

Leeds Building Society Covered Bonds Limited Liability Partnership

Registered Number: OC340174

Members' Report and Financial Statements

Year ended 31 December 2024

Corporate information

Registered Office

26 Sovereign Street
Leeds
LS1 4BJ

Auditor

Ernst & Young LLP
12 Wellington Place
Leeds
LS1 4AP

Banker

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Legal Advisor

Allen & Overy LLP
1 Bishops Square
London
E1 6AD

Members' Report

The Members present their Annual Report on the affairs of Leeds Building Society Covered Bonds Limited Liability Partnership (the LLP), together with the audited Financial Statements for the year ended 31 December 2024.

Principal activities

The LLP has been set up as a special purpose vehicle to raise finance for Leeds Building Society (the Society), a mutual building society authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority (FCA). Its principal activity is to acquire, inter alia, loans and their related security from the Society pursuant to the terms of the Mortgage Sale Agreement and to guarantee certain payments in respect of the covered bonds. The LLP will legally hold the portfolio and the other charged property in accordance with the terms of the transaction documents.

Results

The profit for the year after taxation amounted to £233,000 (2023: profit of £980,000). This is mainly attributable to the accounting policies adopted for derivative financial instruments which require fair value gains and foreign exchange gains/(losses) to be recognised in the Income Statement. The impact on the Statement of Comprehensive Income that was attributable to fair value movements in derivatives was a gain of £892,000 (2023: gain of £1,423,000). In addition, there was a foreign exchange loss for the financial year of (£660,000) (2023: (£443,000) loss).

Key performance indicators

The LLP is used as a secured funding vehicle, and as such its key performance indicators have been designed to aid the Society in its role as mortgage administrator. These are:

- **Asset Coverage Test.** This test is performed to ensure that the value of mortgage loans held in the portfolio is at least equal to the Sterling equivalent of the aggregate principal amount of the outstanding covered bonds. The percentage calculated shows the excess of mortgages (after stresses applied) above the value of the covered bonds. At 31 December 2024 the scheme's asset coverage percentage was 83.0% (2023: 83.0%).
- **Arrears profile.** The arrears profile calculates the number of months that a mortgage loan has been in arrears. See note 14 of the Financial Statements for the arrears profile analysis for the LLP at 31 December 2024 and 31 December 2023.

Going concern

The LLP's business activities, together with the factors likely to affect its future development, performance and position are set out below. The financial position of the LLP, its cash flows, liquidity position and borrowing facilities are set out in the Financial Statements.

In addition, details of the LLP's financial risk management objectives, its financial instruments and hedging activities; and its exposures to credit, operational, liquidity risk and other risks are set out in notes 14 to 17 to the Financial Statements. The LLP's objectives, policies and processes for managing its capital are described in note 15 to the Financial Statements.

The Members have considered in detail the LLP's forecast performance and liquidity requirements, as well as its regulatory capital and liquidity resources. On this basis, the Members have a reasonable expectation that the LLP has sufficient funding and liquidity facilities to continue in operational existence for the foreseeable future.

Whilst the LLP is currently in a net liability position, this is not considered to have a significant impact on the going concern assumption, due to the continued support from the Society and the level of gross over-collateralisation of the beneficial interest in mortgages. The LLP has sufficient liquid resources available to meet its obligations as they fall due. This is supported by the LLP's total asset position which exceeds the amount payable to noteholders as at the year end.

The activities of the LLP are dependent upon the future funding strategies within the Society and there are no plans to terminate the operations of the LLP within at least the next year. After reviewing the above factors, the Members are satisfied that there are no material uncertainties that may cast significant doubt over the LLP's ability to continue as a going concern for a period of at least twelve months and have, therefore, continued to adopt the going concern basis in preparing these Financial Statements.

Members' Report (continued)

Members

The Members during the year and to the date of this Annual Report were:

Leeds Building Society

Leeds Covered Bonds Designated Member (No.1) Limited

Leeds Covered Bonds Designated Member (No.2) Limited

Members' interest

The allocation of profits or losses to, and the acceptance/repayment of capital contributions from/to Members have been legally formalised. Members are entitled to the sum of £3,000 (or such other sum as may be agreed by the Members from time to time) in aggregate, to be allocated and paid to each member in proportion to their respective Capital Contribution Balances subject to a minimum of £1 per annum each, as their profit for their respective interests as member of the LLP. Where a loss is made this is borne by the Society.

Risk management

Risk management within the LLP is undertaken by the Society, primarily by its Assets and Liabilities Committee (ALCO), which reports into the Board Risk Committee (BRC). ALCO oversees the treasury strategy and operations and ensures that these are conducted within the framework of control set out in the Society's board approved Wholesale Credit Risk Policy (WCRP). The main duties of ALCO include monitoring the LLP's exposure to funding and liquidity risks, market risk, and wholesale counterparty credit risk, in addition to approving any proposed additions to the underlying pool of mortgages.

Credit risk

The LLP is exposed to the potential risk that a customer will not be able to meet its obligations to the LLP as they fall due. This risk is mitigated by the mortgage underwriting process at the inception of mortgage loans by the Society and is actively monitored.

Market risk

Market risk is the risk that the value or cash flows of a financial instrument will fluctuate due to movement in market factors. Market risk within the LLP mainly comprises interest rate risk and currency risk. The market risk is minimised by the use of loans and deposits with the Society as well as the use of appropriate hedging instruments.

Liquidity risk

Liquidity risk is the risk that the LLP will be unable to meet current and future financial commitments as they fall due. The risk is managed by a dedicated structured funding team using the facilities available to them within the covered bond structure, such as the use of extra liquidity held in the Reserve Ledger and credit enhancement sustained in the programme.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational loss can result from fraud, errors by employees of the Society, failure to comply with regulatory requirements, equipment failures or natural disasters. Conduct risk is a sub-set of operational risk and is considered to be the risk that actual or potential customer detriment arises, or may arise, from the way the Society and its subsidiaries conduct their business. The Society ensures independent assessment of conduct risk through a dedicated Conduct Oversight function, and committee. These risks are managed as an integral part of the operations of each of the Society's business units.

The LLP and the Society have continued to operate effectively throughout the current uncertain economic environment. The mortgages and structure in place continue to operate in the current environment. Liquidity coverage in the Society remains above the regulatory minimum and the financial position of the Society is strong. There is currently no significant impact of the current economic uncertainty on the cash flow to the LLP.

Disclosure of information to external auditor

The Members who held office at the date of approval of the Members' Report confirm that:

- so far as they are each aware, there is no relevant audit information of which the LLP's auditor is unaware.

Members' Report (continued)

- the Members have taken all the steps that they ought to have taken as Members to make themselves aware of any relevant audit information (as defined) and to establish that the LLP's auditor is aware of that information.

External Auditor

Ernst & Young LLP were appointed as the LLPs external auditors for the year ended 31 December 2024 at the annual Members' meeting following the resignation of Deloitte LLP.

Having expressed their willingness to continue in office until the next annual Members' meeting, a resolution for the re-appointment of Ernst & Young LLP as auditors of the Partnership will be proposed at the forthcoming annual Members' meeting in accordance with the Companies Act 2006 as applied by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (as amended).

Oskari Tammenmaa

Per pro CSC Directors (No. 3) Limited

As Director

For and on behalf of

Leeds Covered Bonds Designated Member (No.1) Limited

As member

28 March 2025

Statement of Members' Responsibilities

The Members are responsible for preparing the Members' Report and the Financial Statements in accordance with applicable UK law and regulations.

The Limited Liability Partnerships (Accounts & Audit) (Application of Companies Act 2006) Regulations 2008 (as amended) require the Members to prepare Financial Statements for each financial year. Under that law the Members have elected to prepare the Financial Statements in accordance with UK adopted International Accounting Standards (UK IAS) in conformity with the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the Members 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 LLP and of the profit or loss of the LLP for that period.

In preparing the Financial Statements, the Members are required to:

- select appropriate accounting policies and apply them consistently.
- make judgements and estimates that are reasonable, relevant and reliable.
- 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 International Financial Reporting Standards (IFRS) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the LLP's financial position and financial performance.
- in respect of the Financial Statements, state whether UK IAS in conformity with the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the Members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its Financial Statements comply with those regulations.

They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

Oskari Tammenmaa

Per pro CSC Directors (No. 3) Limited

As Director

For and on behalf of

Leeds Covered Bonds Designated Member (No.1) Limited

As Member

28 March 2025

Independent auditor's report to the members of Leeds Building Society Covered Bond Limited Liability Partnership (the LLP)

Opinion

We have audited the Financial Statements of Leeds Building Society Covered Bonds LLP (the LLP) for the year ended 31 December 2024 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in members' interest, the statement of cashflows, and the related notes 1 to 19, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as applied to limited liability partnerships.

In our opinion the Financial Statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 December 2024 and of its profit for the year then ended.
- have been properly prepared in accordance with UK adopted international accounting standards.
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report below. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the LLP's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the members with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the limited liability partnership's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the Financial Statements and our auditor's report thereon. The members are responsible for the other information contained within the annual report.

Our opinion on the Financial Statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Leeds Building Society Covered Bond Limited Liability Partnership (the LLP) (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships 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
- we have not received all the information and explanations we require for our audit

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement, the members are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the members are responsible for assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to LLP and determined that the most significant are the Companies Act 2006 as applied to limited liability partnerships.
- We understood how the LLP is complying with those frameworks by reviewing relevant committee minutes, making enquiries of management, and those responsible for legal and compliance matters. In addition to reviewing the LLP's board minutes, we also performed a review of regulatory correspondence and reviewed minutes of the parent entity's board and Board Risk Committee meetings held which cover all subsidiaries; and gained an understanding of the LLP's approach to governance.
- We assessed the susceptibility of the LLP's Financial Statements to material misstatement, including how fraud might occur by considering the controls that the LLP has established to address risks identified by the LLP, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of legal counsel and executive management.

Independent auditor's report to the members of Leeds Building Society Covered Bond Limited Liability Partnership (the LLP) (continued)

- The LLP operates in a specialised financial services industry, as such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to Limited Liability Partnerships. Our audit work has been undertaken so that we might state to the 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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Steven Robb (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Leeds

28 March 2025

Statement of Comprehensive Income for the year ended 31 December

	Notes	2024 £000	2023 £000
Interest receivable and similar income*	3	883	16,425
Interest payable and similar charges	4	(772)	(16,322)
Net interest income		111	103
Administrative expenses	5	(110)	(103)
Fair value gains from financial instruments	7	892	1,423
Foreign exchange (losses)		(660)	(443)
Profit for financial year before Members' remuneration and profit share		233	980
Other comprehensive income		-	-
Total comprehensive income for the year		233	980

*Accounted for using effective interest rate method

All amounts relate to continuing operations.

The accompanying notes on pages 13 to 25 are an integral part of these Financial Statements.

Statement of Financial Position as at 31 December

	Notes	2024 £000	2023 £000
Assets			
Cash and cash equivalents	8	137,147	104,421
Loan to originator	9	1,966,979	1,935,788
Other receivables	11	75,000	110,002
Total assets		2,179,126	2,150,211
Liabilities			
Interest bearing loans and borrowings	12	2,100,000	2,033,541
Fair value adjustment for hedged risk	12	-	(7,738)
Derivative financial instruments	10	-	16,555
Other payables	13	81,067	110,027
Total liabilities		2,181,067	2,152,385
Net liabilities attributable to members		(1,941)	(2,174)
Retained earnings		(1,941)	(2,174)
Total liabilities and retained earnings		2,179,126	2,150,211

The accompanying notes on pages 13 to 25 are an integral part of these Financial Statements.

Loan to originator is payable to the Society, a Member of the Limited Liability Partnership.

The Financial Statements were approved by the Members and authorised for issuance on 28 March 2025 and signed on their behalf by:

Oskari Tammenmaa

Per pro CSC Directors (No. 3) Limited

As Director

For and on behalf of

Leeds Covered Bonds Designated Member (No.1) Limited

As Member

28 March 2025

Limited Liability Partnership Registration No. OC340174

**Statement of Changes in Members' Interest
for the year ended 31 December**

	2024	2023
	£000	£000
Total Members' interest as at 1 January	(2,174)	(3,154)
Total comprehensive income for the financial year	233	980
Total Members' interest as at 31 December	(1,941)	(2,174)

The accompanying notes on pages 13 to 25 are an integral part of these Financial Statements.

Statement of Cash Flows for the year ended 31 December

	Notes	2024 £000	2023 £000
Operating activities			
Profit for the year		233	980
Adjustments for:			
Non-cash and other items:			
Net (decrease)/increase in accrued interest on swaps		(964)	777
Cash generated from operations		(731)	1,757
Changes in operating assets and liabilities:			
Net (increase)/decrease in loan to originator	9	(31,191)	253,641
Net (increase) in derivative financial instruments	10	(15,591)	(3,837)
Net decrease/(increase) in other receivables		35,002	(10,000)
Net increase/(decrease) in interest bearing loans and borrowings	12	-	(9,447)
Net increase for fair value adjustment for hedged risk		7,738	11,864
Net (decrease) in other payables	13	(28,960)	(42,171)
Net cash (outflows)/inflows from operating activities		(33,733)	201,807
Net cash from investing activities		-	-
Cash flows from financing activities:			
Issuance of debt securities	12	500,000	-
Repayment of debt securities	12	(433,541)	(265,631)
Net cash from financing activities		66,459	(265,631)
Net increase/(decrease) in cash and cash equivalents		32,726	(63,824)
Cash and cash equivalents at the beginning of the year		104,421	168,245
Cash and cash equivalents at the end of the year	8	137,147	104,421

The accompanying notes on pages 13 to 25 are an integral part of these Financial Statements

Notes to the Financial Statements

1. Accounting policies

(a) General information

Leeds Building Society Covered Bonds LLP is a limited liability partnership, incorporated and domiciled in the UK and registered in England and Wales. The address of the registered office is 26 Sovereign Street, Leeds LS1 4BJ.

(b) Basis of preparation

The Financial Statements for the year ended 31 December 2024 have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. These accounts also comply with the relevant provisions of Part 15 of the Companies Act 2006.

The Financial Statements are also prepared in accordance with IFRS as adopted by the UK and are presented in sterling which is the LLP's functional and presentational currency and rounded to the nearest thousand.

The principal accounting policies adopted are described below and have been consistently applied from the prior year, unless otherwise stated.

The LLP prepares its Financial Statements under the historical cost convention, except where financial assets and liabilities are held at fair value through the Statement of Comprehensive Income. The Financial Statements have been prepared on the going concern basis as outlined in the Members' Report.

(c) Income recognition

Interest income and expense on all financial instruments is recognised in interest receivable or payable in the Income Statement. Interest income and expense is calculated using the effective interest rate method for financial assets and liabilities held at amortised cost.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Interest income and expense on financial assets and liabilities held at fair value through profit and loss (FVTPL) is recognised in line with the accrual of receipts or payments which are contractually due on the instrument.

(d) Taxation

Taxation on all partnership profits is solely the liability of Members. Consequently, neither taxation nor related deferred taxation is accounted for in the LLP's Financial Statements.

(e) Financial instruments

The LLP has classified its financial instruments with reference to both the LLP's business model for managing the instruments and the contractual cash flow characteristics of the instruments. The LLP's financial instruments have been classified into the following categories:

Financial assets

i) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash, amounts due from other banks and short-term investments in securities.

ii) Loan to originator

In accordance with IFRS 9 *Financial Instruments*, where a transfer of a financial asset by the transferor does not qualify for derecognition, the transferee does not recognise the transferred asset as its asset. Instead, the transferee recognises a receivable, from the transferor, and derecognises any cash or other consideration paid. The Society has transferred to the LLP various mortgage portfolios; however, it is considered inappropriate for these to be derecognised by the Society as the Society has retained significant risks and rewards of ownership of these financial assets. As a result, the LLP has not recognised the underlying mortgage assets on its Balance Sheet, instead the LLP has recognised a receivable in the form of a loan to the originator. The loan to the originator is based on the contractual amounts owed by customers.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

(e) Financial instruments (continued)

ii) Loan to originator (continued)

To manage the interest rate risk arising from the fixed rate nature of the underlying mortgage assets, the LLP has entered into an interest rate swap with the Society, whereby the LLP pays fixed rate interest based on the mortgage assets and receives a rate relating to SONIA. The loan to originator and swap commenced on the same date and relate to the same set of underlying cash flows. Even though the transactions are legally separate, this does not reflect the true economic substance. The deemed loan and swap are to be viewed as a single arrangement as there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not have been achieved as a single transaction (i.e., the same outcome could have been achieved through a single transaction).

The treatment adopted is to account for the interest rate swap within the deemed loan. The deemed loan meets the criteria of the IFRS 9 hold to collect business model and passes the SPPI test, therefore, it is accounted for at amortised cost. With regards to the swap, any accrued interest receivable/ (payable) is accounted for within the amount reported for the deemed loan.

In accordance with IFRS 9, the interest rate swap between LLP and the Society is accounted for at amortised cost as part of the amount reported for loan to originator and is not measured separately at fair value. This is because the amounts payable represent interest flows from the underlying mortgages which are not recognised by the LLP as per the above requirements of IFRS 9. Cash flows arising from the interest rate swap are accounted for on an accruals basis. Based on the terms of the interest rate swap agreement collateral is posted when required.

Also included in the loan to originator is deferred consideration. The contractual requirement to pay deferred consideration is accounted for at amortised cost. The level of deferred consideration depends on the extent to which surplus income generated by the underlying mortgages in which the LLP has a beneficial interest exceeds the administration costs of the scheme.

Deferred consideration is deducted from interest income as the LLP is not entitled to this excess consideration. Deferred consideration is any excess cash receipt from the underlying pool of mortgages, which is payable to the originator (the Society) as part of the original transfer agreement.

iii) Other receivables

Other receivables are held at amortised cost.

Financial liabilities

iv) Interest bearing loans and borrowings

Interest bearing loans and borrowings comprise a series of term advances from the Society, equivalent to the amounts raised by the Society under its covered bonds programme, held at amortised cost. It is the responsibility of the Society to record in its own Financial Statements the debt commitment arising from the issue of the covered bonds. However, in the event of default by the Society this obligation will transfer to the LLP. The term advance represents this obligation. Included within the term advance is the value of covered bond issuances that were released to external third parties.

v) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured monthly at their fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

vi) Other payables

Other payables are held at amortised cost. Finance costs are charged to the Statement of Comprehensive Income using the effective interest rate method.

Notes to the Financial Statements (continued)

1. Accounting policies (continued)

(f) Impairment of financial assets

The carrying amounts of the LLP's financial assets held at amortised cost are reviewed at the date of the Statement of Financial Position to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. In the event that there is an impairment, the carrying amount of the asset is reduced through a provision account and the amount of the loss is recognised in the Statement of Comprehensive Income.

Impairment loss provisions are calculated to cover future losses expected to emerge over a defined time period, dependent on the stage allocation of the individual asset, as set out below. This approach to impairment losses is known as the expected credit loss (ECL) basis.

- Stage 1 – assets are allocated to this stage on initial recognition and remain in this stage if there has not been a significant increase in credit risk since initial recognition. Impairment losses are recognised to cover 12 month ECL, being the proportion of lifetime ECL arising from default events expected within 12 months of the reporting date.
- Stage 2 – assets where it is determined that there has been a significant increase in credit risk since initial recognition, but where there is no objective evidence of impairment. Impairment losses are recognised to cover lifetime ECL.
- Stage 3 – assets where there is objective evidence of impairment, i.e. they are considered to be in default or in the cure period following default. Impairment losses are recognised to cover lifetime ECL.

Financial assets continue to be recognised, net of impairment loss provisions, until there is no reasonable prospect of recovery. If a loss is ultimately realised, it is written off against the provision previously made.

(g) Foreign currency

Assets and liabilities denominated in foreign currencies are translated into sterling at the relevant rates of exchange prevailing at the date of the Statement of Financial Position. Any exchange rate differences are recorded in the Statement of Comprehensive Income as they arise.

(h) Related party transactions

The Society, the LLP's controlling undertaking, is registered in England and Wales. The administration, operations, accounting and financial reporting functions of the LLP are performed by the Society. Related party transactions with Group undertakings are detailed in the relevant notes.

2. Critical accounting estimates and judgements

Critical accounting judgement

Loan to originator

As described in note 1, judgement is required in assessing whether risks or rewards of ownership of the mortgage portfolio have been transferred by the Society to the LLP.

The loan to originator asset is subject to annual impairment assessment and the ECL on the underlying mortgage portfolio is calculated by the Society using models and management judgements which incorporate both quantitative and qualitative factors such as historical experience on loan performance, risk evaluation at the point of origination and forecast of future economic scenarios. Any impairment on the underlying mortgage portfolio itself does not necessarily result in impairment of the loan to originator, due to the level of gross over-collateralisation of the beneficial interest in mortgages as any losses incurred would be deducted from deferred consideration payable to the Society. The loan to originator is treated as a single financial instrument and is considered to be in stage 1, and the impairment provision recognised as 12 month 'Stage 1' ECL has been determined to be immaterial as at 31 December 2024.

Financial assets are considered to be in default and are allocated to Stage 3 if contractual payments are more than 90 days past due or if the borrower is subject to certain forbearance activities or has been identified as bankrupt and is in arrears by more than a nominal amount. The Society is required to buy back all defaulting mortgages once they reach three months in arrears. As a result, the LLP does not suffer a loss on the buy back as it receives all outstanding amounts, including the accrued arrears.

Notes to the Financial Statements (continued)

3. Interest receivable and similar income

	2024 £000	2023 £000
Interest (payable)/receivable on loan to originator, net of deferred consideration	(5,579)	10,816
Interest receivable on cash deposits	6,462	5,609
	883	16,425

As described in note 1, deferred consideration is deducted from interest income as the LLP is not entitled to this excess consideration.

4. Interest payable and similar charges

	2024 £000	2023 £000
Interest payable on loans and borrowings	111,318	137,710
Interest (receivable) on derivative financial instruments	(110,546)	(121,388)
	772	16,322

5. Administrative expenses

	2024 £000	2023 £000
Management Fees	110	103

The audit fee for the current year has been paid on the LLP's behalf by its UK controlling undertaking, the Society, in accordance with the Society policy, for which a recharge has not been made. The audit fee for the current year (excluding VAT) is £26,000 (2023: £15,971).

6. Members' emoluments

The Designated Members in total received £1,200 and the Society received £1,200 in respect of qualifying services during the year to 31 December 2024 (2023: £1,200 and £1,200 respectively). The LLP has no employees (2023: none).

7. Fair value gains from financial instruments

	2024 £000	2023 £000
Derivatives designated in fair value hedge relationships	7,698	11,895
Fair value adjustment for hedged risk of hedged items	(7,738)	(11,864)
Derivatives not designated in fair value hedge relationships	932	1,392
	892	1,423

Notes to the Financial Statements (continued)

8. Cash and cash equivalents

	2024 £000	2023 £000
Deposits with other banks	137,147	104,421

Included in the amount reported for cash and cash equivalents is £6,040,000 (31 December 2023: £77) of cash collateral received from the Society in relation to the intercompany interest rate swap between LLP and the Society.

9. Loan to originator

Loan to originator represents a receivable from the Society, generated as a result of the transferred beneficial interest in the mortgage portfolio. The loan to originator is due in over one year.

	2024 £000	2023 £000
Loan to originator	1,966,979	1,935,788

As outlined in Note 1, the loan to originator is held at amortised cost and is reviewed for impairment at each reporting date.

Any impairment on the underlying mortgage portfolio does not itself result in impairment of the loan to originator, due to the level of gross over-collateralisation of the beneficial interest in mortgages, as any losses incurred would be deducted from deferred consideration payable to the Society. Losses on the underlying mortgage portfolio would have to be greater than the excess revenue recognised for an impairment provision to be recognised. Therefore, the impairment provision recognised as 12 month 'Stage 1' ECL has been determined to be immaterial as at 31 December 2024.

10. Derivative financial instruments

	2024 £000	2023 £000
Derivatives designated in fair value hedges:		
Interest rate swaps	-	(11,150)
Derivatives not designated in fair value hedge relationships:		
Cross currency swaps	-	(5,405)
	-	(16,555)

Following the maturity of the series 10 covered bond debt issuance, the corresponding swap also matured. See note 12 for full maturity analysis.

Notes to the Financial Statements (continued)

11. Other receivables

	2024 £000	2023 £000
Other receivables	75,000	110,002

Included in the amount reported for other receivables is £75,000,000 (31 December 2023: £110,000,000) of collateral assets that have been pledged by the Society in relation to the intercompany interest rate swap with the LLP.

12. Interest bearing loans and borrowings and fair value adjustments for hedged risk

Interest bearing loans and borrowings comprise a series of term advances from the Society, equivalent to the amounts raised by the Society under its Covered Bonds Programme. Each term advance bears interest at a rate equal to the rate of interest payable on the corresponding series of covered bonds.

The Society will not be relying on repayment of the term advance (in part, or in full) or the interest thereon to meet its interest and repayment obligations under the covered bonds.

The covered bonds are unconditionally guaranteed by the LLP. The term advances will not be repaid by the LLP until all amounts payable under the corresponding covered bond series have been repaid in their entirety. Any amounts owed by the LLP are subordinated to amounts owed by the LLP under the Priorities of Payment Guarantee.

Under this guarantee the LLP's obligations constitute direct obligations and are secured from time to time against the assets of the LLP and recourse against the LLP is limited to such assets. The principal asset of the LLP is its beneficial interest in the mortgage loans acquired from the Society. The LLP has also provided a guarantee as to payments of interest and principal under the Covered Bonds Programme Trust Deed, where amounts would otherwise be unpaid by the Society.

The LLP treats the above guarantee contract as a contingent liability until such time as it becomes probable that the LLP will be required to make a payment under the guarantee. There have been no such arrangements in force during the current or prior years.

The amounts due to the Society mature on the following dates:

Issue	Maturity Date	Currency of issue	Interest rate	Payment terms	2024 £000	2023 £000
Interest bearing loans and borrowings:						
10	3 July 2024	Euro	Fixed 0.5%	Annually in arrears	-	(433,541)
12	15 January 2025	Sterling	SONIA	3 months in arrears	(600,000)	(600,000)
13	17 May 2027	Sterling	SONIA	3 months in arrears	(500,000)	(500,000)
14	15 September 2026	Sterling	SONIA	3 months in arrears	(500,000)	(500,000)
15	4 April 2029	Sterling	SONIA	3 months in arrears	(500,000)	-
					(2,100,000)	(2,033,541)
Fair value adjustment for hedged risk:						
10	3 July 2024				-	7,738
					-	7,738

Covered bond issue 15 was transacted on 4 April 2024 and consisted of a £500m issuance of floating rate notes.

Notes to the Financial Statements (continued)

12. Interest bearing loans and borrowings and fair value adjustments for hedged risk (continued)

For the purposes of the Statement of Cash Flows, interest bearing loans and borrowings are classified as liabilities arising from financing activities, and no other items within the Statement of Financial Position are classified as such. The table below provides a reconciliation of movements in interest bearing loans and borrowings:

	2024 £000	2023 £000
At 1 January	2,033,541	2,308,619
Cash flows:		
Net proceeds from issue of debt securities	500,000	-
Repayments of debt securities in issue	(433,541)	(265,631)
Movement in accrued interest	-	2
Non cash flows:		
Foreign exchange movements	-	(9,449)
At 31 December	2,100,000	2,033,541

13. Other payables

	2024 £000	2023 £000
Amounts owed to credit institutions	81,067	110,027

Included in the amount reported for amounts owed to credit institutions is £75,000,000 of amounts payable to the Society associated with collateral that will be payable in relation to the intercompany interest rate swap.

Notes to the Financial Statements (continued)

14. Risk management policy and control framework

Gross contractual cash flows

The following table shows the gross contractual cash flows of the LLP's financial liabilities:

	Not more than 1 year £000	More than 1 year but less than 5 years £000	Total £000
31 December 2024			
Interest bearing loans and borrowings	667,220	1,636,602	2,303,822
Other payables	81,067	-	81,067
	748,287	1,636,602	2,384,889
31 December 2023			
Interest bearing loans and borrowings	490,411	1,678,760	2,169,171
Other payables	110,027	-	110,027
	600,438	1,678,760	2,279,198

Maturity profile of financial instruments

The table below analyses the LLP's assets and liabilities into relevant maturity groupings based on the remaining period between the Statement of Financial Position and the contractual maturity date.

	Not more than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Total £000
31 December 2024				
Assets				
Cash and cash equivalents	137,147	-	-	137,147
Loan to originator	-	-	1,966,979	1,966,979
Other receivables	75,000	-	-	75,000
Total assets	212,147	-	1,966,979	2,179,126
Liabilities				
Interest bearing loans and borrowings	600,000	1,500,000	-	2,100,000
Fair value adjustment for hedged risk	-	-	-	-
Derivative financial instruments	-	-	-	-
Other payables	81,067	-	-	81,067
Total liabilities	681,067	1,500,000	-	2,181,067

Notes to the Financial Statements (continued)

14. Risk management policy and control framework (continued)

	Not more than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Total £000
31 December 2023				
Assets				
Cash and cash equivalents	104,421	-	-	104,421
Loan to originator	-	-	1,935,788	1,935,788
Other receivables	110,002	-	-	110,002
Total assets	214,423	-	1,935,788	2,150,211
Liabilities				
Interest bearing loans and borrowings	433,541	1,600,000	-	2,033,541
Fair value adjustment for hedged risk	(7,738)	-	-	(7,738)
Derivative financial instruments	16,555	-	-	16,555
Other payables	110,027	-	-	110,027
Total liabilities	555,385	1,600,000	-	2,152,385

Credit risk

Credit risk arises because of the risk of factors such as deterioration in the individual investee's financial health and uncertainty within the wholesale market generally. For the reasons outlined above the exposure to loss as a result of credit risk is kept to a minimum; however, the LLP is exposed to credit risk via its loan to originator which is collateralised on the LLP's beneficial interest in the covered bond mortgage portfolio. When the loans in the portfolio do not provide sufficient funds to cover the investment made by the LLP, it has no superior claim on the assets of the Society.

The LLP's maximum exposure to credit risk is equal to the value in its investment in the mortgage portfolio of £3.2 billion (2023: £3.0 billion) and £137.1 million (2023: £104.5 million) in relation to cash amounts deposited with Barclays.

It is the responsibility of the Society's Credit Committee to formulate and monitor policy pertaining to asset quality and credit risk, with ultimate challenge and oversight resting with the Society board. The Society is firmly committed to the management of this risk at all stages of the lending cycle. The Society monitors closely customer affordability and loan to value multiples at the application stage. It employs appropriate underwriting and fraud detection techniques to minimise losses once loans have been approved, and it also takes a proactive approach to the control of bad and doubtful debtors which is managed by a specialist team dedicated solely to the collections and recovery process. The Society continues to invest in developing and enhancing its arrears management strategies to minimise credit risk whilst ensuring that customers are treated fairly. The total value of loans that have had their terms restructured in 2024 is £6.5 million (2023: £5.1 million).

Credit risk for residential mortgages is managed by the Society and impairment provisions are calculated under IFRS 9. It requires an impairment provision to be recognised on origination of a financial asset, based on its anticipated credit loss. The LLP recognises the expected credit loss on the loan to originator when it is estimated that it will not be in a position to receive all payments due. The expected credit loss is the difference between contractual cash flows and the cash flows the LLP expects to receive discounted at the effective interest rate of the loan to originator. Any impairment on the underlying mortgage portfolio itself does not result in impairment of the loan to originator, due to the level of gross over-collateralisation of the beneficial interest in mortgages as any losses incurred would be

Notes to the Financial Statements (continued)

14. Risk management policy and control framework (continued)

deducted from deferred consideration payable to the Society. Therefore, the impairment provision recognised as 12 month 'Stage 1' ECL has been determined to be immaterial as at 31 December 2024.

The table below shows the arrears profile of the mortgage portfolio:

	2024 £000	2024 %	2023 £000	2023 %
Not past due	3,212,860	99.1	2,944,666	99.0
>0 <=1 month arrears	20,058	0.6	21,173	0.7
>1 <=2 months arrears	6,322	0.2	5,189	0.2
>2 <=3 months arrears	2,350	0.1	3,042	0.1
>3 months arrears	-	-	-	-
Total	3,241,590	100.0	2,974,070	100.0

General UK economic factors, such as unemployment and problems in the housing market have an impact on credit risk, and these factors may affect some areas of the UK more than others (concentration risk). The mortgage portfolio's exposure to concentration risk is outlined in the table below:

	2024 £000	2024 %	2023 £000	2023 %
East Anglia	333,786	10.3	289,118	9.7
East Midlands	270,018	8.3	238,520	8.0
London	354,668	10.9	325,617	10.9
North	166,008	5.1	153,946	5.2
North West	376,423	11.6	345,322	11.6
Northern Ireland	37,472	1.2	45,030	1.5
South East	477,683	14.8	431,484	14.6
South West	325,264	10.0	300,869	10.1
Scotland	63,958	2.0	76,175	2.6
Wales	155,680	4.8	141,578	4.8
West Midlands	306,524	9.5	277,907	9.3
Yorkshire	374,106	11.5	348,504	11.7
Total	3,241,590	100.0	2,974,070	100.0

15. Capital management and financial resources

Capital held by the LLP is managed centrally as part of the Society. Capital is managed by way of processes set up at inception of the LLP and subsequently there is no active process for managing its own capital. The LLP is designed to hold minimum reserves once all amounts due have been received and amounts owing have been paid. The LLP's capital is not externally regulated. Risks such as interest rate risk and foreign exchange rate risk have an impact on the LLP's capital. As discussed in the Members' Report these are managed by the Society.

Notes to the Financial Statements (continued)

16. Financial instruments

The financial instruments of the LLP comprise a loan to originator, derivative financial instruments, cash and cash equivalents, interest bearing loans and borrowings, other receivables and other payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Society.

The following table summarises the classification of the carrying value of the LLP's financial assets and liabilities:

	Amortised cost £000	Fair value through profit and loss £000	Total £000
2024			
Assets			
Cash and cash equivalents	137,147	-	137,147
Loan to originator	1,966,979	-	1,966,979
Other receivables	75,000	-	75,000
Total assets	2,179,126	-	2,179,126
Liabilities			
Interest bearing loans and borrowings	2,100,000	-	2,100,000
Fair value adjustment for hedged risk	-	-	-
Derivative financial instruments	-	-	-
Other payables	81,067	-	81,067
Total liabilities	2,181,067	-	2,181,067
	Amortised cost £000	Fair value through profit and loss £000	Total £000
2023			
Assets			
Cash and cash equivalents	104,421	-	104,421
Loan to originator	1,935,788	-	1,935,788
Other receivables	110,002	-	110,002
Total assets	2,150,211	-	2,150,211
Liabilities			
Interest bearing loans and borrowings	2,033,541	-	2,033,541
Fair value adjustment for hedged risk	-	(7,738)	(7,738)
Derivative financial instruments	-	16,555	16,555
Other payables	110,027	-	110,027
Total liabilities	2,143,568	8,817	2,152,385

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

Book value and fair values

A comparison of the LLP's financial instruments' book value and fair value has been provided below. Fair values have been determined using external market prices where available. When this data is not available internal pricing models have been used.

		Fair value hierarchy level	Carrying value 2024 £000	Fair value 2024 £000	Carrying value 2023 £000	Fair value 2023 £000
Assets						
Cash and cash equivalents	ii.	Level 1	137,147	137,147	104,421	104,421
Loan to originator	i.	Level 3	1,966,979	1,947,530	1,935,788	1,858,462
Other receivables	ii.	Level 1	75,000	75,000	110,002	110,002
			2,179,126	2,159,677	2,150,211	2,072,885
Liabilities						
Interest bearing loans and borrowings	iv.	Level 1	2,100,000	2,119,851	2,033,541	2,105,768
Fair value adjustment for hedged risk	v.	Level 2	-	-	(7,738)	(7,738)
Derivative financial instruments	iii.	Level 2	-	-	16,555	16,555
Other payables	ii.	Level 1	81,067	81,067	110,027	110,027
			2,181,067	2,200,918	2,152,385	2,224,612

- i. Loan to originator is recognised at amortised cost. The fair value is calculated on the discounted cash flow basis, which also includes an assessment of future credit loss where appropriate.
- ii. Other receivables, cash and cash equivalents and other payables are recognised at amortised cost. This is considered to be a close approximation to fair value for these short-term instruments.
- iii. All derivatives are held for economic hedging purposes and are measured at fair value through profit and loss. The fair value of derivative financial instruments is calculated via a discounted cash flow valuation model and checked against counterparty valuations.
- iv. The fair value of interest bearing loans and borrowings has been calculated by reference to the price of the term advances from the Society which represent the covered bonds issued, which are listed on the London Stock Exchange.
- v. The fair value adjustment for hedged risk is calculated using a discounted cash flow valuation model and held at fair value through profit and loss.

Fair value hierarchy

Level 1: Relates to financial instruments where quoted prices (unadjusted) in active markets can be found for identical assets or liabilities.

Level 2: Valuation techniques are used to value these instruments for which significant inputs are taken from observable market data for the asset and liability, either directly (for example as price) or indirectly (for example derived prices) other than quoted prices included in Level 1. These include valuation models used to calculate the present values of expected future cash flows, using curves from published market sources and are employed when no active market exists or when no quoted prices for similar instruments can be obtained. Level 2 instruments comprise derivative financial instruments where values are derived from internal calculations.

Notes to the Financial Statements (continued)

16. Financial instruments (continued)

Level 3: The valuation of the asset or liability is not based on observable market data (unobservable inputs). Valuation techniques include net present value and discounted cash flow methods. The assumptions used in such models may include risk-free benchmark interest rates, foreign currency exchange rates, equity index prices and expected price volatilities. The objective of the valuation techniques is to determine a fair value that reflects the price of the financial instrument that would have been used by two counterparties in an arms-length transaction.

17. Members and capital reserves

The average number of Members during the year was three (2023: three). Profit share is based upon Members' capital contribution balances.

18. Ultimate controlling party and transactions with related parties

The LLP considers the Society to be its ultimate controlling party, as it has the power to govern its financial and operating policies and so obtain benefit from its activities. The Society is a building society authorised by the PRA and regulated by the FCA and PRA. Copies of the Society's Annual Report and Accounts are available from Leeds Building Society registered office at 26 Sovereign Street, Leeds, LS1 4BJ.

The largest and smallest Group in which the results of the LLP are consolidated is that headed by the Society. The LLP has provided a loan to the Society (see note 9).

The Society has pledged £75,000,000 (31 December 2023: £110,000,000) of assets and £6,040,000 (31 December 2023: £77) of cash as collateral with LLP in relation to the intercompany interest rate swap. See notes 8 and 11.

CSC Management (UK) Limited (formerly Intertrust Management Limited) provides corporate administration services pursuant to a corporate services agreement with the LLP. CSC Management (UK) Limited was paid £4,973 in 2024 (2023: £4,973) for services provided in the year. These fees are paid on behalf of the LLP by the Society.

19. Subsequent events

There have been no subsequent events between 31 December 2024 and the date of approval of these Financial Statements by the Members which would have had a material impact on the financial position of the LLP.