

Leek Finance Number Nineteen plc
Directors' report and financial statements
for the year ended 31 December 2012

Registered Number: 05965873



Leek Finance Number Nineteen plc

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Leek Finance Number Nineteen 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

5th Floor
6 St Andrew Street
London
EC4A 3AE
United Kingdom

Registered number

05965873

Leek Finance Number Nineteen plc

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of Leek Finance Number Nineteen plc (Registered Company No 05965873) for the year ended 31 December 2012

Principal activities

The company was incorporated in England. 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 and gilts 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

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.

Noteholders' interest increased during the year due to the restructure of the loan notes in June 2011, whereby additional variable funding notes were issued and in June 2012, the step up date, the mortgage backed floating rate note margins increased.

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 1.23% (2011: 1.41%) 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 63.50% (2011: 66.33%).

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 9 to the financial statements.

Leek Finance Number Nineteen plc

Directors' report for the year ended 31 December 2012 (continued)

Principal risks and uncertainties (continued)

- 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 originators customers to repay their loans is impacted by economic factors in the UK. The Co-operative Banking Group has undertaken a wide ranging review of its risk management framework delivering significant change in organisational design, committee structures, management information and reporting. The credit risk policies are approved by The Co-operative Banking Group's Board Risk Committee (delegated authority from The Co-operative Banking Group's Board). The principal risk policy for credit risk is approved annually by the Executive Risk Committee and defines appropriate standards and principles for the effective and robust management of credit risk throughout the Co-operative Banking Group. The Group adopts a three lines of defence governance model to ensure appropriate responsibility is allocated to management, reporting and escalation of risks
 - Business management act as the first line of defence. They are responsible for identifying where the business area is exposed to risks, including from the development of new products, processes or other business change. They also manage the risks that reside within their business areas on a day to day basis, implementing effective monitoring and control processes to ensure that the business' risk profile is understood and maintained within the Board defined risk appetite.
 - The risk function act as the second line of defence. They oversee and challenge the implementation and monitoring of the risk framework and consider current and emerging risks across the Bank. They also provide review and challenge of the delegated authority framework and oversee appropriate escalation of breaches, mitigating actions and reporting to the ERC.
 - Internal Audit acts as the third line of defence. They are responsible for independently verifying that the principal risk control framework has been implemented as intended across the business and independently challenge the overall management of the framework to provide assurance to the Audit Committee and senior management on the adequacy of both the first and second lines.
- 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
- 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 (EU). All financial information given in this directors' report is taken solely from the statutory results prepared on the above basis.

Results and dividends

The loss for the year, after tax, amounted to £856K (2011 profit £2,887K). The net liabilities of the Company at 31 December 2012 were £1,404K (2011 £548K). The directors do not propose a dividend for the year (2011 £nil).

Post balance sheet events

On 9 May 2013, The Co-operative Bank plc was downgraded by Moody's to Ba3/Not prime status. On 18 June 2013, the Bank was downgraded further by Moody's to Caa1. Further details of how this affects the company are given in note 20.

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.

Leek Finance Number Nineteen plc

Directors' report for the year ended 31 December 2012 (continued)

Going concern

Due to the way in which the Company is structured, the Company is only required to repay its capital in line with the principal repayment of the underlying mortgage loans. Additionally, if the Company were to be in a net liability position upon collapse, deferred consideration would be clawed back from the originator as permitted by the deferred consideration agreement. 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.

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

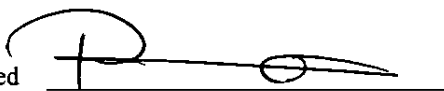
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware and each director has taken all the steps that they ought to have taken as directors to make themselves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



Director Paul Glendenning on behalf of Capita Trust Corporate Services Limited

Date 27 June 2013

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

We have audited the financial statements of Leek Finance Number Nineteen plc for the year ended 31 December 2012 set out on pages 6 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

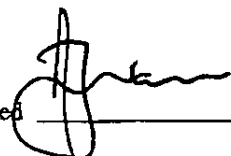
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Signed



Date 27/06/13

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 Nineteen plc

Statement of comprehensive income for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Interest receivable and similar income	2	18,372	18,458
Interest expense and similar charges	3	(17,798)	(15,066)
Net interest income		574	3,392
Gains less losses from derivative financial instruments and foreign exchange movements	4	(439)	775
Other operating expenses	6	(1,205)	(558)
(Loss)/profit before taxation		(1,070)	3,609
Taxation	7	214	(722)
Net (loss)/profit attributable to equity holders	15	(856)	2,887

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 31 form part of these financial statements

Leek Finance Number Nineteen plc

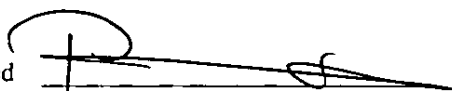
Balance sheet as at 31 December 2012

	Notes	2012 £000	2011 £000
Assets			
Cash and cash equivalents	8	38,653	36,490
Derivative financial instruments	9	79,214	102,598
Deemed loans due from group undertakings	10	706,616	733,015
Deferred tax asset	7	354	140
Other receivables	11	19,684	21,564
Total assets		844,521	893,807
Liabilities			
Derivative financial instruments	9	159	211
Debt securities in issue	12	810,428	858,853
Other payables	13	35,338	35,291
Total liabilities		845,925	894,355
Equity			
Called-up share capital	14	13	13
Retained earnings	15	(1,417)	(561)
Total equity and liabilities		844,521	893,807

The accounting policies and notes on pages 10 to 31 form part of these financial statements

Approved by the Board of directors on 27 June 2013 and signed on their behalf by

Signed



Director

Paul Glendenning on behalf of Capita Trust Corporate Services Limited

Leek Finance Number Nineteen plc

Statement of changes in equity for the year ended 31 December 2012

	Share capital £000	Retained earnings £000	Total £000
Year ended 31 December 2012			
Balance at the beginning of the year	13	(561)	(548)
Loss for the year	-	(856)	(856)
Balance at the end of the year	13	(1,417)	(1,404)

	Share capital £000	Retained earnings £000	Total £000
Year ended 31 December 2011			
Balance at the beginning of the year	13	(3,448)	(3,435)
Profit for the year	-	2,887	2,887
Balance at the end of the year	13	(561)	(548)

The accounting policies and notes on pages 10 to 31 form part of these financial statements

Leek Finance Number Nineteen plc

Statement of cash flows for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Cash flows from operating activities	16	3,043	21,227
Cash flows from financing activities			
Interest paid on subordinated debt		(880)	(5,720)
Interest paid on initial expense loan		-	(4)
Repayment of initial expense loan		-	(914)
Net cash used in financing activities		(880)	(6,638)
Net movement in cash and cash equivalents		2,163	14,589
Cash and cash equivalents at the beginning of the year		36,490	21,901
Cash and cash equivalents at the end of the year	8	38,653	36,490

The accounting policies and notes on pages 10 to 31 form part of these financial statements

Leek Finance Number Nineteen plc

Statement of accounting policies for the year ended 31 December 2012

Basis of preparation

Leek Finance Number Nineteen plc is a company incorporated and domiciled in England

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 pronouncement during the year that is new or revised

Amendment to IFRS 7 Financial Instruments Disclosures - Transfer of Financial Assets

Foreign currency translation

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

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.

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 Nineteen plc

Statement of accounting policies for the year ended 31 December 2012 (continued)

Taxation

Tax on the loss 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 during 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 income or expense 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 asset. 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. They include loans and advances to banks, beneficial ownership of loans and advances to customers and gilts. The loans and advances 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.

Leek Finance Number Nineteen plc

Statement of accounting policies for the year ended 31 December 2012 (continued)

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 and hedge accounting

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 contracts 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 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.

Leek Finance Number Nineteen plc

Statement of accounting policies for the year ended 31 December 2012 (continued)

Financial liabilities (continued)

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.

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 Nineteen plc

Notes to the financial statements for the year ended 31 December 2012

1 (Loss)/profit before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging

	2012	2011
	£000	£000
Audit fee for the audit of the Company's financial statements	2	2

2 Interest receivable and similar income

	2012	2011
	£000	£000
On financial assets not at fair value through income and expense		
Deemed loan interest receivable on mortgages	15,586	15,936
Adjustments to the carrying value of deemed loans	(2,127)	(560)
Deemed loan interest receivable on gilts	3,953	2,432
Interest receivable from The Co-operative Bank plc	792	522
Bank interest receivable	168	128
	18,372	18,458

3 Interest expense and similar charges

	2012	2011
	£000	£000
On financial liabilities not at fair value through income and expense		
Interest expense on debt securities in issue	16,623	12,963
Amortisation of issue costs	171	685
Interest payable to The Co-operative Bank plc	877	871
	17,671	14,519
On financial liabilities at fair value through income and expense		
Net expense on derivative financial instruments	127	547
	17,798	15,066

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

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

	2012	2011
	£000	£000
Interest rate swaps	12	167
Basis swaps	34	193
Gross foreign currency (loss)/gain on US dollar debt	(12,619)	2,256
Gross foreign currency loss on Euro debt	(5,994)	(5,460)
Gross foreign currency gain/(loss) on US dollar cross currency swaps	12,619	(2,256)
Gross foreign currency gain on Euro cross currency swaps	5,994	5,460
Gross foreign currency gain on multi currency loan	(447)	453
Gross foreign currency loss on bond premium	(38)	(38)
	(439)	775

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 9.

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 £10K in respect of directors and trustees fees (2011: £19K).

At 31 December 2012 no directors were accruing benefits under The Co-operative Bank plc pension schemes (2011: £nil).

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

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

6 Other operating expenses

	2012 £000	2011 £000
Other operating expenses	(1,205)	(558)

During the year ended 31 December 2012 the basis of calculating the administration fees was brought into alignment with other group companies. This resulted in an increase in administration fee expense compared to the previous year.

7 Taxation

	2012 £000	2011 £000
UK tax at 20% (2011: 20.25%)		
Deferred tax		
Current year	(214)	722
	(214)	722

Factors affecting tax charge for the year

The average effective rate of corporation tax assessed for the year is equal to the standard rate of corporation tax for small companies in the UK of 20% (2011: 20.25%).

	2012 £000	2011 £000
(Loss)/profit on ordinary activities before tax	(1,070)	3,609
(Loss)/profit before tax multiplied by standard rate of tax	(214)	731
Effects of		
Change in rate of tax	-	(9)
	(214)	722

The recognised deferred tax asset includes the following amount:

	2012 £000	2011 £000
Short-term timing differences	354	140

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

	2012 £000	2011 £000
Balance at the beginning of the year	140	862
Deferred tax credited/(charged) to the statement of comprehensive income	214	(722)
Balance at the end of the year	354	140

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 Taxation (continued)

The deferred tax asset arises due to short-term timing differences. The deferred tax asset expected to be recoverable after one year is £354K (2011: £140K). Deferred tax is calculated at 20% (2011: 20.25%).

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

	2012 £000	2011 £000
Bank deposits	150	157
Loans and advances to banks	38,503	36,333
	38,653	36,490

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, amounts due from group undertakings 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 2012 £000	Assets 2012 £000	Liabilities 2012 £000
Basis swaps	164,486	-	159
Cross-currency swaps	475,556	79,214	-
	640,042	79,214	159

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Financial instruments (continued)

	Notional principal amount	Assets	Liabilities
	2011	2011	2011
	£000	£000	£000
Basis swaps	183,853	-	205
Cross-currency swaps	517,553	102,598	-
Interest rate swaps	1,776	-	6
	703,182	102,598	211

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 values and fair value

	Carrying value	Fair value
	2012	2012
	£000	£000
Deemed loans due from group undertakings	706,616	701,546
Other payables	(35,338)	(34,503)
Debt securities in issue		
Notes A2a	(78,685)	(79,387)
Notes A2b	(274,669)	(277,035)
Notes A2c	(72,243)	(72,893)
Notes Ma	(23,000)	(21,737)
Notes Mc	(55,155)	(52,072)
Notes Ba	(12,000)	(11,129)
Notes Bc	(41,366)	(38,272)
Notes Ca	(6,000)	(5,488)
Notes Cc	(26,685)	(24,366)
Notes Da	(13,000)	(12,722)
Notes Dc	(5,434)	(5,293)
Notes K	(178,775)	(174,055)
Notes L	(14,816)	(14,351)
Notes N	(2,000)	(1,927)
Floating rate notes interest payable	(156)	(156)
Premium	(6,273)	(6,273)
Variable rate notes interest payable	(171)	(171)
Total Debt securities in issue	(810,428)	(797,327)

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Financial instruments (continued)

	Carrying value 2011 £000	Fair value 2011 £000
Deemed loans due from group undertakings	733,015	724,722
Other payables	(35,291)	(32,021)
Debt securities in issue		
Notes A2a	(83,772)	(78,746)
Notes A2b	(305,842)	(287,483)
Notes A2c	(79,200)	(74,448)
Notes Ma	(23,000)	(19,090)
Notes Mc	(56,801)	(47,145)
Notes Ba	(12,000)	(9,840)
Notes Bc	(42,600)	(34,932)
Notes Ca	(6,000)	(4,860)
Notes Cc	(27,481)	(22,260)
Notes Da	(13,000)	(11,050)
Notes Dc	(5,597)	(4,757)
Notes K	(181,912)	(146,439)
Notes L	(18,372)	(14,698)
Floating rate notes interest payable	(240)	(240)
Unamortised issue costs	171	171
Premium	(3,028)	(3,028)
Variable rate notes interest payable	(179)	(179)
Total Debt securities in issue	(858,853)	(759,024)

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.

Debt securities in issue and subordinated loans

The fair value of debt securities in issue are based on market prices 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.

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 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 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

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 rate 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.

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.

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.

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 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

A 1% movement in variable interest rates would have an immaterial 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 Meerbrook Finance Number Two Limited, Meerbrook Finance Number Three 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 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, derivative financial instruments, 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 2012 and 2011, 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	2012 £000	2011 £000
Cash and cash equivalents	Bank deposits	38,653	36,490
Financial assets at FV through income and expenses	Derivative financial instruments	79,214	102,598
Loans and receivables	Deemed loans	706,616	733,015
Loans and receivables	Other receivables	19,684	21,564
		844,167	893,667

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 82.01% at the end of the reporting period (2011: 82.49%).

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Financial instruments (continued)

Deemed loans (continued)

An arrears analysis of the underlying mortgage portfolio is shown below

	2012 £000	2011 £000
Not in arrears	433,416	450,133
In arrears	97,384	104,932
	530,800	555,065

The total deemed loan balance of £713,904K also includes gilts of £158,260K

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 Co-operative Bank plc. Due to the way the ultimate parent manages the intercompany balances the 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 June 2012

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Financial instruments (continued)

Liquidity risk (continued)

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

	Derivative financial instruments 2012 £000	Debt securities in issue 2012 £000	Other payables 2012 £000
Up to 3 months	15	6,138	200
3-12 months	73	27,370	643
1-5 years	270	694,584	21,063
Over 5 years	-	163,887	-
	358	891,979	21,906

	Derivative financial instruments 2011 £000	Debt securities in issue 2011 £000	Other payables 2011 £000
Up to 3 months	35	8,916	227
3-12 months	(112)	37,168	738
1-5 years	484	225,207	4,060
Over 5 years	89	597,534	18,480
	496	868,825	23,505

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 Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Deemed loans due from group undertakings

	2012 £000	2011 £000
Deemed loans recoverable	713,903	740,839
Deferred consideration payable (see below)	(7,287)	(7,824)
	706,616	733,015

Included in deemed loans recoverable is the right to the proceeds of £158,260K 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, 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 consideration is payable to Platform Funding Limited, Meerbrook Finance Number Two Limited and Meerbrook Finance Number Three Limited dependent on the extent to which the surplus income generated by the underlying mortgage books and gilts, purchased by Leek Finance Number Nineteen 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 2012 amounted to £nil (2011: £nil).

The deferred consideration is payable as follows:

	2012 £000	2011 £000
Amounts owed to Meerbrook Finance Number Two Limited	2,211	2,374
Amounts owed to Meerbrook Finance Number Three Limited	2,418	2,596
Amounts owed to Platform Funding Limited	2,658	2,854
	7,287	7,824

The movements in deferred consideration are as follows:

	2012 £000	2011 £000
Balance at the beginning of the year	7,824	7,824
Repayment during the year	(537)	-
Balance at the end of the year	7,287	7,824

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.

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Other receivables

	2012 £000	2011 £000
Amounts owed by The Co-operative Bank plc	19,555	21,325
Prepayments and accrued income	129	239
	19,684	21,564

On the 21 June 2011, the Company advanced a multi currency loan to The Co-operative Bank plc of £18,799K. 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.

12 Debt securities in issue

	2012 £000	2011 £000
£GBP floating rate notes	334,876	341,332
\$USD floating rate notes	274,669	305,842
€EURO floating rate notes	200,883	211,679
	810,428	858,853

	2012 £000	2011 £000
Due within one year		
Class A2a Mortgage Backed Floating Rates Notes due 2038	864	1,294
Class A2b Mortgage Backed Floating Rates Notes due 2038	3,016	4,725
Class A2c Mortgage Backed Floating Rates Notes due 2038	793	1,224
Class K Variable Funding note due 2038	3,228	2,999
Floating Rate Notes interest payable	156	240
Variable Rate Notes interest payable	171	179
Unamortised issue costs	-	(171)
	8,228	10,490

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

12 Debt securities in issue (continued)

	2012 £000	2011 £000
Due in more than one year		
Class A2a Mortgage Backed Floating Rate Notes due 2038	77,821	82,478
Class A2b Mortgage Backed Floating Rate Notes due 2038	271,653	301,117
Class A2c Mortgage Backed Floating Rate Notes due 2038	71,450	77,976
Class Ma Mortgage Backed Floating Rate Notes due 2038	23,000	23,000
Class Mc Mortgage Backed Floating Rate Notes due 2038	55,155	56,801
Class Ba Mortgage Backed Floating Rate Notes due 2038	12,000	12,000
Class Bc Mortgage Backed Floating Rate Notes due 2038	41,366	42,600
Class Ca Mortgage Backed Floating Rate Notes due 2038	6,000	6,000
Class Cc Mortgage Backed Floating Rate Notes due 2038	26,685	27,481
Class Da Mortgage Backed Floating Rate Notes due 2038	13,000	13,000
Class Dc Mortgage Backed Floating Rate Notes due 2038	5,434	5,597
Class K Variable Funding Notes due 2038	175,547	178,913
Class L Variable Funding Notes due 2038	14,816	18,372
Class N Variable Funding Notes due 2039	2,000	-
Premium	6,273	3,028
	802,200	848,363
Total debt securities in issue	810,428	858,853

The maturity table above reflects the estimated timing of principal repayments on the notes, based on the contractual payment terms on the underlying mortgages and the earliest contractual repayment date of the debt securities

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 UK and the VFN's

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

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (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 June 2012	From 21 June 2012 until 21 December 2038
Class A1a notes at 3 month Sterling LIBOR plus	0.05%	0.10%
Class A1b notes at 3 month Dollar LIBOR plus	0.05%	0.10%
Class A2a notes at 3 month Sterling LIBOR plus	0.11%	0.22%
Class A2b notes at 3 month Dollar LIBOR plus	0.11%	0.22%
Class A2c notes at 3 month EURIBOR plus	0.12%	0.24%
Class Ma notes at 3 month Sterling LIBOR plus	0.21%	0.42%
Class Mc notes at 3 month EURIBOR plus	0.21%	0.42%
Class Ba notes at 3 month Sterling LIBOR plus	0.42%	0.84%
Class Bc notes at 3 month EURIBOR plus	0.41%	0.82%
Class Ca notes at 3 month Sterling LIBOR plus	0.75%	1.50%
Class Cc notes at 3 month EURIBOR plus	0.75%	1.50%
Class Da notes at 3 month Sterling LIBOR plus	2.75%	3.74%
Class Dc notes at 3 month EURIBOR plus	2.65%	3.64%

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

	From 21 June 2011 until 21 December 2038
Class K notes at rate per annum	2.63%
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% of Class A notional of each Leek Class A Note

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

13 Other payables

	2012 £000	2011 £000
Amounts owed to Platform Funding Limited	121	74
Liquidity facility owed to The Co-operative Bank plc	17,171	17,174
Subordinated debt owed to The Co-operative Bank plc	17,940	17,943
Accruals and deferred income	58	57
Other	48	43
	35,338	35,291

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.

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

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 0.40% (2011 0.40%).

14 Called-up share capital

	2012 £	2011 £
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, who are subject to the capital requirements imposed by its regulator the Financial Conduct Authority ("FCA"). During the period, The Co-operative Bank plc complied with the capital requirements set by the FCA.

15 Retained earnings

Movement in retained earnings were as follows

	2012 £000	2011 £000
Balance at the beginning of the year	(561)	(3,448)
(Loss)/profit for the year	(856)	2,887
Balance at the end of the year	(1,417)	(561)

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Reconciliation of operating (loss)/profit to net cash flows from operating activities

	2012	2011
	£000	£000
(Loss)/profit before taxation	(1,070)	3,609
Interest payable on subordinated debt	877	871
Cash flows from operating profit before changes in operating assets and liabilities	(193)	4,480
Decrease/(increase) in deemed loans due from group undertakings	26,399	(156,797)
Net movement in financial derivative instruments	23,332	7,796
Net decrease/(increase) in other receivables	1,880	(21,298)
Net (decrease)/increase in debt securities in issue	(48,425)	170,675
Net increase in other payables	50	16,371
Net cash flows from operating activities	3,043	21,227

17 Ultimate parent undertaking and controlling entity

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

Capita Trust Nominees No 1 Limited holds 100% of the issued share capital of Leek Finance Holdings Number Nineteen 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 2012

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 England and registered under the Industrial and Provident Society Acts. 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 Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (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:

	Interest receivable and other income £000	Interest expense and other charges £000	Balance due to/(from) the Company £000
Year ended 31 December 2012			
The Co-operative Bank plc	4,745	7,065	(33,537)
Meerbrook Finance Number Three Limited	3,958	-	154,241
Meerbrook Finance Number Two Limited	4,862	-	174,964
Platform Funding Limited	4,638	1,110	199,500
<hr/>			
Year ended 31 December 2011	£000	£000	£000
The Co-operative Bank plc	2,954	4,284	(51,304)
Meerbrook Finance Number Three Limited	4,519	-	161,667
Meerbrook Finance Number Two Limited	5,300	-	182,241
Platform Funding Limited	5,557	467	207,282

In addition to the above, The Co-operative Bank plc holds floating rate notes in Leek Finance Number Nineteen plc of £32.9m (2011: £28.7m) included within debt securities in issue.

During the year, £10K (2011: £19K) was paid to corporate directors in respect of the provision of management services. The amount outstanding at 31 December 2012 was £3K (2011: £nil).

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

Leek Finance Number Nineteen plc

Notes to the financial statements for the year ended 31 December 2012 (continued)

19 New pronouncements issued in 2012

The following pronouncements have been issued and will be effective for and relevant to the period beginning 1 January 2013

- Amendments to IFRS 7 (Disclosures Offsetting Financial Assets and Liabilities)
- IFRS 13 (Fair Value Measurement (2011))

These pronouncements are not mandatory for the year ended 31 December 2012, they will become effective for annual periods beginning on or after 1 January 2013

The following pronouncement has been issued and will be effective for and relevant to the period beginning 1 January 2014

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

This pronouncement is not mandatory for the year ended 31 December 2012, it will become effective, and has been adopted for use within the EU, for annual periods beginning on or after 1 January 2014

The following pronouncement has been issued and will be effective for and relevant to the period beginning 1 January 2015

- IFRS 9 (Financial Instruments Classification and Measurement (2010))

This pronouncement is not mandatory for the year ended 31 December 2012, it will become effective for annual periods beginning on or after 1 January 2015, early adoption is permitted once endorsed by the EU

20 Events after the balance sheet date

The Co-operative Bank acts as the Guarantor of the Administration and Cash Management roles in connection with the Notes. As a result of the Co-operative Bank's downgrade by Moody's on the 9 May 2013 to Ba3/Not prime, on 21 May 2013 Moody's placed on review for downgrade the ratings of all the notes in the Leek Finance series rated above A3(sf) as, in line with the rating criteria in effect at the inception of the transactions, the transaction documents relating to the Leek Finance series (other than Leek Finance Number Twenty Two PLC) do not contain back-up servicer or back-up cash manager triggers, nor an independent back-up servicer or back-up cash manager facilitator

Moody's downgraded the Bank further on 18 June 2013 to Caa1. However, this is not deemed to have any further impact over and above the initial downgrade due to the transaction documentation not containing rating triggers. The issuers under the Leek Finance series are currently considering their options in light of this further Moody's publication