	45	173
Debt securities in issue	12	599,779	643,409	664,808
Other payables	13	23,524	23,480	23,622
Current tax liability		6	5	5
Deferred tax liability	7	-	37	11
Total liabilities		623,372	666,976	688,619
Equity				
Share capital	14	13	13	13
Retained losses	15	(5,756)	(4,950)	(369)
Total equity and liabilities		617,629	662,039	688,263

The accounting policies and notes on pages 12 to 37 form part of these financial statements.

Approved by the Board of directors on 11 August 2015 and signed on their behalf by:

Signed:

For and on behalf of Capita Trust Corporate Services Limited
Director

Date: 11 August 2015

Leek Finance Number Seventeen plc

Statement of changes in equity for the year ended 31 December 2014

	Share capital £000	Retained losses £000	Total £000
Year ended 31 December 2014			
Balance at the beginning of the year	13	(4,950)	(4,937)
Loss for the year	-	(806)	(806)
Balance at the end of the year	13	(5,756)	(5,743)

	Share capital £000	Restated Retained losses £000	Restated Total £000
Year ended 31 December 2013			
Balance at the beginning of the year	13	(369)	(356)
Loss for the year	-	(4,581)	(4,581)
Balance at the end of the year	13	(4,950)	(4,937)

The accounting policies and notes on pages 12 to 37 form part of these financial statements.

Leek Finance Number Seventeen plc

Statement of cash flows for the year ended 31 December 2014

	Notes	2014 £000	Restated 2013 £000
Cash flows from operating activities	16	2,615	1,396
Taxation		(6)	(5)
Cash flows used in financing activities			
Interest paid on subordinated debt		(1,059)	(1,054)
Net cash used in financing activities		(1,059)	(1,054)
Net movement in cash and cash equivalents		1,550	337
Cash and cash equivalents at beginning of year		31,977	31,640
Cash and cash equivalents at the end of year	8	33,527	31,977

The accounting policies and notes on pages 12 to 37 form part of these financial statements.

The comparative information has been restated as detailed in note 19.

Leek Finance Number Seventeen plc

Statement of accounting policies for the year ended 31 December 2014

Basis of preparation

Leek Finance Number Seventeen plc is a Company incorporated and domiciled in England.

The Company's financial statements have been prepared under the historical cost convention, modified by the revaluation of all derivative contracts.

The Company has elected 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.

Standards and interpretation issued and effective

In preparing these financial statements, the Company has adopted the following pronouncements during the year that are new or revised:

- **Amendments to IAS 32 (Offsetting Financial Assets and Financial Liabilities)**

The current offsetting model in IAS 32 requires an entity to offset a financial asset and financial liability only when the entity currently has a legally enforceable right of set-off and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. This amendment clarifies the position when offsetting financial assets and financial liabilities. The legal right of set-off must be available today and legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amended disclosure requires more extensive disclosures than are currently required. The disclosures focus on quantitative information about recognised financial instruments that are offset in the balance sheet, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The amendment to IAS 32 has no material impact on the financial statements of the Company.

- **Amendment to IAS 39 (Novation of derivatives and continuation of hedge accounting (2013))**

This amendment allows hedge accounting to continue where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amendment to IAS 39 has no material impact on the financial statements of the Company.

Standards and interpretation in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, not yet adopted by the EU.

- **IFRS 9 (Financial Instruments (2014))**

This new standard was issued in July 2014 and supersedes IAS 39 Financial Instruments: Recognition and Measurement. The standard includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. The standard also supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013). Due to the short period of time which has elapsed since the issue of the standard, the Company has not yet estimated the financial effects, although it is expected that IFRS 9 may have a significant impact for the Company, in line with the wider industry. The standard is mandatory for years beginning on or after 1 January 2018 but is available for early adoption subject to EU endorsement.

- **IFRS 15 (Revenue from Contracts with Customers (2014))**

This standard was issued in May 2014 and is a converged standard from the IASB and FASB on revenue recognition. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. This standard supersedes IAS 18 (Revenue) and a number of revenue interpretations.

Leek Finance Number Seventeen plc

Statement of accounting policies for the year ended 31 December 2014

(continued)

The standard will be effective for annual reporting years beginning on or after 1 January 2018 subject to EU endorsement. The impact to the Company of the amendments is likely to be immaterial as income from IAS 39 financial instruments is outside the scope of IFRS 15. However, the Company has not yet finalised its estimation of the financial effects.

- **Amendments to IAS 1 (Presentation of Financial Statements)**

The narrow-focus amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. In most cases the proposed amendments respond to overly prescriptive interpretations of the wording in IAS 1. The impact to the Company of the amendments is likely to be immaterial.

Other standards and interpretations have been issued but these are not considered to be relevant to the Company's operations.

The Company intends complying with the standards from the date they become effective.

Functional and presentational currency

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

Foreign currency transactions and balances

Foreign currency transactions are converted into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the conversion and settlement of currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies (for example, Euro and US dollar denominated debt securities) are recognised in the statement of comprehensive income.

Interest income and expense

This comprises:

- interest income and expense for financial assets and liabilities at amortised cost through the statement of comprehensive income, calculated using the effective interest rate method. This includes accrued interest income on financial assets written down as a result of impairment;
- interest income and expense on derivatives, which are measured at fair value; and
- deferred consideration.

Effective interest rate

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument. The calculation includes all amounts receivable or payable by the Company that are an integral part of the overall return. Early redemption charges are recognised on a cash basis as received.

When a financial asset has been written down as a result of impairment, subsequent interest income continues to be recognised using the original effective interest rate applied to the reduced carrying value of the financial instrument.

Taxation

Tax on the profit for the year comprises current tax and movements in deferred tax.

Current Tax

The expected tax payable on the results for the year is called current tax. It is calculated using the tax rates in force at the end of the reporting period.

Leek Finance Number Seventeen plc

Statement of accounting policies for the year ended 31 December 2014

(continued)

Deferred tax

Deferred tax is provided in full using the liability method where there are temporary differences between the carrying value of assets and liabilities for accounting and for tax purposes.

Deferred tax is calculated using the tax rates that are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

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

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

Financial assets

The Company's financial assets are categorised and measured as follows:

Loans and receivables

Loans and receivables are assets with fixed or determinable payments. They include loans and advances to banks, beneficial ownership of loans and advances to customers and gilts. The loans and advance to banks, and the beneficial ownership of loans and advances to customers are not quoted in an active market. The gilts are quoted in an active market.

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.

Derivative financial instruments

Derivatives are financial instruments used by the Company to manage risks.

Derivative financial instruments are stated at fair value based on quoted market prices in active markets and, where these are not available, using valuation techniques such as discounted cash flow models. All derivatives are carried as assets when the fair value is positive and liabilities when the fair value is negative.

Derivatives that qualify for hedge accounting

Where hedge accounting is applied, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objective and strategy in undertaking the hedge transaction together with the method used to assess effectiveness of the hedging relationship.

The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be 'highly effective' on offsetting the changes in fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% to 125%. If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for fair value hedge accounting, or the designation is revoked, then hedge accounting is prospectively discontinued.

Where a derivative is designated as the hedging instrument to hedge the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the value of the derivative are recognised immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk.

Leek Finance Number Seventeen plc
Statement of accounting policies for the year ended 31 December 2014
(continued)

Derivatives that do not qualify for hedge accounting

Changes in the fair value of all derivative instruments therefore recognised immediately in the statement of comprehensive income.

Derivatives are derecognised when the derivative contract matures or is cancelled prior to maturity.

Deemed loans due from group undertakings

The beneficial ownership of the loans and advances to customers and gilts sold to the Company by the originator fail the derecognition criteria of IAS 39 and consequently, these remain on the balance sheet of the originator. IAS 39, therefore requires the seller to recognise a deemed loan financial liability on its balance sheet and the resulting deemed loan asset is held on the purchasing Company's balance sheet and classified as a loan and receivable.

Deemed loans due from 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 gilts and is subsequently adjusted for repayments made by the originator to the Company.

Deferred consideration payable

Deferred consideration payable depends on the extent to which the surplus income generated by the underlying mortgage loans to which the Company has a beneficial interest, exceeds the costs of the securitisation transaction. As the Company does not recognise income to which it is not beneficially entitled, contingent deferred consideration is recognised in the Statement of Comprehensive income as a deduction against interest income. Deferred purchase consideration payable is accounted for separately as a liability and held at amortised cost.

Financial liabilities

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

- derivatives;
- debt securities in issue; and
- other payables.

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 held either at fair value through income and expense or at amortised cost.

Derivative financial liabilities are subsequently measured at fair value with any movement being recognised in the statement of comprehensive income.

Leek Finance Number Seventeen plc
Statement of accounting policies for the year ended 31 December 2014
(continued)

Debt securities in issue and other payables 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.

Issue costs, including premiums and discounts, commissions and other costs incurred in the issuing of fixed and floating rate notes and subordinated liabilities, are amortised using the effective interest rate method.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months to maturity from the date of 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 judgements 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 judgements 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 price that would be received to sell an asset, or to pay to transfer a liability, in an orderly transaction between market participants at the measurement date. Financial instruments entered into as trading transactions, such as basis swaps are measured at fair value and the resultant profits and losses are included in the statement of comprehensive income. For derivative financial instruments and deemed loans, the fair values are based on valuation techniques including discounted cash flow 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 derivative financial instruments.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014

1 Loss before taxation

Loss on ordinary activities before taxation is stated after charging:

	2014	2013
	£000	£000
Audit fee for the audit of the Company's financial statements	9	2

Audit fees are stated excluding VAT.

2 Interest receivable and similar income

	2014	Restated 2013
	£000	£000
On financial assets not at fair value through income and expense		
Deemed loan interest receivable	10,305	8,955
Deferred consideration receivable (note 10)	-	1,017
Impairment adjustments to the carrying value of deemed loans	(1,418)	(1,762)
Deemed loan interest receivable on gilts	3,226	3,098
Interest receivable from The Co-operative Bank plc	901	852
Bank interest receivable	78	29
	13,092	12,189

3 Interest expense and similar charges

	2014	2013
	£000	£000
On financial liabilities not at fair value through income and expense		
Interest expense on debt securities in issue	11,566	12,225
Interest payable to The Co-operative Bank plc	1,059	1,054
	12,625	13,279
On financial liabilities at fair value through income and expense		
Interest expense on derivative financial instruments	56	71
	12,681	13,350

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

4 Net losses from derivative financial instruments

	2014	Restated 2013
	£000	£000
Basis swaps loss	(20)	130
Net foreign currency loss on US dollar and Euro Notes plus hedging derivatives	(300)	(2,740)
Gross foreign currency (loss)/gain on bond premium	(30)	81
Gross foreign currency loss on multi currency loan	(77)	(12)
	(427)	(2,541)

In 2006, the Company purchased a pool of mortgages which is funded through an issuance of GBP, Euro and USD denominated Notes. The sale of mortgages to the Company did not meet the derecognition criteria in IAS 39 and consequently, the Company did not recognise the mortgages on the balance sheet, instead it recognises a deemed loan asset. As a result there is a timing mismatch between the interest payments on the mortgages and on the Notes.

In addition, on the 21 June 2011, the Company advanced a multi currency loan to The Co-operative Bank plc. Any foreign exchange movements on the Notes and multi-currency loan are recognised in the income statement as they arise.

To mitigate the currency and interest rate exposures, the Company entered into derivatives that were either designated in qualifying hedging relationships or treated as economic hedges. In either case, the full fair value movement on the derivatives is recognised in the profit and loss.

- (i) *Qualifying fair value hedging relationships:* The Company uses cross currency swaps to hedge the fair value currency movements on its Notes issued. At the year end the hedges were highly effective.
- (ii) *Economic hedges:*
 - The Company uses basis swaps to manage the exposure arising from the timing difference between the dates of interest payment on the debt securities in issue and interest receipts on the deemed loans due from group undertakings.

Note 9 provides further information on financial instruments.

5 Directors' emoluments and employees

During the year, Capita Trust Company, on behalf of Capita Trust Corporate Limited and Capita Trust Corporate Services Limited received £11K in respect of directors and trustees fees (2013: £11K).

The Company had no employees during the current or prior year.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

6 Other operating expenses

	2014 £000	2013 £000
Professional and accountancy fees	14	3
Paying/rating agency fees	17	13
Management charge	779	818
Trustee/company secretary fees	11	14
	821	848

7 Taxation

	2014 £000	2013 £000
UK tax at 20% (2013: 20%)		
Current tax		
Current year	6	5
Total corporation tax	6	5
Deferred tax		
Current year	(37)	26
Total taxation (credit)/charge	(31)	31

The comparative information has been restated as detailed in note 19.

Factors affecting tax(credit)/ charge for the year

The tax on the company's loss before taxation (credit)/charge differs from the theoretical amount that would arise using the corporation tax rate in the UK as follows

	2014 £000	Restated 2013 £000
Loss on ordinary activities before tax	(837)	(4,550)
Loss before tax multiplied by standard rate of tax	(167)	(910)
Effects of:		
Losses not taxed under the securitisation regime	173	941
Write off of deferred tax liability	(37)	-
	(31)	31

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

7 Taxation (continued)

The recognised deferred tax liability includes the following amount:

	2014 £000	2013 £000
Other temporary differences	-	(37)

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

	2014 £000	2013 £000
Net deferred tax at the beginning of the year	(37)	(11)
Deferred tax released/(charged) to the statement of comprehensive income	37	(26)
Balance at the end of the year	-	(37)

The company has reviewed its methodology for deferred tax recognition and has concluded that all deferred tax should be recognised as a group consolidation adjustment rather than in the company's accounts. The deferred tax liability of £37k as at 31 December 2013 has therefore been written off in the year.

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.

8 Cash and cash equivalents

	2014 £000	Restated 2013 £000
Bank deposits	(17)	121
Guaranteed Investment Contract	8,541	31,856
Authorised Investments	25,003	-
	33,527	31,977

A guaranteed investment contract (GIC) is a contract that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period of time. Monies deposited in this account relate to mortgage repayments and will be transferred to the Issuer.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

9 Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Company's financial instruments consist principally of deemed loans, other payables, other receivables, derivatives and various tranches of loan notes and cash and cash equivalents.

Fair values of derivative financial instruments

Numerical financial instruments disclosures for those measured at fair value are set out below:

	Notional principal amount 2014 £000	Assets 2014 £000	Liabilities 2014 £000
Basis risk swaps	124,127	-	63
Cross-currency swaps	340,087	34,286	-
	464,214	34,286	63

	Restated Notional principal amount 2013 £000	Assets 2013 £000	Liabilities 2013 £000
Basis risk swaps	134,580	-	45
Cross-currency swaps	368,447	47,911	-
	503,027	47,911	45

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

9 Financial instruments (continued)

Fair values of other financial instruments

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the balance sheet at fair value, unless there is no significant difference between carrying value and fair value.

	Carrying value 2014 £000	Fair value 2014 £000
Deemed loans due from group undertakings	533,449	531,342
Other payables	(23,525)	(22,386)
Debt securities in issue		
Notes A2a	(85,247)	(88,815)
Notes A2b	(92,900)	(97,474)
Notes A2c	(89,711)	(93,194)
Notes Mc	(82,810)	(80,099)
Notes Ba	(22,000)	(21,347)
Notes Bc	(30,975)	(29,725)
Notes Cc	(37,640)	(36,289)
Notes K	(143,332)	(138,927)
Notes N	(2,000)	(1,918)
Premium	(12,949)	(12,949)
Floating rate notes interest payable	(129)	(129)
Variable rate notes interest payable	(86)	(86)
Total Debt securities in issue	(599,779)	(600,952)

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

9 Financial instruments (continued)

Fair values of other financial instruments (continued)

	Restated Carrying value 2013 £000	Restated Fair value 2013 £000
Deemed loans due from group undertakings	566,426	468,567
Other payables	(23,480)	(21,882)
Debt securities in issue		
Notes A2a	(93,834)	(95,426)
Notes A2b	(98,150)	(98,586)
Notes A2c	(106,016)	(107,329)
Notes Mc	(88,344)	(83,185)
Notes Ba	(22,000)	(20,460)
Notes Bc	(33,119)	(30,498)
Notes Cc	(40,027)	(37,196)
Notes K	(145,652)	(139,185)
Notes L	(4,616)	(4,464)
Notes N	(2,000)	(1,891)
Premium	(8,936)	(8,936)
Floating rate notes interest payable	(633)	(633)
Variable rate notes interest payable	(82)	(82)
Total Debt securities in issue	(643,409)	(627,871)

The comparative information has been restated as detailed in note 19.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

9 Financial instruments (continued)

Valuation of financial assets and liabilities carried at fair value or where a fair value disclosure is presented
The following tables analyse financial assets and liabilities carried at fair value and amortised cost by the three level fair value hierarchy defines as follows:

- Level 1 – Quoted market prices in active markets
- Level 2 – Valuation techniques using observable inputs
- Level 3 – Valuation techniques using unobservable inputs

For the year ended 31 December 2014	Fair value at the end of the reporting period using:			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Derivative financial instruments	-	34,286	-	34,286
Deemed loans due from group undertakings*	-	-	531,342	531,342
Total assets carried at fair value	-	34,286	531,342	565,628
Derivative financial instruments	-	63	-	63
Other payables*	-	22,386	-	22,386
Debt securities in issue*	-	600,956	-	600,956
Total liabilities carried at fair value	-	623,405	-	623,405

For the year ended 31 December 2013	Restated Fair value at the end of the reporting period using:			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Derivative financial instruments	-	47,911	-	47,911
Deemed loans due from group undertakings*	-	-	468,567	468,567
Total assets carried at fair value	-	47,911	468,567	516,478
Derivative financial instruments	-	45	-	45
Other payables*	-	21,882	-	21,882
Debt securities in issue*	-	637,668	-	637,668
Total liabilities carried at fair value	-	659,595	-	659,595

* These items are held at amortised cost with a fair value disclosure presented

The carrying values of financial instruments measured at fair value are determined in compliance with the accounting policies on pages 12 to 17 and according to the following hierarchy;

Level 1 – Quoted market prices in active markets

Financial instruments with quoted prices for identical instruments in active markets. The best evidence of fair value is a quoted market price in an actively traded market.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

9 Financial instruments (continued)

Level 2 – Valuation techniques using observable inputs

Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Debt securities in issue

The estimated fair value of the debt securities in issue are based on market prices of similar securities from independent valuations at the balance sheet date. The estimated fair value of subordinated loans are based on market prices of similar securities from independent valuations at the balance sheet date.

Derivative financial instruments

Derivative financial instruments in the form of cross currency swaps have been entered into with external counterparties. The purpose of the swap is to manage foreign exchange risk. These are valued using valuation models which are based on observable market data, for which modelling techniques are standard across the industry.

Derivative financial instruments in the form of basis risk swaps have been entered into with external counterparties.

The purpose of the swap is to hedge the exposure arising from the timing difference between the dates of interest payment on the debt securities in issue and interest receipts on the deemed loans due from group undertakings. The swaps are valued based on an assumed amortisation profile of the pool of assets to the bond maturity date (assuming some annual prepayment), an assumed profile of customer receipts over this period, and LIBOR prediction using forward rates. Swap cash flows are discounted to present value using mid-yield curve zero coupon rates.

Level 3 – Valuation techniques using unobservable inputs

This is used for financial instruments valued using models where one or more significant inputs are not observable.

Deemed loans

The estimated fair value of deemed loans represents the mortgage loans valued using future cash flows at expected interest rates and repayment dates discounted back.

Risk management and control

The financial risks faced by the Company include the following:

- interest rate risk;
- credit risk;
- currency risk; and
- liquidity risk.

The Company applies The Co-operative Bank plc's formal structure for managing risk. The Co-operative Bank plc's Board has established Board sub-committees and senior management committees whose responsibilities include:

- overseeing the risk management process;
- identifying the key risks facing the business; and
- assessing the effectiveness of planned management actions.

Specific Board authority has been delegated to Board sub-committees and the Chief Executive Officer (CEO) who may, in turn, delegate authority to appropriate executive directors and their senior line managers. This includes:

- setting limits for individual types of risk; and
- approving (at least annually) and monitoring compliance with risk policies and delegated levels of authority.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

9 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 of movements in rates and prices that the Company is exposed to.

The most frequently used derivative contracts are basis swaps and currency 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 securitisation the material risks are considered in relation to the overall low risk appetite of the Company. Instruments used for risk management purposes are set up at inception of the securitisation and include interest rate swaps. These are not used in trading activity or for speculative purposes.

Interest rate risk

The Company is exposed to movements in interest rates and The Co-operative Bank plc manages this exposure using derivatives. More specifically, the Company is exposed to basis risk due to the timing differences in interest payment dates on the notes and the deemed loan. This is hedged using a form of interest rate swap known as a basis swap, which is taken out on inception of the securitisation.

The Company has never experienced significant financial losses as a result of movements in interest rates. After taking into consideration the Company's derivative instruments, the administered interest rate nature of the Company's deemed loans, the regular re-pricing of the Company's mortgage backed floating rate notes, 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. In order to avoid any adverse effects in the future, effective hedges will need to be maintained.

Interest rate risk management measures are used at The Co-operative Bank plc (such as value at risk sensitivity analysis) to monitor the potential gains or losses from market volatility within a statistical confidence level.

A 1% movement in variable interest rates would have an £60K effect on both profit and equity, as, due to the structure of the entity, the increase/decrease in cash inflows would be substantially offset by the opposite decrease/increase in cash outflows.

The amounts of deferred consideration payable to Mortgage Agency Services Number Six Limited and Platform Funding Limited are non-interest bearing financial liabilities. As described in note 10, 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 mortgage backed floating rate notes and the subordinated loan owed to The Co-operative Bank plc are classified as floating rate liabilities. The benchmark rates used for determining interest rate payments are disclosed in note 12 and note 13.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

9 Financial instruments (continued)

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, derivative financial instruments, deemed loans, and other exposures.

The table below represents a worst case scenario of credit risk exposure to the Company at 31 December 2014 and 2013, without taking into account any collateral held or other credit enhancements attached. The exposures are based on gross carrying amounts as reported in the balance sheet.

Category (as defined by IAS 39)	Class	2014	Restated 2013
		£000	£000
Cash and cash equivalents	Bank deposits	33,527	31,977
Financial assets at FV through income and expense	Derivative financial instruments	34,286	47,911
Loans and receivables	Deemed loans	533,449	566,426
Loans and receivables	Other receivables	16,367	15,725
		617,629	662,039

Deemed loans

The risk on the deemed loan is mitigated by the size and quality of the securitised loans and advances to customers. The average loan to value percentage of the underlying mortgage assets, to which the deemed loans relate was 60.53% (2013: 68.54%) at the end of the reporting period.

An arrears analysis of the underlying mortgage portfolio is shown below:

	2014	2013
	£000	£000
Not in arrears	354,730	372,284
In arrears	49,812	64,196
	404,542	436,480

The total deemed loan balance of £553,993K (2013: £568,399K) also includes gilts of £142,943K (restated 2013: £145,217K).

Derivatives

At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Company (i.e. assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values, used to express the volume of instruments outstanding.

Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Company requires margin deposits from counterparties.

Other receivables

Other receivables relate primarily to amounts due from the ultimate parent undertaking, The Co-operative Bank plc, which is repayable on demand.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

9 Financial instruments (continued)

Currency risk

Currency risk arises as a result of the Company raising funds in foreign currencies. The Company manages its exposure to currency risk using derivative financial instruments.

US Dollar notes are exposed to movements in the US Dollar exchange rate and US Dollar LIBOR rate (note 12). The Company is also exposed to movements in the Euro exchange rate and the EURIBOR rate relating to Euro Notes (note 12). Currency swaps that are economically matched are put in place at inception of the securitisation to manage and mitigate these exposures, this is achieved through a qualifying fair value hedging relationship.

The Company also advanced a multi currency loan to The Co-operative Bank plc, any foreign currency movements on this loan are recognised in the income statement as they arise.

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 J. P. Morgan (note 13).

Liquidity risk arises on debt securities in issue. Funding has been obtained through the issue of mortgage-backed floating-rate notes. The Company has in place a borrowing facility to ensure that sufficient liquidity is maintained to meet its obligations on the floating rate notes (note 12).

The notes issued by the Company are repayable in line with the collections of principal from the securitised mortgage loans. Under the terms of the notes the Company can repurchase the outstanding notes of the securitisation issue at par once the outstanding principal amount of the notes falls below 10% of the amount originally issued or in full on any interest payment date on or after 21 June 2011.

The gross undiscounted contractual cash flows payable on financial liabilities are provided below:

	Derivative financial instruments	Debt securities in issue	Other payables
	2014	2014	2014
	£000	£000	£000
Up to 3 months	12	4,104	259
3-12 months	33	18,513	838
1-5 years	13	655,720	26,526
	58	678,337	27,623

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

9 Financial instruments (continued)

Liquidity risk (continued)

	Derivative financial instruments 2013 £000	Debt securities in issue 2013 £000	Other payables 2013 £000
Up to 3 months	14	4,178	255
3-12 months	34	18,527	817
1-5 years	(5)	660,442	26,779
	43	683,147	27,851

The contractual maturities of the debt securities in issue are calculated based upon the first contractual point at which the Company can redeem the notes. Should the Company decide not to redeem, the applicable contractual maturity of the notes is disclosed within the table on page 33.

The overall liquidity risk is effectively mitigated as a result of the structure of the repayment of capital being required only in line with the principal repayment of the underlying mortgage loans.

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 liquidity risk on these loans is considered to be minimal.

Capital management

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

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

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

10 Deemed loans due from group undertakings

	2014	Restated 2013
	£000	£000
Deemed loans recoverable	552,171	586,796
Deferred consideration payable (see below)	(18,722)	(20,370)
	533,449	566,426

Included in deemed loans recoverable is the right to proceeds of £137,490K (2013: £137,490K) of UK gilts, these are treated as deemed loans as they fail the derecognition criteria of IAS39 and, consequently, these gilts remain on the balance sheet of The Co-operative Bank plc. IAS39 requires the seller to recognise a deemed loan financial liability on its balance sheet and the resulting deemed loan asset is held on the purchasing Company's balance sheet. These are for a 5 year term and following acquisition in 2011 are due to be repaid on 21 June 2016.

The remaining deemed loans recoverable are repaid as and when the cash is received by the originator from the customers as principal repayments of the loans and advances. Consequently, a proportion of the deemed loans recoverable will be repaid within 12 months, although the amount cannot be quantified.

Deferred consideration payable

Deferred consideration is payable to the originators in respect of deferred purchase consideration and deferred contingent consideration. Deferred contingent consideration is dependent on the extent to which the surplus income generated by the underlying mortgage books and gilts, purchased by Leek Finance Number Seventeen plc from the originators and The Co-operative Bank plc respectively, exceeds the administration costs of the mortgage books. The surplus income generated during the year ended 31 December 2014 amounted to £nil (2013: £nil).

On 20 December 2013 a Deed of Amendment and Release was entered into whereby Meerbrook Finance Number One Limited released their claim to deferred purchase consideration.

During the year ended 31 December 2014 a Deed of Novation, Assumption and Amendment was entered into by the company whereby deferred contingent payable by the Company to Meerbrook Finance Number One was novated to Platform Funding Limited.

The deferred consideration is payable as follows:

	2014	2013
	£000	£000
Amounts owed to Mortgage Agency Services Number Six Limited	4,538	4,976
Amounts owed to Platform Funding Limited	14,184	15,394
	18,722	20,370

The movements in deferred consideration are as follows:

	2014	Restated 2013
	£000	£000
Balance at the beginning of the year	20,370	21,387
Additional consideration payable	-	50
Release of deferred consideration	-	(1,067)
Repayment during the year	(1,648)	-
Balance at the end of the year	18,722	20,370

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

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

11 Other receivables

	2014	Restated 2013
	£000	£000
Amounts recoverable from The Co-operative Bank plc	16,366	15,724
Prepayments and accrued income	1	1
	16,367	15,725

Included in amounts recoverable from The Co-operative Bank plc is a multi currency loan to The Co-operative Bank plc of £15,467K (2013 restated: £14,645K). The multi currency loan will be repaid by 21 June 2016. The effective interest rate on the multi currency loan is 6% per annum.

The remaining amounts recoverable from group undertakings, which are due from The Co-operative Bank plc, are expected to be settled more than 12 months after the end of the reporting period. There is no formal repayment schedule for these monies, which are repayable on demand. The effective interest rate is 3 month LIBOR less 50 basis points.

12 Debt securities in issue

	2014	Restated 2013
	£000	£000
£GBP floating rate notes	256,807	277,679
\$USD floating rate notes	97,438	98,163
€Euro floating rate notes	245,534	267,567
	599,779	643,409

	2014	2013
	£000	£000
Due within one year		
Class A2a Mortgage Backed Floating Rates Notes due 2037	3,668	1,336
Class A2b Mortgage Backed Floating Rates Notes due 2037	3,606	1,380
Class A2c Mortgage Backed Floating Rates Notes due 2037	3,456	1,503
Class K Variable Funding notes due 2037	2,307	2,307
Variable rate notes interest payable	86	82
Floating rate notes interest payable	129	633
	13,252	7,241

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

12 Debt securities in issue (continued)

	2014 £000	Restated 2013 £000
Due in more than one year		
Class A2a Mortgage Backed Floating Rate Notes due 2037	81,579	92,498
Class A2b Mortgage Backed Floating Rate Notes due 2037	89,294	96,770
Class A2c Mortgage Backed Floating Rate Notes due 2037	86,255	104,513
Class Mc Mortgage Backed Floating rate notes due 2037	82,810	88,344
Class Ba Mortgage Backed Floating rate notes due 2037	22,000	22,000
Class Bc Mortgage Backed Floating rate notes due 2037	30,975	33,119
Class Cc Mortgage Backed Floating rate notes due 2037	37,640	40,027
Class K Variable Funding notes due 2037	141,025	143,345
Class L Variable Funding notes due 2037	-	4,616
Class N Variable Funding notes due 2037	2,000	2,000
Premium	12,949	8,936
	586,527	636,168
Total debt securities in issue	599,779	643,409

The mortgage backed floating rate notes due 2037 are secured over a portfolio of mortgage loans secured by first charges over residential properties in the UK and the Variable funding notes.

Prior to redemption of the notes on the final interest payment date falling in December 2037, the notes will be subject to mandatory and/or optional redemption in certain circumstances, on each interest payment date.

Classes of mortgage backed floating rate notes are subject to interest as detailed below. The three month LIBORs are revised quarterly and the following margins, which are not subject to revision, apply to the classes of notes as follows:

	From 21 June 2011 until 21 December 2037
Class A1a notes at 3 month Sterling LIBOR plus	0.08%
Class A1b notes at 3 month Dollar LIBOR plus	0.08%
Class A2a notes at 3 month Sterling LIBOR plus	0.28%
Class A2b notes at 3 month Dollar LIBOR plus	0.28%
Class A2c notes at 3 month EURIBOR plus	0.28%
Class Mc notes at 3 month EURIBOR plus	0.46%
Class Ba notes at 3 month Sterling LIBOR plus	0.92%
Class Bc notes at 3 month EURIBOR plus	0.92%
Class Cc notes at 3 month EURIBOR plus	1.72%

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

12 Debt securities in issue (continued)

Classes of Variable Funding notes are subject to interest as detailed below:

	From 21 June 2011 until 21 December 2037
Class K notes at fixed rate per annum	2.21%
Class L notes at fixed rate per annum	6.00%
Class N notes at 3 month Sterling LIBOR less	0.50%

The Company has not had any defaults on principal, interest or any other breaches with respect to their liabilities during the year.

The mortgage loans were not repurchased by The Co-operative Bank plc at the step up date 21 June 2011 and therefore to provide assurance to the noteholders that the Company's cash flows sufficiently cover their exposure and to cover any shortfall The Co-operative Bank plc sold to the Leek Company gilts which the Company funded by issuing K notes.

An additional coupon payment will become due to the Class A noteholders on the interest payment date on which any A notes are redeemed in full. The additional coupon will be funded from the proceeds of the repayment of the multi-currency loan to The Co-operative Bank plc.

Additionally a premium will be payable to the Class A (A noteholders) on the final repayment date for the Class A notes. The Co-operative Bank plc loaned the Company L loan note equivalent to the Sterling equivalent of 5% of Class A notional of each Leek Class A Note.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

13 Other payables

	2014	2013
	£000	£000
Amounts owed to Platform Funding Limited	65	8
Amounts owed to Mortgage Agency Services Number Six Limited	12	6
Subordinated debt owed to The Co-operative Bank plc	23,393	23,393
Accruals and deferred income	20	17
Other	33	44
Amounts owed to The Co-operative Bank plc	1	12
	23,524	23,480

The subordinated debt is secured by a second charge on the mortgage assets to which the Company's deemed loans relate. The subordinated debt is not repayable until all obligations to the noteholders have been met. Interest is calculated on the subordinated loan at the prevailing three month LIBOR plus 400 basis points.

The other amounts owed to group undertakings are expected to be settled within 12 months of the end of the reporting period.

There is a liquidity facility of £12,311K (2013: £13,147K) provided by J. P. Morgan. At 31 December 2014 the drawing of the facility amounted to £nil (2013: £nil). Interest on any drawing is payable to the facility provider at Libor plus a margin of 0.40% (2013: 0.40%).

14 Share capital

	2014	2013
	£	£
Issued and fully paid		
2 ordinary shares of £1 each	2	2
Issued and partly paid		
49,998 ordinary shares of £1 each of which 25p paid	12,500	12,500

The Company's funding consists of share capital, debt securities and intercompany funding provided by The Co-operative Bank plc. Capital is managed on the whole by The Co-operative Bank plc, which is subject to the capital requirements imposed by its regulator the Prudential Regulation Authority ("PRA").

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

15 Retained losses

Movement in retained earnings were as follows:

	2014 £000	Restated 2013 £000
Balance at the beginning of the year	(4,950)	(369)
Loss for the year	(806)	(4,581)
Balance at the end of the year	(5,756)	(4,950)

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

	2014 £000	Restated 2013 £000
Loss before taxation	(837)	(4,550)
Interest payable on subordinated debt	1,059	1,054
Cash flows from/(used in) operating loss before changes in operating assets and liabilities:	222	(3,496)
Decrease in deemed loans due from group undertakings	32,977	30,448
Net movement in derivative financial instruments	13,643	(3,079)
Net increase in other receivables	(642)	(936)
Net decrease in debt securities in issue	(43,630)	(21,399)
Net increase/(decrease) in other payables	45	(142)
Net cash flows from operating activities	2,615	1,396

17 Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking and controlling entity is Leek Finance Holdings Number Seventeen Limited, a Company registered in England.

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

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

17 Ultimate parent undertaking and controlling entity (continued)

The Company's immediate parent undertaking and controlling entity is Leek Finance Holdings Number Seventeen Limited, a Company registered in England.

Capita Trust Nominees No. 1 Limited holds 100% of the issued share capital of Leek Finance Holdings Number Seventeen 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 IFRS 10 "Consolidated Financial Statements", the subsidiary's accounts are consolidated within the group accounts of The Co-operative Bank plc, for the year ended 31 December 2014.

The largest group in which the results of the Company are consolidated is The Co-operative Bank plc, which is incorporated in England. The financial statements of this group are available from <http://www.co-operativebank.co.uk/investorrelations/financialresults> and from its registered office at 1 Balloon Street, Manchester, M60 4EP.

18 Related party transactions

During the year, Capita Trust Company, on behalf of Capita Trust Corporate Limited and Capita Trust Corporate Services Limited received £11K in respect of directors and trustees fees (2013: £11K).

The directors of the Company consider The Co-operative Bank plc and its subsidiaries to be related parties of the Company. Transactions with The Co-operative Bank plc and its subsidiaries are disclosed in the financial statements as follows:

	Interest receivable and other income £000	Interest expense and other charges £000	Balance due to/(from) the Company £000
Year ended 31 December 2014			
The Co-operative Bank plc	4,127	4,472	(9,579)
Mortgage Agency Services Number Six Limited	3,320	2,273	33,521
Platform Funding Limited	9,178	-	383,908
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Year ended 31 December 2013			
The Co-operative Bank plc	3,913	4,776	(14,608)
Mortgage Agency Services Number Six Limited	928	50	35,885
Meerbrook Finance Number One Limited	1,067	-	-
Platform Funding Limited	6,744	-	385,311
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In addition to the above The Co-operative Bank plc holds floating rate notes in Leek Finance Number Seventeen plc of £14.0m (2013: £16.8m) included within debt securities in issue.

During the year £11K (2013: £11K) was paid to corporate directors in respect of the provision of management services. The amount outstanding at 31 December 2014 was £nil (2013: £nil). All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Leek Finance Number Seventeen plc
Notes to the financial statements for the year ended 31 December 2014
(continued)

19 Restatement of comparative information

The Company reviewed its hedge accounting methodology in the year and concluded that the method for calculating hedge ineffectiveness should be revised to better align with industry practices under IAS 39 (Financial Instruments: Recognition and Measurement). Upon this review ineffectiveness related to foreign currency revenues has been recognised. These changes will result in additional accounting volatility in future financial periods, although this merely represents changes in the timing of recognition of profit or loss and not in the overall economic value of the hedge itself.

The methodology used to calculate interest due on the multi-currency loan to The Co-operative Bank plc has been reviewed resulting in a revision to the loan balances. The revised calculation incorporates the capitalisation of interest into the loan balance.

Impact of the restatement of comparatives in the balance sheet:

		As reported 1 January 2013 £000	Adjust- ment £000	Restated 1 January 2013 £000	As reported 31 December 2013 £000	Adjust- ment £000	Restated 31 December 2013 £000
	Note						
Assets							
Deemed loans due from group undertakings	10	596,874	-	596,874	568,399	(1,973)	566,426
Other receivables	11	15,532	(743)	14,789	16,461	(736)	15,725
Liabilities							
Debt securities in issue	12	665,026	(218)	664,808	640,887	2,522	643,409
Equity							
Retained losses	15	156	(525)	(369)	281	(5,231)	(4,950)

Impact of the restatement of comparatives in the statement of comprehensive income:

		As reported 2013 £000	Adjust- ment £000	Restated 2013 £000
	Note			
Interest receivable and similar income	2	14,124	(1,935)	12,189
Net losses from derivative financial instruments	4	230	(2,771)	(2,541)
Loss before tax		156	(4,706)	(4,550)