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Company Registration No. 6697748

**LEEDS COVERED BONDS DESIGNATED
MEMBER (NO.2) LIMITED**

Report and Financial Statements

31 December 2013

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LEEDS COVERED BONDS DESIGNATED MEMBER (NO.2) LIMITED

2013 REPORT AND FINANCIAL STATEMENTS

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LEEDS COVERED BONDS DESIGNATED MEMBER (NO.2) LIMITED

2013 REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Robert Berry
SFM Directors Limited
SFM Directors (No.2) Limited

SECRETARY

SFM Corporate Services Limited

REGISTERED OFFICE

35 Great St Helen's
London
EC3A 6AP

LEEDS COVERED BONDS DESIGNATED MEMBER (NO.2) LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of Leeds Covered Bond Designated Member (No.2) Limited (the "Company"), together with the financial statements for the year ended 31 December 2013.

The Company qualifies as a small company in accordance with sections 381-382 of the Companies Act 2006 (the "Act") and the directors' report has therefore been prepared taking into consideration the entitlement to small companies exemptions provided in sections 414B (as incorporated to the Act by the Strategic Report and Directors' Report Regulations 2013) and 415A of the Act.

PRINCIPAL ACTIVITY

The Company's purpose is to be a Second Designated Member of Leeds Building Society Covered Bonds LLP, a limited liability partnership (the "LLP").

The Company has not traded during the year, and no other transactions have occurred during the year. The disclosure of key performance indicators is therefore considered unnecessary for an understanding of the development, performance or position of the business. It is not intended for the Company to trade in the foreseeable future. There have been no events of significance since the balance sheet date.

GOING CONCERN

In ensuring that the Company has sufficient liquid resources to meet its liabilities as they fall due the directors have taken account of the support provided by its ultimate controlling party, Leeds Building Society ("LBS").

The directors of LBS have considered in detail the LBS group's forecast performance and liquidity requirements, as well as its regulatory capital and liquidity resources. On this basis the directors have a reasonable expectation that, despite market conditions, the group has sufficient funding and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the directors of the Company have adopted the going concern basis in preparing financial statements, having taken into account the continuing support for the foreseeable future from its parent undertaking LBS.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £nil. The directors do not recommend payment of a dividend.

DIRECTORS

The directors who served during the year were:

Robert Berry

SFM Directors Limited

SFM Directors (No.2) Limited

THIRD PARTIES INDEMNITIES

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

LEEDS COVERED BONDS DESIGNATED MEMBER (NO.2) LIMITED

DIRECTORS' REPORT

AUDITORS

The directors have not appointed auditors for the current period as the Company was entitled to the exemption from an audit in accordance with Section 477 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board



Helena Whitaker
per pro SFM Directors Limited
as Director
2 September 2014

LEEDS COVERED BONDS DESIGNATED MEMBER (NO.2) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the management report, which is incorporated into the members report, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.



Helena Whitaker
per pro SFM Directors Limited
as Director
2 September 2014

LEEDS COVERED BONDS DESIGNATED MEMBER (NO.2) LIMITED

STATEMENT OF FINANCIAL POSITION


As at 31 December 2013

	Note	2013 £	2012 £
NON CURRENT ASSETS			
Investments	3	<u>40</u>	<u>40</u>
CURRENT ASSETS			
Cash and cash equivalents	4	<u>60</u>	<u>60</u>
TOTAL ASSETS		<u>100</u>	<u>100</u>
CURRENT LIABILITIES		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>-</u>	<u>-</u>
EQUITY			
Called up share capital	5	<u>100</u>	<u>100</u>
TOTAL LIABILITIES AND EQUITY		<u>100</u>	<u>100</u>

These financial statements have been prepared and delivered in accordance with the provisions under section 444(5) of the Act applicable to companies subject to the small companies' regime.

- For the year ended 31 December 2012 the Company was entitled to exemption from audit under section 477 of the Act, as the Company falls within the definition stated in Section 382 of the Act.
- The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for
 - i) ensuring the Company keeps accounting records which comply with Sections 386 of the Act, and
 - ii) preparing accounts which give a true and fair view of the state of affairs of the Company as at the end of the financial year, in accordance with the requirements of Section 393 of the Act, and which otherwise comply with the requirements of the Act relating to accounts, so far as applicable to the Company.

The financial statements were approved by the board of directors and authorised for issuance on 2 September 2014 and signed on its behalf by:


Helena Whitaker
per pro SFM Directors Limited
as Director

The accompanying notes are an integral part of this balance sheet.

Company number 6697748

LEEDS COVERED BONDS DESIGNATED MEMBER (NO.2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2013

1. ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the EU. The particular accounting policies adopted are described below, and have been consistently applied from the prior year.

The accounts have been prepared on the going concern basis as outlined in the Directors' Report. In preparing these financial statements the directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. The directors of LBS have considered in detail the Group's forecast performance and liquidity requirements, as well as its regulatory capital and liquidity resources. On this basis the directors have a reasonable expectation that, despite market conditions, the Group has sufficient funding and liquidity facilities to ensure that it will continue in operational existence for the foreseeable future. Accordingly the directors of the Company have adopted the going concern basis in preparing these financial statements.

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 9 - Financial Instruments

IAS 27 (Revised) – Separate Financial Statements

IAS 28 (Revised) – Investments in Associates and Joint Ventures

IAS 32 – Offsetting Financial Assets and Financial Liabilities

The adoption of IFRS 9, as currently in issue, would not be anticipated to have a material impact on the accounting of the Company although the International Accounting Standards Board ('IASB') has announced its intention to expand this Standard in such a way that would require changes to the valuation and income recognition methods relating to the Company's liabilities. In November 2013 the IASB announced that the implementation date was being removed from this Standard and that a new date would be announced when the whole project was closer to completion. The European Union has declined to consider the endorsement of IFRS 9 until a complete version is issued by the IASB. The Company has yet to conduct a full assessment of its potential impact, pending further information on the implementation date from the IASB and on endorsement from the European Union.

The Directors do not expect the other standards to have a material impact on the financial statements of the Company.

The particular accounting policies adopted are described below and have been consistently applied from the prior year.

Investments

Investments are initially stated at fair value. This includes the amount of consideration paid for the investment, as well as any costs incurred that are directly attributable to its purchase. Subsequent to initial recognition the investment will be held at cost. Impairment will be made for diminution in value of investments, where in the opinion of the directors, their fair value is less than their book value.

LEEDS COVERED BONDS DESIGNATED MEMBER (NO.2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2013

2. RISK MANAGEMENT AND CONTROL

As a result of its normal business activities, the company is exposed to a variety of risks. Documentation of the risk management procedures of the group are included in the accounts of LBS as they relate to operational, market, liquidity and credit risk. The following sections deals with the risk exposures of the Company only.

Derivatives

There are no derivatives within the company.

Fair values of financial assets and liabilities

The directors consider that the fair value of all assets and liabilities are materially equal to their book value.

Geographical risk

All material exposures are UK resident.

Liability Maturities

The company has no financial liabilities.

Credit Risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations as they fall due.

There has been no change in the year to the Company's exposure to credit risk or the manner in which it manages and measures the risk.

The Company holds no significant credit risk.

Interest rate risk

The Company is not exposed to any interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet current and future financial commitments as they fall due.

The Company's liquidity policy is to maintain sufficient liquid resources to cover cashflow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Company and to enable the Company to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets.

It is Company's policy to ensure that sufficient liquid assets are at all times available to meet the Company's obligations using the resources of its parent company, LBS where a mismatch in liquidity arises.

The Company is not exposed to liquidity risk.

3. INVESTMENTS

	31 December 2013	31 December 2012
	£	£
Investments	40	40

LEEDS COVERED BONDS DESIGNATED MEMBER (NO.2) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Period ended 31 December 2013

The investment relates to a 40% share in the LLP. The Company does not have either control, or significant influence over this investment, and thus consolidated accounts have not been prepared. LBS, an entity registered with the Financial Conduct Authority, has control of the investment on the basis that it holds the power to govern the financial and operating policies of the LLP, and so obtain benefit from its activities.

The LLP's aggregate amount of capital and reserves as at 31 December 2013 was £672,000 (2012: £332,000). A gain of £340,000 (2012: loss of £888,000) was made by the LLP in the year ended 31 December 2013.

4. CURRENT ASSETS

	31 December 2013 £	31 December 2012 £
Cash and cash equivalents	60	60

5. CALLED UP SHARE CAPITAL

	Authorised No.	Allotted, called up and fully paid No.	£
At 31 December 2013			
Ordinary shares of £1 each	100	100	100

6. TRANSACTIONS WITH RELATED PARTIES

Structured Finance Management Limited provides corporate services, including provision of the directors, pursuant to a corporate services agreement with the Company. Structured Finance Management Limited were paid £6,632 (2012:£8,101) for services provided in the year. These fees are paid on behalf of the Company by the Leeds Building Society Covered Bonds LLP.

LBS agreed to settle the tax liabilities of the Company as and when they fall due. In 2013 LBS paid £nil (2012: £11,638)

7. PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The Company's immediate parent undertaking is Leeds Covered Bonds Holdings Limited, a limited company incorporated in the United Kingdom and registered in England and Wales. The shares of Leeds Covered Bonds Holdings Limited are held by SFM Corporate Services Limited on discretionary trust basis for benefit of certain charities.

Copies of the financial statements of SFM Corporate Services Limited may be obtained from the Company Secretary at 35 Great St. Helen's, London EC3A 6AP.

The Company's ultimate controlling party under IFRS is LBS, the latter has the power to govern the financial and operating policies of the Company, and so obtain benefit from the Company's activities.