

Leek Finance Number Eighteen plc
Directors' report and financial statements
for the year ended 31 December 2011

Registered Number 05659996

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Leek Finance Number Eighteen plc

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Leek Finance Number Eighteen 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 Bishop's Square
London
E1 6AD

Registered office

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

Registered number

05659996

Leek Finance Number Eighteen plc

Directors' report for the year ended 31 December 2011

The directors present their report and the audited financial statements of Leek Finance Number Eighteen plc (Registered Company No 05659996) for the year ended 31 December 2011

Principal activities

The principal activity of the Company is that of a securitisation vehicle with beneficial ownership of mortgage loans secured by first charges over residential properties within the United Kingdom

The beneficial ownership of the loans and advances to customers sold to the Company by the originator fail the derecognition criteria of IAS 39 and, consequently, these loans 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

Review of business and future developments

On the 31 March 2011 the Board of Directors of The Co-operative Bank plc announced that they had resolved not to repurchase the mortgage loans held by Leek Finance Number Eighteen plc on their step up and call dates of 21 December 2011 On 11 May 2011, a consent solicitation of the A2 noteholders agreed to the amendments announced, including an investor redemption option exercisable five years from step up date and a redemption premium payable on the redemption of the class A notes This will have the impact of changing the expected maturity date of the notes in issue

To provide assurance to the noteholders that the Company's cash flows sufficiently cover their exposure and to cover any shortfall cash flow from the mortgages The Co-operative Bank plc bought gilt securities and subsequently sold the beneficial ownership to Leek Finance Number Eighteen plc The gilts were funded by the issue of K Variable Funding Notes (VFN) The beneficial ownership of the gilts sold to the Company by The Co-operative Bank plc fail the derecognition criteria of IAS 39 and, consequently, these gilts remain on the balance sheet of The Co-operative Bank plc 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

During the year the deemed loan assets and noteholders debt increased due to the issue of loan notes to purchase the gilts offset by mortgage repayments received during the year The mortgage interest, which is based on the outstanding capital, decreased by a lower proportion than the decrease in the deemed loan due to falling interest rates The noteholders interest increased due to the margins increasing at the step up date and the issue of the loan notes and this is in line with management's expectations

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 movements

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 1.42% (2010 1.49%) 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 is 53.63%

Leek Finance Number Eighteen plc

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

Principal risks and uncertainties

Instruments used for risk management purposes are set up at inception of the securitisation and include derivative financial instruments (derivatives), such as interest rate swaps and cross currency 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 financial risks faced by the Company are credit risk, interest rate risk, liquidity risk and currency risk. A summary of these risks is included below and more detail regarding the management of these risks is included in note 8 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 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 United Kingdom. For further information regarding arrears of the underlying mortgage loans that the deemed loans relate to, please visit <http://www.britannia.co.uk/site/microsite/bts/leek-programme/index.html> 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
- 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
- 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.

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. All financial information given in this directors' report is taken solely from the statutory results prepared on the above basis.

Results and dividends

The profit for the year, after tax, amounted to £67K (2010: £3,482K). The net liabilities of the Company at 31 December 2011 were £134K (2010: £201K). The directors do not propose a dividend for the year (2010: £nil).

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 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 preparing and reviewing forecasts and projections, stressed to take account of reasonable possible changes in assumptions, the directors are satisfied 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.

Leek Finance Number Eighteen 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 are proposed at the next Annual General Meeting.

On behalf of the Board

Signed


David Osborne

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

Date 15 June 2012

Leek Finance Number Eighteen plc

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

We have audited the financial statements of Leek Number Finance Number Eighteen plc for the year ended 31 December 2011 set out on pages 6 to 29. 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 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 profit 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

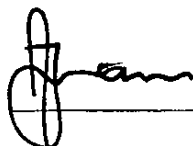
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 15/06/12

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 Eighteen plc

Statement of comprehensive income for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Interest receivable and similar income	2	15,401	13,106
Interest expense and similar charges	3	(15,221)	(8,762)
Net interest income		180	4,344
Gains less losses from derivative financial instruments and foreign exchange movements	4	486	757
Other operating expenses		(582)	(688)
Profit before tax		84	4,413
Taxation	6	(17)	(931)
Net profit attributable to equity holders	15	67	3,482

All results are from continued operations

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

The accounting policies and notes on pages 10 to 29 form part of these financial statements

Leek Finance Number Eighteen plc

Balance sheet as at 31 December 2011

	Notes	2011 £000	2010 £000
Assets			
Cash and cash equivalents	7	49,895	30,834
Derivative financial instruments	8	91,374	99,263
Deemed loans due from group undertakings	9	740,801	587,586
Deferred tax asset	6	54	65
Other receivables	10	19,178	312
Total assets		901,302	718,060
Liabilities			
Deposits from banks	11	-	487
Derivative financial instruments	8	245	385
Debt securities in issue	12	860,006	693,893
Other payables	13	41,179	23,490
Current tax liability		6	6
Total liabilities		901,436	718,261
Equity			
Called-up share capital	14	13	13
Retained earnings	15	(147)	(214)
Total equity and liabilities		901,302	718,060

The accounting policies and notes on pages 10 to 29 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 Eighteen plc

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

	Share capital £000	Retained earnings £000	Total £000
Year ended 31 December 2011			
Balance at the beginning of the year	13	(214)	(201)
Profit for the year	-	67	67
Balance at the end of the year	13	(147)	(134)

	Share capital £000	Retained earnings £000	Total £000
Year ended 31 December 2010			
Balance at the beginning of the year	13	(3,696)	(3,683)
Profit for the year	-	3,482	3,482
Balance at the end of the year	13	(214)	(201)

The accounting policies and notes on pages 10 to 29 form part of these financial statements

Leek Finance Number Eighteen plc

Statement of cash flows for the year ended 31 December 2011

	Notes	2011 £000	2010 £000
Cash flows from operating activities	16	20,674	4,069
Cash flows from financing activities			
Repayment of initial expense loan		(487)	(24)
Interest paid on initial expense loan		(2)	(896)
Interest paid on subordinated debt		(1,124)	(4,506)
Net cash used in financing activities		(1,613)	(5,426)
Net movement in cash and cash equivalents		19,061	(1,357)
Cash and cash equivalents at the beginning of the year		30,834	32,191
Cash and cash equivalents at the end of the year	7	49,895	30,834

The accounting policies and notes on pages 10 to 29 form part of these financial statements

Leek Finance Number Eighteen plc

Statement of accounting policies for the year ended 31 December 2011

Basis of preparation

Leek Finance Number Eighteen plc is a Company incorporated and domiciled in England and Wales

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

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)

Critical accounting estimates and judgements in applying accounting policies are discussed below

Foreign currency translation

Functional and presentation currencies

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 presentation 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,
- 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.

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.

Leek Finance Number Eighteen plc

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

Taxation

Tax on the profit 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 years.

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.

The principal temporary differences arise due to differences in tax rules for securitisation companies.

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 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
- upon initial recognition designated at fair value through profit or loss 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 year 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 include loans and advances to banks, and beneficial ownership of loans and advances to customers and gilts.

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.

Leek Finance Number Eighteen plc

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

Derivative financial instruments

Derivatives are financial instruments used by the Company to manage risks

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. The estimated fair value of derivatives represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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

Derivatives that do not qualify for hedge accounting

No derivatives are designated as hedges under IAS 39. Changes in the fair value of all derivative instruments are, therefore, recognised immediately in the statement of comprehensive income.

Deemed loans due from group undertakings

The beneficial ownership of the loans and advances to customers and the 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.

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.

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 payable

Deferred purchase consideration depends on the extent to which the surplus income generated by the underlying mortgage books and gilts to which the Company has a beneficial interest, exceeds the administration costs of the mortgage books and gilts, and is deducted from interest income, since the Company does 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.

Financial liabilities

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

- deposits from banks,
- derivatives,
- debt securities in issue, and
- other borrowed funds and liabilities

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

Financial liabilities, other than derivatives, 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.

Leek Finance Number Eighteen plc

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

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 acquisition

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, such as interest rate swaps and 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 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

Leek Finance Number Eighteen plc

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

1 Profit before taxation

Profit on ordinary activities before taxation is stated after charging

	2011	2010
	£000	£000
Audit fee for the audit of the Company's financial statements	2	3

2 Interest receivable and similar income

	2011	2010
	£000	£000
On financial assets not at fair value through income and expense		
Deemed loan interest receivable on mortgages	16,117	16,700
Deferred consideration payable (note 9)	(2,491)	(1,907)
Adjustments to the carrying value of deemed loans	(1,433)	(1,763)
Deemed loan interest receivable on gilts	2,506	-
Interest receivable from The Co-operative Bank plc	549	14
Bank interest receivable	153	62
	15,401	13,106

As part of the restructuring The Co-operative Bank plc purchased gilts and subsequently transferred the beneficial interest to Leek Finance Number Eighteen plc, these attract interest of 5% per annum

3 Interest expense and similar charges

	2011	2010
	£000	£000
On financial liabilities not at fair value through income and expense		
Interest expense on debt securities in issue	13,247	5,745
Interest payable to The Co-operative Bank plc	1,126	1,108
Amortisation of issue costs	565	754
Other borrowed funds	2	23
	14,940	7,630
On financial liabilities at fair value through income and expense		
Net expense on derivative financial instruments	281	1,132
	15,221	8,762

Interest on debt securities in issue increased during the year due to the issue of loan notes as funding for the gilt purchase by The Co-operative Bank plc and premium on the 21 June 2011

Leek Finance Number Eighteen plc

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

4 Gains less losses from derivative financial instruments and foreign exchange movements

	2011 £000	2010 £000
Interest rate swaps	(190)	665
Basis swaps	245	92
Gross foreign currency gain on US dollar debt	2,307	10,214
Gross foreign currency loss on Euro debt	(5,044)	(7,588)
Gross foreign currency loss on US dollar cross currency swaps	(2,307)	(10,214)
Gross foreign currency gain on Euro cross currency swaps	5,044	7,588
Gross foreign currency gain on multi currency loan	481	-
Gross foreign currency loss on bond premium	(50)	-
	486	757

At inception the Company implemented interest rate swaps to hedge the effect of movements in interest rates on the fixed rate mortgages it has purchased. As the Company does not recognise these mortgages and instead recognises a deemed loan asset the company recognises in full any gain or loss as a result of movements in the fair value of the interest rate swaps as shown above.

At inception, the Company took out basis swaps 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.

At inception the Company also implemented perfectly matched foreign currency swaps ensuring that the net value of gross foreign exchange gains and losses is nil. The foreign exchange risk exposure of the Company is mitigated by the use of these highly effective foreign currency swaps and is described further in note 8.

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

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 £20K in respect of directors and trustees fees (2010 £11K).

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.

Leek Finance Number Eighteen plc

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

6 Taxation

	2011 £000	2010 £000
UK tax at 20.25% (2010: 21%)		
Corporation tax		
Current year	6	6
Total corporation tax	6	6
Deferred tax		
Current year	11	925
	17	931

Factors affecting tax charge for the year

The average effective rate of corporation tax assessed for the period is consistent with the standard rate of corporation tax for small companies in the UK of 20.25% (2010: 21%). The differences for 2010 are explained below:

	2011 £000	2010 £000
Profit on ordinary activities before tax	84	4,413
Profit before tax multiplied by standard rate of tax	17	927
Effects of:		
Change in rate of tax	-	4
	17	931

The recognised deferred tax asset includes the following amount:

	2011 £000	2010 £000
Short term timing differences	54	65

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.

Leek Finance Number Eighteen plc

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

6 Taxation (continued)

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

	2011	2010
	£000	£000
Balance at the beginning of the year	65	990
Income statement charge	(11)	(925)
Balance at the end of the year	54	65

Deferred tax asset expected to be recoverable after one year is £54K (2010 £65K).

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

7 Cash and cash equivalents

	2011	2010
	£000	£000
Bank deposits	74	65
Loans and advances to banks	49,821	30,769
	49,895	30,834

On the 30 March 2011 the liquidity facility with Danske Bank A/S London was novated to The Co-operative Bank plc. These funds were deposited into RBS on this date resulting in the increase in loans and advances to banks

8 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, amounts due from group undertakings, 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	Assets	Liabilities
	2011	2011	2011
	£000	£000	£000
Basis risk swaps	172,627	-	245
Cross-currency swaps	508,325	91,374	-
	680,952	91,374	245

Leek Finance Number Eighteen plc

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

8 Financial instruments (continued)

Fair values of derivative financial instruments (continued)

	Notional principal amount	Assets	Liabilities
	2010	2010	2010
	£000	£000	£000
Basis risk swaps	203,317	-	303
Cross-currency swaps	541,015	99,263	-
Interest rate swaps	24,712	-	82
	769,044	99,263	385

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	Fair value
	2011	2011
	£000	£000
Cash and cash equivalents	49,895	49,895
Deemed loans due from group undertakings	740,801	733,650
Other receivables	19,178	19,178
Other payables	(41,179)	(36,234)
Debt securities in issue		
Notes A2a	(100,807)	(94,760)
Notes A2b	(180,078)	(169,274)
Notes A2c	(62,995)	(59,215)
Notes A2d	(132,690)	(124,728)
Notes Ma	(12,500)	(10,625)
Notes Mc	(69,914)	(59,428)
Notes Ba	(25,900)	(21,756)
Notes Bc	(21,718)	(18,243)
Notes Ca	(6,000)	(4,920)
Notes Cc	(40,930)	(33,562)
Notes K	(187,418)	(152,746)
Notes L	(13,174)	(10,671)
Notes N	(2,000)	(1,610)
Premium	(3,438)	(3,438)
Floating rate notes interest payable	(270)	(270)
Variance Notes Interest Payable	(174)	(174)
Total Debt securities in issue	(860,006)	(765,420)

Leek Finance Number Eighteen plc

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

8 Financial instruments (continued)

	Carrying value 2010 £000	Fair value 2010 £000
Cash and cash equivalents	30,834	30,834
Deemed loans due from group undertakings	587,586	575,435
Other receivables	312	312
Deposits from banks	(487)	(487)
Other payables	(23,490)	(11,018)
Debt securities in issue		
Notes A2a	(108,859)	(103,416)
Notes A2b	(193,024)	(183,374)
Notes A2c	(69,781)	(66,997)
Notes A2d	(142,223)	(135,112)
Notes Ma	(12,500)	(11,160)
Notes Mc	(71,720)	(63,981)
Notes Ba	(25,900)	(22,160)
Notes Bc	(22,279)	(19,037)
Notes Ca	(6,000)	(4,787)
Notes Cc	(41,987)	(22,954)
Floating rate notes interest payable	(185)	(185)
Unamortised issue costs	565	565
Total Debt securities in issue	(693,893)	(632,598)

Fair values have been determined as follows

Deemed loans

The estimated fair value of deemed loans represents the balance after deducting the lifetime expected losses calculated on the mortgage loans that the balance represents. The lifetime expected losses have been calculated using Basel models used to calculate the expected loss in a 12 month period and extending it for the life of the loans.

Deposits and borrowings

The estimated fair value of deposits with no stated maturity, which includes non interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Debt securities in issue

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

For all other items in the table above carrying value is a reasonable approximation of the fair value.

Leek Finance Number Eighteen plc

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

8 Financial instruments (continued)

Risk management and control

The financial risks faced by the Company include the following

- interest rate risk,
- credit risk,
- currency 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

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 and cross-currency swaps. These are not used in trading activity or for speculative purposes.

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 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 exposure to monitor total counterparty exposure across The Co-operative Bank plc, this is managed within approved limits for each counterparty.

Interest rate risk

The Company is exposed to movements in interest rates and 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 swaps known as a basis swaps, 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.

Leek Finance Number Eighteen plc

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

8 Financial instruments (continued)

Interest rate risk (continued)

Interest rate risk management measures are used at Group level (such as Value at Risk sensitivity analysis) to monitor the potential gains or losses from market volatility within a statistical confidence level

The amounts of deferred purchase consideration payable to Meerbrook Finance Number One Limited and Platform Funding Limited are non-interest bearing financial liabilities. As described in note 9, the dates of repayment are dependent on the extent to which surplus income is generated by the securitised mortgage books. 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.

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 cash and cash equivalents, deemed loans, derivative financial instruments 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 2009, without taking into account any collateral held or other credit enhancements attached. The exposures set out below are based on gross carrying amounts as reported in the balance sheet.

Category (as defined by IAS 39)	Class	2011 £000	2010 £000
Cash and cash equivalents	Bank deposits	49,895	30,834
Financial assets at FV through income and expenses	Derivative financial instruments	91,374	99,263
Loans and receivables	Deemed loans	740,801	587,586
Loans and receivables	Other receivables	19,178	312
		901,248	717,995

Deemed loans

The above table shows the maximum exposure to credit risk on 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 78.54% at the end of the reporting period (2010: 78.01%). An arrears analysis of the underlying mortgage portfolio is shown below.

	2011 £000	2010 £000
Not in arrears	463,077	484,049
Less than 90 days past due	62,755	50,515
90- 179 days past due	18,170	23,411
180 days plus past due	22,482	42,140
	566,484	600,115

The total deemed loan balance of £758,958K also includes gilts of £163,050K.

Leek Finance Number Eighteen plc

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

8 Financial instruments (continued)

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.

In addition, the deemed loan now includes securitised gilts which were put in place during 2011.

Other receivables

Other receivables relate primarily to amounts due from The Co-operative Bank plc. Due to the way the parent manages the intercompany balances the actual credit risk on these loans is considered to be minimal.

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 perfectly matched are put in place at inception of the securitisation with JP Morgan Chase Bank to manage and mitigate these exposures. As a result of these highly effective swaps there is no significant sensitivity to movements in exchange rates.

On the 21 June 2011 the Company 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.

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 December 2011, the step up date.

On the 31 March 2011 The Board of Directors of The Co-operative Bank plc announced that they had resolved not to repurchase the mortgage loans held by Leek Finance Number 18 plc on their step up and call dates of 21 December 2011. On 11 May 2011, a consent solicitation of the A2 noteholders agreed to the amendments announced, including an investor redemption option exercisable five years from step up date and a redemption premium payable on the redemption of the class A notes. This will have the impact of changing the expected maturity date of the notes in issue.

Leek Finance Number Eighteen plc

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

8 Financial instruments (continued)

Liquidity risk (continued)

The gross undiscounted contractual cash flows payable on debt securities in issue, derivative financial instruments and sub debt are provided below

	2011 £000	2010 £000
Up to 3 months	9,882	14,619
3 to 12 months	39,267	714,914
Over 1 year	678,151	-
Over 5 years	176,992	-
	904,292	729,533

The decision by The Co-operative Bank plc not to repurchase the mortgage loans held by the company has changed the expected maturity profile from mainly payable in 3 to 12 months to over 1 year. In addition further notes were issued.

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.

9 Deemed loans due from group undertakings

	2011 £000	2010 £000
Deemed loans recoverable	758,598	604,034
Deferred consideration payable (see below)	(17,797)	(16,448)
	740,801	587,586

Included in deemed loans recoverable is the right to proceeds of £163,050K of UK gilts, these are treated as deemed loans as they fail the derecognition criteria of IAS 39 and, consequently, these gilts remain on the balance sheet of The Co-operative Bank plc. 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. These are for a 5 year term and are due to be repaid on the 21 December 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 contingent consideration is payable to Platform Funding Limited and Meerbrook Finance Number One Limited dependent on the extent to which the surplus income generated by the underlying mortgage books and gilts, purchased by Leek Finance Number Eighteen plc from those companies 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 2011 amounted to £2,491K (2010 £1,907K).

Leek Finance Number Eighteen plc

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

9 Deemed loans due from group undertakings (continued)

The deferred consideration is payable as follows

	2011 £000	2010 £000
Amounts owed to Meerbrook Finance Number One Limited	4,524	4,496
Amounts owed to Platform Funding Limited	13,273	11,952
	17,797	16,448

The movements in deferred consideration are as follows

	2011 £000	2010 £000
Balance at the beginning of the year	16,448	14,541
Additional consideration payable	2,491	1,907
Repayment during the year	(1,142)	-
Balance at the end of the year	17,797	16,448

It is anticipated that the majority of the above deferred consideration will be paid after one year. 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.

10 Other receivables

	2011 £000	2010 £000
Amounts owed by The Co-operative Bank plc	18,863	304
Other debtors	315	8
	19,178	312

As part of the restructuring on the 21 June 2011, the Company advanced a multi currency loan to The Co-operative Bank plc of £18,240K. The multi currency loan will be repaid on 21 December 2016. The effective interest rate on the multi currency loan is 6% per annum.

The remaining amounts owed by 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 contractually repayable on demand. The effective interest rate is 3 month LIBOR less 50 basis points.

11 Deposits from banks

	2011 £000	2010 £000
Initial expense loan	-	487

The initial expense loan was repaid during the year.

Leek Finance Number Eighteen plc

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

12 Debt securities in issue

	2011 £000	2010 £000
£GBP floating rate notes	351,681	152,879
\$USD floating rate notes	312,768	335,248
€EURO floating rate notes	195,557	205,766
	860,006	693,893
	2011 £000	2010 £000
Due within one year		
Class A2a Mortgage Backed Floating Rates Notes due 2038	1,592	1,840
Class A2b Mortgage Backed Floating Rates Notes due 2038	2,845	3,262
Class A2c Mortgage Backed Floating Rates Notes due 2038	996	1,179
Class A2d Mortgage Backed Floating Rates Notes due 2038	2,097	2,404
Class K Variable Funding Notes due 2038	3,090	-
Variable rate notes interest payable	174	-
Floating rate notes interest payable	270	185
Unamortised issue costs	-	(7)
	11,064	8,863
	2011 £000	2010 £000
Due in more than one year		
Class A2a Mortgage Backed Floating rate notes due 2038	99,215	107,019
Class A2b Mortgage Backed Floating rate notes due 2038	177,233	189,762
Class A2c Mortgage Backed Floating rate notes due 2038	61,999	68,602
Class A2d Mortgage Backed Floating rate notes due 2038	130,593	139,819
Class Ma Mortgage Backed Floating rate notes due 2038	12,500	12,500
Class Mc Mortgage Backed Floating rate notes due 2038	69,914	71,720
Class Ba Mortgage Backed Floating rate notes due 2038	25,900	25,900
Class Bc Mortgage Backed Floating rate notes due 2038	21,718	22,279
Class Ca Mortgage Backed Floating rate notes due 2038	6,000	6,000
Class Cc Mortgage Backed Floating rate notes due 2038	40,930	41,987
Class K Variable Funding Notes due 2038	184,328	-
Class L Variable Funding Notes due 2038	13,174	-
Class N Variable Funding Notes due 2038	2,000	-
Premium	3,438	-
Unamortised issue costs	-	(558)
	848,942	685,030
Total debt securities in issue	860,006	693,893

The mortgage backed floating rate notes due 2038 are secured over a portfolio of mortgage loans secured by first charges over residential properties in the United Kingdom and the VFN's

Prior to redemption of the notes on the final interest payment date falling in September 2038, the notes will be subject to mandatory and/or optional redemption in certain circumstances, on each interest payment date

Leek Finance Number Eighteen plc

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

12 Debt securities in issue (continued)

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

	Until 21 December 2011	From 21 December 2011 until 21 September 2038
Class A1a notes at 3 month Sterling LIBOR plus	0.04%	0.08%
Class A1b notes at 3 month Dollar LIBOR plus	0.04%	0.08%
Class A2a notes at 3 month Sterling LIBOR plus	0.13%	0.26%
Class A2b notes at 3 month Dollar LIBOR plus	0.13%	0.26%
Class A2c notes at 3 month EURIBOR plus	0.13%	0.26%
Class A2d notes at 3 month Dollar LIBOR plus	0.13%	0.26%
Class Ma notes at 3 month Sterling LIBOR plus	0.22%	0.44%
Class Mc notes at 3 month EURIBOR plus	0.22%	0.44%
Class Ba notes at 3 month Sterling LIBOR plus	0.42%	0.84%
Class Bc notes at 3 month EURIBOR plus	0.40%	0.80%
Class Ca notes at 3 month Sterling LIBOR plus	0.78%	0.99%
Class Cc notes at 3 month EURIBOR plus	0.78%	0.99%

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

	From 21 June 2011 until 21 September 2038
Class K notes at rate per annum	2.64%
Class L notes at 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 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

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% x Class A notional of each Leek Class A Note

On the 21 December 2011 the company issued £2m of N notes to fund additional cash collateralisation

Leek Finance Number Eighteen plc

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

13 Other payables

	2011 £000	2010 £000
Amounts owed to Platform Funding Limited	70	74
Subordinated debt owed to The Co-operative Bank plc	23,310	23,308
Accruals and deferred income	46	45
Liquidity facility owed to The Co-operative Bank plc	17,674	-
Other	79	63
	41,179	23,490

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 at the prevailing three month LIBOR plus 400 basis points.

On the 30 March 2011 the liquidity facility was novated from Danske Bank A/S London to The Co-operative Bank plc. Interest on any drawing is payable to the The Co-operative Bank plc at Libor plus a margin of 0.4% (2010: 0.4%).

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

14 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

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, who are subject to the capital requirements imposed by its regulator the Financial Services Authority ("FSA"). During the period, The Co-operative Bank plc complied with the capital requirements set by the FSA.

15 Retained earnings

Movement in retained earnings were as follows

	2011 £000	2010 £000
Balance at the beginning of the year	(214)	(3,696)
Profit for the year	67	3,482
Balance at the end of the year	(147)	(214)

Leek Finance Number Eighteen plc

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

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

	2011	2010
	£000	£000
Profit before tax	84	4,413
Decrease in prepayments and accrued income		
Interest payable on subordinated debt	1,126	1,108
Interest payable on initial expense loan	2	23
Cash flows from operating profit before changes in operating assets and liabilities	1,212	5,544
Increase/(decrease) in deemed loans due from group undertakings	(153,215)	32,134
Net movement in derivative financial instruments	7,749	972
Net (increase)/decrease in other receivables	(18,866)	1,969
Net increase/(decrease) in debt securities	166,113	(34,041)
Net increase/(decrease) in other payables	17,687	(2,509)
Taxation paid	(6)	-
Net cash flows from operating activities	20,674	4,069

17 Ultimate parent undertaking and controlling entity

The Company's immediate parent undertaking is Leek Finance Holdings Number Eighteen Limited, a Company registered in England

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

Leek Finance Number Eighteen plc

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

18 Related party transactions

As stated in the note above, the Company is a subsidiary of The Co-operative Group Limited. Consequently the directors of the Company consider The Co-operative Group Limited and its subsidiaries to be related parties of the Company. Transactions with The Co-operative Group Limited and its subsidiaries are disclosed in the financial statements as follows:

	<u>Interest receivable and other income</u> £000	<u>Interest expense and other charges</u> £000	<u>Balance due to/(from) the Company</u> £000
Year ended 31 December 2011			
The Co-operative Bank plc	3,054	4,565	(55,870)
Meerbrook Finance Number One Limited	5,185	-	220,303
Platform Funding Limited	7,009	478	333,175
Year ended 31 December 2010			
The Co-operative Bank plc	14	1,108	(23,004)
Meerbrook Finance Number One Limited	5,009	-	229,513
Platform Funding Limited	8,023	503	358,000

In addition to the above, The Co-operative Bank plc holds floating rate notes in Leek Finance Number Eighteen plc of £23.3m (2010: £18.2m) included within debt securities in issue.

During the year, £20K (2010: £11K) was paid to corporate directors in respect of the provision of management services. The amount outstanding at 31 December 2011 was £nil (2010: £3K). All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

19 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.